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Transcript Exhibit(s)

Docket #(s): WS-01303A-02-0867

WS-01303A-02-0868

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W-01303A-02-0908

Ms. Teena Wolfe
Administrative Law Judge
ACC – HEARING DIVISION
1200 West Washington, 1st Floor
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED
JAN - 9 2004

DOCKETED BY	

Case: Arizona-American Water Co.
Number: WS-01303A-02-0867, etc.
Dates: December 4, 5, 8 through 12, 22, and 23, 2003

Dear ALJ Wolfe:

With copy of this letter the original exhibits in this matter have been distributed, as follows:

Docket Control	A-1 through A-80, A-82 through A-102, and A-104
	H-1 and H-2
	RUCO-1 through RUCO-8, and RUCO-10 through RUCO-12
	S-1, S-2, S-4 through S-8, and S-11 through S-48
	SH-1
	Y-1 through Y-6
Returned to Applicant	A-81 and A-103
Returned to Staff	S-3, S-9 and S-10

Exhibits Nos. A-81, A-103, and S-3 are being returned to the Applicant and Staff, respectively, because they were withdrawn.

Exhibits Nos. S-9 and S-10 are being returned to Staff because they were not moved for admission on the record either inadvertently or by design.

We did not check out the Docket File.

Please let us know if you have any questions or if we may be of any further assistance.

Very truly yours,

Marta T. Hetzer
Administrator/Owner

Enclosure

Copy to: Arizona-American Water
AUIA
Docket Control
Frank Grimmelmann, Intervenor
RUCO
Staff
Sun City Taxpayers' Assoc.
Sun Health Corp.
Town of Youngtown

COPY FOR YOUR INFORMATION

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM WATER, AGUA FRIA WATER AND ANTHEM/AGUA FRIA WASTEWATER DISTRICTS.	**DOCKET NO. WS-01303A-02-0870**
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS TUBAC WATER DISTRICT.	**DOCKET NO. W-01303A-02-0908**

REJOINDER TESTIMONY OF

THOMAS M. ZEPP

EXHIBIT

A-50

Admitted

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I. INTRODUCTION, SUMMARY AND CONCLUSIONS

Q. PLEASE STATE YOUR NAME.

A. Thomas M. Zepp.

Q. DID YOU PREPARE DIRECT AND REBUTTAL TESTIMONY ON BEHALF OF ARIZONA-AMERICAN IN THIS CASE?

A. Yes.

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. Arizona-American Water Company ("Arizona-American" or "the Company") asked me to review and to respond where I thought it to be appropriate to the October 31, 2003 surrebuttal testimonies of Mr. Joel M. Reiker, Mr. William A. Rigsby and Ms. Marylee Diaz Cortez. I will generally use the same abbreviations and conventions as were used in my prior testimony.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. In this section of my testimony, I summarize my conclusions. In Section II, I respond to Mr. Rigsby and Ms. Diaz Cortez. In Section III, I respond to Mr. Reiker. I present concluding remarks in Section IV.

Q. DO YOU SPONSOR ANY TABLES AND EXHIBITS TO ACCOMPANY THIS REBUTTAL TESTIMONY?

A. Yes. I present 7 Rejoinder Tables and three exhibits in support of my responses to Mr. Reiker, Ms. Diaz Cortez and Mr. Rigsby.

A. Overview of key points.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. The two primary issues in this proceeding are the cost of equity of publicly-traded water utilities and the rate base that the Arizona Constitution requires to be used when setting rates. I provide rejoinder testimony to the rebuttal testimony submitted by RUCO and Mr. Reiker on these two issues. A third issue, the

magnitude of the adder to the cost of equity estimated for benchmark water utilities to compensate Arizona-American for its above-average leverage, is no longer an issue in that Mr. Rigsby has agreed to adopt the 50 basis point adder that was computed by Mr. Reiker and accepted by me.

1. Costs of equity are higher today than when Staff and RUCO prepared direct testimony.

Costs of equity are higher today than when Mr. Rigsby and Mr. Reiker prepared their equity cost estimates, but they have not increased their recommended returns on equity ("ROEs") for the less leveraged water utilities used in their sample groups. Mr. Rigsby has revised his position on the adder for the Company's financial risk but has not updated his equity cost estimates for benchmark water utilities. Mr. Reiker has updated his equity cost estimates, but has lowered his recommended ROE. Mr. Reiker's DCF equity cost estimates for water and gas utilities are the same or higher than when he prepared his direct testimony. See Rejoinder Table 7. Also, since the time Mr. Rigsby and Mr. Reiker filed their direct testimonies, the average of 5-year, 7-year and 10-year Treasury rates relied upon by Mr. Reiker to prepare his equity cost estimates has increased by 50 basis points and averages of beta estimates for both the gas and water utilities have increased. See Rejoinder Table 6 and Mr. Reiker's Schedules JMR-S7 and JMR-S15. Consensus forecasts of interest rates for 2004 reported by Blue Chip for intermediate-term Treasury rates have also increased. The only evidence Mr. Reiker provides in support of a lower ROE today than when he filed his direct testimony is an updated estimate of the current market risk premium.

. . .

. . .

. . .

2. Authorized, Realized and Forecasted ROEs provide useful indications of the benchmark cost of equity for water utilities.

Mr. Rigsby and Mr. Reiker deny the usefulness of my Rebuttal Table 1 in which I show authorized ROEs, earned ROEs and *Value Line* projections of ROEs. Mr. Meek provides similar data in his testimony. The U. S. Supreme Court has established three tests of a reasonable rate of return. One of those is that the return to the equity owner should be commensurate with returns for comparable risk companies. Contrary to claims by Mr. Rigsby and Mr. Reiker, Rebuttal Table 1 provides evidence about such comparable returns. Mr. Reiker claims such returns do not reflect the cost of equity because market-to-book ratios for the sample water utilities are above 1. He is wrong. Mr. Thornton of the ACC Staff and I have both provided long lists of reasons market-to-book ratios might be above 1.0 when a utility is earning no more than its cost of equity.

3. My restatements of Staff and RUCO DCF analyses are reasonable and more appropriate than their original estimates.

Mr. Rigsby and Mr. Reiker also disagree with my restatements of their DCF analyses. I have already addressed some of Mr. Rigsby's and Mr. Reiker's comments in my rebuttal testimony and respond to others in this rejoinder testimony. In particular, I respond to Mr. Reiker's contention that it is inappropriate to include the second stage of growth that I inserted in his multi-stage DCF model. Dr. Myron Gordon, an authority relied upon by Mr. Reiker, reviewed a similar DCF approach I presented in another proceeding where the growth issues were analogous to this one. I provide an exhibit filed in that case in which Dr. Gordon concludes the method I used to restate Mr. Reiker's model is appropriate.

4. Forecasted interest rates provide more relevant equity cost estimates than do current interest rates.

The goal is to determine interest rates and ultimately equity costs that are relevant for the period in which new tariffs for Arizona-American will be in place. Current interest rates do not provide that evidence. Either professional forecasts of interest rates or forward rates derived from current rates do. Available evidence indicates interest rates will be higher in the future than they are today and thus the use of current interest rates to determine equity costs produces a negative bias in relevant equity cost estimates.

B. Specific conclusions.

Q. WHAT ARE YOUR SPECIFIC CONCLUSIONS:

A. My specific conclusions are:

(1) Mr. Reiker, Mr. Rigsby and I all agree that 50 basis points should be added to the cost of equity found to be reasonable for less leverage water utilities to compensate Arizona-American for its above-average financial risk.

(2) I previously updated my equity cost estimates and found that Arizona-American's equity cost falls in a range of 10.5% to 11.7%. Appropriate restatements of Mr. Rigsby's equity cost estimates and Mr. Reiker's updated equity cost estimates indicate Arizona-American equity cost falls in a range of 10.3% to 11.4%. See Rejoinder Table 5.

II. RESPONSES TO RUCO

A. Mr. Rigsby agrees Arizona-American requires a 50 basis point adder to the cost of equity for benchmark water utilities to compensate the Company for added financial risk

Q. HAS MR. RIGSBY RECONSIDERED HIS POSITION ABOUT MAKING AN UPWARD ADJUSTMENT FOR ARIZONA-AMERICAN'S ABOVE-AVERAGE LEVERAGE?

A. Yes. At page 10, he reports that after reading Mr. Stephenson's testimony and Mr. Reiker's testimony he recognized that Arizona-American is more leveraged than his proxy group of water utilities. He now recommends adjusting upward his recommended ROE by 50 basis points to compensate the Company for its above average financial risk. He adjusts his initial recommended ROE from 9.11% to 9.61% to reflect this change.

B. <u>It is appropriate to restate Mr. Rigsby's DCF equity cost estimate with restated VS growth based on the smallest estimates of growth in the number of shares that he reports</u>

Q. DO YOU HAVE A RESPONSE TO MR. RIGSBY'S COMMENTS ABOUT YOUR RESTATEMENT OF HIS ESTIMATES OF VS GROWTH AT PAGE 11?

A. Yes. Mr. Rigsby suggests that my first restatement of his DCF equity cost estimate is based on my criticism of his approach when that was not the case. My first restatement is based on using actual data he reports for growth in the number of shares of common stock instead of his arbitrary assumptions about such growth. Rebuttal Table 12 reports the two sets of estimates of growth in the number of shares ("S" in VS growth) Mr. Rigsby said he relied upon. One set of estimates of S had an average of 5.71%. The other had an average of 2.81%. Mr. Rigsby, however, adopted an estimate for S of only 1.0%, less than one-half of the smallest estimate of S that he reported. My first restatement of his DCF analysis is based on using the smallest estimate of S growth of 2.81% instead of his arbitrary choice of 1%. That substitution increased his estimate of VS growth to 1.83%, and increased his equity cost estimate to 10.1%. Mr. Rigsby does not address the restatement I made. With the 50 basis point adder for leverage that Mr. Rigsby now agrees should be adopted, this restatement of Mr. Rigsby's equity cost for Arizona-American would be 10.6%.

C. <u>Response to Mr. Rigsby's comments about CAPM</u>

Q. IN RESPONDING TO YOUR RESTATEMENT OF HIS CAPM APPROACH, MR. RIGSBY SUGGESTS YOU ADOPTED THE ZERO-BETA CAPM TO MAKE THE RESTATEMENT. DID YOU?

A. No, I did not. I pointed out that empirical tests of CAPM support the zero-beta version of the CAPM and those tests also indicate the version of the CAPM he adopted will understate the cost of equity for low beta stocks and overstate the cost of equity for high beta stocks. In making my restatement of his CAPM approach, however, to be conservative, I relied upon long-term Treasury rates instead of higher zero-beta asset returns indicated by tests of the CAPM. Dr. Roger Morin, author of *Regulatory Finance: Utilities' Costs of Capital* (1994), and institutions such as Ibbotson Associates also use long-term Treasury rates to implement the CAPM. For example, see Table 7-11 of Ibbotson Associates, 2003 SBBI Valuation Edition. With the 50 basis point adder Mr. Rigsby now accepts for leverage, his restated CAPM estimate for Arizona-American is 10.3%.

Q. AT PAGE 13, MR. RIGSBY POINTS OUT YOU WROTE AN ARTICLE IN 1978 THAT DEFENDED THE USE OF CAPM IN RATE CASES. DO YOU HAVE ANY COMMENT ABOUT HIS TESTIMONY?

A. Yes. I wrote that article 25 years ago. The article primarily addressed technical issues with estimates of beta. And though Dr. Peseau and I endorsed consideration of CAPM as one of the methods to be used in regulatory jurisdictions, we stated, "it is not a panacea, nor can it be used in a vacuum." And, that "this is not to say that CAPM analysis supplants other keen financial judgment; it cannot." No finance model should be applied mechanically and without considering other indicators of what the model is intended to estimate.

D. **Responses to RUCO regarding the use of RCND rate base**

Q. **AT PAGE 14-16, MR. RIGSBY RESPONDS TO YOUR TESTIMONY ABOUT USING RCND AS THE RATE BASE. DO YOU HAVE A RESPONSE?**

A. Yes. Mr. Rigsby makes the obvious point that if the rate base has a bigger value, estimated revenue requirements would be higher than if it had a smaller value. RUCO, however, contends that the dollar return should not change if a FVRB is adopted. Mr. Rigsby does not, however, address the points I raise in my testimony.

Q. **PLEASE TURN TO MS. DIAZ CORTEZ' TESTIMONY ON THE RCND ISSUE. DOES RUCO AGREE ARIZONA LAW REQUIRES A FINDING OF FAIR VALUE AND THAT THE ACC SHOULD CONSIDER RCND IN RENDERING RATE DECISIONS?**

A. Yes. At page 2 of her testimony, she states that RUCO has no dispute regarding that issue. She states the issue is how the ROE is determined when RCND is considered in determining the fair value rate base ("FVRB").

Q. **SHOULD THE RATE OF RETURN BE SMALLER IF THE FVRB IS LARGER THAN OCRB AS SHE CONTENDS?**

A. No, it should not be. I explained in my direct testimony and rebuttal that if the ROE is adjusted, the consideration of the FVRB becomes a sham. The Arizona Constitution and decisions by courts in Arizona require a fair rate of return be applied to the FVRB. Ms. Diaz Cortez never addresses that critical point. Instead she recounts her interpretation of what the Commission did in the past and ignores what should be done to be in compliance with the Arizona Constitution and Arizona court cases. The example given in Ms. Diaz-Cortez's surrebuttal testimony, at page 4, clearly demonstrates that RUCO's revenue requirement is

based solely on the Company's original cost rate base, not on the current or fair value of the Company's utility plant.

Q. AT PAGE 5 AND 6, SHE RESPONDS TO YOUR COMMENT THAT THERE IS NO DOUBLE-COUNTING OF INFLATION. DOES HER RESPONSE ADDRESS THE TESTIMONY YOU PRESENTED?

A. No. Ms. Diaz Cortez confuses past inflation that has already occurred with the future expected inflation in the cost of money. She also fails to note that the past inflation that may have had an impact on authorized ROEs and may have partially determined ROEs earned in the past is not generally the same as the Handy Whitman factors used to determine RCND. Historical earnings are in the past and have nothing to do with earnings investors now require in the future.

E. <u>Response to Mr. Rigsby regarding his comparison of my testimony to Mr. Meeks' Testimony</u>

Q. AT PAGE 5, MR. RIGSBY STATES THAT BASED ON MR. MEEK'S TESTIMONY, YOUR TESTIMONY SHOULD BE DISREGARDED. IS YOUR TESTIMONY INCONSISTENT WITH MR. MEEK'S TESTIMONY?

A. No, it is not. I read Mr. Meek's testimony and found it dove-tailed nicely with mine. Testimony built upon an appropriate application of "textbook theories" (as Mr. Rigsby characterizes my approach) should not be inconsistent with a knowledgeable investor's observations about what it takes for Arizona-American to attract capital, to have financial integrity, and to earn a return comparable to other utilities of similar risk. I noted in my rebuttal testimony that Mr. Rigsby's equity cost estimation approaches are not an appropriate application of those "textbook theories." If they had been, his recommended ROE would not have seriously departed from the ROE Mr. Meek concludes is reasonable.

Q. AT PAGES 7-8, MR. RIGSBY SUGGESTS THAT RELIANCE ON PAST AUTHORIZED RATES OF RETURN IS A FORM OF 'COMPARABLE EARNINGS" AND THAT SUCH A METHOD WILL BE FLAWED WHEN INTEREST RATES DROP. DO YOU HAVE A RESPONSE?

A. Yes. First, his quotation on page 6 refers to the "conventional application of comparable earnings." Authorized ROEs are not ROEs being discussed by Kolbe, Read and Hall. They are talking about earned returns. Second, past authorized ROEs provide a very useful measure of the cost of equity. Regulatory commissions examine evidence provided by experts using many different types of market models and other evidence. They will consider evidence on costs of equity provided by application of discounted cash flow (DCF) models, capital asset pricing models (CAPM), risk premium approaches, evidence on the state of the economy and the level of interest rates <u>before</u> deciding what ROE to authorize. Given those commissions must consider the tests of capital attraction, financial integrity and returns being earned by comparable risk enterprises as well as the interests of customers of the utilities, on average, those authorized ROEs should provide a good indication of the cost of equity at the various points in time.

Mr. Rigsby is correct that such authorized ROEs would be too high if relevant interest rates have dropped a significant amount. But there is more to the story. First, equity costs drop more slowly than interest rates. The unrebutted evidence I provided in Table 22 of my direct testimony shows equity costs drop about half as fast as interest rates. Second, the interest rates of relevance when setting the cost of equity are not the extremely low rates that existed when RUCO and Staff filed direct testimony and are not the rates that exist today. The relevant interest rates are those rates that investors expect next year and in the years beyond when new tariffs will be in place. Those future interest rates are expected to be

higher than rates are today. Whether the analyst looks at forecasts of interest rates or looks at "forward rates" that are embedded in current market rates, the relevant interest rates for ratemaking purposes are much higher than either Mr. Rigsby or Mr. Reiker of the Staff adopt in their analyses. Relevant interest rates fall within the range of interest rates that existed when the authorized ROEs in Table 7 of my direct testimony and Rebuttal Table 1 were determined.

III. RESPONSES TO MR. REIKER

A. Restatements of Mr. Reiker's Updated Equity Costs

Q. MR. REIKER UPDATED HIS EQUITY COST ESTIMATES. DO YOU HAVE ANY COMMENTS ABOUT THE UPDATES?

A. Yes, I do. He has not corrected the flaws in the way he implements the DCF and CAPM approaches that I identified in my rebuttal testimony. As a result, I have restated his updated equity cost estimates with the new information he has provided in his updated schedules. I previously discussed the flaws I have identified at pages 34-41 and 42-50 of my rebuttal testimony.

Q. DISCUSS YOUR RESTATEMENTS OF HIS UPDATED DCF EQUITY COST ESTIMATES. DID YOU USE HIS DATA TO RESTATE HIS ESTIMATES?

A. Yes, I did. In making my updates of his DCF equity costs, I have used the data he provides in Schedules JMR-S3, JMR-S4, JMR-S6, JMR-S7 for his water utilities sample and the comparable schedules for the gas utilities sample. My restatements introduce no new data.

Q. HOW DO YOUR RESTATEMENTS OF HIS CONSTANT GROWTH DCF MODEL DIFFER FROM HIS ESTIMATES?

A. My restatements differ in only one way, the choice of growth rates. I use all of his sample companies and his estimates of dividend yields. My growth rates differ

because I have based the average growth rate on Mr. Reiker's estimates of projected and past EPS growth and projected and past intrinsic (sustainable) growth. I have explained at pages 42-47 of my rebuttal why both past and forecasted estimates of DPS growth should not be considered in a constant growth DCF model when investors know earnings have grown faster than dividends in the past and EPS is expected to grow faster than DPS in the future. I do not repeat that testimony again. Based on the data Mr. Reiker provided, the restated constant growth DCF equity cost estimates are

	D_1/P_0	Growth	Equity Cost
Water utilities sample	3.44%	6.13%	9.6%
Gas utilities sample	4.63%	5.85%	10.5%

Mr. Reiker reduces the gas utilities equity cost estimate by 70 basis points to find a proxy equity cost for the less leveraged water utilities; thus, his restated proxy estimate based on the gas utilities sample is 9.8% for the less leveraged water utilities. Mr. Reiker also recognizes Arizona-American is more leveraged and adds 50 basis points to all of his equity costs to recognized this added financial risk. Once this adder is included, the final restated equity costs made with the constant growth DCF model for Arizona-American are 10.1% and 10.3%.

Q. ARE THERE ANY SITUATIONS WHEN DPS GROWTH SHOULD BE RECOGNIZED WHEN COMPUTING DCF EQUITY COST ESTIMATES?

A. Yes. When earnings are expected to grow faster than dividends – as is the case for both water and gas utilities at this time – DPS growth should not be considered in the constant growth DCF model. If DPS growth is considered when EPS is growing faster than DPS, a multi-stage growth DCF model must be used. But if such a DCF model is used, the analyst must also base his/her equity cost estimate on growth in the second stage that reflects the higher potential intrinsic

(sustainable) growth that investors would expect as retention ratios increase over time.

Q. DID MR. REIKER CONSIDER SUCH A SECOND STAGE IN HIS MULTI-STAGE GROWTH DCF MODEL?

A. No, he did not.

Q. HAVE YOU RESTATED HIS UPDATED MULTI-STAGE GROWTH DCF EQUITY COST ESTIMATES WITH A MODEL THAT INCLUDES SUCH SECOND STAGE GROWTH?

A. Yes, I have. Rejoinder Tables 1 and 2 present those restatements for water and gas utilities, respectively. Rejoinder Tables 1 and 2 are comparable to my Rebuttal Tables 8 and 9, respectively. They differ only in that Rejoinder Tables 1 and 2 are based on restatements of Mr. Reiker's updates instead of estimates he presented in his direct testimony. I explain how I constructed those rebuttal tables at pages 47-50 of my rebuttal testimony.

Q. HAVE YOU USED ANY DATA IN YOUR RESTATEMENTS THAT WERE NOT REPORTED BY MR. REIKER?

A. No, I have not. If a forecasted growth rate was not available, I used the method Mr. Reiker used and adopted an average of available forecasts as a proxy for the missing forecast. Other than that, I have used only data that Mr. Reiker reports in his update to make the restatements in Rejoinder Tables 1 and 2.

Q. WHAT DID YOU FIND THE RESTATED MULTI-STAGE DCF EQUITY COSTS TO BE?

A. I found the restated equity costs for less leveraged water utilities to be 10.0% and 10.1%, after reducing the estimated equity cost for the gas utility proxy by the 70 basis points that Mr. Reiker now finds to be reasonable. Adding in the 50 basis points Mr. Reiker would add to compensate Arizona-American for its above-

average financial risk, the indicated cost of equity for Arizona-American falls in a range of 10.5% to 10.6%.

Q. HAVE YOU ALSO RESTATED MR. REIKER'S SCHEDULES JMR-S7 AND JMR-S15?

A. Yes, I have. Those restatements are presented in Rejoinder Tables 3 and 4. I have already discussed the DCF equity cost estimates presented in those tables. The CAPM restatements differ from Mr. Reiker's estimates in two ways. First, I used forecasts of long-term Treasury rates in the restatements instead of current averages of intermediate term Treasury rates. At the time I wrote my rebuttal, the best available average forecast of long-term Treasury rates for 2004-2005 was 5.6%. Forecasts now compiled by Blue Chip indicate an expected average long-term rate of 5.7% for the four quarters after the first quarter in 2004 and I adopt that value for the restatements.

The second difference is that I have used the same interest rate to compute the current market risk premium as is used to compute the risk-free rate. Mr. Reiker does not do that. He uses a different interest rate to estimate the current market risk premium than the risk free rate. For consistency, the same interest rate should be used for both. With that change, I find that Mr. Reiker's data indicate the current market risk premium is slightly lower than the long-term average at this point in time. Mr. Reiker's approach indicates the current market risk premium is higher than the long-term average premium. To be conservative, I have used a current market risk premium in my restatements that is lower than the long-term average.

Q. HAVE YOU PREPARED AN UPDATE OF YOUR REBUTTAL TABLE 14 THAT RECOGNIZES YOUR RESTATEMENTS OF MR. RIGSBY'S ESTIMATES AND MR. REIKER'S UPDATES?

A. Yes, I have. Rejoinder Table 5 replaces my Rebuttal Table 14. In Rejoinder Table 5, the restatements of Mr. Rigsby's equity cost estimates are unchanged from those I report in Rebuttal Table 14. Only the restatements of Mr. Reiker's analyses change to reflect his updated data. Rejoinder Table 5 shows reasonable restatements of Mr. Reiker's and Mr. Rigsby's equity cost estimates support a finding that Arizona-American's cost of equity falls in a range of 10.3% to 11.4% at this time.

B. <u>General Response to Mr. Reiker</u>

Q. DO YOU HAVE ANY GENERAL RESPONSES TO MR. REIKER'S SURREBUTTAL TESTIMONY?

A. Yes, I do. First, equity costs increase when betas increase and interest rates increase. Mr. Reiker reports betas for both samples of utilities have increased. Rejoinder Table 6 shows interest rates have increased as well. But even though betas have increased and Mr. Reiker's estimate of intermediate-term Treasury rates have increased by 30 basis points since he prepared his direct testimony, his recommended ROE has decreased by 70 basis points. This result has occurred because his estimate of the current market risk premium has dropped dramatically in a few months. Mr. Reiker's other equity cost estimates have increased or stayed the same.

Q. DO YOU HAVE ANY OTHER GENERAL OBSERVATIONS?

A. Yes. At page 4, he argues my Rebuttal Table 1 does not provide useful information for the Commission when it does. Rebuttal Table 1 provides information that Mr. Reiker does not want the Commission to know about. It is information that shows the companies in his water utilities sample have costs of equity that are higher than he has been telling the Commission will provide a fair ROE for a less leveraged water utility. It also shows that if one looks at either

ROEs earned by the water utilities in his "comparable risk" sample, ROEs that have been authorized, or ROEs being forecasted by Value Line, those utilities must have higher costs of equity than he is recommending.

Q. DO CHANGES IN INTEREST RATES JUSTIFY IGNORING THE DATA IN REBUTTAL TABLE 1?

A. No, they do not. For the year following the first quarter of 2004, analysts expect Baa rates to average 7.4%, rates higher than they have been in recent months. In my direct testimony, in Table 7, I reported this Commission found that ROEs in the range of 10.5% to 12.0% were reasonable when Baa rates fell in a range of 7.22% to 8.37% (Table 6). In my rebuttal testimony, in Rebuttal Table 7, I showed the average margin of equity cost determinations for Arizona utilities reported in Table 7 above Baa rates was 3.29%. With a 6.81% current Baa rate and 50 basis point premium for added financial risk, the indicated equity cost for Arizona-American is 10.6%, 160 basis points above the equity cost Mr. Reiker now recommends for Arizona-American. With the forecasted Baa rate, the indicated equity cost for the Company is 11.2%, 220 basis points higher than Mr. Reiker is recommending.

Q. IN SUPPORT OF HIS EXCEPTIONALLY LOW RECOMMEND ROE OF 8.5% FOR LESS LEVERAGED WATER UTILITIES, MR. REIKER AGAIN SUGGESTS THAT AUTHORIZED AND REALIZED ROES MUST BE TOO HIGH IF MARKET-TO-BOOK RATIOS EXCEED 1.5. DO YOU AGREE?

A. No. In my direct testimony at pages 29 to 32, I provided a list of 10 reasons why market-to-book ratios may be above 1.0 and utilities would not have excessive earnings. Mr. Reiker has had two opportunities – in his direct and in his surrebuttal – to respond to the specific points I made and has not. My testimony

stands unrebutted. In just a few months, interest rates are expected to be back up to the levels prevailing in 1997-2002 and are close to those levels today. Without his low interest rate argument and market-to-book argument, Mr. Reiker has no reasonable basis to claim previously authorized ROEs and previously earned ROEs are irrelevant to a determination of a fair rate of return.

Q. WHY ARE AUTHORIZED ROES USEFUL?

A. Regulatory commissions take evidence on the cost of equity. They examine results of DCF models, CAPM models, and risk premium models and consider other information that experts provide at hearings. Based on all of that information, they set authorized ROEs. I explained in my direct testimony, at page 38, that the FERC Staff adopted such state regulatory commission determinations of authorized ROEs to determine risk premium estimates of the cost of equity. Mr. Reiker is wrong when he says such useful information should be disregarded. In effect he is saying the Staff at the FERC is wrong and that regulatory commissions in other states are not authorizing (on average) ROEs that balance the interests of ratepayers and investors.

Q. IS THERE ANOTHER REASON THE EVIDENCE IN REBUTTAL TABLE 1 IS RELEVANT TO A DETERMINATION OF THE APPROPRIATE ROE OF ARIZONA-AMERICAN?

A. Yes. In the *Bluefield* decision, the U. S. Supreme Court found that a fair rate of return must pass three tests. Those tests are a capital attraction test, a financial integrity test and a comparable earnings test. Returns being authorized and earned by other water utilities of similar risk are such comparable returns and, as discussed above, the returns reported in Rebuttal Table 1 provide evidence about that comparable return. While Arizona-American is more risky than the average utility in Mr. Reiker's sample, those earned and authorized ROEs provide a useful

benchmark. An 8.5% ROE does not pass the U. S. Supreme Court's three tests of a fair rate of return.

C. Responses to Mr. Reiker's comments about my DCF equity cost estimates

Q. AT PAGE 5. MR. REIKER ADDRESSES THE ISSUE OF WHETHER IT IS APPROPRIATE TO INCLUDE CONNECTICUT WATER SERVICE IN A WATER UTILITIES SAMPLE USED TO DETERMINE EQUITY COSTS. DO YOU HAVE A RESPONSE?

A. Yes. First, I have not removed Connecticut Water Service from Mr. Reiker's sample when I restated his DCF equity cost estimates. Thus, I have not challenged his decision to include it, even though I think Connecticut Water Service should not be included. Second, Chart S1 is off point. Dividend yield alone does not tell us anything. The point is investors and analysts expect Connecticut Water Service to have below average future growth but are still willing to pay a relatively high price for the stock, which reduces the dividend yield in the DCF model.

Q. AT PAGE 6, MR. REIKER EXPLAINS THE BASIS FOR HIS 70 BASIS POINT DIFFERENTIAL BETWEEN GAS AND WATER UTILITY STOCKS. LOOKING AT THE SAMPLES OF UTILITIES YOU RELIED UPON TO ESTIMATE EQUITY COSTS, WOULD A DIFFERENTIAL AS LARGE AS 70 BASIS POINTS BE APPROPRIATE?

A. No. I have reviewed beta estimates as of October 31, 2003. I found the difference between average betas for my two samples has not changed from the values reported in Update Table 4, and thus the indicated equity cost differential based on difference in beta risk is 46 basis points, not 70 basis points. The 50 basis point equity cost differential between water and gas utilities I adopt in my analyses continues to be a conservative measure of the difference in required ROEs. In

restating Mr. Reiker's ROE estimates, however, I have used his overstated 70 basis point differential.

Q. AT PAGE 7, MR. REIKER RESPONDS TO YOUR CRITICISMS OF SPOT YIELDS TO MAKE EQUITY COST ESTIMATES PRESENTED IN REGULATORY JURISDICTIONS. DID HE ADDRESS ALL OF YOUR REBUTTAL COMMENTS?

A. No. Those reasons are listed at page 12 of my rebuttal testimony. I note, however, that I have used Mr. Reiker's spot prices in my restatements of his DCF equity cost estimates.

Q. AT PAGES 8-10, MR. REIKER PROVIDES ADDITIONAL COMMENTS ABOUT THE USE OF ANALYSTS' FORECASTS. DO YOU HAVE ANY FURTHER COMMENTS ON THIS ISSUE?

A. Yes. At page 10, he continues to speculate that *Value Line* forecasts are overly optimistic. I have three comments. First, the study I discuss at page 15 of my rebuttal testimony explains that the "overly optimistic" forecasts of ROEs was the result of everyone – investors as well as *Value Line* analysts – expecting inflation to be higher than it turned out to be. If investors and analysts make poor forecasts of inflation, however, the DCF model will still reflect the cost of money. In such a case, investors priced stocks to reflect nominal costs of money that were higher than – on hindsight – were required. But that is what occurs in an efficient market: The best available information is used to price shares of the stocks. Looking at the real returns removes the unavoidable problem with poor forecasts of inflation.

Second, I have attached as Exhibit TMZ-RJ-1, a letter from *Value Line's* Chairman & CEO to all subscribers dated June 29, 2001. It specifically addresses the conflict of interest issue Mr. Reiker suggests is a reason that ROE analysts should examine past data as well as forecasts. *Value Line* has a business interest in

providing the best available forecasts to its subscribers. It has no interest in providing forecasts to support the sale of any particular stocks. It is *Value Line's* business to look at the past and take the past into account when it forecasts the future. Certainly, at least with respect to *Value Line* forecasts, giving weight to past growth rates will double count the past.

Third, the financial press now reports that analysts' forecasts have recently been conservative for several reasons. See article attached Exhibit TMZ-RJ-3.

When forecasts are available, I give no weight to past growth rates precisely because it is logical to presume *Value Line* and other analysts have already incorporated such past data in their forecasts. Giving weight to the past will double count information already in current forecasts.

Q. AT PAGE 12, MR. REIKER SAYS IT IS MORE REASONABLE TO INTERPRET SLOW DPS GROWTH AS CONVEYING MANAGEMENT'S ASSESSMENT OF FUTURE EARNINGS PROSPECTS THAN TO RECOGNIZE IT OPENS THE DOOR FOR HIGHER FUTURE EARNINGS AND DIVIDEND GROWTH. DO YOU AGREE THAT IS A REASONABLE INTERPRETATION OF MOTIVATIONS OF WATER UTILITIES' MANAGEMENTS?

A. No, I do not. I agree that such an interpretation is sometimes attributed to managements of <u>competitive</u> companies. Such companies may be concerned that they do not have sufficient market power to raise prices in a sluggish economy or in periods when costs are increasing. As a result, they may hold back on dividend increases or cut dividends as Professor Sharpe explains. Water utilities are, however, in a different situation. These utilities are regulated because they <u>do</u> have market power and could raise prices and profits if regulators determine their costs justify such increases. Professor Sharpe's quotation does not apply to

regulated water utilities and thus DPS growth should not be considered in the determination of growth to use in the constant growth DCF model.

Q. AT PAGE 13, MR. REIKER OFFERS HIS OPINION THAT THE RELATIVELY HIGH RATE OF GROWTH IN WATER UTILITIES' STOCK PRICES IS THE RESULT OF A DECLINE IN INTEREST RATES, NOT AN INCREASE IN EXPECTED GROWTH. DO YOU HAVE A RESPONSE?

A. Yes, I have two responses. First, relevant interest rates are not as low as Mr. Reiker suggests. In fact, the average of quarterly forecasts of Baa rates for the year following the first quarter of 2004 of 7.4% falls well within the range of interest rates in my Table 6 (direct testimony) of 7.22% to 8.37% for the period 1996 to 2002. The severe drop in intermediate term Treasury security rates has occurred for a number of reasons that are not related to the cost of equity for water utilities. Those Treasury rates have increased during 2003 and are expected to be even higher in 2004. See Rejoinder Table 6.

Second, Mr. Reiker ignores the obvious reason prices have increased faster: investors expect more rapid growth. My Rebuttal Table 5 shows there has been a dramatic increase in analysts' forecasts of growth in recent years. Such higher growth provides the logical explanation for the relatively rapid increase in stock prices.

Q. AT PAGE 15, MR. REIKER OFFERS FOUR REASONS TO REJECT MY ESTIMATES OF GROWTH TO BE USED IN THE CONSTANT GROWTH DCF MODEL. DO YOU HAVE A RESPONSE?

A. Yes. His first comment relates to the data in my Table 7 that I have included in Rebuttal Table 7. He says it is incorrect to assume – as I assume – that the Commission attempted to set authorized ROEs equal to the cost of equity. Such a

statement is amazing given that Commissioners in Arizona and other states have duties to both stockholders and ratepayers to set authorized ROEs at levels that balance the rights of both stockholders and ratepayers. Implicit in Mr. Reiker's argument is the assumption that commissions violate these obligations and set ROEs that are greater than the cost of equity. The only ROE that reaches that balance is the cost of equity, and there is no basis to assume that commissions and their staffs ignore this relationship.

His second and third criticism are tied to the fact that I have relied upon Baa rates to determine risk premiums. I have already explained why it is appropriate to rely upon forecasted rates and more appropriate to rely on Baa rates than Treasury rates in my rebuttal testimony at pages 19-23. But, given the importance of this issue, I address it again below.

Fourth, he objects to me singling out past and forecasted DPS growth to show such data provide results that do not make any sense. Well, that is the whole point. Relying on measures of DPS growth produces nonsensical results and thus should be given no weight in a constant growth DCF analysis.

Q. AT PAGE 16, MR. REIKER CRITICIZES YOUR RESTATEMENT OF HIS MULTI-STAGE GROWTH DCF MODEL. DO YOU HAVE A RESPONSE?

A. Yes, at line 4 of page 16, Mr. Reiker states I injected a "supernormal" growth stage between the first and second stages of growth in his model. Though he adopts *Value Line* forecasts of DPS growth in his first stage, he contends that recognizing *Value Line's* projections of sustainable (intrinsic) growth to determine investors' expectation of growth in the second stage is inappropriate.

At page 10 and page 41 of his direct testimony, Mr. Reiker acknowledges Professor Myron Gordon is an authority on the DCF model and growth rates to use in the DCF model. In February 1999, several months after the speech Mr. Reiker

quotes at page 10 of his direct testimony, Professor Gordon was asked by NW Natural Gas, an Oregon natural gas utility, and the Oregon PUC to make a presentation on methods to determine equity costs. As part of his preparation for the conference, Dr. Gordon reviewed my testimony and the methods I had used to prepare equity cost estimates. The parties had hoped Dr. Gordon's presentation would subsequently help the parties reach a settlement on an appropriate return on equity. (Unfortunately, a settlement could not be reached, and the case went to hearing.)

Exhibit TMZ-RJ-2 is Exhibit 5007 in Oregon PUC Docket 132. It is an electronic mail from Dr. Gordon to Susan Ackerman, an employee of NW Natural Gas. In it, Dr. Gordon refers to a "Z" factor I had used to determine second stage growth that reflected potential future increases in DPS growth when DPS was expected to grow more slowly than EPS in the first stage. Dr. Gordon agreed with my approach. Contrary to what Mr. Reiker says at page 16 of his surrebuttal testimony, Professor Gordon said:

> In short, there is good reason to believe that a higher rate of growth in earnings than in dividends in the near future will lead to a higher growth rate in dividends subsequently.

That was the situation in the NW Natural case and that is the situation today in this case. Dr. Gordon's analysis of a similar situation in another case supports the insertion of a second stage in which DPS growth reflects EPS growing faster than DPS in the first stage and in which growth is thus more rapid than in the first stage. Contrary to Mr. Reiker's criticism of my second stage of growth, it is appropriate to include it. And also contrary to Mr. Reiker's statement, it is reasonable to assume "a higher growth rate in dividends subsequently." It is certainly reasonable for investors to expect dividend growth in the "subsequent" period (the second period) to reflect sustainable growth estimated with the *Value*

Line data for 2006-2008. My revision of Mr. Reiker's multi-stage model is totally consistent with Dr. Gordon's comments in Exhibit TMZ-RJ-2.

Q. AT PAGE 16, LINE 15, MR. REIKER ALSO FINDS FAULT WITH YOUR ASSUMPTION THAT INVESTORS EXPECT THE SECOND STAGE TO LAST FOR 10 YEARS. DO YOU HAVE A RESPONSE?

A. Yes. It is reasonable to assume investors would expect the payout ratio and earned equity costs for the utilities that *Value Line* forecasts will occur during 2006-2008 will continue for a period of time. I assumed 10 years. My assumption is clearly superior to assuming – as Mr. Reiker has assumed -- that investors would totally ignore the financial data for the utilities that show those utilities would have increased financial strength in 2006 and would be able to increase DPS growth. His assumption that after the first period investors would assume DPS for all utilities would grow at some non-utility, economy-wide growth rate ignores useful forecasts for the utilities and is inefficient and very speculative.

D. <u>Responses to Mr. Reiker's comments about interest rate forecasts and risk premium equity cost estimates</u>

Q. SHOULD INTEREST RATE PROJECTIONS BE RELIED UPON TO MAKE EQUITY COST ESTIMATES?

A. Yes. Mr. Reiker disagrees. At page 16 to 17, he offers his explanation why such projections should not be used. To put his explanation and my position in perspective, it is useful to recall that the goal is to determine an interest rate that is relevant for the period new tariffs will be in place. Mr. Reiker says that the "best forecast of tomorrow's yield is simply today's yield". On a day-to-day basis, it is hard to argue with that statement. But when it comes to determining the relevant interest rate for 2004 and beyond, his statement is inefficient. It does not incorporate all available information. The issue is what method provides the best

forecast for next year, not October 2003.

There are basically three approaches that can be taken. One is Mr. Reiker's approach, adopt current interest rates and assume they are the best forecast of next year's rates. The second is to adopt published forecasts of interest rates. The third, is to derive forward rates for 2004 from current short term rates and current intermediate-term rates. Of the three, the approach Mr. Reiker has taken creates the most uncertainty and greatest chance that the cost of equity will be understated. Rejoinder Table 6 shows interest rates have increased in 2003 and are forecasted to be higher in 2004. Forward rates derived from current market data are consistent with those forecasts. I showed in my rebuttal testimony at page 20, that as of September 10, the forward rate for 10-year Treasuries and the consensus forecast of rates for 10-year Treasuries was 4.6% – both were the same. Based on consensus forecasts for 10-year Treasuries reported in November, the expected 10-year Treasury rate for 2004 is 4.75%. The forward rate has increased to 4.71%. Again, both forecasts are virtually the same. Mr. Reiker's approach however would base rates on a 10-year Treasury rate of 4.1% (September 26 data) or, if updated, 4.4% (November 5, 2003 data.). See Rejoinder Table 6. Mr. Reiker's method already understates the relevant cost of 10-year Treasury's by over 60 basis points (4.7% minus 4.1%). The more appropriate forecast is the average for the first year following the first quarter of 2004; it has now increased to 4.9%. See Rejoinder Table 6.

Q. RETURN NOW TO MR. REIKER'S CONTENTION THAT "TODAY'S RATE IS THE BEST FORECAST OF TOMORROW'S RATE". DOES TODAY'S RATE PROVIDE THE BEST FORECAST FOR EARLY 2004?

A. No. I prefer the simplicity of relying on professional forecasts of future rates. Alternatively, current market data could be used to make forecasts by computing

forward rates. What is very clear is that Mr. Reiker's approach, at least at this point in time, produces a serious negative bias in estimates of the relevant interest rates and it should be rejected.

Q. WHAT WOULD BE THE IMPACT ON MR. REIKER'S CAPM EQUITY COST ESTIMATES IF HE HAD RELIED ON FORWARD RATES OR FORECASTS OF INTEREST RATES?

A. They would be higher. Based on Blue Chip forecasts for 5-year and 10-year Treasury rates during the first year after the first quarter of 2004, the R_f in Schedules JMR-S7 and JMR-S15 would increase from 3.6% to 4.4% and all of his CAPM equity cost estimates would increase by 80 basis points. If forward rates were relied upon instead of forecasts, his CAPM equity cost estimates would also be higher.

Q. AT PAGE 17, MR. REIKER SAYS RELIANCE ON FORECASTS OF INTEREST RATES IS INCONSISTENT WITH YOUR DCF APPROACH. DO YOU HAVE A RESPONSE?

A. Yes. In an ideal world, regulators would determine new tariffs one day after the equity cost estimates were made. But that is not realistic. The best regulators can do is to use data in the record to determine equity costs.

Q. MR. REIKER COMPLETES HIS ARGUMENT SAYING THE COMMISSION SHOULD NOT RELY ON A FORECASTED INTEREST RATE BECAUSE SUCH FORECASTS ARE INHERENTLY UNRELIABLE. DO YOU AGREE?

A. No. None of the three approaches I discussed is a panacea. Interest rates are volatile and may increase or decrease. But an approach that determines equity costs with forecasts of interest rate for the relevant period in which new tariffs will be set – be they forecasts by professionals or forward rates derived from market

data – puts the focus on the cost of money during the relevant period. Mr. Reiker's suggested approach – particularly in a period when interest rates are at historic lows and are increasing – will unavoidably produce negatively biased estimates of the cost of equity for 2004 and in future years.

Q. DO YOU HAVE ANY COMMENTS ABOUT MR. REIKER'S CONTENTION THAT Baa RATES CANNOT BE USED TO DETERMINE MEANINGFUL EQUITY COST ESTIMATES?

A. Yes. I have comments about the concepts he relies upon to draw that conclusion as well as empirical results I presented in my rebuttal testimony that address the issue. First, as to the concept, Mr. Reiker misses the simple point that whether there is or is not a default premium does not matter if the same default premium that existed in the past is expected in the future. He offers Figure S1, which has an illustrative default premium of 3%. Using Mr. Reiker's 3% default premium and my risk premium approach, the average historical average risk premium would be 3% smaller than what Mr. Reiker suggests is the "ideal" risk premium. But if the same default risk premium (again 3%) is expected in the future and is in the bond promised yield to maturity, the analyst can make a "meaningful equity risk premium" analysis. Professor Sharpe's quotation presented by Mr. Reiker at page 18-19 does not apply to my risk premium analysis if the average past default premium (in the example, 3%) is expected to be the same in the future. This is shown in the example below. (It is assumed the Treasury rate has no default premium but the Baa rate has, on average, a 3% default premium in the promised yield):

	Treasury rate	Baa rate
Historical average equity cost	16%	16%
Historical average interest rate	10%	13%

Computed risk premium	6%	3%
Future interest rate	5%	8%
Estimated equity cost	11%	11%

Second, the analysis I presented at pages 21 to 23 of my rebuttal testimony and the empirical results in Rebuttal Table 3 show Baa rates, which presumably include such a default premium, provide superior forecasts of equity costs.

Q. AT PAGE 20, MR. REIKER SAYS THE RESULTS IN YOUR REBUTTAL TABLE 3 CANNOT BE RELIED UPON FOR TWO REASONS. DO YOU HAVE A RESPONSE?

A. Yes. The first reason Mr. Reiker offers is that I used primarily cross-sectional data in which different commission may have determined different ROEs at the same point in time and I did not have observations for all months during the time period. My analysis is based on 464 different individual commission decisions that were not settlements and that were not listed as being unusual. (Footnotes to the data sources provided that information) Consistent with an efficient statistical approach, data from various decisions were not "averaged" and thus the data reflect the full variance in commission decisions. Additionally, 464 observations provide a relatively large sample. Given the size of the sample, I did not make the effort to "fill-in" decisions in all years. I note, however, that there are many months in which there are no decisions. Mr. Reiker could look up data for those "missing" months and attempt to show that inclusion of more data would change the results. I am convinced it would not. In other cases, I constructed a similar analysis for electric utilities with decisions for all of the years. In that analysis I found the results of that risk premium analysis did not change much if more years were included in the sample. In any case, the data are primarily cross-sectional data – not time series data – and thus the inclusion of more "years" should not be

critical to the analysis.

The second reason he offers is that he finds positive autocorrelation in the data. I was surprised he found such a statistical result because the data are primarily cross-sectional data (as Mr. Reiker notes at page 20, line 18), and not time series data. When autocorrelation is found, it is usually in time series data. But, if autocorrelation is in the data, the parameter estimates are not expected to be biased and thus, contrary to Mr. Reiker's statement, there is no problem with the "validity" of the regression results. When analysts apply statistical procedures to correct for autocorrelation, it is usually done to reduce the standard errors. But, even with autocorrelation – assuming for the sake of argument it is really in the data – I found the statistical results of my regressions were very significant. Mr. Reiker's finding of autocorrelation is interesting on a theoretical level, but in no way casts doubt on the usefulness (or "validity") of my regression results.

Q. AT PAGE 21, LINE 13, MR. REIKER CONTENDS THE PROXIES YOU HAVE USED FOR EQUITY COSTS ARE NOT VALID BECAUSE CAPITAL MARKETS, NOT STATE COMMISSIONS, DETERMINE EQUITY COSTS. DO YOU HAVE A COMMENT?

A. Yes. I agree with Mr. Reiker that capital markets determine the cost of equity, not state commissions. But, the beauty of the commission decisions is those decisions are based on an informed review of equity costs presented by experts who have relied upon capital markets. As to Mr. Reiker's complaint that this Commission has no way of knowing how those cases were resolved, I offer two responses. First, notes provided in the data sources I used permit elimination of decisions that were the result of settlements or other unique circumstances. Second, based on my experience, if an authorized ROE was part of a package deal, generally the ROE was reduced in exchange for the utility obtaining the inclusion of a controversial

expense. Thus, if there is a concern with the data, it is that the reported ROEs may understate the cost of equity. At page 42 of my direct testimony, I provided a more complete explanation why commission decisions provide useful data on the cost of equity.

Q. AT PAGE 21-22, MR. REIKER DISCUSSES THE ZERO-BETA CAPM. DID YOU USE RESULTS OF THE ZERO BETA CAPM TO DETERMINE THE RISK FREE RETURN IN YOUR CAPM RESTATEMENTS?

A. No. I implemented the CAPM using long-term Treasury rates as the measure of the riskless asset (R_f).

Q. DO OTHER PROFESSIONALS USE LONG-TERM TREASURY RATES TO IMPLEMENT THE CAPM?

A. Yes. Ibbotson Associates report long-term average market risk premiums above short-term, intermediate term and long-term Treasury rates (Table 9-1, Ibbotson Associates *2003 SBBI Yearbook*). But when it comes to implementing CAPM, Ibbotson Associates adopt long-term Treasury rates as the measure of the riskless rate (For example, see Ibbotson Associates, *2003 SBBI, Valuation Edition* page 42 and Table 7-5). Others, such as Roger Morin in his book *Regulatory Finance: Utilities' Costs of Capital*, 308-309 (1994.), also adopt long-term Treasury rates to implement CAPM.

Q. AT PAGE 24, MR. REIKER QUESTIONS YOUR STATEMENT THAT THE OREGON PUC HAS ABANDONED PRESENTING THE CAPM. WHAT ARE THE FACTS?

A. The facts are (1) at the time I prepared my testimony, I was told by the manger of the section that includes ROE analysts that the CAPM was not going to be presented by the OPUC. After reading Mr. Reiker's testimony, I called the analyst that Staff called. The Oregon PUC analyst (2) confirmed that he did not sponsor

CAPM testimony in his published testimony in a gas utility case; and (3) he told me he did not rely on CAPM when he prepared his equity cost estimates for settlement discussions with an Oregon electric utility. Possibly the OPUC staff will present CAPM testimony in the future, but Mr. Reiker has no basis to assume the implementation of CAPM will be similar to the method he advocates.

Q. AT PAGE 26, MR. REIKER ADDRESSES USE OF A FAIR VALUE RATE BASE. DOES PINNACLE WEST'S RELATIVELY LOW MARKET TO BOOK RATIO CONTRADICT YOUR TESTIMONY?

A. No. In both my direct and rebuttal testimonies, I have already addressed the fact that a market-to-book ratio above any particular level does not provide evidence about whether a utility is earning more or less than its cost of equity. There are numerous factors that influence the market-to-book ratio and prices investors are willing to pay for shares of stock. In my direct testimony, at pages 29-32, I list several factors that are expected to impact the pricing of water utilities stocks. As far as Pinnacle West is concerned, there are others, including several reported by *Value Line.* As Arizona-American's case does not involve Pinnacle West, I do not comment about those.

IV. CONCLUDING REMARKS

Q. DO YOU HAVE ANY CONCLUDING REMARKS?

A. Yes. I updated my equity cost estimates when I prepared rebuttal testimony. Based on my update and a 50 basis point premium to compensate Arizona-American for added financial risk, I estimate the Company's cost of equity falls in a range of 10.5% to 11.7%. I have also restated Mr. Reiker's updated equity cost estimates and Mr. Rigsby's equity cost estimates with data they have provided in their presentations. Based on those restatements, Arizona-American's cost of equity falls in a range of 10.3% to 11.4%.

Interest rates have increased and continue to increase since Mr. Reiker and Mr. Rigsby prepared their direct testimonies, but neither witness has proposed an increase in his recommended ROE for the less leveraged water utilities. Rejoinder Table 6 shows Mr. Reiker's average of intermediate-term Treasury rates has increased by 50 basis points since the time he prepared direct testimony. The forecast of intermediate-term Treasury rates for the first year new rates will be in effect is 110 basis points above the 3.3% rate Mr. Reiker relied upon to prepare his direct testimony. His updated equity cost estimates only recognized a 30 basis point increase.

Rejoinder Table 7 compares equity cost estimates from Mr. Reiker's direct and surrebuttal testimonies. That comparison shows Mr. Reiker's DCF equity cost estimates have either increased or stayed the same for the water and gas utilities. His CAPM analysis based on an historical risk premium has also increased and would increase by an additional 20 basis points if Treasury rates in November were recognized. Only the CAPM equity cost based on the method he employees to make a current market risk premium estimate has decreased.

My restatements of Mr. Reiker's and Mr. Rigsby's most recent equity cost estimates together with Mr. Reiker's DCF and CAPM approaches based on historical data do not support an ROE for Arizona-American below 10.3% and certainly do not support a lower ROE than Mr. Reiker originally proposed.

Q. DOES THIS COMPLETE YOUR PREFILED REJOINDER TESTIMONY?

A. Yes.

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ZEPP REJOINDER TABLES

ZEPP REJOINDER
TABLES

11/05/03

Arizona-American Water Company

Rejoinder Table 1: Staff Multi-Stage DCF Estimates
Sample Water Companies

Line No.	[A]	[B] Current Mkt. Price (P_o)-a/	[C] d_{2004}-a/	[D] Stage 1 growth (2004-2006) d_{2005}	[E] d_{2006}	[F] Stage 2 growth (2007-2016) d_{2007}	[G] d_{2016}	[H] Stage 1 Initial growth-b/ (2004-2006)	[I] Stage 2 Projected Intrinsic growth-c/ (next 10 years)	[J] Stage 3 Terminal growth-d/ (future years)	[K] Equity Cost Estimate (K)
1											
2											
3	American States Water	23.5	0.88	0.91	0.93	0.99	1.67	2.88%	6.00%	6.5%	9.9%
4	California Water	25.7	1.12	1.14	1.15	1.20	1.72	1.45%	4.10%	6.5%	9.8%
5	Connecticut Water Services	27.2	0.86	0.89	0.92	0.99	1.92	3.20%	7.70%	6.5%	9.8%
6	Middlesex Water	26.0	0.89	0.92	0.95	1.02	1.99	3.20%	7.70%	6.5%	10.0%
7	Philadelphia Suburban	24.1	0.6	0.63	0.66	0.75	2.26	5.27%	13.00%	6.5%	10.4%
8	SJW Corp.	87.1	2.98	3.08	3.17	3.42	6.66	3.20%	7.70%	6.5%	10.0%
13											
14										Average	10.0%

15 Sources:

16 a/ Schedule JMR-S6.

17 b/ Schedule JMR-S6.

18 c/ Schedule JMR-S3, column J. Relatively slow Stage 1 growth permits the higher intrinsic growth in Stage 2.

19 d/ Schedule JMR-S6.

20

11/5/2003

Arizona-American Water Company

Rejoinder Table 2: Staff Multi-Stage DCF Estimates
Sample Gas Utilities

Line No.	[A]	[B] Current Mkt. Price (P_o)-a/	[C] d_{2004}-a/	[D] Stage 1 growth (2004-2006) d_{2005}	[E] d_{2006}	[F] Stage 2 growth (2007-2016) d_{2007}	[G] d_{2016}	[H] Stage 1 Initial growth-b/ (2004-2006)	[I] Stage 2 Projected Intrinsic growth-c/ (next 10 years)	[J] Stage 3 Terminal growth-d/ (future years)	[K] Equity Cost Estimate (K
1	AGL Resources	28.10	1.12	1.12	1.12	1.20	2.15	0.00%	6.8%	6.5%	10.1%
2	Atmos Energy	24.00	1.22	1.25	1.29	1.39	2.72	2.66%	7.8%	6.5%	11.7%
3	Cascade Natural Gas	19.20	0.96	0.97	0.97	1.05	2.14	0.69%	8.2%	6.5%	11.5%
4	Laclede Group	26.70	1.34	1.35	1.36	1.41	1.98	0.74%	3.8%	6.5%	10.2%
5	Nicor Inc.	35.70	1.86	1.93	2.01	2.15	3.95	3.96%	7.0%	6.5%	11.6%
6	Northwest Natural Gas	29.00	1.27	1.29	1.30	1.39	2.42	1.29%	6.4%	6.5%	10.4%
7	Peoples Energy	41.90	2.12	2.15	2.17	2.28	3.60	1.22%	5.2%	6.5%	10.7%
8	Piedmont Natural Gas	38.80	1.66	1.72	1.77	1.91	3.81	3.37%	7.9%	6.5%	11.0%
9	Southwest Gas	22.60	0.82	0.82	0.82	0.88	1.59	0.00%	6.8%	6.5%	9.8%
10	WGL Holdings	27.30	1.28	1.29	1.31	1.39	2.50	1.02%	6.7%	6.5%	10.8%
										Average	10.8%

Sources:

a/ Schedule JMR-S14.
b/ Schedule JMR-S14.
c/ Schedule JMR-S11, column J. Relatively slow Stage 1 growth permits the higher intrinsic growth in Stage 2.
d/ Schedule JMR-S14.

11/5/2003

Arizona-American Water Company

Rejoinder Table 3

Restatement of Mr. Reiker's Updated Cost of Equity Estimates
for the Sample Water Companies

Line No.	[A] Constant Growth DCF	[B]		[C] D_1/P_0		[D] g [a/]		[E] k
1	Constant Growth DCF Estimate			3.44%	+	6.13%	=	9.6%
2	Multi-Stage DCF Estimate						=	10.0%
3						Average		9.8%
	CAPM Approach:	R_f [b/]	+	β	x	MRP_{sr}	=	k
4	Historical Market Risk Premium	5.7%	+	0.60	x	7.0%	=	9.9%
5	Current Market Risk Premium	5.7%	+	0.60	x	6.9%	=	9.8%
6	Average of CAPM Estimates							9.9%
7	Average of DCF and CAPM Approaches							9.8%
8	Estimated Equity cost for Arizona-American							10.3%

Notes:

a/ Average of all of Mr. Reiker's DCF growth rates other than those based on past and forecasted dividends per share.

b/ Average of Blue Chip quarterly forecasts for long-term Treasury securities for the year following first quarter 2004.

11/05/03

in text of testimony:

0.02	0.0455	0.59	13.4%	12.4%
0.0455	0.0931	0.59	8.6%	14.4%
0.056	0.0931	0.358209	8.6%	12.4%
	0.0455	0.59	7.4%	8.9%
	0.0931	0.59	2.6%	10.9%
	0.0931	0.358209	2.6%	10.3%

Arizona-American Water Company

Rejoinder Table 4

Restatement of Mr. Reiker's Updated Cost of Equity Estimates
for the Sample Gas Utilities

Line No.	[A]	[B]		[C]		[D]		[E]
	Constant Growth DCF			D_1/P_0	+	g[a/]	=	k
1	Constant Growth DCF Estimate			4.63%	+	5.85%	=	10.5%
2	Multi-Stage DCF Estimate						=	10.8%
3						Average		10.6%
	CAPM Approach:	R_F[b/]	+	β	x	MRP_{RF}	=	k
4	Historical Market Risk Premium	5.7%	+	0.71	x	7.0%	=	10.7%
5	Current Market Risk Premium	5.7%	+	0.71	x	6.9%	=	10.6%
6	Average of CAPM Estimates							10.6%
7	Average of DCF and CAPM Approaches for Gas Utilities							10.6%
8	Proxy for Benchmark Water Utilities (gas less 70 basis points)							9.9%
9	Estimated Equity cost for Arizona-American							10.4%

Notes:

a/ Average of all of Mr. Reiker's DCF growth rates other than those based on past and forecasted dividends per share.

b/ Average of Blue Chip quarterly forecasts for long-term Treasury securities for the year following first quarter 2004.

11/05/03

0.02
0.0455
0.056

Arizona-American Water Company

Rejoinder Table 5

Summary of Restatements of Estimated Costs of Equity
As Updated by Mr. Reiker and for Mr. Rigsby for Less-Leveraged
Water Utilities Samples and Arizona-American

	Estimated Benchmark Ranges of Equity Costs for Water Utilities Sample			Estimated Range of Equity Costs for Arizona-American		
Discounted Cash Flow Estimates						
Mr. Reiker (gas and water)	9.8%	to	10.1%	10.3%	to	10.6%
Mr. Rigsby	10.1%	to	10.9%	10.6%	to	11.4%
Estimates based on the CAPM						
Mr. Reiker (gas and water)	9.9%	to	10.1%	10.4%	to	10.6%
Mr. Rigsby	9.8%	to	9.8%	10.3%	to	10.3%
Estimated Equity Cost Range for Arizona-American Water				**10.3%**	**to**	**11.4%**

11/5/2003

Arizona-American Water Company

Rejoinder Table 6

Current and Forecasted Treasury Rates

Time Period	Intermediate-Term Treasury Rates				Long-term Treasury Rates
	5-year	7-Year	10-Year	Average	
Mr. Reiker Direct (May 7, 2003	2.7%	3.4%	3.8%	3.3%	4.8%
Mr. Reiker Surrebuttal (September 25, 2003	3.0%	3.6%	4.1%	3.6%	5.0%
Zepp Rejoinder (November 5, 2003)	3.3%	3.8%	4.4%	3.8%	5.3%
Increase since May	0.6%	0.5%	0.6%	0.5%	0.5%
Blue Chip consensus forecasts:					
June 2003-[a/]	3.7%	na	4.6%	4.2%	5.3%
November 2003-[b/]	3.9%	na	4.9%	4.4%	5.7%
Increase since June	0.2%	na	0.3%	0.3%	0.4%

Notes:

a/ Average for the year 2004.

b/ Average for the four quarters following first quarter 2004.

11/7/2003

Arizona-American Water Company

Rejoinder Table 7

Comparisons of Mr. Reiker's Equity Cost Estimates

	Water Utilities		Gas Utilities[n/]	
DCF Estimates:	Direct	Update	Direct	Update
Constant Growth DCF Estimate	8.5%	8.4%	8.5%	8.4%
Multi-Stage DCF Estimate	9.6%	9.6%	9.7%	9.7%
Average	9.0%	9.0%	9.1%	9.1%
CAPM Estimates:				
Historical Market Risk Premium	7.7%	8.0%	7.4%	8.1%
Current Market Risk Premium	11.1%	8.1%	11.3%	8.2%
Average	9.4%	8.1%	9.4%	8.1%

Note:
n/ Adjusted for differences of 100 basis points (direct) and 70 basis points (rebuttal) adopted by Mr. Reiekr to determine proxy estimates of water utility equity costs.

11/7/03

ZEPP REJOINDER EXHIBITS

ZEPP REJOINDER
EXHIBITS

THE VALUE LINE
Investment Survey®

PAGES 4179-4190
File in page order in the *Selection & Opinion* binder.

PART 2 — *Selection & Opinion* — JUNE 29, 2001

A Letter from Our Chairman

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In Three Parts: Part 1 is the Summary & Index. This is Part 2, Selection & Opinion. Part 3 is Ratings & Reports. Volume LVI, Number 43.

Published weekly by VALUE LINE PUBLISHING, INC.
220 East 42nd Street, New York, NY 10017-5891.

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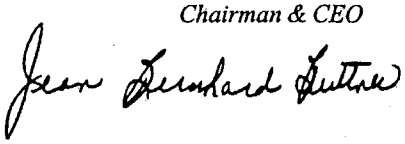

CLOSING STOCK MARKET AVERAGES AS OF PRESS TIME

	6/14/2001	6/21/2001	%Change 1 week	%Change 12 months
Dow Jones Industrial Average	10690.13	10715.43	+0.2%	+2.1%
Standard & Poor's 500	1219.87	1237.04	+1.4%	-16.4%
N.Y. Stock Exchange Composite	623.96	631.08	+1.1%	-2.8%
NASDAQ OTC Composite	2044.07	2058.76	+0.7%	-49.3%
American Stock Exchange Index	921.88	906.97	-1.6%	-3.3%
Value Line (Geometric)	392.95	390.46	-0.6%	-6.0%
Value Line (Arithmetic)	1224.44	1220.60	-0.3%	+13.4%
London (FT-SE 100)	5752.5	5641.4	-1.9%	-12.9%
Tokyo (Nikkei)	12846.66	12962.43	+0.9%	-24.7%
Russell 2000	495.38	497.82	+0.5%	-5.6%

Ackerman, Susan

·om:	Mike Gordon [gordon@mgmt.utoronto.ca]
ent:	Monday, July 26, 1999 12:06 PM
To:	Ackerman, Susan
Subject:	"Z" factor comments

To Whom It May Concern,

This is in response to a request by NW Natural that I comment on the use of a "Z" factor in the testimony of Dr. Zepp and the comments on the subject by Mr. Thornton.

In his March 1999 direct testimony, Dr. Zepp arrived at an estimated average long run growth rate in the dividend to start four years in the future as the sum of the retention growth rate and a "Z" factor intended to capture the long run growth in the dividend due to the higher rate of growth in earnings than in the dividend.

Mr. Thornton rejected the Z factor on the grounds that he had never "seen or heard of it before" and no such factor is derived by me in my book.

My book, _The Cost of Capital to a Public Utility_, stated that "Under our model of security valuation, dividend, earnings and price per hare, all are expected to grow at the same rate."(p.88) I then go on to uggest various reasons why investors might and might not use the rate of growth in earnings as the forecast growth rate. Specifically, on page 90, I discuss the case of

> a firm that experiences a rise in its rate of return on assets and investment. For a variety of reasons, some related to this event , the firm may raise its investment rate and secure additional funds from retention. Specifically, the firm decides not to raise its dividend for a number of periods. The firm's rate of return and retention rate have gone up, and its expected future growth is higher, but the rate of growth in the dividend is zero over this period.

This is an extreme version of what may be taking place at NW Natural and other gas LDCs.

In short, there is good reason to believe that a higher rate of growth in earnings than in dividends in the near future will lead to a higher growth rate in the dividend subsequently.

The above principle can be implemented in a variety of ways and I am in no position to comment on whether Dr. Zepp used the best possible method and whether or not the numbers he used are correct. However, I do not believe that what Dr. Zepp did is wrong in principle.

==========

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USA TODAY

Money

SECTION B

November 3, 2003

Business travel

By USA TODAY staff

Racy: Making a marketing play for car-racing fans, Best Western will announce today that it will become the official hotel chain of NASCAR. Best Western is the first hotel chain to affiliate with NASCAR.

New flights: Delta Air Lines will begin non-stop flights between Cincinnati and the Netherlands and will resume non-stop Cincinnati-Italy flights on May 1. Delta's Cincinnati hub added non-stop flights to Honolulu on Friday.

Open: Thrifty Car Rental has reopened locations at the Richmond, Va., airport and the MCI Center in Washington, D.C. Both were shut after the Sept. 11 terrorist attacks.

▸ More travel news at travel.usatoday.com

EXHIBIT TMZ-RJ3
PAGE 1 OF 1

oneyline

narkets

	Close	Change
ustrial average	9801.12 ▲	9801.12
eek	▲	218.66
ernet 50	108.92 ▼	0.53
5	95.90 ▼	0.21
25	147.20 ▼	1.56
site	1932.21 ▼	0.48
	1050.71 ▲	3.77
ir yield	5.13% ▼	0.07
yield	4.30% ▼	0.05
scount rate	0.93% ◆	unch.
x	$384.50 ▲	0.20
crude, barrel	$29.11 ▲	0.64
er euro)	$1.1565 ▼	0.0062
	110.00 ▲	1.26

esearch, MarketWatch.com

rs showing less fear

each of the stock market's 24 ups is faring. Market trends, 10B.

erage at http://money.usatoday.com

Has criticism made analysts too cautious?

By Matt Krantz
USA TODAY

The best of times for corporate profits has been the worst of times for Wall Street's ability to predict them.

Analysts, whose job it is to monitor corporate earnings, were nowhere close to forecasting the 21.7% operating earnings growth for the third quarter, which was the best in three years, says Thomson First Call. Expectations were off by 6%, and it was the third quarter in a row that analysts were that far off.

That helps explain why more than half, or 60%, of the companies in the Standard & Poor's 500 beat estimates in the third quarter — the most upside surprises since the first quarter of 2000, says Jeffrey Warantz, quantitative strategist at Smith Barney. And the number of companies beating their estimates has been steadily growing all year, he says.

Analysts' inaccuracy hurts investors who rely on their estimates to determine whether individual stocks and the overall market are too expensive. Now investors are wondering what went wrong and fear the scrutiny on analysts and CEOs for being too bullish in the past is backfiring by making both overly cautious when making forecasts.

"Nobody wants to test giving out the 'sky's the limit' kind of stuff with all the scandals," says Gint Rimas, researcher at First Call.

Why have analysts been so far off the mark? Theories include:

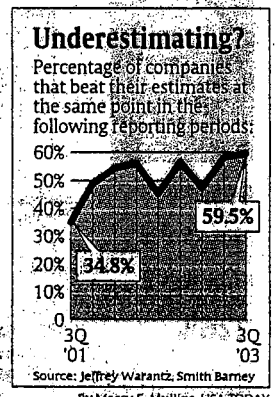
▸ **New regulation.** The Sarbanes-Oxley law, which holds executives accountable for their company's financials, and Regulation FD, which prohibits companies from selectively giving information to investors, is prompting executives to tone down their guidance, says Jerry Czarzasty, director of global estimates at Reuters Research.

Also, analysts are taking the subdued guidance and downplaying it even more because they want to shed their corporate cheerleader image.

▸ **More skepticism.** Having wrongly predicted a second-half recovery three consecutive years, analysts were more jaded this time, says Kei Kianpoor, CEO of analyst tracking service, Investars.com. Analysts "don't want to look overly bullish on stocks," he says.

▸ **Unexpectedly efficient companies.** The rash of cost-cutting during the downturn meant companies were primed to benefit once business picked up. But analysts underestimated and CEOs underpromised what the gains would be, says Tobias Levkovich, strategist at Salomon Smith Barney.

▸ **Influx of new analysts.** It's been more than a decade since the economy last stumbled — and many of the current class of analysts weren't around then. That means many weren't prepared to anticipate a recovery this strong, Levkovich says. "There are a lot of new people in this business that didn't experience the last recession," he says. "They are inexperienced about it."



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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WEST WATER AND WASTEWATER DISTRICTS.	**DOCKET NO. WS-01303A-02-0867**
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WATER AND WASTEWATER DISTRICTS.	**DOCKET NO. WS-01303A-02-0868**
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS MOHAVE WATER AND HAVASU WATER DISTRICTS.	**DOCKET NO. W-01303A-02-0869**

EXHIBIT
A-51
Admitted

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM WATER, AGUA FRIA WATER AND ANTHEM/AGUA FRIA WASTEWATER DISTRICTS.	**DOCKET NO. WS-01303A-02-0870**
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS TUBAC WATER DISTRICT.	**DOCKET NO. W-01303A-02-0908**

REBUTTAL TESTIMONY OF

WILLIAM M. STOUT, P.E.

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III.	REBUTTAL TO STAFF'S SPECIFIC CONCERNS REGARDING THE USE OF THE RCN STUDIES IN THIS PROCEEDING	7

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is William M. Stout. My business address is 207 Senate Avenue, Camp Hill, Pennsylvania.

Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

A. I am President of the Valuation and Rate Division of Gannett Fleming, Inc.

Q. PLEASE DESCRIBE THE VALUATION AND RATE DIVISION.

A. The Valuation and Rate Division of Gannett Fleming, Inc. provides consulting services to public utilities and railroads. The Gannett Fleming affiliated companies employ approximately 1,900 people in 50 offices throughout the United States and Canada.

The Valuation and Rate Division has a long history of client services encompassing valuations; depreciation studies; revenue requirement, cost allocation and rate design studies; analyses of accounting systems; and acquisition and feasibility studies.

Q. PLEASE DESCRIBE YOUR EDUCATION.

A. I have a Bachelor of Science degree in Management Engineering from Rensselaer Polytechnic Institute.

Q. ARE YOU A REGISTERED PROFESSIONAL ENGINEER?

A. Yes, I am registered in the Commonwealth of Pennsylvania.

Q. ARE YOU A MEMBER OF ANY PROFESSIONAL SOCIETIES?

A. Yes, I am a member of the National and Pennsylvania Societies of Professional Engineers, the Institute of Industrial Engineers, the American Gas Association (AGA), the American Water Works Association (AWWA), the National Association of Water Companies (NAWC), and the Society of Depreciation Professionals (SDP). I am a former member of the Rates & Charges

Subcommittee of AWWA and the Accounting Services Committee of AGA and a past president of SDP.

Q. PLEASE SUMMARIZE YOUR EXPERIENCE IN THE FIELD OF ENGINEERING?

A. While attending Rensselaer, I was employed by the Valuation Division of Gannett Fleming Corddry and Carpenter, Inc., during the summers of 1970, 1971, and 1972. My principal assignments related to valuation studies and computer programming.

After my graduation in June 1973, I was employed by the Valuation Division as a Valuation Engineer. The scope of my valuation activities has included assembly of basic data, statistical service life analyses utilizing the retirement rate and simulated plant record methods, development of cost indexes, field surveys, estimation of service life and salvage, estimation of reproduction and replacement costs, calculation of annual and accrued depreciation, calculation of trended original cost and preparation of reports presenting the results of the studies.

The scope of my cost of service activities has included the selection of customers to be demand-metered, the analysis of recorded customer demands, the development of cost allocation factors, the allocation of costs, the analysis of customers' consumption, the application of present and proposed rates to the consumption analysis, the design of rate structures, and the preparation of reports presenting the results of the studies.

Since January 1978, I have testified in support of the studies conducted under my direct supervision. In January 1980, I was assigned to the position of Manager of Depreciation and Cost Allocation Studies conducted by the Valuation Division. In June 1982, subsequent to a corporate reorganization, I became a Vice

President. I became a Senior Vice President in 1991 and attained my current position of President in 1994.

Q. DO YOUR PROFESSIONAL ACTIVITIES INCLUDE PARTICIPATION IN CONTINUING PROFESSIONAL EDUCATIONAL PROGRAMS?

A. Yes, they do. I have completed the "Fundamentals of Life Estimation," "Forecasting Service Life," and "Making and Administering [Depreciation] Policy" programs conducted by the Center for Depreciation Studies at Western Michigan University. In 1985, I became a member of the faculty of Depreciation Programs, Inc., lecturing on "Forecasting Service Life," "Fundamentals of Salvage Analysis," and "Managing a Depreciation Study". I also have been an instructor at the annual Introduction to Public Utility Accounting and Advanced Public Utility Accounting seminars sponsored by the AGA and the Edison Electric Institute and the seminars presented by the SDP at its Annual Meeting.

Q. HAVE YOU PREVIOUSLY TESTIFIED ON THE SUBJECT OF DEPRECIATION?

A. Yes, I have testified before the Missouri Public Service Commission, the Pennsylvania Public Utility Commission, the Georgia Public Service Commission, the Public Service Commission of Indiana, the New York Public Service Commission, the New Hampshire Public Utilities Commission, the Alaska Public Utilities Commission, the Texas Public Utility Commission, the Public Utilities Commission of the State of Colorado, the Federal Energy Regulatory Commission, the National Energy Board of Canada, the Canadian Radio-Television and Telecommunications Commission, the Alberta Energy & Utilities Board, the Newfoundland Board of Commissioners of Public Utilities, and the United States Tax Court on the subject of depreciation.

Q. HAVE YOU PREVIOUSLY TESTIFIED ON THE SUBJECT OF

REPRODUCTION COST OR TRENDED ORIGINAL COST?

A. Yes, I testified before the Supreme Court of Ulster County, New York on behalf of The City of New York on the subjects of reproduction cost and replacement cost.

Q. HAVE YOU CONDUCTED REPRODUCTION COST STUDIES FOR WHICH YOU DID NOT TESTIFY BEFORE A REGULATORY BODY?

A. Yes, I assisted in the conduct of numerous reproduction cost and trended original cost studies that were supported by others, and I have conducted studies for purposes other than a ratemaking proceeding. I assisted in the conduct of many trended original cost studies during the 1970's when Pennsylvania was a fair value state. Since that time, I have performed studies of current costs to inform buyers or sellers of utilities on the value of the property and have also estimated reproduction costs for the purposing of indexing such costs to the date of installation as estimate of original cost.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. The purpose of my rebuttal testimony is respond to the Direct Testimonies of Darron W. Carlson, Dorothy Hains, John A. Chelus, Lyndon R. Hammon and Marlin Scott, Jr. (collectively, "Staff") related to the Reconstruction Cost New ("RCN") studies conducted by them on behalf of the Arizona Corporation Commission (the "Commission") and the RCN studies conducted by Thomas J. Bourassa on behalf of Arizona-American Water Company (the "Company").

II. <u>SUMMARY OF THE PARTIES' RCN STUDIES AND THEIR VALIDITY</u>

Q. HAVE YOU REVIEWED THE RCN STUDIES CONDUCTED BY THE STAFF AND BY MR. BOURASSA?

A. Yes, I have reviewed the RCN studies conducted by Staff and by Mr. Bourassa. I believe that Staff's use of specific cost indexes and elimination of not used and

useful property in conducting their studies result in a better estimate of RCN. However, as discussed below, the differences between the two sets of studies are very small, and in the Company's rebuttal presentation, Mr. Bourassa has revised his RCN studies to more closely follow Staff's approach.

Q. PLEASE COMMENT ON THE RCN STUDIES CONDUCTED BY MR. BOURASSA ON BEHALF OF THE COMPANY.

A. Mr. Bourassa has conducted trended original cost studies as the means of determining RCN values for each district of the Company. Valuation experts have used trended original cost studies in this manner for many years. It is a cost effective and reasonable approach to the determination of RCN. In a trended original cost study, trend factors, as developed from cost indexes, are applied to the original cost by installation year of the assets being studied. Mr. Bourassa used the Handy-Whitman composite index for water plant for all assets of the Company. There is some merit to this approach as explained in Mr. Bourassa's rebuttal testimony. Mr. Bourassa applied the composite index to the original cost per books as of December 31, 2001. The results of Mr. Bourassa's trended original cost studies are reasonable approximations of the RCN values for each water and wastewater district as of December 31, 2001.

Q. PLEASE COMMENT ON THE RCN STUDIES CONDUCTED BY STAFF.

A. Although not described in their direct testimonies, the Staff engineers also conducted trended original cost studies of the plant in each district. The results of these studies are included in Staff's workpapers and are attached to Mr. Bourassa's rebuttal testimony. Staff used the Handy Whitman indexes for water utilities in the Plateau Region. Staff used the specific cost indexes for each account and applied them to the original cost of assets recorded in that account as of December 31, 2001. In addition, Staff eliminated certain unidentified and not used and useful

plant as a result of its review of the data and field inspections. Staff also did not include current measures of the value of land, organization and franchises and consents. The results of Staff's trended original cost studies also are reasonable approximations of the RCN values for each of the water and wastewater districts as of December 31, 2001.

Q. HOW DO THE RESULTS OF STAFF'S RCN STUDIES COMPARE TO THE RESULTS OF MR. BOURASSA'S RCN STUDIES?

A. The results of Staff's RCN studies for the several districts are somewhat lower than the results for each district developed by Mr. Bourassa in his original RCN studies, which accompanied his direct testimony. The Company total RCN developed by Staff is 7 percent less than the results of Mr. Bourassa's RCN as originally filed. However, the results of Staff's RCN studies are both greater than and less than the results of Mr. Bourassa's RCN studies, depending on the particular water or wastewater district at issue, after adjusting Mr. Bourassa's results to (1) reflect account specific indexes, (2) eliminate unidentified and not used and useful property and (3) reflect land and intangibles at original cost. As stated, I agree with these adjustments made by Staff.

The Company has adopted certain of Staff's adjustments and has adjusted its RCN values in its rebuttal filing. With these adjustments, the RCN values for the Company now total $380.6 million, as explained in Mr. Bourassa's rebuttal testimony, as compared to $379.4 million per Staff. This is a difference of only 0.3 percent. Schedule 9 attached to the rebuttal testimony of Mr. Bourassa presents a comparison of the results of the two sets of RCN studies. Consequently, there is no material difference between the two sets of values, and both of them provide a reasonable basis for developing a fair value rate base for each district.

III. REBUTTAL TO STAFF'S SPECIFIC CONCERNS REGARDING THE USE OF THE RCN STUDIES IN THIS PROCEEDING

Q. WHY DIDN'T STAFF RECOMMEND USE OF THE RESULTS OF THE RCN STUDIES THAT THEY CONDUCTED?

A. Staff indicates that a proper RCN study would require an inventory of plant to obtain complete and accurate descriptions of each item so that "the person preparing the study knows precisely what the plant item is so that the appropriate trend factor is applied." (E.g., Chelus Direct at 5; Hammon Direct at 4.)

Q. IS SUCH AN INVENTORY REQUIRED TO CONDUCT AN RCN STUDY?

A. No. It is not practical to expect preparation of a complete inventory of plant along with detailed descriptions and dates of installation in order to estimate the current value of the plant. The Company maintains a continuing property record ("CPR") that reflects the plant presently in service including a description, the original cost and the date of installation. Use of data from the CPR along with standard cost indexes in a trended original cost study is a far more cost effective means of determining the RCN of the plant. Periodic inspections, such as those conducted by Staff, to verify the used and usefulness of plant recorded on the books should be performed in order to assure that the RCN relates to plant that is in service.

Q. DOES THE PERSON CONDUCTING A TRENDED ORIGINAL COST STUDY NEED TO KNOW PRECISELY WHAT THE PLANT ITEM IS IN ORDER TO SELECT THE APPROPRIATE TREND FACTOR?

A. No. The cost indexes used by both the Staff and Mr. Bourassa are the Handy-Whitman indexes. Valuation experts have used the Handy-Whitman indexes for many years to trend original costs of utility plant to current measures of value. The Handy-Whitman indexes are prepared by type of utility, region of the country and plant account. Thus, in order to apply the appropriate Handy-Whitman index, the

only knowledge required is the plant account in which the asset is recorded and the year that it was placed in service.

Q. EACH OF THE STAFF WITNESSES REJECTS THE RCN STUDY OF MR. BOURASSA BECAUSE THEY "ARE NO MORE THAN 'ASSET LISTINGS' THAT LIST ALL THE PAST AND PRESENT ASSETS OF THE UTILITY." (E.G., CHELUS DIRECT AT 4; HAMMON DIRECT AT 3.) DO YOU AGREE WITH THAT ARGUMENT?

A. No, I do not. The asset listings include only those assets that remain in service as of December 31, 2001, with the exception of those assets determined by Staff to be no longer used and useful. The total original cost reflected in this asset listing is in agreement with the Company's general ledger and reflects many past retirements. It is not uncommon to identify property that is no longer used and useful during field inspections. There is a lag between plant going out of service and the recording of the retirement on the books. Further, plant not being used is sometimes kept on the books based on an expectation that it will return to service in the near future. The items of plant identified by Staff as not used and useful represent a very small portion of the RCND rate bases and do not indicate that the asset listings include all plant, past and present.

Q. IF AN ITEM OF PLANT IS NOT USED AND USEFUL AND HAS NOT BEEN RETIRED FROM THE BOOKS, TO WHAT EXTENT IS THE RCND RATE BASE OVERSTATED?

A. The RCND rate base is not overstated by the property that is not currently "not used and useful." Retirement of such items from plant in service results in equal reductions of the original cost of plant in service and the accumulated provision for depreciation. The net impact on an original cost rate base is zero. Similarly, when using the ratio of accumulated depreciation to original cost for calculating the

depreciation deduction from RCN, a lower accrued depreciation ratio would be applied to the RCN reduced by the current cost of the not used and useful assets. The net result would be little change in the RCND rate base.

Q. STAFF ALSO STATES THAT CONTRIBUTED PLANT WAS NOT PROPERLY REMOVED FROM THE PLANT IN SERVICE BASE. DO YOU AGREE?

A. No. Although the plant in service includes contributed property, a separate deduction from the RCND rate base for contributions was made by Mr. Bourassa in determining rate base. By virtue of this deduction, contributed property is not included in rate base.

Q. DO YOU AGREE WITH STAFF THAT THE HANDY-WHITMAN INDEXES SHOULD BE USED ON AN ACCOUNT BASIS RATHER THAN A SINGLE COMPOSITE INDEX FOR ALL PLANT?

A. Yes, I agree with Staff. The Handy-Whitman indexes are prepared for each account and should be applied as such. The composite index may or may not represent the weighting of accounts for a specific company. Staff's workpapers reflect the correct application of the Handy-Whitman indexes for each plant account to the surviving original cost of the Company by plant account as of December 31, 2001.

Q. DO YOU AGREE WITH STAFF THAT THE HANDY-WHITMAN INDEXES SHOULD NOT BE USED FOR GENERAL PLANT EQUIPMENT SUCH AS OFFICE FURNITURE, TOOLS, AND SO FORTH?

A. Yes, I do. However, the portion of plant represented by general equipment is relatively small, and Staff appears to have identified indexes that it considered appropriate in its calculation of RCN. The resulting trend factors appear

reasonable.

Q. DO YOU AGREE WITH STAFF THAT ORGANIZATION, FRANCHISES AND CONSENTS AND LAND SHOULD NOT BE TRENDED IN AN RCN STUDY?

A. Not entirely. Generally, RCN studies incorporate land at original cost or include land at its currently appraised value based on a separate real estate appraisal. For ratemaking purposes, it has been my experience that such appraisals are not performed and land is simply included in the current cost measure of value at its original cost. However, Organization and Franchises and Consents represent costs, expenses, and fees related to the formation of the Company and obtaining franchises and other approvals to operate from state and local governments. Such costs do increase over time with inflation, and there is a logical argument for trending the original costs recorded in these accounts to a current price level. An index that represents the general rate of inflation such as the Consumer Price Index would be appropriate for such costs.

Q. DO YOU SHARE STAFF'S CONCERNS REGARDING THE MISCLASSIFICATION OF ASSETS?

A. No. The misclassification of assets is not a significant problem in the RCN studies conducted by Mr. Bourassa. Although there are a few assets that should have been transferred to their appropriate accounts, the change in the trend factor that would have been used as a result would be relatively minor and not have a significant impact on the RCN study results. I use as evidence of this probable outcome the small variance between the RCN study results obtained by Mr. Bourassa using the overall composite index in the Company's direct filing as compared to Staff's results using account-specific indexes.

Q. DO YOU AGREE WITH STAFF THAT OVERHEADS HAVE BEEN

ADDED IN A HAPHAZARD FASHION?

A. No, I do not. As explained in the rebuttal testimony of Mr. Bourassa, overheads are allocated to projects that are in progress. Thus, the additive for overheads will vary depending on the number and size of projects presently underway. Over the course of a year, the total amount of overhead added to capital projects is appropriate. As can be seen from the small variance between the use of a composite index and the account specific index, the project to which the overhead is assigned will have little impact on the ultimate result of the RCN study.

Q. IS IT APPROPRIATE TO INCLUDE OVERHEADS IN THE DETERMINATION OF RCN VALUES?

A. Yes, it is. Overheads would be capitalized as a part of the reproduction of the assets just as overheads are capitalized today as a part of the replacement of an asset.

Q. DO YOU AGREE WITH STAFF THAT THESE CONCERNS RESULT IN RCN STUDIES, AS CONDUCTED BY MR. BOURASSA, THAT ARE "IRREPARABLY FLAWED"?

A. No, I do not. In my opinion, Staff has cured any flaws by applying the Handy-Whitman indexes on an account basis, eliminating from the RCND rate bases any property that is not used and useful, and eliminating the trending of land. Staff's studies provide a sound determination of the RCND rate bases for each water and wastewater district that can be relied on for ratemaking purposes in this proceeding. With the adjustments made by Mr. Bourassa, as described in his rebuttal testimony, Mr. Bourassa's RCN studies are now very closely aligned with Staff's RCN studies, as shown by the very small variance between his results and those of Staff. Therefore, there is no reason not to utilize these studies for ratemaking purposes.

Q. DO YOU AGREE THAT THE CONDUCT OF AN RCN STUDY IS BEYOND THE RESOURCES OF STAFF?

A. No. Staff has conducted field investigations to become familiar with the property and identify not used and useful property. Staff has applied the Handy-Whitman indexes on an account basis to the remaining used and useful property as of December 31, 2001. The result is a reasonable determination of RCN based on generally accepted valuation techniques. Staff's concerns about the need to conduct an exhaustive physical inventory are unwarranted.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.

1468896.3/73244.034

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WATER AND WASTEWATER DISTRICTS	DOCKET NO. W-01303A-02-_____ SW-01303A-02-_____

DIRECT TESTIMONY

OF

RONALD L. KOZOMAN

EXHIBIT
A-52
Admitted

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A. Ronald L. Kozoman, 1605 W. Mulberry Drive, Phoenix, Arizona 85015.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am self-employed and provide consulting services to utility companies and other businesses with utility related interests.

Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR REGULATORY EXPERIENCE?

A. Yes. I was employed by the Illinois Commerce Commission ("ICC") from 1977 to 1981 in various accounting and management positions. While with the ICC, I testified as the ICC Staff's expert witness on cost of capital, rate base and operating income in rate cases involving Commonwealth Edison Company, Illinois Bell Telephone, and other major Illinois utility companies.

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Michigan. In 2001, I taught Revenue Requirements Accounting, and Regulatory Accounting Methods and Applications under changing Regulatory and Market Conditions.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Arizona-American Water Company ("Arizona-American" or "the Company"). As explained in the Direct Testimony of David P. Stephenson, the Company is filing five applications for rate increases for several different systems Arizona-American recently acquired from Citizens Communications Company ("Citizens"). Specifically, the systems covered by these five applications include the Sun City water and wastewater districts (Application No. 1); Sun City West water and wastewater districts (Application No. 2); the Mohave water and Havasu water districts (Application No. 3); Agua Fria water district, Anthem water district and the Anthem/Agua Fria wastewater district (Application No. 4); and the Tubac water district (Application No. 5). For convenience, I will sometimes refer to the five applications collectively as the Company's rate filing.

II. PURPOSE OF TESTIMONY, SUMMARY AND CONCLUSIONS

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. To set forth the proposed new rates for all of the systems included in the Company's rate filing and to explain the schedules concerning those proposed new rates. In this specific testimony, I address the proposed rates for the Company's Sun City water district and Sun City wastewater district.

Q. WOULD YOU PLEASE IDENTIFY THE SCHEDULES YOU ARE SUPPORTING IN YOUR TESTIMONY?

A. My testimony supports the "H" Schedules included in each of the five applications in the Company's rate filing. I prepared all of these schedules.

Q. HAS ARIZONA-AMERICAN PREPARED A COST OF SERVICE STUDY IN SUPPORT OF THE PROPOSED RATES FOR ANY OF THESE SYSTEMS?

A. No. Consequently, the Company has not included "G" Schedules in any of the five applications at this time.

Q. WHY HASN'T THE COMPANY INCLUDED THE "G" SCHEDULES IN ITS RATE FILING?

A. Under R14-2-103.B, cost of service information must be filed if both of the following conditions are present:

> 1) The utility is in a segment of the utility industry that recognizes cost of service studies as important tools for rate design; and
>
> 2) Costs incurred by the utility are likely to vary significantly from one defined segment of customers to another.

Arizona-American is not proposing different increases for different customer classes or groups. Instead, in order to reduce the number of issues and to simplify the Company's rate filing, Arizona-American proposes that necessary rate increases be allocated to all customers equally. In other words, Arizona-American does not propose to change the existing rate design, including the allocation of the revenue requirement between customer types, from that approved by the Commission when it set the present rates for each of the water or wastewater systems covered by the Company's rate filing.

Q. WHAT DO YOU MEAN THE COMPANY WILL ALLOCATE RATE INCREASES TO ALL CUSTOMERS EQUALLY?

A After developing a new revenue requirement for each district included in the Company's rate filing, Arizona-American determined the percent increases necessary to meet the new requirement. That percentage increase was then applied

to the monthly minimums and commodity rates for all customers in that water and wastewater district uniformly so that each customer will experience the approximately the same percentage increase. I say approximately because, as a result of the Company rounding the proposed rates up or down to the nearest whole cent, the percentage increases will not be exact in every instance.

III. PROPOSED RATE INCREASES FOR SUN CITY WATER DISTRICT AND SUN CITY WASTEWATER DISTRICT

A. Sun City Water District

Q. HOW MUCH OF AN INCREASE IS ARIZONA-AMERICAN SEEKING FOR THE SUN CITY WATER DISTRICT COMPARED TO PRESENT RATES?

A. Arizona-American seeks an 88.50 % rate increase over the existing rates for its Sun City water district.

Q. WHAT ARE THE PRESENT RATES FOR SUN CITY WATER DISTRICT?

A. The present rates are listed below:

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4"	$5.00	0
3/4"	$5.00	0
1"	$13.00	0
1 1/2"	$28.00	0
2"	$41.00	0
3"	$70.00	0
4"	$103.00	0
6"	$141.00	0
8"	N/A	0

The commodity rate for all meter sizes is $0.73 per 1,000 gallons, up to 8,000 gallons. The second tier rate (starting at 8,001 gallons) is $0.92 per 1,000 gallons. Construction water (Untreated CAP Water) is $0.50 per 1,000 gallons, while irrigation water is $0.65 per 1,000 gallons. The commodity rate for Public Interruptible water is $0.50 per 1,000 gallons.

Q. WHAT ARE THE PROPOSED RATES FOR THE SUN CITY WATER DISTRICT?

A. The proposed rates are listed below:

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4"	$9.43	0
3/4"	$9.43	0
1"	$24.51	0
1 1/2"	$52.78	0
2"	$77.29	0
3"	$131.95	0
4"	$194.16	0
6"	$265.79	0
8"	N/A	0

The proposed commodity rate is $1.38 per 1,000 gallons, up to 8,000 gallons. The proposed second tier for rates is $1.73. The proposed rate for Construction water (Untreated CAP Water) is $0.94 per 1,000 gallons. The proposed rate for Irrigation water is $1.23 per 1,000 gallons. The proposed rate for Public Interruptible water is $0.94 per 1,000 gallons. Due to rounding to the nearest whole cent, some of the above rates may be slightly higher or lower than the proposed 88.50% overall rate increase.

Q. WHAT IS THE IMPACT ON A RESIDENTIAL CUSTOMER WHO USES 8,361 GALLONS PER MONTH, WHICH IS THE AVERAGE USAGE FOR A RESIDENTIAL 5/8 INCH METER CUSTOMER IN THE SUN CITY WATER DISTRICT?

A. The present bill is $11.71 per month. The proposed bill would be $20.01 per month, an increase of $9.92, or 88.81%.

Q. WILL THE RATE INCREASE FOR THE SUN CITY WATER DISTRICT BE PHASED IN?

A. Yes. In the first year, rates will increase by 40%. Thus, an average residential customer on a 5/8-inch meter would experience an increase of $4.45, or approximately 40%. The average bill will increase from $11.71 to $15.63. The remainder of the rate increase will be phased in 12 months after the effective date of the Order approving the rate increase.

B. <u>Sun City Wastewater District</u>

Q. WHAT IS THE RATE INCREASE PROPOSED FOR THE SUN CITY WASTEWATER DISTRICT?

A. The Company proposes a 12.50% rate increase for all customers.

Q. WHAT ARE THE PRESENT RATES FOR SUN CITY WASTEWATER DISTRICT?

A. The present monthly charges are listed below.

Residential	$12.87
Commercial	$15.46
Large Commercial	$32.80 (consumption over 20,000 gallons)
Commercial, Additional Toilets	$ 3.78
Commercial, restaurant, per dishwasher or garbage grinder	$29.10

Commercial, Laundromat, per washing machine

$ 7.06

Commercial, per wash rack $14.40

The charge for 1,000 gallons of wastewater (above the 20,000 included in the monthly minimum) is $1.24.

Q. WHAT ARE THE PROPOSED RATES FOR THE SUN CITY WASTEWATER DISTRICT?

A. The Company's proposed monthly charges are listed below.

Residential $14.48

Commercial $17.39

Large Commercial $36.90 (consumption over 20,000 gallons)

Commercial, Additional Toilets $ 4.25

Commercial, restaurant, per dishwasher or garbage grinder

$32.74

Commercial, Laundromat, per washing machine

$ 7.94

Commercial, per wash rack $16.20.

The proposed charge for 1,000 gallons of wastewater (above the 20,000 included in the monthly minimum) is $1.40.

Q. WHAT IMPACT WILL THE PROPOSED RATES HAVE ON A TYPICAL RESIDENTIAL CUSTOMER?

A. The typical residential customer in the Sun City wastewater district will experience a rate increase of $1.61 per month, or 12.51%.

IV. REVENUE ANNUALIZATION AND THE "H" SCHEDULES

Q. DID YOU PREPARE THE REVENUE ANNUALIZATION THAT ARE USED IN MR. BOURASSA'S SCHEDULES?

A. Yes, I did.

Q. WOULD YOU EXPLAIN HOW THE REVENUE ANNUALIZATIONS WERE PREPARED?

A. The revenue annualizations were prepared based on the total customer count as of December of the test year. Annualizations for any increase in the number of customers in each customer class as of December of the test year were made to project revenues and consumption for those annualizations as if those customers had been on the system for the full year. Annualizations for any decrease in the number of customers in a customer class as of December of the test period were made to remove the revenue and consumption for those lost customers as if those customers had not existed on the system for the full year. Thus, the customer count at December was the controlling influence as to whether revenue and consumption was either annualized or removed.

Q. PLEASE EXPLAIN WHAT IS SHOWN ON SCHEDULE H-1?

A. The H-1 Schedule shows the revenues at present and proposed rates from each class of customer, and the annualization of revenues for any change in the number of customers during the year.

Q. PLEASE EXPLAIN WHAT IS SHOWN ON SCHEDULE H-2?

A. The H-2 Schedule shows the rate increase based on the average annual usage for each customer class. The billing to each average user is at present and proposed rates.

Q. WHAT IS CONTAINED ON THE H-3 SCHEDULES?

A. Schedule H-3 contains both the present and proposed rates. The Schedule also shows the dollar increase, and percentage increase.

Q. WHAT IS CONTAINED ON THE H-4 SCHEDULES?

A. Schedule H-4 shows the billing at both present and proposed rates based on various usage levels. The schedule also shows the dollar increase, and percentage increase at various usage levels.

Q. WHAT IS SHOWN ON THE H-5 SCHEDULES?

A. The H-5 Schedules contain the usage for each class of customer during the test year. These schedules are commonly referred to as the bill count schedules, as the schedules show usage by various classes of customers during the test year.

Q. WHY IS THERE MORE THAN ONE SET OF H-1, H-2, AND H-3 SCHEDULES FOR THE SUN CITY WATER DISTRICT?

A. There is a "phase in" set of H-1, H-2, H-3, and H-4 schedules to coincide with Arizona-American's proposal to phase in the rate increases for the Sun City water district.

Q. HAS THE COMPANY PROPOSED THE SPECIFIC FORM OF ITS TERMS AND CONDITIONS TO BE INCLUDED IN ITS TARIFFS AS A PART OF THIS PROCEEDING?

A. Yes, included in the Company's schedules are the proposed rates and charges for service, as well as other standard terms and conditions. These are in a form the Commission has recently approved for other water companies. Specifying terms and conditions in a formal tariff permits the Company to more effectively and efficiently operate while also providing a better understanding for customers who are requesting particular services from the Company.

Q. IS THE COMPANY PROPOSING ANY CHANGE IN ITS OTHER TARIFF CHARGES?

A. Yes. The Company is proposing to increase the meter/service line charge to match the recommended charges set forth in the memorandum of the Utilities Division, Engineering Section, dated April 23, 2002. A copy is attached hereto as Kozoman Dir. Exh. 1. The Company is not proposing any other changes in its tariffs. Additionally, the Company proposes to collect the income tax on the meter/service line charge, as these charges are now taxable income. Refunds of the meter/service line charge will include a refund of the original income tax collected spread over the refund period.

Q. DOES THIS PROPOSED CHANGE IN METER FEES IMPACT REVENUE?

A. No. Meter/Service Line Installation Fees are not revenues. These fees are either considered refundable deposits or advances, and not revenues. As with any advance or deposit, they are also considered a deduction from rate base in the development of a revenue requirement. Thus, any increase in these fees is revenue neutral.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

1358024.2/73244.034

KOZOMAN DIR. EXH. 1

MEMORANDUM

To: Dorothy Hains, John Chelus, Lyndon Hammon, Del Smith, Gordon Fox, Claudio Fernandez, John Thornton

From: Marlin Scott, Jr. MSJ
Utilities Engineer
Utilities Division

Date: **April 23, 2002**

RE: UPDATE OF STAFF'S TYPICAL SERVICE LINE AND METER INSTALLATION CHARGES

The following is an updated list of Staff's typical service line and meter installation charges for 2002. If a company desires to charge an amount greater than these amounts, it should be required to submit appropriate cost justification to do so.

Meter Size	Service line Charge			* Meter Charge			Total Charge		
5/8" x 3/4"	340	to	370	80	to	130	420	to	500
3/4"	340	to	370	155	to	205	495	to	575
1"	390	to	420	190	to	240	580	to	660
1-1/2"	420	to	450	400	to	450	820	to	900
2" -Turbine	550	to	580	895	to	945	1,445	to	1,525
2" - Compound	550	to	580	1,590	to	1,640	2,140	to	2,220
3" –Turbine	715	to	745	1,370	to	1,420	2,085	to	2,165
3" – Compound	735	to	765	2,145	to	2,195	2,880	to	2,960
4" -Turbine	1,030	to	1,090	2,170	to	2,270	3,200	to	3,360
4" – Compound	1,060	to	1,120	3,045	to	3,145	4,105	to	4,265
6" –Turbine	1,550	to	1,610	4,325	to	4,425	5,875	to	6,035
6" - Compound	1,570	to	1,630	6,020	to	6,120	7,590	to	7,750

*Note: Meter charge includes meter box or vault.

:msj

Mydocs/slmcharg

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Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

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DIRECT TESTIMONY

OF

RONALD L. KOZOMAN

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Q. WOULD YOU PLEASE IDENTIFY THE SCHEDULES YOU ARE SUPPORTING IN YOUR TESTIMONY?

A. My testimony supports the "H" Schedules included in each of the five applications in the Company's rate filing. I prepared all of these schedules.

Q. HAS ARIZONA-AMERICAN PREPARED A COST OF SERVICE STUDY IN SUPPORT OF THE PROPOSED RATES FOR ANY OF THESE SYSTEMS?

A. No. Consequently, the Company has not included "G" Schedules in any of the five applications at this time.

Q. WHY HASN'T THE COMPANY INCLUDED THE "G" SCHEDULES IN ITS RATE FILING?

A. Under R14-2-103.B, cost of service information must be filed if both of the following conditions are present:

> 1) The utility is in a segment of the utility industry that recognizes cost of service studies as important tools for rate design; and
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> 2) Costs incurred by the utility are likely to vary significantly from one defined segment of customers to another.

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Q. WHAT DO YOU MEAN THE COMPANY WILL ALLOCATE RATE INCREASES TO ALL CUSTOMERS EQUALLY?

A After developing a new revenue requirement for each system included in the Company's rate filing, the Company determined the percent increases necessary to

meet the new requirement. That percentage increase was then applied to the monthly minimums and commodity rates for all customers in that water and wastewater district uniformly, so that each customer will experience the approximately the same percentage increase. I say approximately because, as a result of the Company rounding the proposed rates up or down to the nearest whole cent, the percentage increases will not be exact in every instance.

III. PROPOSED RATE INCREASES FOR SUN CITY WEST WATER DISTRICT AND SUN CITY WEST WASTEWATER DISTRICT

A. Sun City West Water District

Q. WHAT INCREASE IN REVENUES IS BEING SOUGHT FOR THE SUN CITY WEST WATER DISTRICT COMPARED TO ADJUSTED TEST YEAR REVENUES AT PRESENT RATES?

A. Arizona-American seeks a 43.96% increase in revenues over the adjusted test year revenues at existing rates for its Sun City West water district.

Q. WHAT ARE THE PRESENT RATES FOR THE SUN CITY WEST WATER DISTRICT?

A. The present rates are listed below:

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4"	$5.00	0
3/4"	$5.00	0
1"	$13.00	0
1 1/2"	$28.00	0
2"	$41.00	0
3"	$70.00	0
4"	$103.00	0

6"	$141.00	0
8"	N/A	0

The commodity rate for all meter sizes is $0.93 per 1,000 gallons, up to 8,000 gallons. The second tier rate (starting at 8,001 gallons) is $1.12 per 1,000 gallons. Construction water is $0.60 per 1,000 gallons. Effluent sales per acre-foot are $150.00. Central Arizona Water (Untreated) is $0.50 per 1,000 gallons. Finally, the General Fire Sprinkler rates are:

4 Inch	$30.00
6 Inch	$45.00
8 Inch	$60.00
10 Inch	$120.00.

Q. WHAT ARE THE PROPOSED RATES FOR THE SUN CITY WEST WATER DISTRICT?

A. The proposed rates are listed below:

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4"	$7.23	0
3/4"	$7.23	0
1"	$18.80	0
1 1/2"	$40.49	0
2"	$59.29	0
3"	$101.22	0
4"	$148.94	0
6"	$203.89	0
8"	N/A	0

The proposed commodity rate for all meter sizes is $1.34 per 1,000 gallons, up to 8,000 gallons. The proposed second tier rate (starting at 8,001 gallons) is $1.62 per 1,000 gallons. The tariff for Construction water is to be cancelled as it is no longer used and the proposed Effluent rate is $216.90 per acre-foot. The proposed rate for Central Arizona Water (Untreated) is $0.72 per 1,000 gallons. Finally, the General Fire Sprinkler rates are:

4 Inch	$43.38
6 Inch	$65.07
8 Inch	$86.76
10 Inch	$173.52

The above rates have been rounded to the nearest whole cent, which, in some case will have a slight impact on the actual percentage increase..

Q. WHAT IS THE IMPACT ON A RESIDENTIAL CUSTOMER WHO USES 7,171 GALLONS PER MONTH, WHICH IS THE AVERAGE USAGE FOR A RESIDENTIAL 5/8 INCH METER CUSTOMER IN THE SUN CITY WEST WATER DISTRICT?

A. The present bill is $11.67 per month. The proposed bill would be $16.84 per month, an increase of $5.17, or 44.31%.

Q. WILL THE RATE INCREASE FOR THE SUN CITY WEST WATER DISTRICT BE PHASED IN?

A. Yes. In the first year, rates will increase by 40%. Thus, an average residential customer on a 5/8-inch meter would experience an increase of $4.65, or approximately 40%. The average bill will increase from $11.67 to $16.32. The remainder of the rate increase will be phased in 12 months after the effective date of the Order approving the rate increase.

B. **Sun City West Wastewater Distrct**

Q. WHAT IS REVENUE INCREASE PROPOSED FOR THE SUN CITY WEST WASTEWATER DISTRICT?

A. The Company proposes a 55.59% increase in revenues over the adjusted test year revenues at existing rates for its Sun City West wastewater district.

Q. WHAT ARE THE PRESENT RATES FOR SUN CITY WEST WASTEWATER DISTRICT?

A. The present monthly charges are listed below.

Residential	$ 16.24
Commercial	$ 23.09
Large Commercial	$ 45.42 (consumption over 20,000 gallons)
Commercial, Additional Toilets	$ 5.30
Commercial, restaurant, per dishwasher or garbage grinder	$ 42.58
Commercial, Laundromat, per washing machine	$ 9.93
Commercial, per wash rack	$ 20.81

The charge for 1,000 gallons of wastewater (above the 20,000 included in the monthly minimum) is $0.98.

Q. WHAT ARE THE PROPOSED RATES FOR THE SUN CITY WEST WASTEWATER DISTRICT?

A. The Company's proposed monthly charges are listed below.

Residential	$ 25.27
Commercial	$ 35.93
Large Commercial	$ 70.67 (consumption over 20,000 gallons)
Commercial, Additional Toilets	$ 8.25

Commercial, restaurant, per dishwasher or garbage grinder

$ 66.25

Commercial, Laundromat, per washing machine

$ 15.45

Commercial, per wash rack $ 32.38.

The proposed charge for 1,000 gallons of wastewater (above the 20,000 included in the monthly minimum) is $1.52.

Q. WHAT IMPACT WILL THE PROPOSED RATES HAVE ON A TYPICAL RESIDENTIAL CUSTOMER?

A. The typical residential customer in the Sun City West wastewater district will experience a rate increase of $9.03 per month, or 55.60%.

Q. WILL THE RATE INCREASE FOR THE SUN CITY WEST WASTEWATER DISTRICT BE PHASED IN?

A. Yes. The first year the rates will increase 40%. Thus, an average residential customer would experience an increase of $6.50, or approximately 40%. The bill will increase from $16.24, to $22.74. The remainder of the rate increase will be phased in 12 months after the effective date of the order approving the rate increase.

IV. REVENUE ANNUALIZATION AND THE "H" SCHEDULES

Q. DID YOU PREPARE THE REVENUE ANNUALIZATIONS THAT ARE USED IN MR. BOURASSA'S SCHEDULES?

A. Yes, I did.

Q. WOULD YOU EXPLAIN HOW THE REVENUE ANNUALIZATIONS WERE PREPARED?

A. The revenue annualizations were prepared based on the total customer count as of December of the test year. Annualizations for any increase in the number of

customers in each customer class as of December of the test year were made to project revenues and consumption for those annualizations as if those customers had been on the system for the full year. Annualizations for any decrease in the number of customers in a customer class as of December of the test period were made to remove the revenue and consumption for those lost customers as if those customers had not existed on the system for the full year. Thus, the customer count at December was the controlling influence as to whether revenue and consumption was either annualized or removed.

Q. PLEASE EXPLAIN WHAT IS SHOWN ON SCHEDULE H-1?

A. The H-1 Schedule shows the revenues at present and proposed rates from each class of customer, and the annualization of revenues for any change in the number of customers during the year.

Q. PLEASE EXPLAIN WHAT IS SHOWN ON SCHEDULE H-2?

A. The H-2 Schedule shows the rate increase based on the average annual usage for each customer class. The billing to each average user is at present and proposed rates.

Q. WHAT IS CONTAINED ON THE H-3 SCHEDULES?

A. Schedule H-3 contains both the present and proposed rates. The Schedule also shows the dollar increase, and percentage increase.

Q. WHAT IS CONTAINED ON THE H-4 SCHEDULES?

A. Schedule H-4 shows the billing at both present and proposed rates based on various usage levels. The schedule also shows the dollar increase, and percentage increase at various usage levels.

Q. WHAT IS SHOWN ON THE H-5 SCHEDULES?

A. The H-5 Schedules contain the usage for each class of customer during the test year. These schedules are commonly referred to as the bill count schedules, as the schedules show usage by various classes of customers during the test year.

Q. WHY IS THERE MORE THAN ONE SET OF H-1, H-2, AND H-3 SCHEDULES FOR THE SUN CITY WEST WATER AND WASTEWATER DISTRICTS?

A. There is a "phase in" set of H-1, H-2, H-3, and H-4 schedules to coincide with Arizona-American's proposal to phase in the rate increases for the Sun City West water and wastewater districts.

Q. IS THE COMPANY PROPOSING ANY CHANGE IN ITS OTHER TARIFF CHARGES?

A. Yes. The Company is proposing to increase the meter/service line charge to match the recommended charges set forth in the memorandum of the Utilities Division, Engineering Section, dated April 23, 2002. A copy is attached hereto as Kozoman Dir. Exh. 1. The Company is not proposing any other changes in its tariffs. Additionally, the Company proposes to collect the income tax on the meter/service line charge, as these charges are now taxable income. Refunds of the meter/service line charge will include a refund of the original income tax collected spread over the refund period.

Q. DOES THIS PROPOSED CHANGE IN METER FEES IMPACT REVENUE?

A. No. Meter/Service Line Installation Fees are not revenues. These fees are either considered refundable deposits or advances, and not revenues. As with any advance or deposit, they are also considered a deduction from rate base in the development of a revenue requirement. Thus, any increase in these fees is revenue neutral.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

1358025.2/73244.034

FENNEMORE CRAIG
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3003 N. Central Ave.
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Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS MOHAVE WATER DISTRICT AND ITS HAVASU WATER DISTRICT	DOCKET NO. W-01303A-02-_____

DIRECT TESTIMONY

OF

RONALD L. KOZOMAN

EXHIBIT
A-54
Admitted

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A. Ronald L. Kozoman, 1605 W. Mulberry Drive, Phoenix, Arizona 85015.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am self-employed and provide consulting services to utility companies and other businesses with utility related interests.

Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR REGULATORY EXPERIENCE?

A. Yes. I was employed by the Illinois Commerce Commission ("ICC") from 1977 to 1981 in various accounting and management positions. While with the ICC, I testified as the ICC Staff's expert witness on cost of capital, rate base and operating income in rate cases involving Commonwealth Edison Company, Illinois Bell Telephone, and other major Illinois utility companies.

I was first retained by the Arizona Corporation Commission ("Commission" or "ACC") in 1981 as a consultant to prepare Commission Staff's cost of capital testimony for the Southwest Gas Corporation and Southern Union Gas Company rate cases. I later became Chief Rate Analyst for the Commission. As Chief Rate Analyst, I was responsible for supervising all of the Commission's rate analysts and utility auditors. While with the Commission, I testified on cost of capital concerning Tubac Valley Utilities, Continental Telephone Company of California, and Mountain Bell Telephone (now Qwest), among others.

I have also testified as an independent consultant on behalf of utility companies, utility consumers, and regulatory agencies. I am also an instructor in the areas of public utility accounting and general regulatory practices for the National Association of Regulatory Utility Commissioners in its Annual Regulatory Studies Program held at Michigan State University in East Lansing,

Michigan. In 2001, I taught Revenue Requirements Accounting, and Regulatory Accounting Methods and Applications under changing Regulatory and Market Conditions.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Arizona-American Water Company ("Arizona-American" or "the Company"). As explained in the Direct Testimony of David P. Stephenson, the Company is filing five applications for rate increases for several different systems Arizona-American recently acquired from Citizens Communications Company ("Citizens"). Specifically, the systems covered by these five applications include the Sun City water and wastewater districts (Application No. 1); Sun City West water and wastewater districts (Application No. 2); the Mohave water and Havasu water districts (Application No. 3); Agua Fria water district, Anthem water district and the Anthem/Agua Fria wastewater district (Application No. 4); and the Tubac water district (Application No. 5). For convenience, I will sometimes refer to the five applications collectively as the Company's rate filing.

II. PURPOSE OF TESTIMONY, SUMMARY AND CONCLUSIONS

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. To set forth the proposed new rates for all of the systems included in the Company's rate filing and to explain the schedules concerning those proposed new rates. In this specific testimony, I will address the requested rate increases for the Mohave water and Havasu water districts.

Q. WOULD YOU PLEASE IDENTIFY THE SCHEDULES YOU ARE SUPPORTING IN YOUR TESTIMONY?

A. My testimony supports the "H" Schedules included in each of the five applications in the Company's rate filing. I prepared all of these schedules.

Q. HAS ARIZONA-AMERICAN PREPARED A COST OF SERVICE STUDY IN SUPPORT OF THE PROPOSED RATES FOR ANY OF THESE SYSTEMS?

A. No. Consequently, the Company has not included "G" Schedules in any of the five applications at this time.

Q. WHY HASN'T THE COMPANY INCLUDED THE "G" SCHEDULES IN ITS RATE FILING?

A. Under R14-2-103.B, cost of service information must be filed if both of the following conditions are present:

> 1) The utility is in a segment of the utility industry that recognizes cost of service studies as important tools for rate design; and
>
> 2) Costs incurred by the utility are likely to vary significantly from one defined segment of customers to another.

Arizona-American is not proposing different increases for different customer classes or groups. Instead, in order to reduce the number of issues and to simplify the Company's rate filing, Arizona-American proposes that necessary rate increases be allocated to all customers equally. In other words, Arizona-American does not propose to change the existing rate design, including the allocation of the revenue requirement between customer types, from that approved by the Commission when it set the present rates for each of the water or wastewater systems covered by the Company's rate filing.

Q. WHAT DO YOU MEAN THE COMPANY WILL ALLOCATE RATE INCREASES TO ALL CUSTOMERS EQUALLY?

A. After developing a new revenue requirement for each district included in the Company's rate filing, Arizona-American determined the percent increases necessary to meet the new requirement. That percentage increase was then applied

to the monthly minimums and commodity rates for all customers in that water and wastewater district uniformly, so that each customer will experience the approximately the same percentage increase. I say approximately because, as a result of the Company rounding the proposed rates up or down to the nearest whole cent, the percentage increases will not be exact in every instance.

III. PROPOSED RATE INCREASES FOR THE COMPANY'S MOHAVE WATER DISTRICT AND HAVASU WATER DISTRICT

A. Mohave Water District

Q. HOW MUCH OF AN INCREASE IS ARIZONA-AMERICAN SEEKING FOR THE MOHAVE WATER DISTRICT COMPARED TO ADJUSTED REVENUES AT PRESENT RATES?

A. Arizona-American seeks a 14.14% increase over the adjusted test year revenues at the existing rates for its Mohave water district.

Q. WHAT ARE THE PRESENT RATES FOR MOHAVE WATER DISTRICT?

A. The present rates are listed below:

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4"	$8.65	1,000
3/4"	N/A	N/A
1"	$15.00	1,000
1 1/2"	$25.00	1,000
2"	$30.00	1,000
3"	$60.00	1,000
4"	$90.00	1,000
6"	$200.00	1,000
8"	$400.00	1,000

The commodity rate for all meter sizes is $1.48 per 1,000 gallons. Multi-unit rates are based on a multiple of the 5/8 x ¾ inch meter. These customers received 1,000 gallons of water times the number of units in their monthly minimum.

Q. ARE THERE ANY OTHER PRESENT RATES?

A. Yes, in the area known as Rio Verde, the Company also has a separate rate. Those customers pay a monthly minimum of $7.75 (all meter sizes) and have 2,000 gallons included in the monthly minimum. The commodity rate for customers in Rio Verde is $1.75 per 1000 gallons.

Q. WHAT ARE THE PROPOSED RATES FOR THE MOHAVE WATER DISTRICT?

A. The proposed rates are listed below:

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4"	$9.84	1,000
3/4"	N/A	N/A
1"	$17.07	1,000
1 1/2"	$28.45	1,000
2"	$34.14	1,000
3"	$68.28	1,000
4"	$102.42	1,000
6"	$227.60	1,000
8"	$455.20	1,000
10"	$787.20	1,000

The proposed commodity rate for all meter sizes is $1.68.

Q. DOES ARIOZNA-AMERICAN ALSO PROPOSE TO INCREASE THE RIO VERDE RATES?

A. Yes. The proposed a monthly minimum is $8.82 (all meter sizes) and the proposed commodity rate for customers in Rio Verde is $1.99 per 1000 gallons.

Q. WHAT IS THE IMPACT ON A RESIDENTIAL CUSTOMER WHO USES 8,000 GALLONS PER MONTH, WHICH IS THE AVERAGE USAGE FOR A RESIDENTIAL 5/8 INCH METER CUSTOMER RECEIVING WATER UTILITY SERVICE FROM MOHAVE?

A. Residential customers in the Mohave water district who use the average of 8,000 gallons per month will experience a rate increase of $2.59 per month, except those in Rio Verde. Residential customers in Rio Verde, where the average monthly use is 11,942 gallons per month will experience a rate increase of $3.46. I should also note that all of the proposed rates for the Mohave water district have been rounded to the nearest whole cent, which, in some case will have a slight impact on the actual percentage increase.

B. <u>Havasu Water District</u>

Q. HOW MUCH OF AN INCREASE IS ARIZONA-AMERICAN SEEKING FOR THE HAVASU WATER DISTRICT COMPARED TO ADJUSTED REVENUES AT PRESENT RATES?

A. Arizona-American seeks a 44.86% increase in revenues over the adjusted test year revenues at existing rates for its Havasu water district.

Q. WHAT ARE THE PRESENT RATES FOR THE HAVASU WATER DISTRICT?

A. The present rates are listed below:

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x3/4"	$10.00	1,000
3/4"	N/A	N/A
1"	$17.10	1,000
1 1/2"	$24.00	1,000
2"	$33.60	1,000
3"	$45.60	1,000
4"	$57.60	1,000
6"	$200.00	1,000
8"	$400.00	1,000

The present commodity charge per 1,000 gallons is $1.42 per 1,000 gallons for usage during the summer months (months of May through October), while the winter rate is $1.31 per 1,000 gallons.

Q. WHAT ARE THE PROPOSED RATES FOR THE HAVASU WATER DISTRICT?

A. The proposed rates are listed below:

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4"	$14.61	1,000
3/4"	N/A	N/A
1"	$24.98	1,000
1 1/2"	$35.06	1,000
2"	$49.09	1,000
3"	$66.62	1,000

4"	$84.15	1,000
6"	$292.20	1,000
8"	$584.40	1,000

The proposed commodity rate for the summer months (May thorough October) is $2.07 per 1,000 gallons and the proposed commodity charge per 1,000 gallons is $1.91 for the winter months.

Q. WHAT IS THE IMPACT ON A RESIDENTIAL CUSTOMER WHO USES 7,659 GALLONS PER MONTH, WHICH IS THE AVERAGE USAGE FOR A RESIDENTIAL 5/8 INCH METER CUSTOMER RECEIVING WATER UTILITY SERVICE FROM HAVASU WATER DISTRICT?

A. Residential customers in the Havasu water district who use the average of 7,659 gallons per month will experience a rate increase of $8.93 per month in the summer months and an increase of $8.61 during the winter months. I should also note that all of the proposed rates for the Havasu water district have been rounded to the nearest whole cent, which, in some case will have a slight impact on the actual percentage increase.

Q. WILL THE RATE INCREASE FOR HAVASU WATER BE PHASED IN?

A. Yes. In the first year, rates will increase by 40%. Thus, an average residential customer on a 5/8-inch meter would experience an increase of $7.86 in the summer months and $7.46 in the winter months during the first year following Commission approval. The remainder of the rate increase will be phased in 12 months after the effective date of the Order approving the rate increase.

IV. <u>REVENUE ANNUALIZATION AND THE "H" SCHEDULES</u>

Q. DID YOU PREPARE THE REVENUE ANNUALIZATIONS THAT ARE USED IN MR. BOURASSA'S SCHEDULES?

A. Yes, I did.

Q. WOULD YOU EXPLAIN HOW THE REVENUE ANNUALIZATIONS WERE PREPARED?

A. The revenue annualizations were prepared based on the total customer count as of December of the test year. Annualizations for any increase in the number of customers in each customer class as of December of the test year were made to project revenues and consumption for those annualizations as if those customers had been on the system for the full year. Annualizations for any decrease in the number of customers in a customer class as of December of the test period were made to remove the revenue and consumption for those lost customers as if those customers had not existed on the system for the full year. Thus, the customer count at December was the controlling influence as to whether revenue and consumption was either annualized or removed.

Q. PLEASE EXPLAIN WHAT IS SHOWN ON SCHEDULE H-1?

A. The H-1 Schedule shows the revenues at present and proposed rates from each class of customer, and the annualization of revenues for any change in the number of customers during the year.

Q. PLEASE EXPLAIN WHAT IS SHOWN ON SCHEDULE H-2?

A. The H-2 Schedule shows the rate increase based on the average annual usage for each customer class. The billing to each average user is at present and proposed rates.

Q. WHAT IS CONTAINED ON THE H-3 SCHEDULES?

A. Schedule H-3 contains both the present and proposed rates. The Schedule also shows the dollar increase, and percentage increase.

Q. WHAT IS CONTAINED ON THE H-4 SCHEDULES?

A. Schedule H-4 shows the billing at both present and proposed rates based on various usage levels. The schedule also shows the dollar increase, and percentage increase at various usage levels.

Q. WHAT IS SHOWN ON THE H-5 SCHEDULES?

A. The H-5 Schedules contain the usage for each class of customer during the test year. These schedules are commonly referred to as the bill count schedules, as the schedules show usage by various classes of customers during the test year.

Q. WHY IS THERE MORE THAN ONE SET OF H-1, H-2, AND H-3 SCHEDULES FOR HAVASU WATER?

A. There is a "phase in" set of H-1, H-2, H-3, and H-4 schedules to coincide with Arizona-American's proposal to phase in the rate increases for the Havasu water district.

Q. IS THE COMPANY PROPOSING ANY CHANGE IN ITS OTHER TARIFF CHARGES?

A. Yes. The Company is proposing to increase the meter/service line charge to match the recommended charges set forth in the memorandum of the Utilities Division, Engineering Section, dated April 23, 2002. A copy is attached hereto as Kozoman Dir. Exh. 1. The Company is not proposing any other changes in its tariffs. Additionally, the Company proposes to collect the income tax on the meter/service line charge, as these charges are now taxable income. Refunds of the meter/service line charge will include a refund of the original income tax collected spread over the refund period.

Q. DOES THIS PROPOSED CHANGE IN METER FEES IMPACT REVENUE?

A. No. Meter/Service Line Installation Fees are not revenues. These fees are either considered refundable deposits or advances, and not revenues. As with any

advance or deposit, they are also considered a deduction from rate base in the development of a revenue requirement. Thus, any increase in these fees is revenue neutral.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

1358207.2/73244.034

KOZOMAN DIR. EXH. 1

MEMORANDUM

To: Dorothy Hains, John Chelus, Lyndon Hammon, Del Smith, Gordon Fox, Claudio Fernandez, John Thornton

From: Marlin Scott, Jr. MSJ
Utilities Engineer
Utilities Division

Date: April 23, 2002

RE: UPDATE OF STAFF'S TYPICAL SERVICE LINE AND METER INSTALLATION CHARGES

The following is an updated list of Staff's typical service line and meter installation charges for 2002. If a company desires to charge an amount greater than these amounts, it should be required to submit appropriate cost justification to do so.

Meter Size	Service line Charge			* Meter Charge			Total Charge		
5/8" x 3/4"	340	to	370	80	to	130	420	to	500
3/4"	340	to	370	155	to	205	495	to	575
1"	390	to	420	190	to	240	580	to	660
1-1/2"	420	to	450	400	to	450	820	to	900
2" -Turbine	550	to	580	895	to	945	1,445	to	1,525
2" - Compound	550	to	580	1,590	to	1,640	2,140	to	2,220
3" –Turbine	715	to	745	1,370	to	1,420	2,085	to	2,165
3" – Compound	735	to	765	2,145	to	2,195	2,880	to	2,960
4" -Turbine	1,030	to	1,090	2,170	to	2,270	3,200	to	3,360
4" – Compound	1,060	to	1,120	3,045	to	3,145	4,105	to	4,265
6" –Turbine	1,550	to	1,610	4,325	to	4,425	5,875	to	6,035
6" - Compound	1,570	to	1,630	6,020	to	6,120	7,590	to	7,750

*Note: Meter charge includes meter box or vault.

:msj

Mydocs/slmcharg

FENNEMORE CRAIG
Norman D. James
Jay L. Shapiro
3003 N. Central Ave.
Suite 2600
Phoenix, Arizona 85012
Attorneys for Arizona-American
Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WATER DISTRICT, ITS ANTHEM WATER DISTRICT AND ITS ANTHEM/AGUA FRIA WASTEWATER DISTRICT.	DOCKET NO. W-01303A-02-_____ SW-01303A-02-_____

DIRECT TESTIMONY

OF

RONALD L. KOZOMAN

EXHIBIT
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Admitted

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A. Ronald L. Kozoman, 1605 W. Mulberry Drive, Phoenix, Arizona 85015.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am self-employed and provide consulting services to utility companies and other businesses with utility related interests.

Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR REGULATORY EXPERIENCE?

A. Yes. I was employed by the Illinois Commerce Commission ("ICC") from 1977 to 1981 in various accounting and management positions. While with the ICC, I testified as the ICC Staff's expert witness on cost of capital, rate base and operating income in rate cases involving Commonwealth Edison Company, Illinois Bell Telephone, and other major Illinois utility companies.

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Michigan. In 2001, I taught Revenue Requirements Accounting, and Regulatory Accounting Methods and Applications under changing Regulatory and Market Conditions.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Arizona-American Water Company ("Arizona-American" or "the Company"). As explained in the Direct Testimony of David P. Stephenson, the Company is filing five applications for rate increases for several different systems Arizona-American recently acquired from Citizens Communications Company ("Citizens"). Specifically, the systems covered by these five applications include the Sun City water and wastewater districts (Application No. 1); Sun City West water and wastewater districts (Application No. 2); the Mohave water and Havasu water districts (Application No. 3); the Agua Fria water district, Anthem water district and the Anthem/Agua Fria wastewater district (Application No. 4); and the Tubac water district (Application No. 5). For convenience, I will sometimes refer to the five applications collectively as the Company's rate filing.

II. PURPOSE OF TESTIMONY, SUMMARY AND CONCLUSIONS

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. To set forth the proposed new rates for all of the systems included in the Company's rate filing and to explain the schedules concerning those proposed new rates. In this specific testimony, I address the proposed rates for the Agua Fria water district, the Anthem water district and the Anthem/Agua Fria wastewater district.

I should note that, under Citizens' prior ownership, there were actually two separate water and two separate wastewater entities serving Anthem, Citizens Water Resources Company of Arizona and Citizens Water Services Company of

Arizona (sometimes referred to as "TreatCo" and "DistCo," respectively). Generally, Citizens Water Resources (TreatCo) owned and operated the "backbone" utility plant and provided wholesale services to Citizens Water Services (DistCo). Citizens Water Services owned and operated distribution and collection mains, and was responsible for the provision of retail water and wastewater services to Anthem customers. However, in January 2002, Arizona-American acquired all of the assets of both Citizens' entities, rendering obsolete the functional separation that had originally been employed by Citizens.[1]

Q. WOULD YOU PLEASE IDENTIFY THE SCHEDULES YOU ARE SUPPORTING IN YOUR TESTIMONY?

A. My testimony supports the "H" Schedules included in each of the five applications in the Company's rate filing. I prepared all of these schedules.

Q. HAS ARIZONA-AMERICAN PREPARED A COST OF SERVICE STUDY IN SUPPORT OF THE PROPOSED RATES FOR ANY OF THESE DISTRICTS?

A. No. Consequently, the Company has not included "G" Schedules in any of the five applications at this time.

Q. WHY HASN'T THE COMPANY INCLUDED THE "G" SCHEDULES IN ITS RATE FILING?

A. Under R14-2-103.B, cost of service information must be filed if both of the following conditions are present:

> 1) The utility is in a segment of the utility industry that recognizes cost of service studies as important tools for rate design; and

[1] Additional background on these three systems, including a discussion of the structure utilized prior to Arizona-American's acquisition of these systems is contained in the Direct Testimony of Robert J. Kuta.

2) Costs incurred by the utility are likely to vary significantly from one defined segment of customers to another.

Arizona-American is not proposing different increases for different customer classes or groups. Instead, in order to reduce the number of issues and to simplify the Company's rate filing, Arizona-American proposes that necessary rate increases be allocated to all customers equally. In other words, Arizona-American does not propose to change the existing rate design, including the allocation of the revenue requirement between customer types, from that approved by the Commission when it set the present rates for each of the water or wastewater districts covered by the Company's rate filing.

Q. WHAT DO YOU MEAN THE COMPANY WILL ALLOCATE RATE INCREASES TO ALL CUSTOMERS EQUALLY?

A After developing a new revenue requirement for each district included in the Company's rate filing, Arizona-American determined the percent increases necessary to meet the new requirement. That percentage increase was then applied to the monthly minimums and commodity rates for all customers in that water and wastewater district uniformly so that each customer will experience the approximately the same percentage increase. I say approximately because, as a result of the Company rounding the proposed rates up or down to the nearest whole cent, the percentage increases will not be exact in every instance.

III. PROPOSED RATE INCREASES FOR AGUA FRIA WATER DISTRICT, ANTHEM WATER DISTRICT AND ANTHEM/AGUA FRIA WASTEWATER DISTRICT

A. Aqua Fria Water District

Q. HOW MUCH OF AN INCREASE IS ARIZONA-AMERICAN SEEKING FOR THE AGUA FRIA WATER DISTRICT COMPARED TO ADJUSTED REVENUES AT PRESENT RATES?

A. Arizona-American seeks a 6.76% increase in revenues over the adjusted test year revenues at existing rates for its Agua Fria water district.

Q. WHAT ARE THE PRESENT RATES FOR THIS DISTRICT?

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

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4"	$10.00	0
3/4"	$15.00	0
1"	$25.00	0
1 1/2"	$53.00	0
2"	$80.00	0
3"	$155.00	0
4"	$200.00	0
6"	$400.00	0
8"	$800.00	0
Prison 4"	$200.00	0
Private Fire 4"	$30.00	0
Private Fire 6"	$45.00	0
Private Fire 8"	$60.00	0
Private Fire 10"	$120.00	0
Private Fire 12"	$180.00	0

The commodity charge per 1,000 gallons for the Agua Fria water district is $1.78 per 1,000 gallons for usage up to 8,000 gallons, and $2.24 per 1,000 gallons for

usage over 8,001 gallons for all customers, except the prison, which has a separate commodity rate, and construction and public interruptible customers, which are subject to separate contract rates.

Q. WHAT ARE THE PRESENT COMMODITY RATES FOR THE PRISON, AND CONSTRUCTION AND PUBLIC INTERRUPTIBLE CUSTOMERS?

A. The present commodity rate for the prison is $2.02 per 1,000 gallons. The present commodity charge for construction water is $1.00 per 1,000 gallons and for public interruptible service it is $1.00 per 1,000 gallons.

Q. ISN'T THERE A TARIFFED CHARGE FOR RAW CAP WATER?

A. At present, the commodity charge for raw CAP water is $0.50 per 1,000 gallons. However, the Company has no customers receiving such service and proposes to eliminate this charge from its tariff for the Agua Fria water system.

Q. PLEASE IDENTIFY ARIZONA-AMERICAN'S PROPOSED RATES FOR THE AGUA FRIA WATER DISTRICT?

A. The proposed monthly minimum charges are:

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4"	$10.76	0
3/4"	$16.14	0
1"	$26.90	0
1 1/2"	$57.02	0
2"	$86.07	0
3"	$166.76	0
4"	$215.17	0
6"	$430.34	0
8"	$860.67	0

Prison 4"	$215.17	0
Private Fire 4"	$32.28	0
Private Fire 6"	$48.41	0
Private Fire 8"	$64.55	0
Private Fire 10"	$129.10	0
Private Fire 12"	$193.65	0

The commodity charge per 1,000 gallons is $1.91 per 1,000 gallons for usage from 0 to 8,000 gallons, and $2.41 per 1,000 gallons for usage over 8,001 gallons. The commodity charge for gallons was rounded to the nearest whole cent. The commodity rates for the prison and public interruptible are contract rates, and thus are unchanged.

Q. OTHER THAN THE SLIGHT ADJUSTMENT DUE TO ROUNDING, ALL CUSTOMER CLASSES ARE RECEIVING THE SAME PERCENTAGE RATE INCREASE, CORRECT?

A. Yes, except those subject to contract rates.

Q. WHAT IS THE IMPACT ON RESIDENTIAL CUSTOMERS USING THE MONTHLY AVERAGE AMOUNT OF WATER AND ON A 5/8 X 3/4 INCH METER?

A. Residential customers, those on a 5/8 x 3/4 inch meter consuming the average quantity of water (7,002 gallons per month) will experience a rate increase of $1.67 per month, or an increase of approximately 7.44%. The present bill is $22.46, while the proposed bill is $24.13 (excluding sales taxes).

B. **Anthem Water District**

Q. HOW MUCH IS THE PROPOSED REVENUE INCREASE BEING SOUGHT FOR THE ANTHEM WATER DISTRICT?

A. The requested increase in revenues for the Anthem water district is 7.47% over adjusted test year revenues at existing rates for that district.

Q. WHAT ARE THE PRESENT RATES FOR RATEPAYERS IN THE ANTHEM WATER DISTRICT?

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

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4"	$16.00	0
3/4"	$16.00	0
1"	$32.00	0
1 1/2"	$64.00	0
2"	$80.00	0
3"	$160.00	0
4"	$200.00	0
6"	$250.00	0
Private Fire 3"	$70.00	
Private Fire 4"	$90.00	
Private Fire 6"	$135.00	
Private Fire 8"	$180.00	
Private Fire 10"	$360.00	

The commodity charge per 1,000 gallons is $2.00 per 1,000 gallons for all usage, except for wholesale water, which is $2.16 per 1,000 gallons, and is a contract rate.

Q. PLEASE IDENTIFY THE RATES PROPOSED BY ARIZONA-AMERICAN FOR THE ANTHEM WATER DISTRICT.

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4"	$18.70	0
3/4"	$18.70	0
1"	$37.41	0
1 1/2"	$74.82	0
2"	$93.52	0
3"	$187.04	0
4"	$223.80	0
6"	$292.25	0
8"	$1,496.00	0
Private Fire 3"	$81.83	
Private Fire 4"	$105.21	
Private Fire 6"	$157.21	
Private Fire 8"	$210.42	
Private Fire 10"	$420.84	

The proposed commodity charge per 1,000 gallons is $2.34 per 1,000 gallons for all usage, except wholesale, (rounded to nearest whole cent). The wholesale water is a contract rate, and thus not changed.

Q. WHAT IS THE IMPACT ON RESIDENTIAL CUSTOMERS USING THE MONTHLY AVERAGE AMOUNT OF WATER AND ON A 5/8 X 3/4 INCH OR 3/4 INCH METER?

A. Residential customers, those on a 5/8 x 3/4 inch or 3/4 inch meter consuming the average quantity of water (10,212 gallons per month) will experience a rate increase of $6.15 per month, or an increase of approximately 16.90%. The present bill is $36.42, while the proposed bill is $42.58 (excluding sales taxes).

Q. IS THE COMPANY PROPOSING TO KEEP ITS EXISTING CAPACITY RESERVATION CHARGE, AND CONTINUE TO RECORD IT AS REVENUE?

A. Yes. This charge, which is treated as revenue, helps reduce the rates customers pay for utility service. The Company plans to continue collecting this charge as revenue until the Anthem subdivision build out is complete. At that time, there should be enough customers to support the system and the capacity reservation charge should terminate.

However, Arizona-American does not propose an increase in the capacity reservation charge. As explained in the Direct Testimony of Thomas J. Bourassa, the Company has made a pro forma adjustment to include payments that will be received from Del Webb under an agreement between Citizens Communications and Del Webb. Del Webb's payments, which are treated as Other Revenue for ratemaking purposes, would be decreased in direct relation to the amount of any increase in the capacity reservation charge. In other words, an increase in the capacity reservation charge will <u>not</u> increase revenues, and therefore will not change the overall revenue requirement. For this reason the Company does not propose any increases in the capacity reservation charge for the Anthem water district.

C. ANTHEM/AGUA FRIA WASTEWATER DISTRICT

Q. WHAT INCREASE IN REVENUES DOES ARIZONA-AMERICAN PROPOSE FOR THE ANTHEM/AGUA FRIA WASTEWATER DISTRICT?

A. The revenue increase proposed for the Anthem/Agua Fria wastewater district is 23.56% over adjusted test year revenues. Because of the large amount of Other Revenue (payments from Del Webb) and revenues from the capacity reservation charges, however, the percentage increases for monthly wastewater service utility service are much greater, as shown in the "H" Schedules. To mitigate the impact of these increases, the Company is proposing that the rate increases be phased in using two steps, as discussed below.

Q. WHAT ARE THE PRESENT RATES FOR THE ANTHEM/AGUA FRIA WASTEWATER DISTRICT?

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

Residential	$16.00
Small Commercial 5/8"	$16.00
Small Commercial 3/4"	$24.00
Small Commercial 1"	$32.00
Large Commercial	$64.00

The gallons treated rate is currently $2.00 per 1,000 gallons. The gallons, based on customer type, and for which the customers will pay a commodity rate, are listed on Schedule H-3.

Q. WHAT ARE THE PROPOSED RATES FOR THE ANTHEM/AGUA FRIA WASTEWATER DISTRICT?

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

Residential	$24.24
Small Commercial 5/8"	$24.24

Small Commercial 3/4"	$36.36
Small Commercial 1"	$48.48
Large Commercial	$96.96

The proposed gallons treated rate is $3.03 per 1,000 gallons.

Q. WHAT IS THE IMPACT ON RESIDENTIAL CUSTOMERS USING THE ANNUAL AVERAGE FOR WASTEWATER?

A. Residential customers in the Anthem/Agua Fria district, who produce the system average of 8,854 gallons of wastewater per month, would experience a monthly increase of $15.45, or 51.50%, once the full rate increase becomes effective. Because of the magnitude of this increase, the Company is proposing to phase in the increase in two steps. During the first full year, the rate increase would only be 40%. Thus, residential customers of the Anthem/Agua Fria wastewater district, who produce the average wastewater of 8,854 gallons month, would experience a total increase of $12.00 per month, or 40% during the first year following the implementation of new rates. After 12 months, the balance of the rate increase would become effective.

Q. WHAT ABOUT THE CAPACITY RESERVATION CHARGES?

A. For the same reasons applicable to the Anthem water district, the Company does not propose to increase the capacity reservation charge.

IV. REVENUE ANNUALIZATIONAND THE "H" SCHEDULES

Q. DID YOU PREPARE THE REVENUE ANNUALIZATIONS THAT ARE USED IN MR. BOURASSA'S SCHEDULES?

A. Yes, I did.

Q. WOULD YOU EXPLAIN HOW THE REVENUE ANNUALIZATIONS WERE PREPARED?

A. The revenue annualizations were prepared based on the total customer count as of December of the test year. Annualizations for any increase in the number of customers in each customer class as of December of the test year were made to project revenues and consumption for those annualizations as if those customers had been on the system for the full year. Annualizations for any decrease in the number of customers in a customer class as of December of the test period were made to remove the revenue and consumption for those lost customers as if those customers had not existed on the system for the full year. Thus, the customer count at December was the controlling influence at to whether revenue and consumption was either annualized or removed.

Q. PLEASE EXPLAIN WHAT IS SHOWN ON SCHEDULE H-1?

A. The H-1 Schedule shows the revenues at present and proposed rates from each class of customer, and the annualization of revenues for any change in the number of customers during the year.

Q. PLEASE EXPLAIN WHAT IS SHOWN ON SCHEDULE H-2?

A. The H-2 Schedule shows the rate increase based on the average annual usage for each customer class. The billing to each average user is at present and proposed rates.

Q. WHAT IS CONTAINED ON THE H-3 SCHEDULES?

A. Schedule H-3 contains both the present and proposed rates. The Schedule also shows the dollar increase, and percentage increase.

Q. WHAT IS CONTAINED ON THE H-4 SCHEDULES?

A. Schedule H-4 shows the billing at both present and proposed rates based on various usage levels. The schedule also shows the dollar increase, and percentage increase at various usage levels.

Q. WHAT IS SHOWN ON THE H-5 SCHEDULES?

A. The H-5 Schedules contain the usage for each class of customer during the test year. These schedules are commonly referred to as the bill count schedules, as the schedules show usage by various classes of customers during the test year.

Q. WHY IS THERE MORE THAN ONE SET OF H-1, H-2, AND H-3 SCHEDULES FOR THE ANTHEM/AGUA FRIA WASTEWATER DISTRICT?

A. There is a "phase in" set of H-1, H-2, H-3, and H-4 schedules to coincide with Arizona-American's proposal to phase in the rate increases for this district.

Q. IS THE COMPANY PROPOSING ANY CHANGE IN ITS OTHER TARIFF CHARGES?

A. Yes. The Company is proposing to increase the meter/service line charge to match the recommended charges set forth in the memorandum of the Utilities Division, Engineering Section, dated April 23, 2002. A copy is attached hereto as Kozoman Dir. Exh. 1. The Company is not proposing any other changes in its tariffs. Additionally, the Company proposes to collect the income tax on the meter/service line charge, as these charges are now taxable income. Refunds of the meter/service line charge will include a refund of the original income tax collected spread over the refund period.

Q. DOES THIS PROPOSED CHANGE IN METER FEES IMPACT REVENUE?

A. No. Meter/Service Line Installation Fees are not revenues. These fees are either considered refundable deposits or advances, and not revenues. As with any advance or deposit, they are also considered a deduction from rate base in the development of a revenue requirement. Thus, any increase in these fees is revenue neutral.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

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KOZOMAN DIR. EXH. 1

MEMORANDUM

To: Dorothy Hains, Del Smith, John Thornton, John Chelus, Gordon Fox, Lyndon Hammon, Claudio Fernandez

From: Marlin Scott, Jr. MSJ
Utilities Engineer
Utilities Division

Date: **April 23, 2002**

RE: UPDATE OF STAFF'S TYPICAL SERVICE LINE AND METER INSTALLATION CHARGES

The following is an updated list of Staff's typical service line and meter installation charges for 2002. If a company desires to charge an amount greater than these amounts, it should be required to submit appropriate cost justification to do so.

Meter Size	Service line Charge			* Meter Charge			Total Charge		
5/8" x 3/4"	340	to	370	80	to	130	420	to	500
3/4"	340	to	370	155	to	205	495	to	575
1"	390	to	420	190	to	240	580	to	660
1-1/2"	420	to	450	400	to	450	820	to	900
2" -Turbine	550	to	580	895	to	945	1,445	to	1,525
2" - Compound	550	to	580	1,590	to	1,640	2,140	to	2,220
3" –Turbine	715	to	745	1,370	to	1,420	2,085	to	2,165
3" – Compound	735	to	765	2,145	to	2,195	2,880	to	2,960
4" -Turbine	1,030	to	1,090	2,170	to	2,270	3,200	to	3,360
4" – Compound	1,060	to	1,120	3,045	to	3,145	4,105	to	4,265
6" –Turbine	1,550	to	1,610	4,325	to	4,425	5,875	to	6,035
6" - Compound	1,570	to	1,630	6,020	to	6,120	7,590	to	7,750

*Note: Meter charge includes meter box or vault.

:msj

Mydocs/slmcharg

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Phoenix, Arizona 85012
Attorneys for Arizona-American
Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS TUBAC WATER DISTRICT	DOCKET NO. W-01303A-02-_____

DIRECT TESTIMONY

OF

RONALD L. KOZOMAN

EXHIBIT
A-56
Admitted

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A. Ronald L. Kozoman, 1605 W. Mulberry Drive, Phoenix, Arizona 85015.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am self-employed and provide consulting services to utility companies and other businesses with utility related interests.

Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR REGULATORY EXPERIENCE?

A. Yes. I was employed by the Illinois Commerce Commission ("ICC") from 1977 to 1981 in various accounting and management positions. While with the ICC, I testified as the ICC Staff's expert witness on cost of capital, rate base and operating income in rate cases involving Commonwealth Edison Company, Illinois Bell Telephone, and other major Illinois utility companies.

I was first retained by the Arizona Corporation Commission ("Commission" or "ACC") in 1981 as a consultant to prepare Commission Staff's cost of capital testimony for the Southwest Gas Corporation and Southern Union Gas Company rate cases. I later became Chief Rate Analyst for the Commission. As Chief Rate Analyst, I was responsible for supervising all of the Commission's rate analysts and utility auditors. While with the Commission, I testified on cost of capital concerning Sun City West Utilities, Continental Telephone Company of California, and Mountain Bell Telephone (now Qwest), among others.

I have also testified as an independent consultant on behalf of utility companies, utility consumers, and regulatory agencies. I am also an instructor in the areas of public utility accounting and general regulatory practices for the National Association of Regulatory Utility Commissioners in its Annual Regulatory Studies Program held at Michigan State University in East Lansing,

Michigan. In 2001, I taught Revenue Requirements Accounting, and Regulatory Accounting Methods and Applications under changing Regulatory and Market Conditions.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Arizona-American Water Company ("Arizona-American" or "the Company"). As explained in the Direct Testimony of David P. Stephenson, the Company is filing five applications for rate increases for several different systems Arizona-American recently acquired from Citizens Communications Company ("Citizens"). Specifically, the systems covered by these five applications include the Sun City water and wastewater districts (Application No. 1); Sun City West water and wastewater districts (Application No. 2); the Mohave water and Havasu water districts (Application No. 3); the Aqua Fria water district, Anthem water district and the Anthem/Aqua Fria wastewater district (Application No. 4); and the Tubac water district (Application No. 5). For convenience, I will sometimes refer to the five applications collectively as the Company's rate filing.

II. PURPOSE OF TESTIMONY, SUMMARY AND CONCLUSIONS

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. To set forth the proposed new rates for all of the systems included in the Company's rate filing and to explain the schedules concerning those proposed new rates. In this specific testimony, I address the proposed rates for the Tubac water district.

Q. WOULD YOU PLEASE IDENTIFY THE SCHEDULES YOU ARE SUPPORTING IN YOUR TESTIMONY?

A. My testimony supports the "H" Schedules included in each of the five applications in the Company's rate filing. I prepared all of these schedules.

Q. HAS ARIZONA-AMERICAN PREPARED A COST OF SERVICE STUDY IN SUPPORT OF THE PROPOSED RATES FOR ANY OF THESE DISTRICTS?

A. No. Consequently, the Company has not included "G" Schedules in any of the five applications at this time.

Q. WHY HASN'T THE COMPANY INCLUDED THE "G" SCHEDULES IN ITS RATE FILING?

A. Under R14-2-103.B, cost of service information must be filed if both of the following conditions are present:

> 1) The utility is in a segment of the utility industry that recognizes cost of service studies as important tools for rate design; and
>
> 2) Costs incurred by the utility are likely to vary significantly from one defined segment of customers to another.

Arizona-American is not proposing different increases for different customer classes or groups. Instead, in order to reduce the number of issues and to simplify the Company's rate filing, Arizona-American proposes that necessary rate increases be allocated to all customers equally. In other words, Arizona-American does not propose to change the existing rate design, including the allocation of the revenue requirement between customer types, from that approved by the Commission when it set the present rates for each of the water or wastewater districts covered by the Company's rate filing.

Q. WHAT DO YOU MEAN THE COMPANY WILL ALLOCATE RATE INCREASES TO ALL CUSTOMERS EQUALLY?

A After developing a new revenue requirement for each district included in the Company's rate filing, Arizona-American determined the percent increases

necessary to meet the new requirement. That percentage increase was then applied to the monthly minimums and commodity rates for all customers in that water and wastewater district uniformly so that each customer will experience the approximately the same percentage increase. I say approximately because, as a result of the Company rounding the proposed rates up or down to the nearest whole cent, the percentage increases will not be exact in every instance.

III. PROPOSED RATE INCREASES FOR TUBAC WATER DISTRICT

Q. HOW MUCH OF AN INCREASE IS ARIZONA-AMERICAN SEEKING FOR THE TUBAC WATER DISTRICT COMPARED TO ADJUSTED REVENUES AT PRESENT RATES?

A. Arizona-American seeks an approximately 85% increase in revenues over the adjusted test year revenues at existing rates for its Tubac water district.

Q. WHAT ARE THE PRESENT RATES FOR THIS DISTRICT?

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

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4"	$15.35	0
3/4"	$15.35	0
1"	$23.00	0
1 1/2"	$46.00	0
2"	$76.00	0
3"	$90.00	0
4"	$132.00	0
6"	$180.00	0

The commodity charge per 1,000 gallons for the Tubac water district is $1.66 per 1,000 gallons for usage up to 8,000 gallons, and $2.04 per 1,000 gallons for usage over 8,001 gallons for all customers.

Q. PLEASE IDENTIFY ARIZONA-AMERICAN'S PROPOSED RATES FOR THE TUBAC WATER DISTRICT?

A. The proposed monthly minimum charges are:

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4"	$28.58	0
3/4"	$28.58	0
1"	$42.83	0
1 1/2"	$85.66	0
2"	$141.52	0
3"	$167.59	0
4"	$245.79	0
6"	$335.17	0
8"	$2,858.00	0

The proposed commodity charge per 1,000 gallons is $3.09 per 1,000 gallons for usage from 0 to 8,000 gallons, and $3.79 per 1,000 gallons for usage over 8,001 gallons.

Q. OTHER THAN THE SLIGHT ADJUSTMENT DUE TO ROUNDING, ALL CUSTOMER CLASSES ARE RECEIVING THE SAME PERCENTAGE RATE INCREASE, CORRECT?

A. Yes.

Q. WHAT IS THE IMPACT ON RESIDENTIAL CUSTOMERS USING THE MONTHLY AVERAGE AMOUNT OF WATER AND ON A 5/8 X 3/4 INCH METER?

A. Residential customers, those on a 5/8 x 3/4 inch meter consuming the average quantity of water (13,177 gallons per month) will experience a rate increase of $33.73 per month, or an increase of approximately 85%. The present bill for such customers is $39.19, while the bill for such customers under the proposed rate increases would be $72.92 (excluding sales taxes).

Q. WILL THE RATE INCREASE AT TUBAC WATER BE PHASED IN?

A. Yes. The first year the rates will increase of approximately 40%. Thus an average residential customer on a 5/8 and 3/4 inch meter, would experience a dollar increase of $15.67, or 40%, from an average of $39.19, to $54.86. After the first year the rates would increase the full 85%.

IV. REVENUE ANNUALIZATION AND THE "H" SCHEDULES

Q. DID YOU PREPARE THE REVENUE ANNUALIZATIONS THAT ARE USED IN MR. BOURASSA'S SCHEDULES?

A. Yes, I did.

Q. WOULD YOU EXPLAIN HOW THE REVENUE ANNUALIZATIONS WERE PREPARED?

A. The revenue annualizations were prepared based on the total customer count as of December of the test year. Annualizations for any increase in the number of customers in each customer class as of December of the test year were made to project revenues and consumption for those annualizations as if those customers had been on the system for the full year. Annualizations for any decrease in the number of customers in a customer class as of December of the test period were made to remove the revenue and consumption for those lost customers as if those

customers had not existed on the system for the full year. Thus, the customer count at December was the controlling influence at to whether revenue and consumption was either annualized or removed.

Q. PLEASE EXPLAIN WHAT IS SHOWN ON SCHEDULE H-1?

A. The H-1 Schedule shows the revenues at present and proposed rates from each class of customer, and the annualization of revenues for any change in the number of customers during the year.

Q. PLEASE EXPLAIN WHAT IS SHOWN ON SCHEDULE H-2?

A. The H-2 Schedule shows the rate increase based on the average annual usage for each customer class. The billing to each average user is at present and proposed rates.

Q. WHAT IS CONTAINED ON THE H-3 SCHEDULES?

A. Schedule H-3 contains both the present and proposed rates. The Schedule also shows the dollar increase, and percentage increase.

Q. WHAT IS CONTAINED ON THE H-4 SCHEDULES?

A. Schedule H-4 shows the billing at both present and proposed rates based on various usage levels. The schedule also shows the dollar increase, and percentage increase at various usage levels.

Q. WHAT IS SHOWN ON THE H-5 SCHEDULES?

A. The H-5 Schedules contain the usage for each class of customer during the test year. These schedules are commonly referred to as the bill count schedules, as the schedules show usage by various classes of customers during the test year.

Q. WHY IS THERE MORE THAN ONE SET OF H-1, H-2, AND H-3 SCHEDULES FOR THE TUBAC WATER DISTRICT?

A. There is a "phase in" set of H-1, H-2, H-3, and H-4 schedules to coincide with Arizona-American's proposal to phase in the rate increases for this district.

Q. IS THE COMPANY PROPOSING ANY CHANGE IN ITS OTHER TARIFF CHARGES?

A. Yes. The Company is proposing to increase the meter/service line charge to match the recommended charges set forth in the memorandum of the Utilities Division, Engineering Section, dated April 23, 2002. A copy is attached hereto as Kozoman Dir. Exh. 1. The Company is not proposing any other changes in its tariffs. Additionally, the Company proposes to collect the income tax on the meter/service line charge, as these charges are now taxable income. Refunds of the meter/service line charge will include a refund of the original income tax collected spread over the refund period.

Q. DOES THIS PROPOSED CHANGE IN METER FEES IMPACT REVENUE?

A. No. Meter/Service Line Installation Fees are not revenues. These fees are either considered refundable deposits or advances, and not revenues. As with any advance or deposit, they are also considered a deduction from rate base in the development of a revenue requirement. Thus, any increase in these fees is revenue neutral.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

KOZOMAN DIR. EXH. 1

MEMORANDUM

To: Dorothy Hains, John Chelus, Lyndon Hammon, Del Smith, Gordon Fox, Claudio Fernandez, John Thornton

From: Marlin Scott, Jr. MSJ
Utilities Engineer
Utilities Division

Date: April 23, 2002

RE: UPDATE OF STAFF'S TYPICAL SERVICE LINE AND METER INSTALLATION CHARGES

The following is an updated list of Staff's typical service line and meter installation charges for 2002. If a company desires to charge an amount greater than these amounts, it should be required to submit appropriate cost justification to do so.

Meter Size	Service line Charge			* Meter Charge			Total Charge		
5/8" x 3/4"	340	to	370	80	to	130	420	to	500
3/4"	340	to	370	155	to	205	495	to	575
1"	390	to	420	190	to	240	580	to	660
1-1/2"	420	to	450	400	to	450	820	to	900
2" -Turbine	550	to	580	895	to	945	1,445	to	1,525
2" - Compound	550	to	580	1,590	to	1,640	2,140	to	2,220
3" –Turbine	715	to	745	1,370	to	1,420	2,085	to	2,165
3" – Compound	735	to	765	2,145	to	2,195	2,880	to	2,960
4" -Turbine	1,030	to	1,090	2,170	to	2,270	3,200	to	3,360
4" – Compound	1,060	to	1,120	3,045	to	3,145	4,105	to	4,265
6" –Turbine	1,550	to	1,610	4,325	to	4,425	5,875	to	6,035
6" - Compound	1,570	to	1,630	6,020	to	6,120	7,590	to	7,750

*Note: Meter charge includes meter box or vault.

:msj

Mydocs/slmcharg

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Phoenix, Arizona 85012
Attorneys for Arizona-American
Water Company, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WATER AND WASTEWATER DISTRICTS.	DOCKET NO. WS-01303A-02-0868

SUPPLEMENT TO DIRECT TESTIMONY OF

RONALD KOZOMAN, CPA

EXHIBIT
A-57
Admitted

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1374593.1

I. INTRODUCTION

Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENT TO YOUR DIRECT TESTIMONY?

A. The purpose of this supplemental testimony is to respond to Staff's List of Items Causing the Filing to be Insufficient dated December 23, 2002 ("Staff Insufficiency Finding"). In addition, the Company is concurrently filing supplements to the direct testimony of David P. Stephenson and Thomas Bourassa in response to the Staff Insufficiency Finding.

Q. HOW WILL YOUR SUPPLEMENTAL TESTIMONY BE ORGANIZED?

A. In this testimony, I address Staff's expressed concerns over the application for the Sun City water and wastewater districts. Specifically, I address two of the reasons Staff has concluded that the filings for these two districts are insufficient and those reasons are identified consistent with the numbering in the Staff Insufficiency Finding. Those items in the Staff Insufficiency Finding not covered in my supplemental testimony are addressed by either Mr. Stephenson or Mr. Bourassa.

Q. HAVE YOU MADE ANY CHANGES AS A RESULT OF STAFF'S FINDINGS?

A. Yes, and where appropriate revised schedules are attached hereto at Tab A. I wish to point out, however, that none of the changes affect the plant in service, rate base, and/or the revenue requirement in this case.

II. CAUSE OF INSUFFICIENCY: SUN CITY WASTEWATER NO. 1

Q. MR. KOZOMAN, ARE THE BILL COUNT REVENUES AND THE BOOK REVENUES FOR THE SUN CITY WASTEWATER DISTRICT MATERIALLY DIFFERENT?

A. No, I do not believe so and cannot agree with Staff on this issue. The difference between the book revenue and the bill count revenues for this district is 0.009%.

Q. HAVE YOU DISCUSSED THIS ISSUE WITH STAFF?

A. Yes. Subsequent to the filing on November 22, 2002, Mr. Bourassa and I have met with Staff on several occasions to answer questions and assist Staff in reviewing Arizona-American's filings, including each district's bill count. I provided Staff with a corrected bill count for the 5/8 inch residential customers. Schedule H-5 (WWRE 5/8 Inch) was reformatted because the original H-5 Schedules were printed before being reconciled to general ledger revenues. The Company filed these revised schedule pages with Docket Control at the Arizona Corporation Commission on December 20, 2002 at Staff's insistence.

Q. WHAT WAS THE ACCEPTED TOLERANCE (DIFFERENCE TO THE BOOK REVENUE) DID THE COMPANY USE?

A. To insure the bill count data generated an acceptable level of revenues, a tolerance of 0.5 percent was used. In the instant case, the revenues from the bill counts were within 0.009 percent or $478 of the book revenues of $5,088,340. In my experience, this is well within Staff's accepted tolerance level. A supplementary schedule showing the revenue reconciliation and tolerance is attached hereto at Tab A.

Q. ARE THE REVENUES FROM THE BILL COUNT ALWAYS EQUAL TO THE BOOK REVENUES?

A. No. In fact, they are very rarely equal to book revenues for several different reasons. First, the rate books used to confirm the revenues from the bill count typically compute revenues based on the midpoint of a usage range. For example, 7,500 gallons is the midpoint of the usage range between 7,000 gallons and 7,999 gallons. In contrast, book revenues may be based on bills that are computed on actual use. Second, the billing system used may not pick up billing adjustments in the same period as the original bill or billing adjustments may not be entered into

the billing system. That is, a billing adjustment may actually be made in, for example, June, but it is not reflected in the billing system until July. Or, the billing adjustments may not be contained in the billing system, but instead made as a journal entry in the general ledger, which either reduces or increases revenue. All of these accounting practices are acceptable, but still result in discrepancies between bill count revenues and book revenues.

Q. CAN YOU EXPLAIN WHY THE STAFF CITED THE COMPANY FOR A REVENUE DIFFERENCE OF 1.61 PERCENT IN ITS SUFFICIENCY LETTER?

A. I have reviewed Staff's bill count rate books to determine why their bill count does not generate the same revenues as the Company's bill count and discovered that Staff used the wrong bill counts for residential customers on 5/8 inch meters. As I previously testified, I provided a correct bill counts to Staff and these schedules were formally filed with Docket Control on December 20, 2002.

Q. HAVE YOU PROVIDED THE COMMISSION STAFF WITH A COPY OF YOUR WORKBOOKS?

A. Yes, as explained above, Mr. Bourassa and I provided workbooks and other information to Staff shortly after the filing was made.

III. CAUSE OF INSUFFICIENCY: SUN CITY WATER NO 6 AND SUN CITY WASTEWATER NO. 7

Q. STAFF ALSO CLAIMS THAT THE CERTAIN "H" SCHEDULES ARE MISSING PRESENT AND PROPOSED RATES WHAT HAS THE COMPANY DONE TO RESPOND TO THIS FINDING?

A. For the Sun City water district Staff found that Schedule H-4, pages 10 and 12 (the bill comparisons for the Commercial 1 Inch Meter, and the Commercial 2 Inch Meter, respectively) failed to include the present and proposed rates. Schedules

correcting this are attached hereto.

Staff also found that Schedule H-3, page 2 for Sun City wastewater is missing present and proposed rates. However, Schedule H-3 for Sun City wastewater includes prices for all other charges by the wastewater entity. The charges for NSF checks (non-sufficient funds checks), establishment fees, deferred payments, and late fees are shown on the Sun City water Schedule H-3. The Company does not collect an establishment fee or NSF charge for both water and sewer.

Q. AND NONE OF THE CHANGES REFLECTED IN YOUR REVISED SCHEDULES IMPACT THE PRESENT OR PROPOSED RATES/REVENUES AS REFLECTED ON THE COMPANY'S SCHEDULES H-1 AND H-2 CORRECT?

A. That is correct.

Q. DOES THAT CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

A. Yes.

A

Arizona American / Revenues Per C-1 and H-1
Comparison of Revenues Per Schedule C-1 and Schedule H-1
Docket No.WS01303A-02-0867 through WS01303A-02-0870

Exhibit
Schedule 1
Page 1
Witness: Kozoman

	C-1 Schedule Adjusted Present Revenues	C-1 Schedule Proposed Revenues	H-1 Schedule Present Revenues	H-1 Schedule Proposed Revenues	Difference in Dollars Present Revenues	Difference in Dollars Proposed Revenues	Difference in Percent Present Revenues	Difference in Percent Proposed Revenues
Agua Fria Water	5,846,076	6,263,965	5,843,506	6,261,396	2,570	2,569	0.044%	0.041%
Other Revenue	339,961	339,961	339,961	339,961	-			
Total Revenues	6,186,037	6,603,926	6,183,467	6,601,357	2,570	2,569	0.042%	0.039%
Anthem Water (Distco)	2,060,418	2,359,500	2,056,021	2,355,103	4,397	4,397	0.213%	0.186%
Other Revenue	1,950,387	1,950,387	1,950,387	1,950,387	-			
Total Revenues	4,010,805	4,309,887	4,006,408	4,305,490	4,397	4,397	0.110%	0.102%
Anthem / Agua Fria Wastewater	880,474	1,319,463	877,116	1,316,104	3,358	3,359	0.381%	0.255%
Other Revenue	986,072	986,072	986,072	986,072	-			
Total Revenues	1,866,546	2,305,535	1,863,188	2,302,176	3,358	3,359	0.180%	0.146%
Havasu Water	430,392	627,376	424,081	618,157	-	(1)	0.000%	0.000%
Balancing Revenue			6,311	9,220				
Other Revenue	10,532	10,532	10,532	10,532	-			
Total Revenues	440,924	637,908	440,924	637,909	-	(1)	0.000%	0.000%
Mohave Water	4,285,427	4,869,437	4,237,286	4,814,653	-	-	0.000%	0.000%
Balancing Revenue			48,141	54,784				
Other Revenue	108,705	108,705	108,705	108,705	-			
Total Revenues	4,394,132	4,978,142	4,394,132	4,978,142	-	-	0.000%	0.000%
Sun City Water	6,079,671	11,446,038	6,065,944	11,432,312	13,727	13,726	0.226%	0.120%
Other Revenue	113,419	113,419	113,419	113,419	-			
Total Revenues	6,193,090	11,559,457	6,179,363	11,545,731	13,727	13,726	0.222%	0.119%
Sun City Wastewater	5,085,481	5,721,717	5,085,003	5,721,239	478	478	0.009%	0.008%
Other Revenue	2,859	2,859	2,859	2,859	-			
Total Revenues	5,088,340	5,724,576	5,087,862	5,724,098	478	478	0.009%	0.008%
Sun City West Water	3,343,134	4,822,758	3,328,089	4,807,533	15,045	15,225	0.450%	0.316%
Other Revenue	37,640	37,640	37,640	37,640	-			
Total Revenues	3,380,774	4,860,398	3,365,729	4,845,173	15,045	15,225	0.445%	0.313%
Sun City West Wastewater	3,534,678	5,498,302	3,530,475	5,493,532	4,203	4,770	0.119%	0.087%
Other Revenue	1,002	1,002	1,002	1,002	-			
Total Revenues	3,535,680	5,499,304	3,531,477	5,494,534	4,203	4,770	0.119%	0.087%

Arizona American - Sun City
Bill Comparison
Customer Classification SWCL 1 Inch

Exhibit
Schedule H-4
Page 10
Witness: Kozoman
Revised

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 13.00	$ 24.51	$ 11.51	88.54%
1,000	13.73	25.89	12.16	88.57%
2,000	14.46	27.27	12.81	88.59%
3,000	15.19	28.65	13.46	88.61%
4,000	15.92	30.03	14.11	88.63%
5,000	16.65	31.41	14.76	88.65%
6,000	17.38	32.79	15.41	88.67%
7,000	18.11	34.17	16.06	88.68%
8,000	18.84	35.55	16.71	88.69%
9,000	19.76	37.28	17.52	88.66%
10,000	20.68	39.01	18.33	88.64%
11,000	21.60	40.74	19.14	88.61%
12,000	22.52	42.47	19.95	88.59%
13,000	23.44	44.20	20.76	88.57%
14,000	24.36	45.93	21.57	88.55%
15,000	25.28	47.66	22.38	88.53%
16,000	26.20	49.39	23.19	88.51%
17,000	27.12	51.12	24.00	88.50%
18,000	28.04	52.85	24.81	88.48%
19,000	28.96	54.58	25.62	88.47%
20,000	29.88	56.31	26.43	88.45%
21,000	30.80	58.04	27.24	88.44%
142,000	142.12	267.37	125.25	88.13%
143,000	143.04	269.10	126.06	88.13%
148,000	147.64	277.75	130.11	88.13%
150,000	149.48	281.21	131.73	88.13%
152,000	151.32	284.67	133.35	88.12%
158,000	156.84	295.05	138.21	88.12%
159,000	157.76	296.78	139.02	88.12%
160,000	158.68	298.51	139.83	88.12%
161,000	159.60	300.24	140.64	88.12%
164,000	162.36	305.43	143.07	88.12%
165,000	163.28	307.16	143.88	88.12%
167,000	165.12	310.62	145.50	88.12%
181,000	178.00	334.84	156.84	88.11%
188,000	184.44	346.95	162.51	88.11%
192,000	188.12	353.87	165.75	88.11%
194,000	189.96	357.33	167.37	88.11%
200,000	195.48	367.71	172.23	88.11%
223,000	216.64	407.50	190.86	88.10%
318,000	304.04	571.85	267.81	88.08%
339,000	323.36	608.18	284.82	88.08%
494,000	465.96	876.33	410.37	88.07%
513,000	483.44	909.20	425.76	88.07%
1,370,000	1,271.88	2,391.81	1,119.93	88.05%
Average Usage				
22,247	$ 31.95	$ 60.20	$ 28.25	88.43%
Median Usage				
10,000	$ 20.68	$ 39.01	$ 18.33	88.64%

Present Rates:

Monthly Minimum:		$ 13.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 0.73
Up to	999,999,999	$ 0.92
Over	1,000,000,000	$ 0.92
		$ 0.92

Proposed Rates:

Monthly Minimum:		$ 24.51
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 1.38
Up to	999,999,999	$ 1.73
Over	1,000,000,000	$ 1.73
		$ 1.73

Arizona American - Sun City
Bill Comparison
Customer Classification SWCL 2 Inch

Exhibit
Schedule H-4
Page 12
Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 41.00	$ 77.29	$ 36.29	88.51%
1,000	41.73	78.67	$ 36.94	88.52%
2,000	42.46	80.05	$ 37.59	88.53%
3,000	43.19	81.43	$ 38.24	88.54%
4,000	43.92	82.81	$ 38.89	88.55%
5,000	44.65	84.19	$ 39.54	88.56%
6,000	45.38	85.57	$ 40.19	88.56%
7,000	46.11	86.95	$ 40.84	88.57%
8,000	46.84	88.33	$ 41.49	88.58%
9,000	47.76	90.06	$ 42.30	88.57%
10,000	48.68	91.79	$ 43.11	88.56%
11,000	49.60	93.52	$ 43.92	88.55%
12,000	50.52	95.25	$ 44.73	88.54%
13,000	51.44	96.98	$ 45.54	88.53%
14,000	52.36	98.71	$ 46.35	88.52%
15,000	53.28	100.44	$ 47.16	88.51%
16,000	54.20	102.17	$ 47.97	88.51%
17,000	55.12	103.90	$ 48.78	88.50%
18,000	56.04	105.63	$ 49.59	88.49%
19,000	56.96	107.36	$ 50.40	88.48%
70,000	103.88	195.59	$ 91.71	88.28%
71,000	104.80	197.32	$ 92.52	88.28%
72,000	105.72	199.05	$ 93.33	88.28%
73,000	106.64	200.78	$ 94.14	88.28%
74,000	107.56	202.51	$ 94.95	88.28%
75,000	108.48	204.24	$ 95.76	88.27%
76,000	109.40	205.97	$ 96.57	88.27%
77,000	110.32	207.70	$ 97.38	88.27%
78,000	111.24	209.43	$ 98.19	88.27%
79,000	112.16	211.16	$ 99.00	88.27%
80,000	113.08	212.89	$ 99.81	88.26%
95,000	126.88	238.84	$ 111.96	88.24%
96,000	127.80	240.57	$ 112.77	88.24%
97,000	128.72	242.30	$ 113.58	88.24%
98,000	129.64	244.03	$ 114.39	88.24%
99,000	130.56	245.76	$ 115.20	88.24%
100,000	131.48	247.49	$ 116.01	88.23%
101,000	132.40	249.22	$ 116.82	88.23%
102,000	133.32	250.95	$ 117.63	88.23%
103,000	134.24	252.68	$ 118.44	88.23%
104,000	135.16	254.41	$ 119.25	88.23%
105,000	136.08	256.14	$ 120.06	88.23%
106,000	137.00	257.87	$ 120.87	88.23%
107,000	137.92	259.60	$ 121.68	88.23%
108,000	138.84	261.33	$ 122.49	88.22%
109,000	139.76	263.06	$ 123.30	88.22%
110,000	140.68	264.79	$ 124.11	88.22%
111,000	141.60	266.52	$ 124.92	88.22%
112,000	142.52	268.25	$ 125.73	88.22%
113,000	143.44	269.98	$ 126.54	88.22%
114,000	144.36	271.71	$ 127.35	88.22%
115,000	145.28	273.44	$ 128.16	88.22%
116,000	146.20	275.17	$ 128.97	88.21%
117,000	147.12	276.90	$ 129.78	88.21%
118,000	148.04	278.63	$ 130.59	88.21%
119,000	148.96	280.36	$ 131.40	88.21%
120,000	149.88	282.09	$ 132.21	88.21%
Average Usage				
120,339	$ 150.19	$ 282.68	$ 132.48	88.21%
Median Usage				
71,000	$ 104.80	$ 197.32	$ 92.52	88.28%

Present Rates:

Monthly Minimum:		$ 41.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 0.73
Up to	999,999,999	$ 0.92
Over	1,000,000,000	$ 0.92
		$ 0.92

Proposed Rates:

Monthly Minimum:		$ 77.29
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 1.38
Up to	999,999,999	$ 1.73
Over	1,000,000,000	$ 1.73
		$ 1.73

Arizona American - Sun City
Bill Comparison
Customer Classification SWCL 4 Inch

Exhibit
Schedule H-4
Page 14
Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 103.00	$ 194.16	$ 91.16	88.50%
1,000	103.73	195.54	91.81	88.51%
2,000	104.46	196.92	92.46	88.51%
3,000	105.19	198.30	93.11	88.52%
4,000	105.92	199.68	93.76	88.52%
5,000	106.65	201.06	94.41	88.52%
6,000	107.38	202.44	95.06	88.53%
7,000	108.11	203.82	95.71	88.53%
8,000	108.84	205.20	96.36	88.53%
9,000	109.76	206.93	97.17	88.53%
10,000	110.68	208.66	97.98	88.53%
11,000	111.60	210.39	98.79	88.52%
12,000	112.52	212.12	99.60	88.52%
13,000	113.44	213.85	100.41	88.51%
14,000	114.36	215.58	101.22	88.51%
15,000	115.28	217.31	102.03	88.51%
16,000	116.20	219.04	102.84	88.50%
17,000	117.12	220.77	103.65	88.50%
18,000	118.04	222.50	104.46	88.50%
1,048,000	1,065.64	2,004.40	938.76	88.09%
1,079,000	1,094.16	2,058.03	963.87	88.09%
1,132,000	1,142.92	2,149.72	1,006.80	88.09%
1,137,000	1,147.52	2,158.37	1,010.85	88.09%
1,146,000	1,155.80	2,173.94	1,018.14	88.09%
1,201,000	1,206.40	2,269.09	1,062.69	88.09%
1,251,000	1,252.40	2,355.59	1,103.19	88.09%
1,307,000	1,303.92	2,452.47	1,148.55	88.08%
1,325,000	1,320.48	2,483.61	1,163.13	88.08%
1,356,000	1,349.00	2,537.24	1,188.24	88.08%
1,366,000	1,358.20	2,554.54	1,196.34	88.08%
1,371,000	1,362.80	2,563.19	1,200.39	88.08%
1,389,000	1,379.36	2,594.33	1,214.97	88.08%
1,407,000	1,395.92	2,625.47	1,229.55	88.08%
1,493,000	1,475.04	2,774.25	1,299.21	88.08%
1,505,000	1,486.08	2,795.01	1,308.93	88.08%
1,529,000	1,508.16	2,836.53	1,328.37	88.08%
1,634,000	1,604.76	3,018.18	1,413.42	88.08%
1,674,000	1,641.56	3,087.38	1,445.82	88.08%
1,685,000	1,651.68	3,106.41	1,454.73	88.08%
1,736,000	1,698.60	3,194.64	1,496.04	88.07%
1,820,000	1,775.88	3,339.96	1,564.08	88.07%
1,914,000	1,862.36	3,502.58	1,640.22	88.07%
1,991,000	1,933.20	3,635.79	1,702.59	88.07%
2,215,000	2,139.28	4,023.31	1,884.03	88.07%
2,235,000	2,157.68	4,057.91	1,900.23	88.07%
2,416,000	2,324.20	4,371.04	2,046.84	88.07%
2,546,000	2,443.80	4,595.94	2,152.14	88.07%
2,895,000	2,764.88	5,199.71	2,434.83	88.06%
3,071,000	2,926.80	5,504.19	2,577.39	88.06%
3,433,000	3,259.84	6,130.45	2,870.61	88.06%
3,435,000	3,261.68	6,133.91	2,872.23	88.06%
4,267,000	4,027.12	7,573.27	3,546.15	88.06%
Average Usage				
1,190,450	1,196.69	2,250.84	1,054.14	88.09%
Median Usage				
1,132,000	1,142.92	2,149.72	1,006.80	88.09%

Present Rates:

Monthly Minimum:		$ 103.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 0.73
Up to	999,999,999	$ 0.92
Over	1,000,000,000	$ 0.92
		$ 0.92

Proposed Rates:

Monthly Minimum:		$ 194.16
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 1.38
Up to	999,999,999	$ 1.73
Over	1,000,000,000	$ 1.73
		$ 1.73

Arizona American - Sun City
Test Year Ended December 31, 2001
Customer Classification SWCL 4 Inch Commercial

Exhibit
Schedule H-5
Page 14
Witness: Kozoman
Revised

Usage From:	Usage To:	Month of Jan-01	Month of Feb-01	Month of Mar-01	Month of Apr-01	Month of May-01	Month of Jun-01	Month of Jul-01	Month of Aug-01	Month of Sep-01	Month of Oct-01	Month of Nov-01	Month of Dec-01	Total Year
27000	27,000	-	-	1	-	-	-	-	-	-	-	-	-	1
28000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	-
29000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-
30000	30,000	1	-	-	-	-	-	-	-	-	-	-	-	1
31000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-
32000	32,000	-	1	-	-	1	-	-	-	-	-	-	-	2
33000	33,000	-	-	-	1	-	-	-	-	1	-	-	-	2
34000	34,000	-	-	-	-	-	-	-	-	-	1	-	-	1
35000	35,000	-	-	-	-	-	-	-	-	-	-	-	1	1
36000	36,000	-	-	-	-	-	-	1	1	-	-	1	-	3
37000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-
38000	38,000	-	-	-	-	-	1	-	-	-	-	-	-	1
410000	410,000	1	-	-	-	-	-	-	-	-	-	-	-	1
500000	500,000	-	1	-	-	-	-	-	-	-	-	-	-	1
522000	522,000	-	-	1	-	-	-	-	-	-	-	-	-	1
529000	529,000	-	-	-	-	-	-	-	1	-	-	-	-	1
541000	541,000	-	-	-	-	-	-	-	-	-	-	-	1	1
587000	587,000	-	-	-	-	1	-	-	-	-	-	-	-	1
590000	590,000	-	-	-	1	-	-	-	-	-	-	-	-	1
607000	607,000	-	-	-	-	-	-	1	-	-	-	-	-	1
687000	687,000	-	-	-	-	-	1	-	-	-	-	-	-	1
696000	696,000	-	-	-	-	-	-	-	-	-	-	1	-	1
702000	702,000	-	-	-	-	-	-	-	-	1	-	-	-	1
748000	748,000	-	-	-	-	-	-	-	-	-	1	-	-	1
949000	949,000	-	-	1	-	-	-	-	-	-	-	-	-	1
955000	955,000	-	-	1	-	-	-	-	-	-	-	-	-	1
993000	993,000	1	-	-	-	-	-	-	-	-	-	-	-	1
1048000	1,048,000	1	-	-	-	-	-	-	-	-	-	-	-	1
1079000	1,079,000	-	1	-	-	-	-	-	-	-	-	-	-	1
1132000	1,132,000	-	1	-	-	-	-	-	-	-	-	-	-	1
1137000	1,137,000	-	-	-	1	-	-	-	-	-	-	-	-	1
1146000	1,146,000	-	-	-	1	-	-	-	-	-	-	-	-	1
1201000	1,201,000	-	-	-	-	1	-	-	-	-	-	-	-	1
1251000	1,251,000	-	-	-	-	-	-	-	1	-	-	-	-	1
1307000	1,307,000	-	-	-	-	-	-	-	-	-	-	-	1	1
1325000	1,325,000	-	-	-	-	-	-	-	-	1	-	-	-	1
1356000	1,356,000	-	-	-	-	1	-	-	-	-	-	-	-	1
1366000	1,366,000	-	-	-	-	-	-	-	-	-	-	-	1	1
1371000	1,371,000	-	-	-	-	-	-	-	-	-	-	1	-	1
1389000	1,389,000	-	-	-	-	-	-	1	-	-	-	-	-	1
1407000	1,407,000	-	-	-	-	-	1	-	-	-	-	-	-	1
1493000	1,493,000	-	-	-	-	-	-	-	-	-	1	-	-	1
1505000	1,505,000	-	-	-	-	-	-	-	1	-	-	-	-	1
1529000	1,529,000	-	-	-	-	-	-	-	-	-	-	1	-	1

Arizona American - Sun City
Test Year Ended December 31, 2001
Customer Classification SWCL 4 Inch Commercial

Exhibit
Schedule H-5
Page 14a
Witness: Kozoman
Revised

Usage From:	Usage To:	Month of Jan-01	Month of Feb-01	Month of Mar-01	Month of Apr-01	Month of May-01	Month of Jun-01	Month of Jul-01	Month of Aug-01	Month of Sep-01	Month of Oct-01	Month of Nov-01	Month of Dec-01	Total Year
1634000	1,634,000	-	-	-	-	-	1	-	-	-	-	-	-	1
1674000	1,674,000	-	-	-	-	-	-	1	-	-	-	-	-	1
1685000	1,685,000	-	-	-	-	-	-	-	-	-	1	-	-	1
1736000	1,736,000	-	-	-	-	-	-	-	-	1	-	-	-	1
1820000	1,820,000	-	-	1	-	-	-	-	-	-	-	-	-	1
1914000	1,914,000	-	-	-	-	-	-	-	-	-	1	-	-	1
1991000	1,991,000	-	1	-	-	-	-	-	-	-	-	-	-	1
2215000	2,215,000	-	-	-	1	-	-	-	-	-	-	-	-	1
2235000	2,235,000	1	-	-	-	-	-	-	-	-	-	-	-	1
2416000	2,416,000	-	-	-	-	-	-	-	-	-	-	-	1	1
2546000	2,546,000	-	-	-	-	1	-	-	-	-	-	-	-	1
2895000	2,895,000	-	-	-	-	-	-	1	-	-	-	-	-	1
3071000	3,071,000	-	-	-	-	-	-	-	-	-	-	1	-	1
3433000	3,433,000	-	-	-	-	-	1	-	-	-	-	-	-	1
3435000	3,435,000	-	-	-	-	-	-	-	1	-	-	-	-	1
4267000	4,267,000	-	-	-	-	-	-	-	-	1	-	-	-	1
	Totals	5	5	5	5	5	5	5	5	5	5	5	5	60

Average Usage	1,190,450
Median Usage	1,132,000
Average # Customers	5
Change in Number of Customers	-

Arizona American - Sun City Wastewater
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Schedule H-3
Page 2
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment		
2	Establishment (After Hours)		
3	Reconnection (Deliquent)		
4	Reconnection (After Hours)		
5			
6	Deposit	**	**
7	Deposit Interest	**	**
8	Re-Establishment (With-in 12 Months)	***	***
9			
10	NSF Check		
11	Deferred Payment, Per Month		
12			
13			
14			
15	Late Payment Charge	1.50%	1.50%
16			
17	Rates for above charges are listed on Schedule H-3, Page 3 of Sun City Water.		
18			
19			
20	** PER COMMISSION RULES (R14-2-403.B)		
21	*** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)		
22	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
23	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
24	TAX. PER COMMISSION RULE (14-2-409.D 5)		
25	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
26	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.		

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WEST WATER AND WASTEWATER DISTRICTS.	DOCKET NO. WS-01303A-02-0867

SUPPLEMENT TO DIRECT TESTIMONY OF

RONALD KOZOMAN, CPA

EXHIBIT
A-58
Admitted

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III.	CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER NO. 7 AND SUN CITY WEST WASTEWATER NO. 6	3

1374592.1

I. INTRODUCTION

Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENT TO YOUR DIRECT TESTIMONY?

A. The purpose of this supplemental testimony is to respond to Staff's List of Items Causing the Filing to be Insufficient dated December 23, 2002 ("Staff Insufficiency Finding"). In addition, the Company is concurrently filing supplements to the direct testimony of David P. Stephenson and Thomas Bourassa in response to the Staff Insufficiency Finding.

Q. HOW WILL YOUR SUPPLEMENTAL TESTIMONY BE ORGANIZED?

A. In this testimony, I address Staff's expressed concerns over the application for the Sun City West water and wastewater districts. Specifically, I address two of the reasons Staff has concluded that the filings for these two districts are insufficient and those reasons are identified consistent with the numbering in the Staff Insufficiency Finding. Those items in the Staff Insufficiency Finding not covered in my supplemental testimony are addressed by either Mr. Stephenson or Mr. Bourassa.

Q. HAVE YOU MADE ANY CHANGES AS A RESULT OF STAFF'S FINDINGS?

A. Yes, and where appropriate revised schedules are attached hereto at Tab A. I wish to point out, however, that none of the changes effect the plant in service, rate base, and/or the revenue requirement in this case.

II. CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER NO. 1

Q. MR. KOZOMAN, ARE THE BILL COUNT REVENUES AND THE BOOK REVENUES FOR SUN CITY WEST WATER DISTRICT MATERIALLY DIFFERENT?

A. No, I do not believe so and cannot agree with Staff on this issue. The difference

between the book revenue and the bill count revenues for this district is 0.45%.

Q. HAVE YOU DISCUSSED THIS ISSUE WITH STAFF?

A. Yes. Subsequent to the filing on November 22, 2002, Mr. Bourassa and I have met with Staff on several occasions to answer questions and assist Staff in reviewing Arizona-American's filings, including each district's bill count. I provided Staff with a corrected bill count for the 5/8 inch residential customers. Schedule H-5 (WWRE 5/8 Inch) was reformatted because the original H-5 Schedules were printed before being reconciled to general ledger revenues. The Company filed these revised schedule pages with Docket Control at the Arizona Corporation Commission on December 20, 2002 at Staff's insistence.

Q. WHAT WAS THE ACCEPTED TOLERANCE (DIFFERENCE TO THE BOOK REVENUE) THE COMPANY UTILIZED?

A. To insure the bill count data generated an acceptable level of revenues, a tolerance of 0.5 percent was used. In the instant case, the revenues from the bill counts were within 0.045 percent or $15,045 of the book revenues of $4,860,398. In my experience, this is well within Staff's accepted tolerance level. A supplementary schedule showing the revenue reconciliation and tolerance is attached hereto at Tab A.

Q. ARE THE REVENUES FROM THE BILL COUNT ALWAYS EQUAL TO THE BOOK REVENUES?

A. No. In fact, they are very rarely equal to book revenues for several different reasons. First, the rate books used to confirm the revenues from the bill count typically compute revenues based on the midpoint of a usage range. For example, 7,500 gallons is the midpoint of the usage range between 7,000 gallons and 7,999 gallons. In contrast, book revenues may be based on bills that are computed on actual use. Second, the billing system used may not pick up billing adjustments in

the same period as the original bill or billing adjustments may not be entered into the billing system. That is, a billing adjustment may actually be made in, for example, June, but it is not reflected in the billing system until July. Or, the billing adjustments may not be contained in the billing system, but instead made as a journal entry in the general ledger, which either reduces or increases revenue. All of these accounting practices are acceptable, but still result in discrepancies between bill count revenues and book revenues.

Q. CAN YOU EXPLAIN WHY THE STAFF FOUND A REVENUE DIFFERENCE OF 1.34 PERCENT IN ITS SUFFICIENCY LETTER?

A. I have reviewed Staff's bill count rate books to determine why their bill count does not generate the same revenues as the Company's bill count and discovered that Staff used the wrong bill counts for residential customers on 5/8 inch meters. As I previously testified, I provided a correct bill counts to Staff and these schedules were formally filed with Docket Control on December 20, 2002.

Q. HAVE YOU PROVIDED THE COMMISSION STAFF WITH A COPY OF YOUR WORKBOOKS?

A. Yes, as explained above, Mr. Bourassa and I provided workbooks and other information to Staff shortly after the filing was made.

III. CAUSE OF INSUFFICIENCY: SUN CITY WEST WATER NO. 7 AND SUN CITY WEST WASTEWATER NO. 6

Q. STAFF ALSO CLAIMS THAT THE CERTAIN "H" SCHEDULES ARE MISSING PRESENT AND PROPOSED RATES WHAT HAS THE COMPANY DONE TO RESPOND TO THIS FINDING?

A. For the Sun City West water district Staff found that Schedule H-4, page 13 (the bill comparison for the Commercial 6 Inch Meter) failed to include the present and proposed rates. Schedules correcting this are attached hereto.

Staff also found that Schedule H-3, page 2 for Sun City West wastewater is missing present and proposed rates. However, Schedule H-3 for Sun City West wastewater includes prices for all other charges by the wastewater entity. The charges for NSF checks (non-sufficient funds checks), establishment fees, deferred payments, and late fees are shown on the Sun City West water Schedule H-3. The Company does not collect an establishment fee or NSF charge for both water and sewer.

Q. AND NONE OF THE CHANGES REFLECTED IN YOUR REVISED SCHEDULES IMPACT THE PRESENT OR PROPOSED RATES/REVENUES AS REFLECTED ON THE COMPANY'S SCHEDULES H-1 AND H-2 CORRECT?

A. That is correct.

Q. DOES THAT CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

A. Yes.

A

Arizona American / Revenues Per C-1 and H-1
Comparison of Revenues Per Schedule C-1 and Schedule H-1
Docket No.WS01303A-02-0867 through WS01303A-02-0870

Exhibit
Schedule 1
Page 1
Witness: Kozoman

	C-1 Schedule Adjusted Present Revenues	C-1 Schedule Proposed Revenues	H-1 Schedule Present Revenues	H-1 Schedule Proposed Revenues	Difference in Dollars Present Revenues	Difference in Dollars Proposed Revenues	Difference in Percent Present Revenues	Difference in Percent Proposed Revenues
Agua Fria Water	5,846,076	6,263,965	5,843,506	6,261,396	2,570	2,569	0.044%	0.041%
Other Revenue	339,961	339,961	339,961	339,961	-			
Total Revenues	6,186,037	6,603,926	6,183,467	6,601,357	2,570	2,569	0.042%	0.039%
Anthem Water (Distco)	2,060,418	2,359,500	2,056,021	2,355,103	4,397	4,397	0.213%	0.186%
Other Revenue	1,950,387	1,950,387	1,950,387	1,950,387	-			
Total Revenues	4,010,805	4,309,887	4,006,408	4,305,490	4,397	4,397	0.110%	0.102%
Anthem / Agua Fria Wastewater	880,474	1,319,463	877,116	1,316,104	3,358	3,359	0.381%	0.255%
Other Revenue	986,072	986,072	986,072	986,072	-			
Total Revenues	1,866,546	2,305,535	1,863,188	2,302,176	3,358	3,359	0.180%	0.146%
Havasu Water	430,392	627,376	424,081	618,157	-	(1)	0.000%	0.000%
Balancing Revenue			6,311	9,220				
Other Revenue	10,532	10,532	10,532	10,532	-			
Total Revenues	440,924	637,908	440,924	637,909	-	(1)	0.000%	0.000%
Mohave Water	4,285,427	4,869,437	4,237,286	4,814,653	-	-	0.000%	0.000%
Balancing Revenue			48,141	54,784				
Other Revenue	108,705	108,705	108,705	108,705	-			
Total Revenues	4,394,132	4,978,142	4,394,132	4,978,142	-	-	0.000%	0.000%
Sun City Water	6,079,671	11,446,038	6,065,944	11,432,312	13,727	13,726	0.226%	0.120%
Other Revenue	113,419	113,419	113,419	113,419	-			
Total Revenues	6,193,090	11,559,457	6,179,363	11,545,731	13,727	13,726	0.222%	0.119%
Sun City Wastewater	5,085,481	5,721,717	5,085,003	5,721,239	478	478	0.009%	0.008%
Other Revenue	2,859	2,859	2,859	2,859	-			
Total Revenues	5,088,340	5,724,576	5,087,862	5,724,098	478	478	0.009%	0.008%
Sun City West Water	3,343,134	4,822,758	3,328,089	4,807,533	15,045	15,225	0.450%	0.316%
Other Revenue	37,640	37,640	37,640	37,640	-			
Total Revenues	3,380,774	4,860,398	3,365,729	4,845,173	15,045	15,225	0.445%	0.313%
Sun City West Wastewater	3,534,678	5,498,302	3,530,475	5,493,532	4,203	4,770	0.119%	0.087%
Other Revenue	1,002	1,002	1,002	1,002	-			
Total Revenues	3,535,680	5,499,304	3,531,477	5,494,534	4,203	4,770	0.119%	0.087%

Arizona American - Sun City West Sewer
Revenue Summary
Test Year ended December 31, 2001
Step-One Rate Increase

Exhibit
Schedule H-1
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Revised Percent of Present Sewer Revenues	Percent of Proposed Sewer Revenues
1	Residential Units (WSR)	2,789,886	3,906,527	$ 1,116,642	40.02%	79.25%	79.26%
2	Commercial Units (SSC)	76,035	106,463	30,427	40.02%	2.16%	2.16%
3	Commercial Large User (WS6)	12,683	17,736	5,053	39.84%	0.36%	0.36%
4	Muti-family Residential Units (AC WSRE)	553,264	774,706	221,442	40.02%	15.72%	15.72%
5							
6							
7	Commercial additional toilets (WS1)	70,575	98,805	28,230	40.00%	2.00%	2.00%
8	Commercial per dishwasher (WS2)	11,241	15,737	4,496	40.00%	0.32%	0.32%
9	Commercial per wash machine (WS3)	3,247	4,545	1,298	39.98%	0.09%	0.09%
10	Commercial per wash rack (WS4)	2,497	3,496	998	39.98%	0.07%	0.07%
11	Miscellaneous Revenues	1,002	1,002	-	0.00%	0.03%	0.02%
12	**Subtotal of Revenues**	$ 3,520,431	$ 4,929,017	$ 1,408,586	40.01%	100.00%	100.00%
13							
14		**Present**	**Proposed**	**Dollar**	**Percent**	**Bills to be**	
15	**Revenue Annualization**	**Revenues**	**Revenues**	**Change**	**Change**	**Issued**	
16	Residential Units (WSR)	3,134	4,389	1,255	40.02%	193	
17	Commercial Units (SSC)	7,089	9,925	2,837	40.02%	307	
18	Commercial Large User (WS6)	681	954	273	40.00%	15	
19	Muti-family Residential Units (AC WSRE)						
20	Commercial additional toilets (WS1)	(424)	(594)	(170)	40.00%	(80)	
21	Commercial per dishwasher (WS2)			-			
22	Commercial per wash machine (WS3)	566	792	226	39.98%	57	
23	Commercial per wash rack (WS4)						
24	**Total Revenue Annualization**	$ 11,046	$ 15,467	4,420	40.02%	492	
25							
26	Total Revenues	$ 3,531,477	$ 4,944,483	1,413,006	40.01%		

Arizona American - Sun City West Sewer
Changes in Representative Rate Schedules
Test Year ended December 31, 2001

Exhibit
Schedule H-3
Page 2
Witness: Kozoman
REVISED

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment		
2	Establishment (After Hours)		
3	Reconnection (Deliquent)		
4	Reconnection (After Hours)		
5			
6	Deposit		
7	Deposit Interest		
8	Re-Establishment (With-in 12 Months)		
9			
10	NSF Check		
11	Deferred Payment, Per Month (b)		
12			
13			
14			
15	Late Payment Charge	1.50%	1.50%
16			
17	Rates for above charges are listed on Schedule H-3, Page 3, for Sun City West Water.		
18			
19			
20	** PER COMMISSION RULES (R14-2-403.B)		
21	*** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)		
22	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
23	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
24	TAX. PER COMMISSION RULE (14-2-409.D 5)		
25	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
26	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.		

Arizona American - Sun City West Water
Bill Comparison
Customer Classification WWCL 6 Inch

Exhibit
Schedule H-4
Page 13
Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 141.00	$ 203.89	$ 62.89	44.60%
1,000	141.93	205.23	$ 63.30	44.60%
2,000	142.86	206.57	$ 63.71	44.60%
3,000	143.79	207.91	$ 64.12	44.59%
4,000	144.72	209.25	$ 64.53	44.59%
5,000	145.65	210.59	$ 64.94	44.59%
6,000	146.58	211.93	$ 65.35	44.58%
7,000	147.51	213.27	$ 65.76	44.58%
8,000	148.44	214.61	$ 66.17	44.58%
9,000	149.56	216.23	$ 66.67	44.58%
10,000	150.68	217.85	$ 67.17	44.58%
11,000	151.80	219.47	$ 67.67	44.58%
12,000	152.92	221.09	$ 68.17	44.58%
13,000	154.04	222.71	$ 68.67	44.58%
14,000	155.16	224.33	$ 69.17	44.58%
15,000	156.28	225.95	$ 69.67	44.58%
16,000	157.40	227.57	$ 70.17	44.58%
17,000	158.52	229.19	$ 70.67	44.58%
18,000	159.64	230.81	$ 71.17	44.58%
193,000	355.64	514.31	$ 158.67	44.62%
194,000	356.76	515.93	$ 159.17	44.62%
234,000	401.56	580.73	$ 179.17	44.62%
237,000	404.92	585.59	$ 180.67	44.62%
239,000	407.16	588.83	$ 181.67	44.62%
250,000	419.48	606.65	$ 187.17	44.62%
251,000	420.60	608.27	$ 187.67	44.62%
255,000	425.08	614.75	$ 189.67	44.62%
257,000	427.32	617.99	$ 190.67	44.62%
276,000	448.60	648.77	$ 200.17	44.62%
281,000	454.20	656.87	$ 202.67	44.62%
Average Usage				
241,750	$ 410.24	$ 593.29	$ 183.05	44.62%
Median Usage				
239,000	$ 407.16	$ 588.83	$ 181.67	44.62%

Present Rates:

Monthly Minimum:		$ 141.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 0.93
Up to	999,999,999	$ 1.12
Over	1,000,000,000	$ 1.12
		$ 1.12

Proposed Rates:

Monthly Minimum:		$ 203.89
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 1.34
Up to	999,999,999	$ 1.62
Over	1,000,000,000	$ 1.62
		$ 1.62

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS MOHAVE WATER AND HAVASU WATER DISTRICTS.	DOCKET NO. WS-01303A-02-0869

SUPPLEMENT TO DIRECT TESTIMONY OF

RONALD KOZOMAN, CPA

EXHIBIT
A-59
Admitted

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I. INTRODUCTION

Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENT TO YOUR DIRECT TESTIMONY?

A. The purpose of this supplemental testimony is to respond to Staff's List of Items Causing the Filing to be Insufficient dated December 23, 2002 ("Staff Insufficiency Finding"). In addition, the Company is concurrently filing supplements to the direct testimony of David P. Stephenson and Thomas Bourassa in response to the Staff Insufficiency Finding.

Q. HOW WILL YOUR SUPPLEMENTAL TESTIMONY BE ORGANIZED?

A. In this testimony, I address Staff's expressed concerns over the application for the Mohave water district and the Havasu water district. Specifically, I address two of the reasons Staff has concluded that the filings for these two districts are insufficient and those reasons are identified consistent with the numbering in the Staff Insufficiency Finding. Those items in the Staff Insufficiency Finding not covered in my supplemental testimony are addressed by either Mr. Stephenson or Mr. Bourassa.

Q. HAVE YOU MADE ANY CHANGES AS A RESULT OF STAFF'S FINDINGS?

A. Yes, and where appropriate revised schedules are attached hereto at Tab A. I wish to point out, however, that none of the changes affect the plant in service, rate base, and/or the revenue requirement in this case.

II. CAUSE OF INSUFFICIENCY: MOHAVE WATER AND HAVASU WATER NO. 1

Q. MR. KOZOMAN, ARE THE BILL COUNT REVENUES AND THE BOOK REVENUES FOR MOHAVE AND HAVASU WATER DISTRICTS DIFFERENT?

A. There is a very small difference in the case of these two water districts. The bill count for Mohave Water differs from the booked revenues of $4,394,133 by $48,141, a difference of 1.095%. For Havasu Water, the bill count differs from the booked revenues of $440,924 by $6,311, a difference of 1.431%

Q. ARE THE REVENUES FROM THE BILL COUNT ALWAYS EQUAL TO THE BOOK REVENUES?

A. No. In fact, they are very rarely equal to book revenues for several different reasons. First, the rate books used to confirm the revenues from the bill count typically compute revenues based on the midpoint of a usage range. For example, 7,500 gallons is the midpoint of the usage range between 7,000 gallons and 7,999 gallons. In contrast, book revenues may be based on bills that are computed on actual use. Second, the billing system used may not pick up billing adjustments in the same period as the original bill or billing adjustments may not be entered into the billing system. That is, a billing adjustment may actually be made in, for example, June, but it is not reflected in the billing system until July. Or, the billing adjustments may not be contained in the billing system, but instead made as a journal entry in the general ledger, which either reduces or increases revenue. All of these accounting practices are acceptable, but still result in discrepancies between bill count revenues and book revenues.

Q. WHAT WAS THE ACCEPTED TOLERANCE (DIFFERENCE TO THE BOOK REVENUE) THE COMPANY UTILIZED?

A. To insure the bill count data generated an acceptable level of revenues, a tolerance of 0.5 percent was used. In my experience, this is well within Staff's accepted tolerance level.

Q. IF THE COMPANY UTILIZED SUCH A TOLERANCE LEVEL, WHY IS THE MISMATCH EXCEED THAT LEVEL?

A. The bill count data used to prepare the filing for these two water districts was obtained from the former owners of these systems, Citizens Communications Co. ("Citizens"). In those instances where the bill count revenues matched the general ledger revenues within the 0.5% tolerance level, no further analysis of the "Citizens data" was conducted. On the other hand, where the bill count revenues did not match the general ledger revenues within the 0.5% tolerance level, then additional analysis of the Citizens' data was conducted. For the Mohave and Havasu water districts, the bill counts revenues did match the general ledger revenues within the 0.5% tolerance level. Thus, no further queries were made on the data.

During its sufficiency review, Staff noted that the present revenues for the Mohave water and Havasu water districts did not compute to the revenues shown on Schedule H-1.

Q. DO YOU AGREE?

A. Yes. For the Mohave water district, we found two problems in the bill count. The first problem was caused by the wrong rates in the 2 inch Commercial Summary, as shown on Schedule H-4, page 92. Schedule H-4, page 92 reflects a present monthly minimum of $8.65, rather than $30.00, the correct monthly minimum for such customers. The proposed monthly minimum should be $34.14, and not $28.45 as shown on Schedule H-4, page 92. As a result, the correct revenues at present rates should have been $355,657, rather than the $313,940 for the 2 inch Commercial Summary previously shown on line 22 of Schedule H-4, page 92 for the Mohave water district.

The second problem with the bill count was that the 5/8 inch Residential Summary bill count (Schedule H-5, page 1) included the wrong billing coordinates. Rather than 0 to 0 for the first billing coordinate, the billing

coordinates on Schedule H-5, page 1, were 0 to 1,000 (all the other Mohave water district bill counts used 0 to 0). The next billing coordinates on the 5/8 inch Residential Summary bill count were 1,001 to 2,000, and 2,001 to 3,000 etc. (rather than 1,000 to 1,000, and 2,000 to 2,000 as contained on all the other Mohave water district bill counts). The supporting 5/8 inch residential revenue bill counts (Schedules H-4 and H-5, pages 1.1 through 1.3) had the correct billing coordinates. Thus, the Residential 5/8 inch Summary resulted in more revenue than actually generated from the individual bill counts, which are summarized on Schedule H-5. Thus, rather than the correct $2,648,370 in revenue at present rates, the H-1 Schedule, line 1, contained $2,738,229 for the 5/8 inch Residential Summary.

Q. WHAT WAS THE PROBLEM WITH THE HAVASU WATER DISTRICT?

A. The problem for Havasu Water was that the winter rates were not correctly reflected in the present revenue calculations. Instead, the equation for the revenues at present rates used the higher summer commodity rate of $1.42 rather than the correct winter commodity rate of $1.31.

Q. HOW HAVE YOU CORRECTED THE BILL COUNT SCHEDULES FOR MOHAVE WATER AND HAVASU WATER TO REFLECT THE CORRECTED PRESENT AND PROPOSED REVENUES?

A. A line at the bottom of the Revised Schedule H-1 has been included to show the difference in revenues at present and proposed rates, to account for the difference in revenues. This additional line reconciles the bill count to the general ledger revenues. At proposed rates, the balancing revenue, at present rates, is multiplied by the percentage rate increase requested to derive the proposed revenue

I am also submitting Revised Schedule H-2, pages 1 and 3 and Revised Schedule H-4 for the Summary 2 inch commercial and Summary 5/8 residential customers for Mohave water.

No other H Schedules need to be revised for the Havasu water district.

Q. IS THE COMPANY PROPOSING TO CHANGE THE PROPOSED RATES?

A. No. Because these calculation errors inure to the benefit of the Company's ratepayers, Arizona-American is not proposing further revenue increases. Instead, the Company will simply ask for the rates sought in its original filing.

Q. DO THE COMPANY'S PRESENT REVENUES MATCH THE STAFF COMPUTED REVENUES FOR THESE TWO DISTRICTS?

A. Yes, with the above-discussed changes, the present revenue now matches the Staff's revenue.

III. <u>CAUSE OF SUFFICIENCY: MOHAVE WATER NO. 9</u>

Q. STAFF ALSO CLAIMS THAT THE CERTAIN "H" SCHEDULES ARE MISSING PRESENT AND PROPOSED RATES. WHAT HAS THE COMPANY DONE TO RESPOND TO THIS FINDING?

A. For the Mohave water district Staff found that Schedule H-4, pages18, 19, 36, 44, 54, 55, 56, 62 and 94 failed to include the present and proposed rates. Schedules correcting this are attached hereto at Tab A.

Q. DO ANY OF YOUR CHANGES AFFECT THE PRESENT OR PROPOSED RATES AS REFELECTED ON THE COMPANY'S SCHEDULE H-3?

A. No.

Q. DOES THAT CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

A. Yes.

A

Arizona American / Revenues Per C-1 and H-1
Comparison of Revenues Per Schedule C-1 and Schedule H-1
Docket No.WS01303A-02-0867 through WS01303A-02-0870

Exhibit
Schedule 1
Page 1
Witness: Kozoman

	C-1 Schedule Adjusted Present Revenues	C-1 Schedule Proposed Revenues	H-1 Schedule Present Revenues	H-1 Schedule Proposed Revenues	Difference in Dollars Present Revenues	Difference in Dollars Proposed Revenues	Difference in Percent Present Revenues	Difference in Percent Proposed Revenues
Agua Fria Water	5,846,076	6,263,965	5,843,506	6,261,396	2,570	2,569	0.044%	0.041%
Other Revenue	339,961	339,961	339,961	339,961	-			
Total Revenues	6,186,037	6,603,926	6,183,467	6,601,357	2,570	2,569	0.042%	0.039%
Anthem Water (Distco)	2,060,418	2,359,500	2,056,021	2,355,103	4,397	4,397	0.213%	0.186%
Other Revenue	1,950,387	1,950,387	1,950,387	1,950,387	-			
Total Revenues	4,010,805	4,309,887	4,006,408	4,305,490	4,397	4,397	0.110%	0.102%
Anthem / Agua Fria Wastewater	880,474	1,319,463	877,116	1,316,104	3,358	3,359	0.381%	0.255%
Other Revenue	986,072	986,072	986,072	986,072	-			
Total Revenues	1,866,546	2,305,535	1,863,188	2,302,176	3,358	3,359	0.180%	0.146%
Havasu Water	430,392	627,376	424,081	618,157	-	(1)	0.000%	0.000%
Balancing Revenue			6,311	9,220				
Other Revenue	10,532	10,532	10,532	10,532	-			
Total Revenues	440,924	637,908	440,924	637,909	-	(1)	0.000%	0.000%
Mohave Water	4,285,427	4,869,437	4,237,286	4,814,653	-	-	0.000%	0.000%
Balancing Revenue			48,141	54,784				
Other Revenue	108,705	108,705	108,705	108,705	-			
Total Revenues	4,394,132	4,978,142	4,394,132	4,978,142	-	-	0.000%	0.000%
Sun City Water	6,079,671	11,446,038	6,065,944	11,432,312	13,727	13,726	0.226%	0.120%
Other Revenue	113,419	113,419	113,419	113,419	-			
Total Revenues	6,193,090	11,559,457	6,179,363	11,545,731	13,727	13,726	0.222%	0.119%
Sun City Wastewater	5,085,481	5,721,717	5,085,003	5,721,239	478	478	0.009%	0.008%
Other Revenue	2,859	2,859	2,859	2,859	-			
Total Revenues	5,088,340	5,724,576	5,087,862	5,724,098	478	478	0.009%	0.008%
Sun City West Water	3,343,134	4,822,758	3,328,089	4,807,533	15,045	15,225	0.450%	0.316%
Other Revenue	37,640	37,640	37,640	37,640	-			
Total Revenues	3,380,774	4,860,398	3,365,729	4,845,173	15,045	15,225	0.445%	0.313%
Sun City West Wastewater	3,534,678	5,498,302	3,530,475	5,493,532	4,203	4,770	0.119%	0.087%
Other Revenue	1,002	1,002	1,002	1,002	-			
Total Revenues	3,535,680	5,499,304	3,531,477	5,494,534	4,203	4,770	0.119%	0.087%

Arizona / American Mohave Water
Revenue Summary
At Present and Proposed Rates

Exhibit
Schedule H-1
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Revised Percent of Present Water Revenues	Percent of Proposed Water Revenues
1							
2							
3	Residential 5/8 Inch	$2,648,370	$3,009,277	360,907	13.63%	60.90%	61.08%
4	Residential 1 Inch	15,626	17,752	2,127	13.61%	0.36%	0.36%
5	Residential 1.5 Inch	-	-	-			
6	Residential 2 Inch	14,500	16,470	1,970	13.58%	0.33%	0.33%
7							
8	Residential Muti-family 5/8 Inch	94,231	107,111	12,880	13.67%	2.17%	2.17%
9	Residential Muti-family 1 Inch	44,888	51,020	6,132	13.66%	1.03%	1.04%
10	Residential Muti-family 1.5 Inch	16,223	18,449	2,226	13.72%	0.37%	0.37%
11	Residential Muti-family 2 Inch	248,296	282,265	33,969	13.68%	5.71%	5.73%
12	Residential Muti-family 4 Inch	17,645	20,057	2,412	13.67%	0.41%	0.41%
13	Residential Muti-family 6 Inch	162,922	185,235	22,313	13.70%	3.75%	3.76%
14							
15	Rio Water Residential 5/8 Inch	80,529	91,595	11,067	13.74%	1.85%	1.86%
16	Rio Water Residential 1 Inch	26	30	4	13.74%	0.00%	0.00%
17	Rio Water Residential 2 Inch	74	84	10	13.74%	0.00%	0.00%
18							
19	Commercial 5/8 Inch	125,418	142,462	17,044	13.59%	2.88%	2.89%
20	Commercial 1 Inch	90,568	102,877	12,309	13.59%	2.08%	2.09%
21	Commercial 1.5 Inch	28,828	32,737	3,909	13.56%	0.66%	0.66%
22	Commercial 2 Inch	355,657	403,887	48,230	13.56%	8.18%	8.20%
23	Commercial 3 Inch	51,990	59,047	7,057	13.57%	1.20%	1.20%
24							
25	Commercial Multi-Unit 5/8 Inch	16,427	18,669	2,242	13.65%	0.38%	0.38%
26	Commercial Multi-Unit 1 Inch	3,014	3,427	413	13.70%	0.07%	0.07%
27	Commercial Multi-Unit 1.5 Inch	2,619	2,974	355	13.56%	0.06%	0.06%
28	Commercial Multi-Unit 2 Inch	9,383	10,660	1,277	13.61%	0.22%	0.22%
29							
30	Public Authority 58 Inch	4,450	5,058	608	13.67%	0.10%	0.10%
31	Public Authority 1 Inch	5,109	5,803	694	13.59%	0.12%	0.12%
32	Public Authority 1.5 Inch	3,877	4,405	528	13.62%	0.09%	0.09%
33	Public Authority 2 Inch	61,130	69,429	8,299	13.58%	1.41%	1.41%
34	Public Authority 3 Inch	15,446	17,535	2,089	13.53%	0.36%	0.36%
35	Public Authority 4 Inch	19,712	22,379	2,667	13.53%	0.45%	0.45%
36	Public Authority 6 Inch	33,295	37,801	4,506	13.53%	0.77%	0.77%
37							
38	Private Fire 2 Inch	264	300	36	13.67%	0.01%	0.01%
39	Private Fire 4 Inch	4,554	5,184	630	13.83%	0.10%	0.11%
40	Private Fire 6 Inch	1,539	1,751	212	13.78%	0.04%	0.04%
41	Private Fire 8 Inch	588	669	81	13.83%	0.01%	0.01%
42	Private Fire 10 Inch	180	205	25	13.80%	0.00%	0.00%
43	Private Fire Hydrant	14,489	16,480	1,991	13.74%	0.33%	0.33%
44	Miscellaneous Revenues	108,705	108,705		0.00%	2.50%	2.21%
45	Difference Between Bill Count Rev. & G/L Rev.	48,141	54,784	6,643	13.80%	1.11%	1.11%
46	**Subtotal of Water Revenues**	$4,348,715	$4,926,576	$ 577,860	13.29%	98.89%	98.89%
47							

Arizona / American Mohave Water
Revenue Summary
Revenue Annualizations At Present and Proposed Rates

Exhibit
Schedule H-1
Page 2
Witness: Kozoman

Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Revised Bills to be Issued	Additional Gallons to be Produced in 1,000's
1	Residential 5/8 Inch	49,762	56,543	6,781	13.63%	2,662	19,964
2	Residential 1 Inch	1,073	1,219	146	13.61%	24	507
3	Residential 1.5 Inch						
4	Residential 2 Inch	(1,244)	(1,413)	(169)	13.60%	(12)	(748)
5							
6	Residential Muti-family 5/8 Inch	(1,693)	(1,923)	(230)	13.58%	(9)	(515)
7	Residential Muti-family 1 Inch	57	65	8	13.62%	1	5
8	Residential Muti-family 1.5 Inch	(277)	(315)	(38)	13.76%	(8)	-
9	Residential Muti-family 2 Inch	(13,893)	(15,799)	(1,907)	13.72%	15	(1,854)
10	Residential Muti-family 4 Inch	-	-			-	-
11	Residential Muti-family 6 Inch	(10,652)	(12,121)	(1,469)	13.79%	(9)	493
12							
13	Rio Water Residential 5/8 Inch	2,721	3,094	374	13.74%	111	1,326
14	Rio Water Residential 1 Inch	287	327	39	13.74%	11	138
15	Rio Water Residential 2 Inch	212	241	29	13.74%	9	99
16							
17	Commercial 5/8 Inch	2,096	2,381	285	13.59%	78	1,038
18	Commercial 1 Inch	3,184	3,617	433	13.59%	60	1,603
19	Commercial 1.5 Inch	-	-			-	-
20	Commercial 2 Inch	10,608	12,047	1,439	13.56%	62	5,973
21	Commercial 3 Inch	2,711	3,079	368	13.58%	10	1,436
22							
23	Commercial Multi-Unit 5/8 Inch	3,966	4,504	538	13.57%	6	2,185
24	Commercial Multi-Unit 1 Inch	42	48	6	13.71%	1	9
25	Commercial Multi-Unit 1.5 Inch	-	-			-	-
26	Commercial Multi-Unit 2 Inch	(2,842)	(3,231)	(389)	13.68%	(8)	(688)
27							
28	Public Authority 58 Inch						
29	Public Authority 1 Inch	45	51	6	13.61%	1	21
30	Public Authority 1.5 Inch						
31	Public Authority 2 Inch	(977)	(1,109)	(132)	13.57%	(6)	(0.23)
32	Public Authority 3 Inch						
33	Public Authority 4 Inch	(18)	(20)	(2)	13.83%	(3)	-
34	Public Authority 6 Inch						
35							
36	Private Fire 2 Inch	132	150	18	13.67%	44	-
37	Private Fire 4 Inch						
38	Private Fire 6 Inch	81	92	11	13.78%	9	-
39	Private Fire 8 Inch	132	150	18	13.83%	11	-
40	Private Fire 10 Inch						
41	Private Fire Hydrant	(95)	(108)	(13)	13.74%	(12)	
42	Total Revenue Annualization	45,417	51,566	6,149	13.54%	3,048	30,993
43	Revenues from Page 1	4,348,715	4,926,576	577,860	13.29%		
44	Totals	4,394,133	4,978,142	584,010	13.29%	3,048	30,993

Arizona / American Mohave Water
Analysis of Revenue by Detailed Class
At Present and Proposed Rates

Exhibit
Schedule H-2
Page 1
Witness: Kozoman
Revised

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Number of Units at 12/31/01	Average Consumption Per Customer	Revenues Per Customer Present Rates	Revenues Per Customer Proposed Rates	Revenues Per Unit Present Rates	Revenues Per Unit Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1									-	
2									-	
3	Residential 5/8 Inch	11,933	11,933	7,500	18.27	20.76	18.27	20.76	2.49	13.63%
4	Residential 1 Inch	29	29	21,141	88.42	100.46	88.42	100.46	12.04	13.61%
5	Residential 1.5 Inch									
6	Residential 2 Inch	10	10	62,308	120.74	137.14	120.74	137.14	16.40	13.58%
7									-	
8	Residential Muti-family 5/8 Inch	89	578	27,603	87.52	99.49	13.45	15.28	11.96	13.67%
9	Residential Muti-family 1 Inch	38	262	33,048	98.49	111.95	14.27	16.22	13.46	13.66%
10	Residential Muti-family 1.5 Inch	4	133	71,750	366.69	417.01	10.13	11.53	50.32	13.72%
11	Residential Muti-family 2 Inch	108	1,641	53,220	189.71	215.67	12.46	14.17	25.96	13.68%
12	Residential Muti-family 4 Inch	2	107	216,583	731.83	831.85	13.68	15.55	100.02	13.67%
13	Residential Muti-family 6 Inch	1	757	1,920,929	7,008.36	7,968.12	11.78	13.39	959.76	13.69%
14										
15	Rio Water Residential 5/8 Inch	264	264	11,942	25.15	28.60	25.15	28.60	3.46	13.74%
16	Rio Water Residential 1 Inch	0	0	12,501	26.13	29.72	26.13	29.72	3.59	13.74%
17	Rio Water Residential 2 Inch	0	0	11,000	23.50	26.73	23.50	26.73	3.23	13.74%
18										
19	Commercial 5/8 Inch	378	378	13,691	27.43	31.16	27.43	31.16	3.73	13.59%
20	Commercial 1 Inch	135	135	28,529	55.74	63.32	55.74	63.32	7.58	13.59%
21	Commercial 1.5 Inch	16	16	85,344	149.83	170.15	149.83	170.15	20.32	13.56%
22	Commercial 2 Inch	163	163	103,576	181.81	206.47	181.81	206.47	24.66	13.56%
23	Commercial 3 Inch	15	15	153,110	285.12	323.82	285.12	323.82	38.70	13.57%
24										
25	Commercial Multi-Unit 5/8 Inch	20	86	25,526	69.33	78.79	15.81	17.97	9.46	13.65%
26	Commercial Multi-Unit 1 Inch	5	22	12,339	49.86	56.69	11.31	12.86	6.83	13.70%
27	Commercial Multi-Unit 1.5 Inch	1	5	123,250	218.26	247.86	43.65	49.57	29.60	13.56%
28	Commercial Multi-Unit 2 Inch	3	37	126,781	293.04	332.93	21.41	24.32	39.89	13.61%
29										
30	Public Authority 58 Inch	27	27	3,731	12.69	14.43	12.69	14.43	1.74	13.68%
31	Public Authority 1 Inch	8	8	27,158	53.71	61.02	53.71	61.02	7.30	13.59%
32	Public Authority 1.5 Inch	5	5	27,767	64.61	73.42	64.61	73.42	8.80	13.62%
33	Public Authority 2 Inch	37	37	74,826	139.26	158.17	139.26	158.17	18.91	13.58%
34	Public Authority 3 Inch	1	1	830,167	1,287.17	1,461.28	1,287.17	1,461.28	174.11	13.53%
35	Public Authority 4 Inch	1	1	1,050,083	1,642.64	1,864.88	1,642.64	1,864.88	222.24	13.53%
36	Public Authority 6 Inch	1	1	1,740,583	2,774.58	3,150.10	2,774.58	3,150.10	375.52	13.53%
37										
38	Private Fire 2 Inch	7	7	-	-	-	-	-	-	0.00%
39	Private Fire 4 Inch	63	63	-	-	-	-	-	-	0.00%
40	Private Fire 6 Inch	14	14	-	-	-	-	-	-	0.00%
41	Private Fire 8 Inch	4	4	-	-	-	-	-	-	0.00%
42	Private Fire 10 Inch	1	1	-	-	-	-	-	-	0.00%
43	Private Fire Hydrant	158	158	-	-	-	-	-	-	0.00%
44										
45										
46										
47	Subtotal	13,539	16,896							
48										
49	Actuall Year End Number									
50	of Customers:	13,795	17,315							
51										

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

Arizona / American Mohave Water
Gallons Sold Summary (in 1,000's)
Test Year Ended December 31, 2001

Exhibit
Schedule H-2
Page 4
Witness: Kozoman
Revised

Meter Classification	Month of Jan-01	Month of Feb-01	Month of Mar-01	Month of Apr-01	Month of May-01	Month of Jun-01	Month of Jul-01
Residential 5/8 Inch	71,007	64,901	61,235	74,736	90,752	114,415	118,607
Residential 1 Inch	409	316	264	358	549	857	925
Residential 1.5 Inch	-	-	-	-	-	-	-
Residential 2 Inch	786	357	263	402	510	604	781
Residential Muti-family 5/8 Inch	2,721	2,584	1,851	2,452	2,515	2,681	2,534
Residential Muti-family 1 Inch	1,020	1,116	1,100	1,116	1,208	1,472	1,542
Residential Muti-family 1.5 Inch	197	139	296	283	190	217	220
Residential Muti-family 2 Inch	5,063	5,076	4,209	6,101	5,060	6,351	6,808
Residential Muti-family 4 Inch	333	245	104	399	130	1,114	680
Residential Muti-family 6 Inch	1,470	1,499	278	1,028	3,850	4,031	3,167
Rio Water Residential 5/8 Inch	2,405	2,007	2,308	2,459	2,989	4,441	4,540
Rio Water Residential 1 Inch	-	-	-	-	-	-	-
Rio Water Residential 2 Inch	-	-	-	-	-	-	-
Commercial 5/8 Inch	4,787	4,274	4,306	4,497	5,142	5,649	5,793
Commercial 1 Inch	3,396	3,132	2,559	3,303	3,733	4,389	4,665
Commercial 1.5 Inch	1,265	1,162	999	1,338	1,404	1,311	1,796
Commercial 2 Inch	13,687	13,796	11,846	14,479	17,343	19,860	22,343
Commercial 3 Inch	1,683	2,819	658	1,189	1,332	2,185	1,512
Commercial Multi-Unit 5/8 Inch	321	369	291	369	293	353	705
Commercial Multi-Unit 1 Inch	52	49	46	53	87	57	70
Commercial Multi-Unit 1.5 Inch	109	202	56	85	82	134	138
Commercial Multi-Unit 2 Inch	212	278	198	179	180	307	257
Public Authority 58 Inch	90	47	20	36	54	65	203
Public Authority 1 Inch	182	184	147	200	227	264	316
Public Authority 1.5 Inch	49	74	82	70	182	167	163
Public Authority 2 Inch	1,872	1,986	1,516	2,243	2,561	3,665	3,606
Public Authority 3 Inch	90	23	161	569	621	1,169	775
Public Authority 4 Inch	60	221	516	754	1,517	1,770	1,741
Public Authority 6 Inch	782	788	1,059	1,240	2,179	2,937	3,275
Private Fire 2 Inch	-	-	-	-	-	-	-
Private Fire 4 Inch	-	-	-	-	-	-	-
Private Fire 6 Inch	-	-	-	-	-	-	-
Private Fire 8 Inch	-	-	-	-	-	-	-
Private Fire 10 Inch	-	-	-	-	-	-	-
Private Fire Hydrant	-	-	-	-	-	-	-
Actual Gallons Sold	114,048	107,644	96,368	119,938	144,690	180,465	187,162

Arizona / American Mohave Water
Gallons Sold Summary (in 1,000's)
Test Year Ended December 31, 2001

Exhibit
Schedule H-2
4a
Witness: Kozoman
Revised

Meter Classification	Month of Aug-01	Month of Sep-01	Month of Oct-01	Month of Nov-01	Month of Dec-01	Total Year	Percent of Total Water Usage
Residential 5/8 Inch	103,415	106,883	102,019	90,529	75,455	1,073,954	61.88%
Residential 1 Inch	920	930	814	571	444	7,357	0.42%
Residential 1.5 Inch	-	-	-	-	-	-	0.00%
Residential 2 Inch	836	1,074	816	568	480	7,477	0.43%
	-	-	-	-	-	-	
Residential Muti-family 5/8 Inch	2,421	2,665	2,477	2,399	2,097	29,397	1.69%
Residential Muti-family 1 Inch	1,379	1,439	1,294	1,274	1,077	15,037	0.87%
Residential Muti-family 1.5 Inch	238	284	366	368	359	3,157	0.18%
Residential Muti-family 2 Inch	6,483	6,844	5,748	5,739	5,332	68,814	3.97%
Residential Muti-family 4 Inch	364	404	874	320	231	5,198	0.30%
Residential Muti-family 6 Inch	2,849	2,397	3,021	8,669	6,241	38,500	2.22%
	-	-	-	-	-	-	
Rio Water Residential 5/8 Inch	3,294	3,658	3,768	3,497	2,431	37,797	2.18%
Rio Water Residential 1 Inch	-	-	-	-	13	13	0.00%
Rio Water Residential 2 Inch	-	-	-	12	21	33	0.00%
	-	-	-	-	-	-	
Commercial 5/8 Inch	5,330	5,699	5,606	5,666	5,272	62,021	3.57%
Commercial 1 Inch	4,247	4,333	4,814	4,235	3,411	46,217	2.66%
Commercial 1.5 Inch	1,666	1,598	1,341	1,192	1,314	16,386	0.94%
Commercial 2 Inch	17,625	20,298	19,183	17,846	14,081	202,387	11.66%
Commercial 3 Inch	3,351	1,324	4,142	5,184	2,487	27,866	1.61%
	-	-	-	-	-	-	
Commercial Multi-Unit 5/8 Inch	683	681	645	638	625	5,973	0.34%
Commercial Multi-Unit 1 Inch	59	71	50	56	78	728	0.04%
Commercial Multi-Unit 1.5 Inch	160	198	135	103	77	1,479	0.09%
Commercial Multi-Unit 2 Inch	361	660	550	464	411	4,057	0.23%
	-	-	-	-	-	-	
Public Authority 58 Inch	113	199	136	132	114	1,209	0.07%
Public Authority 1 Inch	247	220	266	186	141	2,580	0.15%
Public Authority 1.5 Inch	142	301	188	178	70	1,666	0.10%
Public Authority 2 Inch	3,134	3,940	3,523	2,646	2,082	32,774	1.89%
Public Authority 3 Inch	1,630	1,059	1,362	757	1,746	9,962	0.57%
Public Authority 4 Inch	1,384	1,379	1,865	1,036	358	12,601	0.73%
Public Authority 6 Inch	2,050	2,286	2,328	1,055	908	20,887	1.20%
Private Fire 2 Inch	-	-	-	-	-	-	0.00%
Private Fire 4 Inch	-	-	-	-	-	-	0.00%
Private Fire 6 Inch	-	-	-	-	-	-	0.00%
Private Fire 8 Inch	-	-	-	-	-	-	0.00%
Private Fire 10 Inch	-	-	-	-	-	-	0.00%
Private Fire Hydrant	-	-	-	-	-	-	0.00%
	-	-	-	-	-	-	0.00%
Total Water Actually Sold	164,381	170,824	167,331	155,320	127,356	1,735,527	100.00%

Arizona / American Mohave Water
Bill Comparison
Customer Classification RS 5/8 Inch Summary

Exhibit
Schedule H-4
Page 1
Witness: Kozoman
Revised

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 8.65	$ 9.84	$ 1.19	13.76%
1,000	8.65	9.84	$ 1.19	13.76%
2,000	10.13	11.52	$ 1.39	13.72%
3,000	11.61	13.20	$ 1.59	13.70%
4,000	13.09	14.88	$ 1.79	13.67%
5,000	14.57	16.56	$ 1.99	13.66%
6,000	16.05	18.24	$ 2.19	13.64%
7,000	17.53	19.92	$ 2.39	13.63%
8,000	19.01	21.60	$ 2.59	13.62%
9,000	20.49	23.28	$ 2.79	13.62%
10,000	21.97	24.96	$ 2.99	13.61%
11,000	23.45	26.64	$ 3.19	13.60%
12,000	24.93	28.32	$ 3.39	13.60%
13,000	26.41	30.00	$ 3.59	13.59%
14,000	27.89	31.68	$ 3.79	13.59%
15,000	29.37	33.36	$ 3.99	13.59%
16,000	30.85	35.04	$ 4.19	13.58%
17,000	32.33	36.72	$ 4.39	13.58%
18,000	33.81	38.40	$ 4.59	13.58%
19,000	35.29	40.08	$ 4.79	13.57%
20,000	36.77	41.76	$ 4.99	13.57%
21,000	38.25	43.44	$ 5.19	13.57%
22,000	39.73	45.12	$ 5.39	13.57%
23,000	41.21	46.80	$ 5.59	13.56%
24,000	42.69	48.48	$ 5.79	13.56%
25,000	44.17	50.16	$ 5.99	13.56%
26,000	45.65	51.84	$ 6.19	13.56%
27,000	47.13	53.52	$ 6.39	13.56%
28,000	48.61	55.20	$ 6.59	13.56%
29,000	50.09	56.88	$ 6.79	13.56%
30,000	51.57	58.56	$ 6.99	13.55%
31,000	53.05	60.24	$ 7.19	13.55%
32,000	54.53	61.92	$ 7.39	13.55%
33,000	56.01	63.60	$ 7.59	13.55%
34,000	57.49	65.28	$ 7.79	13.55%
35,000	58.97	66.96	$ 7.99	13.55%
36,000	60.45	68.64	$ 8.19	13.55%
37,000	61.93	70.32	$ 8.39	13.55%
38,000	63.41	72.00	$ 8.59	13.55%
39,000	64.89	73.68	$ 8.79	13.55%
Average Usage				
7,500	$ 18.27	$ 20.76	$ 2.49	13.63%
Median Usage				
7,000	$ 17.53	$ 19.92	$ 2.39	13.63%

Present Rates:

Monthly Minimum:		$ 8.65
Gallons in Minimum		1,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.48
Up to	999,999,999	$ 1.48
Over	999,999,999	$ 1.48
		$ 1.48

Proposed Rates:

Monthly Minimum:		$ 9.84
Gallons in Minimum		1,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.68
Up to	999,999,999	$ 1.68
Over	-	$ 1.68
		$ 1.68

Arizona / American Mohave Water
Bill Comparison
Customer Classification RS B060 5/8 Inch

Exhibit
Schedule H-4
Page 18
Witness: Kozoman
Revised

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 519.00	$ 590.40	$ 71.40	13.76%
1,000	519.00	590.40	$ 71.40	13.76%
2,000	519.00	590.40	$ 71.40	13.76%
3,000	519.00	590.40	$ 71.40	13.76%
4,000	519.00	590.40	$ 71.40	13.76%
5,000	519.00	590.40	$ 71.40	13.76%
6,000	519.00	590.40	$ 71.40	13.76%
7,000	519.00	590.40	$ 71.40	13.76%
8,000	519.00	590.40	$ 71.40	13.76%
9,000	519.00	590.40	$ 71.40	13.76%
10,000	519.00	590.40	$ 71.40	13.76%
11,000	519.00	590.40	$ 71.40	13.76%
12,000	519.00	590.40	$ 71.40	13.76%
13,000	519.00	590.40	$ 71.40	13.76%
14,000	519.00	590.40	$ 71.40	13.76%
15,000	519.00	590.40	$ 71.40	13.76%
16,000	519.00	590.40	$ 71.40	13.76%
17,000	519.00	590.40	$ 71.40	13.76%
18,000	519.00	590.40	$ 71.40	13.76%
19,000	519.00	590.40	$ 71.40	13.76%
20,000	519.00	590.40	$ 71.40	13.76%
162,000	669.96	761.76	$ 91.80	13.70%
159,000	665.52	756.72	$ 91.20	13.70%
146,000	646.28	734.88	$ 88.60	13.71%
172,000	684.76	778.56	$ 93.80	13.70%
225,000	763.20	867.60	$ 104.40	13.68%
176,000	690.68	785.28	$ 94.60	13.70%
174,000	687.72	781.92	$ 94.20	13.70%
287,000	854.96	971.76	$ 116.80	13.66%
223,000	760.24	864.24	$ 104.00	13.68%
178,000	693.64	788.64	$ 95.00	13.70%
157,000	662.56	753.36	$ 90.80	13.70%
Average Usage				
183,750	$ 702.15	$ 798.30	$ 96.15	13.69%
Median Usage				
7,000	$ 519.00	$ 590.40	$ 71.40	13.76%

Units		60
Present Rates:		
Monthly Minimum:		$ 519.00
Gallons in Minimum		60,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.48
Up to	999,999,999	$ 1.48
Over	999,999,999	$ 1.48
		$ 1.48
Proposed Rates:		
Monthly Minimum:		$ 590.40
Gallons in Minimum		60,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.68
Up to	999,999,999	$ 1.68
Over	-	$ 1.68
		$ 1.68

Arizona / American Mohave Water
Bill Comparison
Customer Classification RS B067 5/8 Inch

Exhibit
Schedule H-4
Page 19
Witness: Kozoman
Revised

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 579.55	$ 659.28	$ 79.73	13.76%
1,000	579.55	659.28	$ 79.73	13.76%
2,000	579.55	659.28	$ 79.73	13.76%
3,000	579.55	659.28	$ 79.73	13.76%
4,000	579.55	659.28	$ 79.73	13.76%
5,000	579.55	659.28	$ 79.73	13.76%
6,000	579.55	659.28	$ 79.73	13.76%
7,000	579.55	659.28	$ 79.73	13.76%
8,000	579.55	659.28	$ 79.73	13.76%
9,000	579.55	659.28	$ 79.73	13.76%
10,000	579.55	659.28	$ 79.73	13.76%
11,000	579.55	659.28	$ 79.73	13.76%
12,000	579.55	659.28	$ 79.73	13.76%
13,000	579.55	659.28	$ 79.73	13.76%
14,000	579.55	659.28	$ 79.73	13.76%
15,000	579.55	659.28	$ 79.73	13.76%
16,000	579.55	659.28	$ 79.73	13.76%
17,000	579.55	659.28	$ 79.73	13.76%
18,000	579.55	659.28	$ 79.73	13.76%
350,000	998.39	1,134.72	$ 136.33	13.65%
371,000	1,029.47	1,170.00	$ 140.53	13.65%
320,000	953.99	1,084.32	$ 130.33	13.66%
347,000	993.95	1,129.68	$ 135.73	13.66%
430,000	1,116.79	1,269.12	$ 152.33	13.64%
361,000	1,014.67	1,153.20	$ 138.53	13.65%
331,000	970.27	1,102.80	$ 132.53	13.66%
338,000	980.63	1,114.56	$ 133.93	13.66%
384,000	1,048.71	1,191.84	$ 143.13	13.65%
407,000	1,082.75	1,230.48	$ 147.73	13.64%
272,000	882.95	1,003.68	$ 120.73	13.67%
Average Usage				
355,545	$ 1,006.60	$ 1,144.04	$ 137.44	13.65%
Median Usage				
7,000	$ 579.55	$ 659.28	$ 79.73	13.76%

Units		67
Present Rates:		
Monthly Minimum:		$ 579.55
Gallons in Minimum		67,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.48
Up to	999,999,999	$ 1.48
Over	999,999,999	$ 1.48
		$ 1.48

Proposed Rates:		
Monthly Minimum:		$ 659.28
Gallons in Minimum		67,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.68
Up to	999,999,999	$ 1.68
Over	-	$ 1.68
		$ 1.68

Arizona / American Mohave Water
Bill Comparison
Customer Classification RS B006 2 Inch

Exhibit
Schedule H-4
Page 36
Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 51.90	$ 59.04	$ 7.14	13.76%
1,000	51.90	59.04	$ 7.14	13.76%
2,000	51.90	59.04	$ 7.14	13.76%
3,000	51.90	59.04	$ 7.14	13.76%
4,000	51.90	59.04	$ 7.14	13.76%
5,000	51.90	59.04	$ 7.14	13.76%
6,000	51.90	59.04	$ 7.14	13.76%
7,000	53.38	60.72	$ 7.34	13.75%
8,000	54.86	62.40	$ 7.54	13.74%
9,000	56.34	64.08	$ 7.74	13.74%
10,000	57.82	65.76	$ 7.94	13.73%
11,000	59.30	67.44	$ 8.14	13.73%
12,000	60.78	69.12	$ 8.34	13.72%
13,000	62.26	70.80	$ 8.54	13.72%
14,000	63.74	72.48	$ 8.74	13.71%
15,000	65.22	74.16	$ 8.94	13.71%
16,000	66.70	75.84	$ 9.14	13.70%
17,000	68.18	77.52	$ 9.34	13.70%
18,000	69.66	79.20	$ 9.54	13.70%
19,000	71.14	80.88	$ 9.74	13.69%
20,000	72.62	82.56	$ 9.94	13.69%
88,000	173.26	196.80	$ 23.54	13.59%
89,000	174.74	198.48	$ 23.74	13.59%
90,000	176.22	200.16	$ 23.94	13.59%
91,000	177.70	201.84	$ 24.14	13.58%
92,000	179.18	203.52	$ 24.34	13.58%
93,000	180.66	205.20	$ 24.54	13.58%
94,000	182.14	206.88	$ 24.74	13.58%
95,000	183.62	208.56	$ 24.94	13.58%
96,000	185.10	210.24	$ 25.14	13.58%
97,000	186.58	211.92	$ 25.34	13.58%
98,000	188.06	213.60	$ 25.54	13.58%
99,000	189.54	215.28	$ 25.74	13.58%
110,000	205.82	233.76	$ 27.94	13.57%
279,000	455.94	517.68	$ 61.74	13.54%
149,000	263.54	299.28	$ 35.74	13.56%
126,000	229.50	260.64	$ 31.14	13.57%
104,000	196.94	223.68	$ 26.74	13.58%
Average Usage				
103,833	$ 196.69	$ 223.40	$ 26.71	13.58%
Median Usage				
7,000	$ 53.38	$ 60.72	$ 7.34	13.75%

Units =		6
Present Rates:		
Monthly Minimum:		$ 51.90
Gallons in Minimum		6,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.48
Up to	999,999,999	$ 1.48
Over	999,999,999	$ 1.48
		$ 1.48
Proposed Rates:		
Monthly Minimum:		$ 59.04
Gallons in Minimum		6,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.68
Up to	999,999,999	$ 1.68
Over	-	$ 1.68
		$ 1.68

Arizona / American Mohave Water
Bill Comparison
Customer Classification RS B016 2 Inch

Exhibit
Schedule H-4
Page 44
Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 138.40	$ 157.44	$ 19.04	13.76%
1,000	138.40	157.44	$ 19.04	13.76%
2,000	138.40	157.44	$ 19.04	13.76%
3,000	138.40	157.44	$ 19.04	13.76%
4,000	138.40	157.44	$ 19.04	13.76%
5,000	138.40	157.44	$ 19.04	13.76%
6,000	138.40	157.44	$ 19.04	13.76%
7,000	138.40	157.44	$ 19.04	13.76%
8,000	138.40	157.44	$ 19.04	13.76%
9,000	138.40	157.44	$ 19.04	13.76%
10,000	138.40	157.44	$ 19.04	13.76%
11,000	138.40	157.44	$ 19.04	13.76%
12,000	138.40	157.44	$ 19.04	13.76%
13,000	138.40	157.44	$ 19.04	13.76%
14,000	138.40	157.44	$ 19.04	13.76%
15,000	138.40	157.44	$ 19.04	13.76%
16,000	138.40	157.44	$ 19.04	13.76%
17,000	139.88	159.12	$ 19.24	13.75%
18,000	141.36	160.80	$ 19.44	13.75%
19,000	142.84	162.48	$ 19.64	13.75%
20,000	144.32	164.16	$ 19.84	13.75%
87,000	243.48	276.72	$ 33.24	13.65%
88,000	244.96	278.40	$ 33.44	13.65%
89,000	246.44	280.08	$ 33.64	13.65%
90,000	247.92	281.76	$ 33.84	13.65%
91,000	249.40	283.44	$ 34.04	13.65%
92,000	250.88	285.12	$ 34.24	13.65%
93,000	252.36	286.80	$ 34.44	13.65%
94,000	253.84	288.48	$ 34.64	13.65%
95,000	255.32	290.16	$ 34.84	13.65%
96,000	256.80	291.84	$ 35.04	13.64%
97,000	258.28	293.52	$ 35.24	13.64%
98,000	259.76	295.20	$ 35.44	13.64%
99,000	261.24	296.88	$ 35.64	13.64%
217,000	435.88	495.12	$ 59.24	13.59%
117,000	287.88	327.12	$ 39.24	13.63%
163,000	355.96	404.40	$ 48.44	13.61%
151,000	338.20	384.24	$ 46.04	13.61%
170,000	366.32	416.16	$ 49.84	13.61%
114,000	283.44	322.08	$ 38.64	13.63%
335,000	610.52	693.36	$ 82.84	13.57%
470,000	810.32	920.16	$ 109.84	13.56%
510,000	869.52	987.36	$ 117.84	13.55%
563,000	947.96	#####	$ 128.44	13.55%
654,000	1,082.64	#####	$ 146.64	13.54%
494,000	845.84	960.48	$ 114.64	13.55%
101,000	264.20	300.24	$ 36.04	13.64%
333,000	607.56	690.00	$ 82.44	13.57%
Average Usage				
95,359	$ 255.85	$ 290.76	$ 34.91	13.65%
Median Usage				
7,000	$ 138.40	$ 157.44	$ 19.04	13.76%

Units =		16
Present Rates:		
Monthly Minimum:		$ 138.40
Gallons in Minimum		16,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.48
Up to	999,999,999	$ 1.48
Over	999,999,999	$ 1.48
		$ 1.48

Proposed Rates:		
Monthly Minimum:		$ 157.44
Gallons in Minimum		16,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.68
Up to	999,999,999	$ 1.68
Over	-	$ 1.68
		$ 1.68

Arizona / American Mohave Water
Bill Comparison
Customer Classification RS B031 2 Inch

Exhibit
Schedule H-4
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Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 268.15	$ 305.04	$ 36.89	13.76%
1,000	268.15	305.04	$ 36.89	13.76%
2,000	268.15	305.04	$ 36.89	13.76%
3,000	268.15	305.04	$ 36.89	13.76%
4,000	268.15	305.04	$ 36.89	13.76%
5,000	268.15	305.04	$ 36.89	13.76%
6,000	268.15	305.04	$ 36.89	13.76%
7,000	268.15	305.04	$ 36.89	13.76%
8,000	268.15	305.04	$ 36.89	13.76%
9,000	268.15	305.04	$ 36.89	13.76%
10,000	268.15	305.04	$ 36.89	13.76%
11,000	268.15	305.04	$ 36.89	13.76%
12,000	268.15	305.04	$ 36.89	13.76%
13,000	268.15	305.04	$ 36.89	13.76%
14,000	268.15	305.04	$ 36.89	13.76%
15,000	268.15	305.04	$ 36.89	13.76%
16,000	268.15	305.04	$ 36.89	13.76%
17,000	268.15	305.04	$ 36.89	13.76%
18,000	268.15	305.04	$ 36.89	13.76%
19,000	268.15	305.04	$ 36.89	13.76%
20,000	268.15	305.04	$ 36.89	13.76%
90,000	355.47	404.16	$ 48.69	13.70%
91,000	356.95	405.84	$ 48.89	13.70%
92,000	358.43	407.52	$ 49.09	13.70%
93,000	359.91	409.20	$ 49.29	13.70%
94,000	361.39	410.88	$ 49.49	13.69%
95,000	362.87	412.56	$ 49.69	13.69%
96,000	364.35	414.24	$ 49.89	13.69%
97,000	365.83	415.92	$ 50.09	13.69%
98,000	367.31	417.60	$ 50.29	13.69%
99,000	368.79	419.28	$ 50.49	13.69%
140,000	429.47	488.16	$ 58.69	13.67%
298,000	663.31	753.60	$ 90.29	13.61%
357,000	750.63	852.72	$ 102.09	13.60%
312,000	684.03	777.12	$ 93.09	13.61%
180,000	488.67	555.36	$ 66.69	13.65%
177,000	484.23	550.32	$ 66.09	13.65%
137,000	425.03	483.12	$ 58.09	13.67%
Average Usage				
184,167	$ 494.84	$ 562.36	$ 67.52	13.65%
Median Usage				
7,000	$ 268.15	$ 305.04	$ 36.89	13.76%

Units		31
Present Rates:		
Monthly Minimum:		$ 268.15
Gallons in Minimum		31,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.48
Up to	999,999,999	$ 1.48
Over	999,999,999	$ 1.48
		$ 1.48

Proposed Rates:		
Monthly Minimum:		$ 305.04
Gallons in Minimum		31,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.68
Up to	999,999,999	$ 1.68
Over	-	$ 1.68
		$ 1.68

Arizona / American Mohave Water
Bill Comparison
Customer Classification RS B040 2 Inch

Exhibit
Schedule H-4
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Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 346.00	$ 393.60	$ 47.60	13.76%
1,000	346.00	393.60	$ 47.60	13.76%
2,000	346.00	393.60	$ 47.60	13.76%
3,000	346.00	393.60	$ 47.60	13.76%
4,000	346.00	393.60	$ 47.60	13.76%
5,000	346.00	393.60	$ 47.60	13.76%
6,000	346.00	393.60	$ 47.60	13.76%
7,000	346.00	393.60	$ 47.60	13.76%
8,000	346.00	393.60	$ 47.60	13.76%
9,000	346.00	393.60	$ 47.60	13.76%
10,000	346.00	393.60	$ 47.60	13.76%
11,000	346.00	393.60	$ 47.60	13.76%
12,000	346.00	393.60	$ 47.60	13.76%
13,000	346.00	393.60	$ 47.60	13.76%
14,000	346.00	393.60	$ 47.60	13.76%
15,000	346.00	393.60	$ 47.60	13.76%
16,000	346.00	393.60	$ 47.60	13.76%
17,000	346.00	393.60	$ 47.60	13.76%
18,000	346.00	393.60	$ 47.60	13.76%
19,000	346.00	393.60	$ 47.60	13.76%
160,000	523.60	595.20	$ 71.60	13.67%
190,000	568.00	645.60	$ 77.60	13.66%
307,000	741.16	842.16	$ 101.00	13.63%
394,000	869.92	988.32	$ 118.40	13.61%
586,000	1,154.08	1,310.88	$ 156.80	13.59%
589,000	1,158.52	1,315.92	$ 157.40	13.59%
109,000	448.12	509.52	$ 61.40	13.70%
498,000	1,023.84	1,163.04	$ 139.20	13.60%
119,000	462.92	526.32	$ 63.40	13.70%
575,000	1,137.80	1,292.40	$ 154.60	13.59%
144,000	499.92	568.32	$ 68.40	13.68%
369,000	832.92	946.32	$ 113.40	13.61%
199,000	581.32	660.72	$ 79.40	13.66%
400,000	878.80	998.40	$ 119.60	13.61%
127,000	474.76	539.76	$ 65.00	13.69%
284,000	707.12	803.52	$ 96.40	13.63%
Average Usage				
235,167	$ 634.85	$ 721.48	$ 86.63	13.65%
Median Usage				
7,000	$ 346.00	$ 393.60	$ 47.60	13.76%

Units		40
Present Rates:		
Monthly Minimum:		$ 346.00
Gallons in Minimum		40,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.48
Up to	999,999,999	$ 1.48
Over	999,999,999	$ 1.48
		$ 1.48

Proposed Rates:		
Monthly Minimum:		$ 393.60
Gallons in Minimum		40,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.68
Up to	999,999,999	$ 1.68
Over	-	$ 1.68
		$ 1.68

Arizona / American Mohave Water
Bill Comparison
Customer Classification RS B041 2

Exhibit
Schedule H-4
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Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 354.65	$ 403.44	$ 48.79	13.76%
1,000	354.65	403.44	$ 48.79	13.76%
2,000	354.65	403.44	$ 48.79	13.76%
3,000	354.65	403.44	$ 48.79	13.76%
4,000	354.65	403.44	$ 48.79	13.76%
5,000	354.65	403.44	$ 48.79	13.76%
6,000	354.65	403.44	$ 48.79	13.76%
7,000	354.65	403.44	$ 48.79	13.76%
8,000	354.65	403.44	$ 48.79	13.76%
9,000	354.65	403.44	$ 48.79	13.76%
10,000	354.65	403.44	$ 48.79	13.76%
11,000	354.65	403.44	$ 48.79	13.76%
12,000	354.65	403.44	$ 48.79	13.76%
13,000	354.65	403.44	$ 48.79	13.76%
14,000	354.65	403.44	$ 48.79	13.76%
15,000	354.65	403.44	$ 48.79	13.76%
16,000	354.65	403.44	$ 48.79	13.76%
17,000	354.65	403.44	$ 48.79	13.76%
18,000	354.65	403.44	$ 48.79	13.76%
194,000	581.09	660.48	$ 79.39	13.66%
243,000	653.61	742.80	$ 89.19	13.65%
217,000	615.13	699.12	$ 83.99	13.65%
271,000	695.05	789.84	$ 94.79	13.64%
176,000	554.45	630.24	$ 75.79	13.67%
191,000	576.65	655.44	$ 78.79	13.66%
220,000	619.57	704.16	$ 84.59	13.65%
236,000	643.25	731.04	$ 87.79	13.65%
211,000	606.25	689.04	$ 82.79	13.66%
270,000	693.57	788.16	$ 94.59	13.64%
235,000	641.77	729.36	$ 87.59	13.65%
410,000	900.77	1,023.36	$ 122.59	13.61%
237,000	644.73	732.72	$ 87.99	13.65%
399,000	884.49	1,004.88	$ 120.39	13.61%
252,000	666.93	757.92	$ 90.99	13.64%
328,000	779.41	885.60	$ 106.19	13.62%
365,000	834.17	947.76	$ 113.59	13.62%
285,000	715.77	813.36	$ 97.59	13.63%
357,000	822.33	934.32	$ 111.99	13.62%
314,000	758.69	862.08	$ 103.39	13.63%
379,000	854.89	971.28	$ 116.39	13.61%
253,000	668.41	759.60	$ 91.19	13.64%
Average Usage				
278,208	$ 705.72	$ 801.95	$ 96.23	13.64%
Median Usage				
7,000	$ 354.65	$ 403.44	$ 48.79	13.76%

Units		41
Present Rates:		
Monthly Minimum:		$ 354.65
Gallons in Minimum		41,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.48
Up to	999,999,999	$ 1.48
Over	999,999,999	$ 1.48
		$ 1.48

Proposed Rates:		
Monthly Minimum:		$ 403.44
Gallons in Minimum		41,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.68
Up to	999,999,999	$ 1.68
Over	-	$ 1.68
		$ 1.68

Arizona / American Mohave Water
Bill Comparison
Customer Classification RS B174 2Inch

Exhibit
Schedule H-4
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Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 1,505.10	$ 1,712.16	$ 207.06	13.76%
1,000	1,505.10	1,712.16	$ 207.06	13.76%
2,000	1,505.10	1,712.16	$ 207.06	13.76%
3,000	1,505.10	1,712.16	$ 207.06	13.76%
4,000	1,505.10	1,712.16	$ 207.06	13.76%
5,000	1,505.10	1,712.16	$ 207.06	13.76%
6,000	1,505.10	1,712.16	$ 207.06	13.76%
7,000	1,505.10	1,712.16	$ 207.06	13.76%
8,000	1,505.10	1,712.16	$ 207.06	13.76%
9,000	1,505.10	1,712.16	$ 207.06	13.76%
10,000	1,505.10	1,712.16	$ 207.06	13.76%
11,000	1,505.10	1,712.16	$ 207.06	13.76%
12,000	1,505.10	1,712.16	$ 207.06	13.76%
13,000	1,505.10	1,712.16	$ 207.06	13.76%
14,000	1,505.10	1,712.16	$ 207.06	13.76%
15,000	1,505.10	1,712.16	$ 207.06	13.76%
16,000	1,505.10	1,712.16	$ 207.06	13.76%
17,000	1,505.10	1,712.16	$ 207.06	13.76%
18,000	1,505.10	1,712.16	$ 207.06	13.76%
19,000	1,505.10	1,712.16	$ 207.06	13.76%
20,000	1,505.10	1,712.16	$ 207.06	13.76%
21,000	1,505.10	1,712.16	$ 207.06	13.76%
22,000	1,505.10	1,712.16	$ 207.06	13.76%
23,000	1,505.10	1,712.16	$ 207.06	13.76%
24,000	1,505.10	1,712.16	$ 207.06	13.76%
25,000	1,505.10	1,712.16	$ 207.06	13.76%
26,000	1,505.10	1,712.16	$ 207.06	13.76%
27,000	1,505.10	1,712.16	$ 207.06	13.76%
28,000	1,505.10	1,712.16	$ 207.06	13.76%
29,000	1,505.10	1,712.16	$ 207.06	13.76%
30,000	1,505.10	1,712.16	$ 207.06	13.76%
31,000	1,505.10	1,712.16	$ 207.06	13.76%
32,000	1,505.10	1,712.16	$ 207.06	13.76%
33,000	1,505.10	1,712.16	$ 207.06	13.76%
34,000	1,505.10	1,712.16	$ 207.06	13.76%
35,000	1,505.10	1,712.16	$ 207.06	13.76%
36,000	1,505.10	1,712.16	$ 207.06	13.76%
37,000	1,505.10	1,712.16	$ 207.06	13.76%
38,000	1,505.10	1,712.16	$ 207.06	13.76%
39,000	1,505.10	1,712.16	$ 207.06	13.76%
40,000	1,505.10	1,712.16	$ 207.06	13.76%
41,000	1,505.10	1,712.16	$ 207.06	13.76%
Average Usage				
17,400	$ 1,505.10	$ 1,712.16	$ 207.06	13.76%
Median Usage				
7,000	$ 1,505.10	$ 1,712.16	$ 207.06	13.76%

Units			174
Present Rates:			
Monthly Minimum:		$	1,505.10
Gallons in Minimum			174,000
Charge Per 1,000 Gallons			
Up to	999,999,999	$	1.48
Up to	999,999,999	$	1.48
Over	999,999,999	$	1.48
		$	1.48
Proposed Rates:			
Monthly Minimum:		$	1,712.16
Gallons in Minimum			174,000
Charge Per 1,000 Gallons			
Up to	999,999,999	$	1.68
Up to	999,999,999	$	1.68
Over	-	$	1.68
		$	1.68

Arizona / American Mohave Water
Bill Comparison
Customer Classification CM Summary 2 Inch

Exhibit
Schedule H-4
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Witness: Kozoman
Revised

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 30.00	$ 34.14	$ 4.14	13.80%
1,000	30.00	34.14	$ 4.14	13.80%
2,000	31.48	35.82	$ 4.34	13.79%
3,000	32.96	37.50	$ 4.54	13.77%
4,000	34.44	39.18	$ 4.74	13.76%
5,000	35.92	40.86	$ 4.94	13.75%
6,000	37.40	42.54	$ 5.14	13.74%
7,000	38.88	44.22	$ 5.34	13.73%
8,000	40.36	45.90	$ 5.54	13.73%
9,000	41.84	47.58	$ 5.74	13.72%
10,000	43.32	49.26	$ 5.94	13.71%
11,000	44.80	50.94	$ 6.14	13.71%
12,000	46.28	52.62	$ 6.34	13.70%
13,000	47.76	54.30	$ 6.54	13.69%
14,000	49.24	55.98	$ 6.74	13.69%
15,000	50.72	57.66	$ 6.94	13.68%
16,000	52.20	59.34	$ 7.14	13.68%
17,000	53.68	61.02	$ 7.34	13.67%
18,000	55.16	62.70	$ 7.54	13.67%
19,000	56.64	64.38	$ 7.74	13.67%
20,000	58.12	66.06	$ 7.94	13.66%
489,000	752.24	853.98	$ 101.74	13.52%
503,000	772.96	877.50	$ 104.54	13.52%
504,000	774.44	879.18	$ 104.74	13.52%
508,000	780.36	885.90	$ 105.54	13.52%
524,000	804.04	912.78	$ 108.74	13.52%
535,000	820.32	931.26	$ 110.94	13.52%
Average Usage				
103,576	$ 181.81	$ 206.47	$ 24.66	13.56%
Median Usage				
7,000	$ 38.88	$ 44.22	$ 5.34	13.73%

Present Rates:

Monthly Minimum:		$ 30.00
Gallons in Minimum		1,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.48
Up to	999,999,999	$ 1.48
Over	999,999,999	$ 1.48
		$ 1.48

Proposed Rates:

Monthly Minimum:		$ 34.14
Gallons in Minimum		1,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.68
Up to	999,999,999	$ 1.68
Over	-	$ 1.68
		$ 1.68

Arizona / American Mohave Water
Bill Comparison
Customer Classification PA BAMI 5/8 Inch

Exhibit
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Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 8.65	$ 9.84	$ 1.19	13.76%
1,000	8.65	9.84	1.19	13.76%
2,000	10.13	11.52	1.39	13.72%
3,000	11.61	13.20	1.59	13.70%
4,000	13.09	14.88	1.79	13.67%
5,000	14.57	16.56	1.99	13.66%
6,000	16.05	18.24	2.19	13.64%
7,000	17.53	19.92	2.39	13.63%
8,000	19.01	21.60	2.59	13.62%
9,000	20.49	23.28	2.79	13.62%
10,000	21.97	24.96	2.99	13.61%
11,000	23.45	26.64	3.19	13.60%
12,000	24.93	28.32	3.39	13.60%
13,000	26.41	30.00	3.59	13.59%
14,000	27.89	31.68	3.79	13.59%
15,000	29.37	33.36	3.99	13.59%
16,000	30.85	35.04	4.19	13.58%
17,000	32.33	36.72	4.39	13.58%
18,000	33.81	38.40	4.59	13.58%
19,000	35.29	40.08	4.79	13.57%
20,000	36.77	41.76	4.99	13.57%
21,000	38.25	43.44	5.19	13.57%
22,000	39.73	45.12	5.39	13.57%
23,000	41.21	46.80	5.59	13.56%
Average Usage				
3,731	12.69	14.43	1.74	13.68%
Median Usage				
7,000	17.53	19.92	2.39	13.63%

Present Rates:

Monthly Minimum:		$ 8.65
Gallons in Minimum		1,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.48
Up to	999,999,999	$ 1.48
Over	999,999,999	$ 1.48
		$ 1.48

Proposed Rates:

Monthly Minimum:		$ 9.84
Gallons in Minimum		1,000
Charge Per 1,000 Gallons		
Up to	999,999,999	$ 1.68
Up to	999,999,999	$ 1.68
Over	999,999,999	$ 1.68
		$ 1.68

Arizona / American Mohave Water
Test Year Ended December 31, 2001
Customer Classification

RS 5/8 Inch Summary

Exhibit
Schedule H-5
Page 1
Witness: Kozoman
Revised

Usage From:	Usage To:	Month of Jan-01	Month of Feb-01	Month of Mar-01	Month of Apr-01	Month of May-01	Month of Jun-01	Month of Jul-01	Month of Aug-01	Month of Sep-01	Month of Oct-01	Month of Nov-01	Month of Dec-01	Total Year
-	-	1,825	1,899	1,904	1,726	1,614	1,594	1,704	1,912	1,644	1,995	1,875	2,057	21,749
1000	1,000	967	986	1,050	962	876	785	782	807	773	783	822	956	10,549
2000	2,000	1,050	1,103	1,205	1,026	859	733	758	856	682	796	855	1,030	10,953
3000	3,000	1,109	1,238	1,298	1,089	922	734	697	852	759	829	921	1,109	11,557
4000	4,000	1,114	1,155	1,237	1,049	942	742	728	870	718	799	903	1,043	11,300
5000	5,000	984	1,086	1,066	972	852	777	717	783	688	811	841	967	10,544
6000	6,000	848	879	830	855	760	705	672	654	643	694	778	833	9,151
7000	7,000	704	671	693	690	659	637	646	623	575	634	700	726	7,958
8000	8,000	572	547	542	612	559	562	554	499	550	574	591	575	6,737
9000	9,000	505	458	457	511	513	519	440	435	475	511	524	461	5,809
10000	10,000	383	368	336	409	487	448	423	400	390	425	429	410	4,908
11000	11,000	329	288	274	325	406	375	388	368	348	385	381	321	4,188
12000	12,000	268	220	183	268	330	334	364	306	321	306	329	254	3,483
13000	13,000	192	180	156	221	283	293	288	277	279	293	263	196	2,921
14000	14,000	144	124	108	199	248	275	276	251	248	244	210	166	2,493
15000	15,000	115	104	108	166	193	232	232	228	230	213	212	143	2,176
16000	16,000	116	69	91	145	180	206	252	206	203	188	163	98	1,917
17000	17,000	83	65	57	112	159	213	173	160	188	170	148	111	1,639
18000	18,000	78	69	49	85	142	166	182	138	160	137	137	90	1,433
19000	19,000	68	60	34	76	102	168	139	142	119	115	111	64	1,198
20000	20,000	50	45	34	63	105	168	158	103	110	109	108	65	1,118
21000	21,000	31	29	24	58	86	113	117	103	116	89	74	54	894
22000	22,000	37	30	17	41	70	116	107	92	97	93	78	42	820
23000	23,000	34	21	16	35	78	110	131	84	81	68	60	33	751
24000	24,000	32	23	20	37	57	76	102	71	85	81	60	40	684
25000	25,000	33	27	9	24	54	60	71	70	63	67	41	32	551
26000	26,000	14	16	17	21	41	65	52	65	76	57	37	29	490
27000	27,000	17	11	12	12	23	58	66	41	58	37	33	27	395
28000	28,000	17	9	8	20	24	65	58	43	42	45	24	14	369
29000	29,000	13	6	6	16	37	53	45	47	39	36	32	17	347
30000	30,000	12	10	8	11	17	39	55	43	54	46	18	11	324
31000	31,000	10	7	2	13	22	36	48	35	39	30	18	22	282
32000	32,000	9	7	4	12	17	52	47	29	29	29	20	7	262
33000	33,000	6	7	6	8	20	27	38	38	35	26	29	14	254
34000	34,000	8	5	4	5	13	29	44	24	32	23	15	12	214
35000	35,000	4	7	5	5	17	26	32	28	26	35	23	10	218
36000	36,000	5	4	6	5	10	27	35	14	26	16	13	12	173
37000	37,000	8	8	3	4	14	16	32	18	26	15	8	7	159
38000	38,000	5	4	4	6	12	20	22	13	22	26	16	6	156
39000	39,000	9	4	4	3	10	22	17	18	22	17	8	5	139
40000	40,000	7	3	1	5	11	17	26	17	15	11	9	5	127
41000	41,000	4	2	-	7	-	19	23	15	14	13	7	7	111
42000	42,000	1	1	3	4	5	17	11	14	18	15	9	6	104
43000	43,000	5	2	2	1	3	14	12	13	16	10	10	6	94
44000	44,000	7	2	1	3	5	12	22	10	15	10	14	5	106
45000	45,000	3	2	-	2	10	13	12	9	15	9	1	7	83
46000	46,000	1	1	-	2	6	7	7	12	10	4	7	3	60

Arizona / American Mohave Water
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Usage From:	Usage To:	Month of Jan-01	Month of Feb-01	Month of Mar-01	Month of Apr-01	Month of May-01	Month of Jun-01	Month of Jul-01	Month of Aug-01	Month of Sep-01	Month of Oct-01	Month of Nov-01	Month of Dec-01	Total Year
47000	47,000	2	3	3	2	6	8	10	7	8	7	6	1	63
48000	48,000	5	1	-	2	4	7	8	4	12	5	3	2	53
49000	49,000	1	-	-	2	2	4	8	7	7	12	4	2	49
50000	50,000	-	2	2	1	-	5	11	6	7	6	4	2	46
51000	51,000	1	1	-	1	5	4	7	2	11	11	3	3	49
52000	52,000	1	5	1	2	2	12	7	6	3	3	1	2	45
53000	53,000	1	1	1	4	2	11	6	9	6	7	5	2	55
54000	54,000	-	-	1	1	5	3	8	4	4	3	3	2	34
55000	55,000	1	3	-	-	3	7	4	5	5	4	1	4	37
56000	56,000	-	1	1	2	3	5	4	4	3	4	2	3	32
57000	57,000	-	-	1	2	2	6	5	4	11	4	2	-	37
58000	58,000	2	1	1	-	1	5	7	3	6	1	1	2	30
59000	59,000	-	-	1	3	3	5	7	5	6	4	-	1	35
60000	60,000	1	-	2	-	4	3	8	6	2	4	3	-	33
61000	61,000	1	1	1	-	-	4	3	4	4	4	3	-	25
62000	62,000	1	1	1	-	3	4	6	5	6	2	-	2	31
63000	63,000	-	1	-	1	-	8	4	2	3	2	1	1	23
64000	64,000	-	-	-	-	1	11	5	6	3	1	3	1	31
65000	65,000	-	1	2	2	2	1	2	2	6	2	2	1	23
66000	66,000	-	-	1	-	-	8	4	1	3	4	5	3	29
67000	67,000	1	-	-	-	-	4	1	1	4	1	-	-	12
68000	68,000	-	1	-	-	1	5	4	2	-	7	1	-	21
69000	69,000	2	1	-	3	1	4	3	2	2	3	-	1	22
70000	70,000	1	1	-	-	-	3	3	3	4	1	1	-	17
71000	71,000	-	1	-	2	2	1	3	2	4	2	1	-	18
72000	72,000	1	1	1	-	1	4	1	8	2	-	1	1	21
73000	73,000	-	-	-	-	2	3	2	2	1	2	2	1	15
74000	74,000	-	-	1	1	1	1	3	2	1	1	-	2	13
75000	75,000	1	-	-	-	-	1	2	2	3	4	-	1	14
76000	76,000	-	-	-	1	-	1	3	1	2	-	-	-	8
77000	77,000	1	-	-	1	1	2	6	1	1	3	2	1	19
78000	78,000	1	-	1	-	-	-	3	2	2	-	2	-	11
79000	79,000	-	-	-	1	2	-	4	2	-	-	-	1	10
80000	80,000	-	-	-	-	1	1	4	2	1	3	2	-	14
81000	81,000	2	-	-	1	1	3	1	3	2	1	-	-	14
82000	82,000	2	-	-	-	1	1	-	3	-	3	1	-	11
83000	83,000	-	-	-	-	1	1	4	-	3	1	-	-	10
84000	84,000	1	-	-	1	1	-	1	1	-	1	-	-	6
85000	85,000	-	-	-	1	1	1	3	1	1	2	2	-	12
86000	86,000	-	-	-	-	-	1	1	-	1	3	-	-	6
87000	87,000	-	1	-	-	-	2	3	1	4	-	-	1	12
88000	88,000	1	-	-	-	1	1	1	1	1	-	1	-	7
89000	89,000	1	-	-	-	1	-	-	2	1	2	-	-	7
90000	90,000	-	1	-	-	-	1	-	1	-	-	-	-	3
91000	91,000	-	-	2	-	-	1	-	4	4	-	1	-	12
92000	92,000	-	-	1	-	-	1	-	-	2	1	-	-	5

Arizona / American Mohave Water
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Usage From:	Usage To:	Month of Jan-01	Month of Feb-01	Month of Mar-01	Month of Apr-01	Month of May-01	Month of Jun-01	Month of Jul-01	Month of Aug-01	Month of Sep-01	Month of Oct-01	Month of Nov-01	Month of Dec-01	Total Year
93000	93,000	-	-	-	-	1	-	-	-	2	-	-	-	3
94000	94,000	-	-	-	-	-	-	-	1	-	-	1	-	2
95000	95,000	-	1	-	-	-	2	2	3	-	-	-	-	8
96000	96,000	-	-	-	-	-	3	-	-	-	-	-	-	3
97000	97,000	-	-	-	-	1	-	1	-	3	-	-	-	5
98000	98,000	-	-	-	-	1	-	2	-	1	-	1	-	5
99000	99,000	1	-	-	1	-	-	-	-	-	2	-	-	4
100000	100,000	1	-	-	-	-	-	1	2	-	-	-	-	4
101000	101,000	-	1	-	-	-	-	-	-	1	-	-	-	2
102000	102,000	-	-	1	-	1	1	-	2	3	-	-	-	8
103000	103,000	1	-	-	-	1	2	1	1	-	-	-	-	6
104000	104,000	1	-	-	-	-	1	-	-	2	1	1	-	6
105000	105,000	-	-	-	-	-	-	1	-	1	-	1	-	3
106000	106,000	-	-	-	-	-	1	2	2	-	-	1	-	6
107000	107,000	1	-	-	1	-	1	1	1	2	-	-	-	7
108000	108,000	-	-	-	-	1	1	-	-	-	-	-	-	2
109000	109,000	-	-	-	-	1	1	-	-	2	-	-	-	4
110000	110,000	-	-	-	-	-	1	1	2	-	-	-	-	4
112000	112,000	-	-	-	-	-	-	-	-	-	1	-	-	1
113000	113,000	-	-	-	-	-	-	2	-	-	1	-	-	3
114000	114,000	-	-	-	-	-	1	1	1	1	-	-	-	4
115000	115,000	-	-	-	-	-	1	-	-	-	1	-	-	2
116000	116,000	-	-	-	-	-	-	-	-	1	-	-	-	1
117000	117,000	-	-	-	-	-	-	1	-	-	-	-	-	1
118000	118,000	-	-	-	-	-	-	-	-	1	-	-	-	1
119000	119,000	-	-	-	-	-	2	-	-	-	1	-	-	3
122000	122,000	-	-	-	-	-	-	-	-	-	2	-	-	2
123000	123,000	-	-	-	-	-	-	-	-	-	1	-	-	1
124000	124,000	-	-	-	-	-	1	-	1	-	-	-	-	2
125000	125,000	-	-	-	-	-	-	-	-	-	1	-	-	1
126000	126,000	-	-	-	-	-	2	-	-	-	-	-	-	2
127000	127,000	-	-	-	1	-	-	1	-	-	-	-	-	2
128000	128,000	-	-	-	-	-	-	-	1	-	-	1	-	2
129000	129,000	-	-	-	-	-	-	-	-	-	-	1	-	1
130000	130,000	-	-	-	-	-	-	-	-	-	1	-	-	1
131000	131,000	-	-	-	-	1	-	-	-	-	-	-	1	2
133000	133,000	-	-	-	-	-	1	-	-	-	-	-	-	1
134000	134,000	-	-	-	-	-	-	-	1	-	-	-	-	1
135000	135,000	-	-	-	-	-	-	-	-	-	1	-	-	1
138000	138,000	-	-	-	-	-	-	1	-	-	1	-	-	2
140000	140,000	1	-	-	-	-	-	-	-	-	-	-	1	2
142000	142,000	-	-	-	-	-	-	-	1	-	-	-	-	1
143000	143,000	-	-	-	-	-	-	1	-	-	-	1	-	2
144000	144,000	-	-	-	-	-	-	1	-	-	1	-	-	2
145000	145,000	-	-	-	1	-	-	-	-	-	-	-	-	1
146000	146,000	-	-	-	-	-	-	1	-	-	1	-	-	2
147000	147,000	-	-	1	-	-	-	-	-	-	-	-	-	1

Arizona / American Mohave Water
Test Year Ended December 31, 2001
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RS 5/8 Inch Summary

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Usage From:	Usage To:	Month of Jan-01	Month of Feb-01	Month of Mar-01	Month of Apr-01	Month of May-01	Month of Jun-01	Month of Jul-01	Month of Aug-01	Month of Sep-01	Month of Oct-01	Month of Nov-01	Month of Dec-01	Total Year
148000	148,000	-	1	-	-	-	-	-	-	-	-	-	-	1
149000	149,000	-	-	-	-	1	-	-	-	-	-	-	-	1
150000	150,000	-	-	-	-	-	1	-	-	-	-	-	-	1
151000	151,000	-	-	-	-	-	-	-	-	-	1	-	-	1
154000	154,000	-	-	-	-	-	-	1	-	-	-	-	-	1
157000	157,000	-	-	-	-	-	-	-	1	-	-	-	-	1
159000	159,000	-	-	1	-	-	-	-	-	-	-	1	-	2
160000	160,000	-	-	-	-	1	-	1	1	-	-	-	-	3
163000	163,000	-	-	-	-	-	-	-	-	-	1	-	-	1
164000	164,000	-	-	-	-	-	-	1	-	-	-	-	-	1
169000	169,000	-	-	-	-	-	-	-	-	-	-	1	-	1
171000	171,000	-	-	-	-	-	1	-	-	-	-	-	-	1
174000	174,000	-	-	-	-	1	-	-	-	-	1	-	-	2
176000	176,000	-	-	-	-	-	-	-	-	1	-	-	-	1
184000	184,000	-	-	-	-	-	1	-	-	-	-	-	-	1
193000	193,000	-	-	-	-	-	-	-	1	1	-	-	-	2
195000	195,000	-	-	-	-	-	-	1	-	-	-	-	-	1
199000	199,000	-	-	-	-	-	-	-	-	1	-	-	-	1
215000	215,000	-	-	-	-	-	-	-	-	-	1	-	-	1
216000	216,000	-	-	-	-	-	-	1	-	-	-	-	-	1
234000	234,000	1	-	-	-	-	1	-	-	-	-	-	-	2
251000	251,000	-	-	-	-	-	-	-	-	1	-	-	-	1
259000	259,000	-	-	-	-	-	-	1	-	-	-	-	-	1
276000	276,000	-	-	-	-	-	-	-	1	-	-	-	-	1
318000	318,000	-	-	-	-	-	-	-	-	-	1	-	-	1
444000	444,000	-	-	-	-	-	-	-	-	-	-	1	-	1
448000	448,000	-	-	-	-	-	-	1	-	-	-	-	-	1
482000	482,000	-	-	-	-	-	-	-	-	-	-	-	1	1
482000	482,000	-	-	-	-	-	-	-	-	-	-	-	1	1
198000	198,000	-	-	-	-	-	1	-	-	-	-	-	-	1
139000	139,000	-	-	-	-	-	1	-	-	-	-	-	-	1
108000	108,000	-	-	-	-	-	-	1	-	-	-	-	-	1
107000	107,000	-	-	-	-	-	-	1	-	-	-	-	-	1
107000	107,000	-	-	-	-	-	-	1	-	-	-	-	-	1
Totals		11,875	11,894	11,922	11,962	11,931	11,967	12,016	12,000	11,360	12,071	12,045	12,155	143,198

Average Usage		7,500
Median Usage	71599	7,000
Average # Customers		11,933
Change in Number of Customers		280

Arizona / American Mohave Water
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Usage From:	Usage To:	Month of Jan-01	Month of Feb-01	Month of Mar-01	Month of Apr-01	Month of May-01	Month of Jun-01	Month of Jul-01	Month of Aug-01	Month of Sep-01	Month of Oct-01	Month of Nov-01	Month of Dec-01	Total Year
0	-	29	25	21	25	20	21	19	23	20	21	20	24	268
1000	1,000	5	1	4	4	3	2	2	3	6	6	4	6	46
2000	2,000	1	4	2	1	6	2	3	4	7	2	5	6	43
3000	3,000	1	3	3	3	3	4	5	3	4	6	3	5	43
4000	4,000	1	-	3	1	2	3	3	-	2	3	3	3	24
5000	5,000	1	3	3	2	-	-	1	3	-	2	4	2	21
6000	6,000	2	1	1	3	2	-	1	3	1	2	3	1	20
7000	7,000	-	2	1	1	1	1	1	2	2	1	1	3	16
8000	8,000	5	2	5	1	1	1	-	1	3	3	3	5	30
9000	9,000	1	5	1	4	1	4	2	4	1	1	4	4	32
10000	10,000	-	-	1	1	3	2	-	2	2	1	2	2	16
11000	11,000	3	1	3	3	1	-	-	5	2	3	2	2	25
12000	12,000	4	4	1	2	2	1	2	1	2	2	3	-	24
13000	13,000	2	2	1	3	3	2	1	-	-	2	1	2	19
14000	14,000	1	2	2	2	2	2	2	1	3	-	1	2	20
15000	15,000	1	2	-	1	1	1	4	1	-	2	1	-	14
16000	16,000	2	-	1	1	-	1	1	1	1	-	-	-	8
17000	17,000	1	3	1	1	-	1	2	3	3	1	1	1	18
18000	18,000	1	1	1	2	-	1	1	1	-	2	1	1	12
19000	19,000	-	-	-	-	2	-	-	2	1	1	-	-	6
20000	20,000	2	2	1	1	1	5	-	-	-	-	1	-	13
21000	21,000	2	-	3	2	1	2	2	1	-	1	-	1	15
22000	22,000	-	1	-	1	1	1	1	-	-	1	1	1	8
23000	23,000	1	4	2	2	1	-	2	-	-	1	-	-	13
24000	24,000	3	-	-	-	2	-	1	1	-	-	-	1	8
25000	25,000	2	-	-	-	1	-	1	1	2	1	2	1	11
26000	26,000	1	1	3	-	1	1	1	-	-	-	-	-	8
27000	27,000	3	1	-	-	1	2	1	1	1	2	1	1	14
28000	28,000	1	-	1	2	1	1	-	1	2	-	1	1	11
29000	29,000	2	2	2	1	1	1	2	-	3	1	1	3	19
30000	30,000	1	1	2	2	1	1	-	2	3	1	2	-	16
31000	31,000	2	-	4	-	-	1	-	-	-	-	1	2	10
32000	32,000	-	3	2	-	-	1	-	-	1	-	1	2	10
33000	33,000	1	1	1	-	1	2	2	-	-	-	-	1	9
34000	34,000	-	-	-	2	1	-	2	-	-	1	3	2	11
35000	35,000	-	2	1	1	2	-	1	1	-	4	1	2	15
36000	36,000	4	-	-	1	-	1	3	1	-	1	2	1	14
37000	37,000	2	-	-	2	2	-	-	2	-	1	-	-	9
38000	38,000	1	1	1	-	2	-	1	2	1	-	1	2	12
39000	39,000	2	2	1	-	1	1	-	1	-	1	-	2	11
40000	40,000	1	1	1	1	1	1	-	1	-	-	-	1	8
41000	41,000	2	1	2	-	-	1	1	3	-	-	-	1	11
42000	42,000	1	1	-	3	-	-	-	-	-	2	2	-	9
43000	43,000	-	-	-	-	3	2	-	1	3	1	3	-	13
44000	44,000	1	2	1	1	1	2	-	1	3	-	-	2	14
45000	45,000	1	1	1	2	-	1	2	-	1	-	1	1	11
46000	46,000	-	2	2	1	2	-	-	-	-	-	-	1	8

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Schedule H-5
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Witness: Kozoman
REVISED

Usage From:	Usage To:	Month of Jan-01	Month of Feb-01	Month of Mar-01	Month of Apr-01	Month of May-01	Month of Jun-01	Month of Jul-01	Month of Aug-01	Month of Sep-01	Month of Oct-01	Month of Nov-01	Month of Dec-01	Total Year
47000	47,000	-	1	-	-	-	-	1	1	3	-	-	1	7
48000	48,000	1	-	1	-	1	-	-	1	2	1	1	1	9
49000	49,000	1	-	-	1	-	1	-	-	-	-	2	1	6
50000	50,000	1	2	-	1	1	2	-	2	2	-	-	1	12
51000	51,000	-	-	2	-	-	-	1	-	-	-	-	-	3
52000	52,000	2	-	-	1	-	-	-	-	1	1	-	-	5
53000	53,000	1	-	-	3	-	-	-	-	-	-	-	-	4
54000	54,000	-	3	1	-	1	-	1	-	-	-	-	1	7
55000	55,000	-	1	-	1	-	-	1	1	-	-	1	-	5
56000	56,000	-	-	1	-	1	-	2	2	1	1	-	-	8
57000	57,000	-	1	2	3	-	-	1	1	-	3	2	1	14
58000	58,000	1	2	-	1	-	1	-	-	1	1	-	-	7
59000	59,000	-	-	-	-	-	-	-	1	1	-	1	-	3
60000	60,000	2	1	2	-	-	-	1	-	-	1	-	-	7
61000	61,000	-	1	-	-	1	1	-	-	-	1	-	1	5
62000	62,000	1	-	-	-	-	1	-	1	2	1	1	-	7
63000	63,000	-	-	3	-	2	1	-	-	-	1	-	1	8
64000	64,000	-	2	-	1	2	1	1	-	-	-	-	-	7
65000	65,000	-	-	1	1	-	-	1	4	-	1	-	-	8
66000	66,000	2	-	-	1	1	-	-	1	-	1	-	1	7
67000	67,000	1	1	-	-	-	1	4	1	-	1	-	1	10
68000	68,000	1	-	3	1	2	1	-	-	1	-	1	-	10
69000	69,000	-	1	-	-	1	1	-	-	-	1	-	-	4
70000	70,000	-	1	-	1	-	-	-	-	1	-	-	-	3
71000	71,000	1	-	-	1	-	-	-	1	-	1	2	1	7
72000	72,000	-	1	-	-	-	-	1	-	-	-	-	-	2
73000	73,000	-	-	1	1	1	2	-	1	-	1	-	-	7
74000	74,000	-	-	-	-	-	2	3	-	-	-	-	-	5
75000	75,000	-	-	-	1	2	-	1	1	-	1	-	-	6
76000	76,000	-	-	-	-	1	-	1	-	-	-	-	1	3
77000	77,000	1	-	1	-	1	-	1	-	1	-	1	-	6
78000	78,000	-	1	-	-	2	1	-	-	-	-	1	1	6
79000	79,000	-	-	-	-	-	1	-	-	-	1	-	3	5
80000	80,000	-	1	-	1	-	1	-	-	1	1	-	1	6
81000	81,000	-	1	-	-	1	-	-	-	-	1	-	-	3
82000	82,000	-	1	2	2	1	1	1	-	-	1	-	-	9
83000	83,000	1	-	-	1	-	1	1	-	-	-	2	-	6
84000	84,000	-	1	-	-	2	-	-	-	-	1	1	1	6
85000	85,000	-	-	1	-	-	-	1	1	-	1	-	1	5
86000	86,000	1	-	-	-	-	-	1	1	-	1	-	2	6
87000	87,000	-	-	-	1	1	-	-	1	1	-	-	1	5
88000	88,000	1	1	2	-	1	1	1	2	1	-	1	1	12
89000	89,000	-	3	-	1	-	-	-	-	-	-	3	-	7
90000	90,000	-	-	-	1	-	-	-	1	1	-	1	2	6
91000	91,000	-	1	-	-	1	-	-	-	1	1	-	1	5
92000	92,000	-	1	3	1	-	2	1	1	1	-	-	-	10

Arizona / American Mohave Water
Test Year Ended December 31, 2001
Customer Classification

CM Summary 2 Inch

Exhibit
Schedule H-5
Page 92B
Witness: Kozoman
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Usage From:	Usage To:	Month of Jan-01	Month of Feb-01	Month of Mar-01	Month of Apr-01	Month of May-01	Month of Jun-01	Month of Jul-01	Month of Aug-01	Month of Sep-01	Month of Oct-01	Month of Nov-01	Month of Dec-01	Total Year
93000	93,000	2	-	-	-	-	-	-	2	-	-	1	-	5
94000	94,000	-	-	-	-	-	1	-	-	-	1	2	1	5
95000	95,000	-	1	-	1	-	1	-	-	1	-	-	-	4
96000	96,000	-	-	-	-	-	-	1	-	-	1	-	1	3
97000	97,000	2	-	-	1	1	1	1	-	-	-	1	3	10
98000	98,000	-	-	1	-	1	-	-	-	-	1	1	-	4
99000	99,000	-	1	1	-	1	1	-	-	2	1	1	-	8
100000	100,000	-	-	1	-	-	1	-	-	-	-	1	-	3
101000	101,000	1	1	-	1	-	-	-	-	-	-	-	1	4
101000	101,000	-	-	-	-	-	-	1	-	-	-	-	-	1
102000	102,000	1	-	-	-	1	-	-	1	-	1	1	-	5
103000	103,000	1	1	-	1	1	-	-	-	-	-	-	-	4
104000	104,000	-	1	-	-	-	1	-	-	-	1	-	-	3
104000	104,000	-	-	-	-	-	-	-	-	-	-	-	1	1
105000	105,000	-	1	-	-	-	-	1	1	-	-	-	-	3
106000	106,000	1	-	-	-	-	2	1	-	-	-	-	1	5
106000	106,000	-	-	-	-	-	-	-	-	1	-	-	-	1
107000	107,000	-	-	-	-	-	-	2	1	-	-	3	-	6
108000	108,000	-	1	-	-	-	-	1	-	-	1	1	-	4
109000	109,000	-	-	-	1	-	-	-	-	2	-	-	-	3
109000	109,000	-	-	1	-	-	-	-	-	-	-	-	-	1
110000	110,000	2	-	2	-	-	-	-	1	1	-	2	-	8
111000	111,000	1	-	-	-	1	-	-	2	-	-	1	-	5
112000	112,000	-	1	-	1	-	-	1	1	-	-	-	-	4
113000	113,000	-	-	-	-	-	-	-	-	-	1	2	-	3
114000	114,000	-	-	-	-	-	-	-	1	-	-	-	-	1
115000	115,000	1	1	-	-	-	1	-	-	-	-	1	-	4
116000	116,000	-	-	1	-	-	1	1	-	-	-	-	2	5
117000	117,000	-	-	-	1	-	1	-	-	-	-	1	1	4
118000	118,000	-	-	-	1	-	-	-	1	2	-	-	-	4
118000	118,000	-	-	-	-	-	-	-	-	-	1	-	-	1
119000	119,000	-	-	-	-	-	-	-	-	1	-	-	-	1
119000	119,000	-	1	1	-	1	-	-	-	-	-	2	-	5
120000	120,000	1	-	-	1	1	-	-	-	-	-	-	-	3
120000	120,000	-	-	-	-	-	-	-	1	-	-	-	-	1
121000	121,000	-	-	-	-	-	-	-	-	-	1	1	-	2
122000	122,000	-	-	-	-	1	-	2	1	-	-	1	-	5
123000	123,000	-	-	-	-	1	-	-	1	-	-	1	-	3
123000	123,000	-	-	-	1	1	1	1	-	-	-	-	-	4
124000	124,000	-	-	-	-	1	-	-	1	-	-	-	1	3
125000	125,000	1	-	-	1	1	1	-	-	-	-	-	-	4
126000	126,000	-	-	1	-	1	-	1	-	2	1	1	-	7
127000	127,000	1	-	-	-	-	-	1	-	-	1	-	-	3
127000	127,000	1	-	-	-	-	-	1	-	-	-	-	-	2
128000	128,000	-	1	-	-	1	-	-	-	1	-	-	-	3
129000	129,000	-	-	-	1	1	-	-	-	1	-	1	-	4
130000	130,000	-	1	-	-	-	1	-	-	-	1	-	-	3

Arizona / American Mohave Water
Test Year Ended December 31, 2001
Customer Classification

CM Summary 2 Inch

Exhibit
Schedule H-5
Page 92C
Witness: Kozoman
REVISED

Usage From:	Usage To:	Month of Jan-01	Month of Feb-01	Month of Mar-01	Month of Apr-01	Month of May-01	Month of Jun-01	Month of Jul-01	Month of Aug-01	Month of Sep-01	Month of Oct-01	Month of Nov-01	Month of Dec-01	Total Year
131000	131,000	-	1	2	1	-	-	-	-	-	-	-	1	5
132000	132,000	-	-	-	-	-	-	-	-	-	1	-	-	1
132000	132,000	1	-	1	-	1	-	-	-	1	-	-	1	5
133000	133,000	-	2	1	1	-	-	-	-	1	-	-	-	5
134000	134,000	-	-	-	-	-	-	1	-	-	-	-	-	1
135000	135,000	-	-	-	-	-	1	-	2	-	2	-	-	5
136000	136,000	-	-	-	-	-	1	-	-	-	-	-	-	1
136000	136,000	-	1	-	-	-	-	-	-	-	-	-	-	1
137000	137,000	-	-	-	1	-	-	-	-	-	-	-	-	1
137000	137,000	-	-	-	-	-	-	-	-	1	-	-	-	1
138000	138,000	-	-	-	-	-	-	-	1	-	-	-	-	1
139000	139,000	-	1	-	-	-	-	1	-	1	-	-	-	3
140000	140,000	-	-	-	-	-	1	-	1	-	-	-	-	2
141000	141,000	1	-	-	-	1	3	-	-	-	1	-	1	7
142000	142,000	1	-	-	-	-	-	-	-	-	-	-	-	1
143000	143,000	-	-	-	2	-	-	-	1	-	-	1	-	4
144000	144,000	-	1	1	-	-	1	-	1	-	-	-	1	5
145000	145,000	-	-	-	-	-	-	-	-	-	1	-	1	2
146000	146,000	1	-	-	-	-	-	-	-	-	-	-	-	1
147000	147,000	-	-	-	-	-	-	2	-	1	-	-	-	3
148000	148,000	-	-	-	1	-	-	-	1	-	-	-	-	2
149000	149,000	-	-	-	-	-	-	-	2	-	-	-	1	3
150000	150,000	-	1	-	-	-	1	-	1	-	-	-	-	3
151000	151,000	1	-	-	-	-	-	-	-	-	1	-	-	2
152000	152,000	-	1	-	1	-	-	-	-	-	1	-	-	3
153000	153,000	-	-	1	-	1	-	-	-	-	-	-	-	2
154000	154,000	-	-	1	1	-	-	1	-	-	-	-	1	4
155000	155,000	-	-	-	-	-	1	-	-	1	-	-	-	2
156000	156,000	-	-	1	-	1	-	-	-	1	-	-	-	3
157000	157,000	1	-	-	-	-	-	2	1	-	-	-	-	4
158000	158,000	-	-	-	-	-	-	-	-	-	1	-	1	2
159000	159,000	1	-	1	-	-	-	-	1	-	-	-	-	3
160000	160,000	-	-	1	2	-	-	-	-	-	-	-	-	3
161000	161,000	-	-	-	-	-	1	-	-	-	-	-	-	1
162000	162,000	-	-	1	-	-	-	1	-	-	1	-	-	3
163000	163,000	1	-	1	1	-	1	-	-	-	-	1	-	5
164000	164,000	-	-	-	-	1	1	-	-	1	-	-	-	3
165000	165,000	-	-	1	-	-	-	-	-	-	-	-	-	1
166000	166,000	-	-	-	-	-	-	-	-	-	1	1	-	2
167000	167,000	-	-	-	-	2	-	-	-	-	-	-	-	2
169000	169,000	-	-	1	-	-	-	-	-	1	-	-	-	2
170000	170,000	1	-	-	-	-	1	-	-	-	-	-	-	2
171000	171,000	-	-	-	-	2	-	-	-	1	-	-	-	3
172000	172,000	-	-	-	-	-	-	1	-	1	2	1	1	6
172000	172,000	1	-	-	-	-	-	-	-	-	-	-	-	1
173000	173,000	1	-	-	-	-	-	1	1	-	-	-	1	4
174000	174,000	1	1	-	-	-	1	-	-	1	-	-	-	4

Arizona / American Mohave Water
Test Year Ended December 31, 2001
Customer Classification

CM Summary 2 Inch

Exhibit
Schedule H-5
Page 92D
Witness: Kozoman
REVISED

Usage From:	Usage To:	Month of Jan-01	Month of Feb-01	Month of Mar-01	Month of Apr-01	Month of May-01	Month of Jun-01	Month of Jul-01	Month of Aug-01	Month of Sep-01	Month of Oct-01	Month of Nov-01	Month of Dec-01	Total Year
175000	175,000	1	-	-	-	-	-	-	-	-	-	-	-	1
176000	176,000	-	-	-	-	-	-	1	-	2	1	-	-	4
177000	177,000	-	1	-	-	1	-	-	-	-	1	-	-	3
178000	178,000	-	-	-	1	-	2	-	-	1	2	1	-	7
180000	180,000	-	-	-	-	-	-	1	-	-	1	-	-	2
180000	180,000	-	-	-	-	-	-	-	-	-	-	-	1	1
182000	182,000	-	-	-	-	1	-	-	-	-	-	-	-	1
183000	183,000	1	-	-	-	-	-	1	1	-	-	-	1	4
184000	184,000	1	1	-	-	-	-	-	-	1	1	1	-	5
185000	185,000	-	-	-	1	-	-	-	-	-	-	-	-	1
186000	186,000	-	-	-	-	-	-	1	-	-	3	1	-	5
187000	187,000	-	-	-	-	-	2	1	-	-	1	1	-	5
188000	188,000	-	-	-	-	-	-	1	-	1	-	-	-	2
189000	189,000	-	-	-	1	-	-	-	-	-	-	-	1	2
191000	191,000	-	-	-	1	1	-	-	-	-	-	-	-	2
192000	192,000	1	-	-	-	-	-	-	-	1	-	-	-	2
193000	193,000	-	1	-	-	-	-	-	1	-	-	-	-	2
194000	194,000	1	-	-	-	-	-	-	-	2	-	1	-	4
195000	195,000	-	-	-	-	-	-	1	-	-	-	-	-	1
196000	196,000	-	1	-	-	1	-	-	-	1	-	-	-	3
198000	198,000	-	-	-	-	1	1	-	-	-	-	-	-	2
199000	199,000	-	-	-	-	1	-	1	-	-	1	-	-	3
202000	202,000	-	-	-	2	-	-	-	-	-	-	-	-	2
203000	203,000	-	-	-	1	-	2	-	-	1	-	-	-	4
204000	204,000	1	-	-	-	-	-	-	-	-	-	-	1	2
205000	205,000	-	-	-	-	-	-	-	-	-	-	-	1	1
206000	206,000	-	1	-	-	-	-	-	-	-	-	1	-	2
207000	207,000	-	-	1	-	1	1	-	-	-	-	-	-	3
208000	208,000	-	1	-	1	-	-	1	-	-	-	-	-	3
211000	211,000	-	-	-	-	-	1	-	-	-	-	-	-	1
212000	212,000	-	-	-	-	-	-	-	1	-	1	1	-	3
213000	213,000	-	-	-	-	-	-	1	-	-	-	1	-	2
214000	214,000	-	-	-	-	1	-	-	-	-	-	-	-	1
215000	215,000	-	-	-	-	-	-	-	-	-	-	1	-	1
216000	216,000	-	-	-	-	-	-	-	-	-	-	-	2	2
218000	218,000	-	1	-	1	-	-	-	-	-	-	-	-	2
219000	219,000	-	-	-	-	-	-	-	1	-	-	-	1	2
220000	220,000	-	-	-	-	-	-	-	-	-	1	-	-	1
222000	222,000	-	-	1	-	-	-	-	-	1	-	-	-	2
223000	223,000	-	1	-	-	-	-	-	-	-	1	-	-	2
224000	224,000	-	-	-	-	-	-	1	-	-	-	-	-	1
227000	227,000	-	-	-	-	1	-	-	-	-	1	-	-	2
228000	228,000	1	-	-	-	-	-	-	-	1	-	-	1	3
229000	229,000	-	-	-	-	-	-	1	-	-	-	-	-	1
230000	230,000	-	-	-	-	-	-	-	-	-	-	1	-	1
232000	232,000	-	1	-	-	-	-	-	-	-	1	-	-	2
233000	233,000	-	-	-	-	1	-	-	-	-	-	-	-	1

Arizona / American Mohave Water
Test Year Ended December 31, 2001
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CM Summary 2 Inch

Exhibit
Schedule H-5
Page 92E
Witness: Kozoman
REVISED

Usage From:	Usage To:	Month of Jan-01	Month of Feb-01	Month of Mar-01	Month of Apr-01	Month of May-01	Month of Jun-01	Month of Jul-01	Month of Aug-01	Month of Sep-01	Month of Oct-01	Month of Nov-01	Month of Dec-01	Total Year
234000	234,000	-	-	-	-	-	1	-	1	-	-	-	-	2
235000	235,000	-	-	-	-	-	-	-	-	-	1	-	-	1
237000	237,000	-	-	-	1	-	-	-	-	-	-	-	-	1
238000	238,000	1	-	-	-	-	-	-	2	-	-	1	-	4
239000	239,000	-	-	1	-	-	-	-	1	-	-	-	-	2
240000	240,000	-	-	-	-	-	1	1	-	-	-	-	-	2
241000	241,000	-	-	-	-	-	-	-	-	1	-	-	-	1
242000	242,000	-	-	-	-	-	1	-	-	-	-	1	-	2
244000	244,000	-	-	-	-	-	-	-	-	-	-	-	1	1
245000	245,000	-	-	-	-	-	-	-	1	-	-	-	-	1
246000	246,000	-	-	-	-	-	-	-	1	-	-	-	-	1
249000	249,000	-	-	-	-	-	-	-	-	-	-	-	1	1
250000	250,000	-	-	-	-	-	-	-	-	-	-	-	1	1
251000	251,000	-	-	-	-	-	-	-	1	-	-	-	-	1
252000	252,000	-	-	-	1	-	-	1	-	-	-	-	-	2
253000	253,000	-	-	-	-	-	1	-	-	-	-	-	-	1
254000	254,000	-	-	-	-	-	1	-	-	-	-	-	-	1
257000	257,000	-	-	-	-	-	-	-	1	-	1	-	-	2
259000	259,000	-	-	-	-	1	-	-	-	-	-	-	-	1
260000	260,000	-	-	-	1	1	-	-	1	-	-	-	-	3
261000	261,000	-	-	-	-	-	-	-	-	1	-	-	-	1
262000	262,000	-	1	-	-	-	-	-	-	-	-	-	-	1
263000	263,000	-	-	-	-	-	-	1	-	-	-	-	-	1
264000	264,000	-	-	-	-	-	-	1	-	1	-	-	-	2
265000	265,000	-	-	-	-	-	1	1	1	-	-	-	-	3
266000	266,000	-	-	-	-	-	1	-	-	-	-	1	-	2
269000	269,000	-	-	-	1	-	-	-	-	-	-	1	-	2
270000	270,000	-	-	-	1	-	-	-	-	-	-	-	-	1
271000	271,000	1	-	-	-	-	-	-	1	-	-	-	-	2
274000	274,000	-	-	-	-	-	-	-	-	-	-	-	1	1
275000	275,000	-	-	-	-	-	-	-	-	1	-	-	-	1
282000	282,000	-	-	-	-	-	1	-	-	-	-	-	-	1
284000	284,000	-	-	-	-	-	1	-	-	1	-	-	-	2
287000	287,000	-	-	-	-	-	-	-	1	1	-	-	-	2
288000	288,000	1	-	-	-	-	-	-	-	-	-	-	-	1
290000	290,000	-	-	-	-	1	-	-	1	-	-	-	-	2
291000	291,000	1	-	-	-	-	-	-	-	1	-	-	-	2
292000	292,000	-	-	-	-	-	-	-	1	-	-	-	-	1
296000	296,000	-	-	-	-	-	-	-	-	-	-	1	-	1
297000	297,000	-	-	-	-	-	-	1	-	-	1	-	-	2
298000	298,000	-	-	-	-	-	-	-	-	1	-	-	-	1
299000	299,000	-	-	-	-	1	-	-	-	-	-	-	-	1
300000	300,000	-	-	-	-	-	-	-	-	1	-	-	-	1
301000	301,000	-	-	-	-	-	-	-	-	1	-	-	-	1
303000	303,000	-	-	-	-	2	1	-	-	-	1	-	-	4
304000	304,000	-	-	-	-	-	-	-	-	-	-	1	-	1
305000	305,000	-	1	-	-	-	-	-	-	-	-	-	-	1

Arizona / American Mohave Water
Test Year Ended December 31, 2001
Customer Classification

CM Summary 2 Inch

Exhibit
Schedule H-5
Page 92G
Witness: Kozoman
REVISED

Usage From:	Usage To:	Month of Jan-01	Month of Feb-01	Month of Mar-01	Month of Apr-01	Month of May-01	Month of Jun-01	Month of Jul-01	Month of Aug-01	Month of Sep-01	Month of Oct-01	Month of Nov-01	Month of Dec-01	Total Year
412000	412,000	-	-	-	-	-	-	-	1	-	-	-	-	1
413000	413,000	-	1	-	-	-	-	-	-	-	-	-	-	1
414000	414,000	-	-	-	1	-	-	-	-	-	-	-	-	1
415000	415,000	-	-	-	-	-	1	-	-	-	-	-	-	1
422000	422,000	1	-	-	-	-	-	-	-	-	-	-	-	1
425000	425,000	1	-	-	-	-	-	-	-	-	-	-	-	1
434000	434,000	-	-	-	-	-	1	-	-	-	-	-	-	1
435000	435,000	-	-	1	-	-	1	-	-	-	-	-	-	2
436000	436,000	-	-	-	-	-	1	-	-	-	-	-	-	1
438000	438,000	1	-	-	-	-	-	-	-	-	-	-	-	1
439000	439,000	-	-	-	-	-	-	-	-	-	1	2	-	3
444000	444,000	-	-	1	-	-	-	1	-	-	-	-	-	2
446000	446,000	-	1	-	-	-	-	-	-	-	-	-	-	1
448000	448,000	-	-	-	-	-	-	-	-	1	-	-	-	1
449000	449,000	-	-	-	1	-	-	-	-	-	-	-	-	1
456000	456,000	-	-	-	-	-	-	1	-	-	-	-	-	1
458000	458,000	-	-	-	-	-	-	-	-	-	1	-	-	1
458000	458,000	-	-	-	-	-	-	1	-	-	-	-	-	1
461000	461,000	-	-	-	-	-	-	-	1	-	-	-	-	1
465000	465,000	-	-	-	-	1	-	-	-	-	-	-	-	1
470000	470,000	-	-	1	-	-	-	-	-	-	-	-	-	1
471000	471,000	-	-	-	-	-	-	-	-	1	-	-	-	1
474000	474,000	-	-	-	1	-	-	-	-	-	-	-	-	1
475000	475,000	-	-	-	-	-	-	-	-	-	-	-	2	2
479000	479,000	1	-	-	-	-	-	-	-	-	-	-	-	1
481000	481,000	-	-	-	-	-	-	1	-	-	-	-	-	1
482000	482,000	-	-	-	-	-	-	-	-	-	1	-	-	1
483000	483,000	-	-	-	-	-	-	-	1	-	-	-	-	1
485000	485,000	-	-	-	-	-	-	-	-	1	-	1	-	2
486000	486,000	-	-	-	-	-	-	-	1	-	-	-	-	1
488000	488,000	-	-	-	-	-	-	-	-	1	-	-	-	1
489000	489,000	-	-	-	-	-	-	-	-	-	-	-	1	1
503000	503,000	-	-	-	-	-	-	-	-	1	-	-	-	1
504000	504,000	-	-	-	-	1	-	-	-	-	-	-	-	1
508000	508,000	-	-	-	-	1	-	-	-	-	-	-	-	1
524000	524,000	-	-	-	-	-	-	-	-	-	-	-	1	1
535000	535,000	-	-	1	-	-	-	-	-	-	-	-	-	1
540000	540,000	-	-	-	-	-	1	1	-	1	-	-	-	3
543000	543,000	1	-	-	-	-	-	-	-	-	-	-	-	1
553000	553,000	-	-	-	-	-	1	-	-	1	-	-	-	2
556000	556,000	-	-	-	-	1	-	-	-	-	-	-	-	1
557000	557,000	-	-	-	1	-	-	-	-	-	-	-	-	1
562000	562,000	-	-	-	-	-	-	-	-	-	-	-	1	1
566000	566,000	-	-	-	-	-	-	-	1	-	-	-	-	1
580000	580,000	-	1	-	-	-	-	-	-	-	-	-	-	1
582000	582,000	1	-	-	-	-	-	-	-	-	-	-	-	1
605000	605,000	-	-	-	1	-	-	-	-	-	-	-	-	1

Arizona / American Mohave Water
Test Year Ended December 31, 2001
Customer Classification

CM Summary 2 Inch

Exhibit
Schedule H-5
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Witness: Kozoman
REVISED

Usage From:	Usage To:	Month of Jan-01	Month of Feb-01	Month of Mar-01	Month of Apr-01	Month of May-01	Month of Jun-01	Month of Jul-01	Month of Aug-01	Month of Sep-01	Month of Oct-01	Month of Nov-01	Month of Dec-01	Total Year
306000	306,000	-	-	-	-	-	-	-	-	-	-	1	-	1
309000	309,000	-	-	-	-	-	-	-	-	-	-	1	-	1
310000	310,000	-	-	-	-	-	-	1	-	-	-	-	-	1
315000	315,000	-	-	-	-	-	-	-	-	1	-	-	-	1
316000	316,000	-	-	1	-	-	-	-	-	-	1	-	-	2
318000	318,000	-	-	-	-	1	-	-	1	-	-	-	-	2
322000	322,000	-	-	1	-	-	-	-	-	-	-	-	-	1
323000	323,000	-	-	-	-	-	1	-	-	-	-	-	-	1
327000	327,000	-	-	-	-	1	-	-	-	-	-	1	-	2
328000	328,000	-	-	-	-	-	-	-	1	-	-	-	-	1
329000	329,000	-	-	-	-	-	-	1	-	-	-	-	-	1
330000	330,000	-	-	-	-	-	-	-	-	-	1	1	-	2
331000	331,000	-	-	-	-	-	-	-	-	1	-	-	-	1
333000	333,000	-	-	-	-	-	-	-	-	1	-	-	-	1
334000	334,000	-	-	-	-	-	-	-	-	-	-	-	1	1
336000	336,000	-	-	-	1	-	-	-	-	-	-	-	-	1
337000	337,000	-	-	1	-	-	-	-	-	-	1	-	-	2
340000	340,000	-	-	-	-	-	-	-	-	-	1	-	-	1
343000	343,000	-	-	-	-	-	1	-	-	-	-	-	-	1
344000	344,000	-	-	-	1	-	-	-	-	-	-	-	-	1
345000	345,000	-	-	-	-	-	-	-	-	-	1	-	-	1
350000	350,000	-	-	-	-	-	-	1	-	-	-	-	-	1
351000	351,000	-	-	-	-	-	-	1	-	-	-	-	-	1
353000	353,000	-	-	-	-	-	-	-	-	1	-	-	-	1
354000	354,000	-	-	1	-	-	-	-	-	1	-	-	-	2
355000	355,000	-	-	-	-	-	-	-	-	-	1	-	-	1
356000	356,000	-	-	-	-	-	-	-	-	-	-	1	-	1
360000	360,000	-	-	-	1	-	-	-	-	-	-	-	-	1
361000	361,000	-	-	-	-	1	-	-	-	-	-	-	-	1
362000	362,000	-	-	-	-	-	1	-	-	-	-	-	-	1
363000	363,000	-	-	-	-	-	-	-	-	-	1	-	-	1
369000	369,000	-	-	-	-	-	-	-	-	-	-	-	1	1
369000	369,000	-	-	-	-	-	-	-	1	-	-	-	-	1
373000	373,000	-	-	-	-	-	1	-	-	-	-	-	-	1
376000	376,000	-	-	-	-	-	-	2	1	-	-	-	-	3
378000	378,000	-	-	-	-	-	-	-	-	-	1	-	-	1
381000	381,000	1	-	-	-	-	-	-	-	-	-	-	-	1
383000	383,000	-	-	-	-	-	-	1	-	-	-	-	-	1
385000	385,000	-	-	-	-	-	1	1	-	-	-	-	-	2
392000	392,000	-	1	-	-	-	-	-	-	-	-	-	-	1
396000	396,000	-	-	1	-	-	-	-	-	-	-	-	-	1
397000	397,000	-	-	-	-	1	-	-	-	-	-	-	-	1
401000	401,000	-	-	-	-	-	-	1	-	-	-	-	-	1
402000	402,000	-	1	-	-	-	-	-	-	-	-	-	-	1
403000	403,000	-	-	-	-	-	2	-	-	-	-	-	-	2
405000	405,000	-	-	-	-	-	-	-	-	-	1	-	-	1
410000	410,000	-	-	-	-	-	-	1	-	-	-	-	-	1

Arizona / American Mohave Water
Test Year Ended December 31, 2001
Customer Classification

CM Summary 2 Inch

Exhibit
Schedule H-5
Page 92H
Witness: Kozoman
REVISED

Usage From:	Usage To:	Month of Jan-01	Month of Feb-01	Month of Mar-01	Month of Apr-01	Month of May-01	Month of Jun-01	Month of Jul-01	Month of Aug-01	Month of Sep-01	Month of Oct-01	Month of Nov-01	Month of Dec-01	Total Year
606000	606,000	-	-	-	-	-	-	-	-	1	-	-	-	1
609000	609,000	-	-	1	-	-	-	-	-	-	-	-	-	1
611000	611,000	-	-	-	-	-	-	1	-	-	-	-	-	1
629000	629,000	-	-	-	-	-	-	-	-	-	-	1	-	1
634000	634,000	-	-	-	-	-	-	-	1	-	-	-	-	1
644000	644,000	-	1	-	-	-	-	-	-	-	-	-	-	1
647000	647,000	-	-	-	1	-	-	-	-	-	-	-	-	1
660000	660,000	-	-	-	-	1	-	-	-	-	-	-	-	1
723000	723,000	-	-	-	-	-	-	-	-	-	-	1	-	1
738000	738,000	-	1	-	-	-	-	-	-	-	-	-	-	1
744000	744,000	-	-	-	-	-	-	-	-	-	1	-	-	1
755000	755,000	-	-	-	-	-	-	-	-	-	1	-	-	1
756000	756,000	-	-	-	-	-	-	-	-	-	-	1	-	1
760000	760,000	-	-	-	-	1	-	-	-	-	-	-	-	1
764000	764,000	-	-	-	-	-	-	-	1	-	-	-	-	1
773000	773,000	-	-	-	-	-	-	1	-	-	-	-	-	1
816000	816,000	-	-	1	-	-	-	-	-	-	-	-	-	1
830000	830,000	-	-	-	-	-	-	-	-	1	-	-	-	1
854000	854,000	1	-	-	-	-	-	-	-	-	-	-	-	1
867000	867,000	1	-	-	-	-	-	-	-	-	-	-	-	1
869000	869,000	-	-	-	-	-	1	-	-	-	-	-	-	1
871000	871,000	-	1	-	-	-	-	-	-	-	-	-	-	1
908000	908,000	-	-	-	-	1	-	-	-	-	-	-	-	1
912000	912,000	-	-	-	-	-	-	1	-	-	-	-	-	1
921000	921,000	-	-	-	-	-	-	-	-	-	1	-	-	1
971000	971,000	-	-	-	-	-	-	-	-	-	-	-	1	1
977000	977,000	-	-	-	-	-	-	-	-	-	-	1	-	1
1004000	1,004,000	-	1	-	-	-	-	-	-	-	-	-	-	1
1012000	1,012,000	-	-	-	-	-	1	-	-	1	-	-	-	2
1100000	1,100,000	-	-	-	-	-	-	-	-	-	-	-	1	1
1275000	1,275,000	-	-	-	1	-	-	-	-	-	-	-	-	1
1464000	1,464,000	-	-	-	-	1	-	-	-	-	-	-	-	1
1566000	1,566,000	-	-	-	-	-	-	1	-	-	-	-	-	1
1610000	1,610,000	-	-	-	-	-	-	-	1	-	-	-	-	1
1701000	1,701,000	-	-	-	-	-	-	-	-	1	-	-	-	1
1860000	1,860,000	-	-	-	-	-	1	-	-	-	-	-	-	1
2036000	2,036,000	-	-	-	-	-	-	-	-	-	1	-	-	1
2057000	2,057,000	-	-	-	-	-	-	-	-	-	-	1	-	1
2287000	2,287,000	-	-	-	-	-	-	1	-	-	-	-	-	1
	Totals	164	160	149	160	161	162	164	167	166	167	166	168	1,954

Average Usage		103,576
Median Usage	977	7,000
Average # Customers		163
Change in Number of Customers		4

Arizona American - Havasu Water
Revenue Summary
With Annualized Revenues to Year End Number of Customers
Test Year Ended December 31, 2001

Exhibit
Schedule H-1
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	REVISED Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch Residential		249,903	364,729	114,827	45.95%	56.31%	56.80%
2	1 Inch Residential		3,296	4,805	1,509	45.78%	0.74%	0.75%
3	1.5 Inch Residential		-	-	-		0.00%	0.00%
4	2 Inch Residential		1,580	2,303	724	45.82%	0.36%	0.36%
5	3 Inch Residential		-	-	-		0.00%	0.00%
6	4 Inch Residential		3,730	5,438	1,709	45.82%	0.84%	0.85%
7	6 Inch Residential		-	-	-		0.00%	0.00%
8	5/8 Inch Commercial		15,714	22,921	7,207	45.87%	3.54%	3.57%
9	1 Inch Commercial		7,007	10,219	3,212	45.83%	1.58%	1.59%
10	2 Inch Commercial		3,958	5,773	1,815	45.87%	0.89%	0.90%
11	3 Inch Commercial		30,088	43,869	13,782	45.81%	6.78%	6.83%
12	4 Inch Commercial		3,820	5,572	1,751	45.84%	0.86%	0.87%
13	6 inch Commercial		-	-	-		0.00%	0.00%
14	Multi-Family 44	4"	7,203	10,518	3,315	46.02%	1.62%	1.64%
15	Multi-Family 56	2"	7,741	11,307	3,565	46.06%	1.74%	1.76%
16	Multi-Family 64	4"	10,065	14,697	4,632	46.03%	2.27%	2.29%
17	Multi-Family 65	2"	9,406	13,737	4,331	46.05%	2.12%	2.14%
18	Multi-Family 67	4"	11,990	17,505	5,515	46.00%	2.70%	2.73%
19	Multi-Family 89	1"	13,438	18,768	5,329	39.66%	3.03%	2.92%
20	Multi-Family 102	2"	12,850	18,772	5,922	46.08%	2.90%	2.92%
21	Multi-Family 129	4"	16,174	23,649	7,475	46.22%	3.64%	3.68%
22	Multi-Family 153	4"	18,998	27,754	8,756	46.09%	4.28%	4.32%
23	Miscellaneous Revenues		10,532	10,532	-	0.00%	2.37%	1.64%
24	Difference between Bill Count Revenues							
25	and General Ledger Revenues		6,311	9,220	2,909	46.10%	1.42%	1.44%
26	**Subtotal Revenues**		$ 443,802	$ 642,088	198,286	44.68%	100.00%	100.00%
27								
28								
29				**Revenue Annualization**				
30			**Present**	**Proposed**	**Dollar**	**Percent**	Bills to be	Additional Gallons to be Pumped
31			**Revenues**	**Revenues**	**Change**	**Change**	Issued	(In 1,000's)
32	5/8 Inch Residential		11,725	17,113	5,388	45.95%	620	4,686
33	1 Inch Residential		(3,296)	(4,805)	(1,509)	45.78%	(4)	(365)
34	2 Inch Residential		(1,428)	(2,082)	(654)	45.83%	(6)	(1,001)
35	4 Inch Residential		(4,464)	(6,509)	(2,045)	45.81%	(8)	(2,915)
36	5/8 Inch Commercial		783	1,142	359	45.87%	22	429
37	1 Inch Commercial		(541)	(789)	(248)	45.84%	(4)	(365)
38	2 Inch Commercial		(764)	(1,114)	(350)	45.87%	(5)	(460)
39	3 Inch Commercial		(4,894)	(7,135)	(2,241)	45.80%	(6)	(3,349)
40	Total Revenue Annualizations		(2,878)	(4,179)	(1,301)	45.21%	609	(3,339)
41	**Total Revenues**		440,924	637,909	196,984	44.68%		

Arizona American - Havasu Water
Revenue Summary
With Annualized Revenues to Year End Number of Customers
Test Year Ended December 31, 2001
Step One Rate Increase

Exhibit
Schedule H-1
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Revised Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch Residential		249,903	350,367	100,464	40.20%	56.31%	56.78%
2	1 Inch Residential		3,296	4,642	1,346	40.83%	0.74%	0.75%
3	1.5 Inch Residential		-	-	-		0.00%	0.00%
4	2 Inch Residential		1,580	2,218	639	40.43%	0.36%	0.36%
5	3 Inch Residential		-	-	-		0.00%	0.00%
6	4 Inch Residential		3,730	5,244	1,515	40.61%	0.84%	0.85%
7	6 Inch Residential		-	-	-		0.00%	0.00%
8	5/8 Inch Commercial		15,714	22,042	6,328	40.27%	3.54%	3.57%
9	1 Inch Commercial		7,007	9,828	2,821	40.26%	1.58%	1.59%
10	2 Inch Commercial		3,958	5,547	1,589	40.15%	0.89%	0.90%
11	3 Inch Commercial		30,088	42,222	12,134	40.33%	6.78%	6.84%
12	4 Inch Commercial		3,820	5,356	1,535	40.19%	0.86%	0.87%
13	6 inch Commercial		-	-	-		0.00%	0.00%
14	Multi-Family 44	4"	7,203	10,093	2,890	40.12%	1.62%	1.64%
15	Multi-Family 56	2"	7,741	10,842	3,100	40.05%	1.74%	1.76%
16	Multi-Family 64	4"	10,065	14,100	4,035	40.09%	2.27%	2.28%
17	Multi-Family 65	2"	9,406	13,177	3,772	40.10%	2.12%	2.14%
18	Multi-Family 67	4"	11,990	16,804	4,814	40.15%	2.70%	2.72%
19	Multi-Family 89	1"	13,438	17,997	4,559	33.92%	3.03%	2.92%
20	Multi-Family 102	2"	12,850	17,993	5,143	40.02%	2.90%	2.92%
21	Multi-Family 129	4"	16,174	22,670	6,496	40.16%	3.64%	3.67%
22	Multi-Family 153	4"	18,998	26,599	7,601	40.01%	4.28%	4.31%
23	Miscellaneous Revenues		10,532	10,532	-	0.00%	2.37%	1.71%
24	Difference in Bill Count & Gen. Leg. Rev		6,311	8,835	2,524	40.00%	1.42%	1.43%
25	**Subtotal Revenues**		$ 443,802	$ 617,107	173,305	39.05%	100.00%	100.00%
26								
27								
28				**Revenue Annualization**				Additional
29			**Present**	**Proposed**	**Dollar**	**Percent**	Bills to be	Gallons to be Pumped
30			**Revenues**	**Revenues**	**Change**	**Change**	Issued	(In 1,000's)
31	5/8 Inch Residential		11,725	16,444	4,718	40.24%	620	4,686
32	1 Inch Residential		(3,296)	(4,642)	(1,346)	40.83%	(4)	(365)
33	2 Inch Residential		(1,428)	(2,006)	(578)	40.51%	(6)	(1,001)
34	4 Inch Residential		(4,464)	(6,270)	(1,806)	40.46%	(8)	(2,915)
35	5/8 Inch Commercial		783	1,098	316	40.34%	22	429
36	1 Inch Commercial		(541)	(756)	(215)	39.73%	(4)	(365)
37	2 Inch Commercial		(764)	(1,067)	(304)	39.76%	(5)	(460)
38	3 Inch Commercial		(4,894)	(6,873)	(1,979)	40.44%	(6)	(3,349)
39	Total Revenue Annualizations		(2,878)	(4,072)	(1,194)	41.48%	609	(3,339)
40	**Total Revenues**		440,924	613,035	172,111	39.03%		

Arizona American - Havasu Water
Bill Comparison
Customer Classification Multi-family 044 1 Inch

Arizona American - Havasu Water
Bill Comparison
Customer Classification Multi-family 044 1 Inch
Step-One Rate Increase

Exhibit
Schedule H-4
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Witness: Kozoman

Usage	Summer Present Bill	Summer Proposed Bill	Dollar Increase	Percent Increase	Usage	Winter Present Bill	Winter Proposed Bill	Dollar Increase	Percent Increase
-	$ 440.00	$ 616.00	$ 176.00	40.00%	-	$ 440.00	$ 616.00	$ 176.00	40.00%
1,000	440.00	616.00	$ 176.00	40.00%	1,000	440.00	616.00	176.00	40.00%
2,000	440.00	616.00	$ 176.00	40.00%	2,000	440.00	616.00	176.00	40.00%
3,000	440.00	616.00	$ 176.00	40.00%	3,000	440.00	616.00	176.00	40.00%
4,000	440.00	616.00	$ 176.00	40.00%	4,000	440.00	616.00	176.00	40.00%
5,000	440.00	616.00	$ 176.00	40.00%	5,000	440.00	616.00	176.00	40.00%
6,000	440.00	616.00	$ 176.00	40.00%	6,000	440.00	616.00	176.00	40.00%
7,000	440.00	616.00	$ 176.00	40.00%	7,000	440.00	616.00	176.00	40.00%
8,000	440.00	616.00	$ 176.00	40.00%	8,000	440.00	616.00	176.00	40.00%
9,000	440.00	616.00	$ 176.00	40.00%	9,000	440.00	616.00	176.00	40.00%
10,000	440.00	616.00	$ 176.00	40.00%	10,000	440.00	616.00	176.00	40.00%
11,000	440.00	616.00	$ 176.00	40.00%	11,000	440.00	616.00	176.00	40.00%
12,000	440.00	616.00	$ 176.00	40.00%	12,000	440.00	616.00	176.00	40.00%
13,000	440.00	616.00	$ 176.00	40.00%	13,000	440.00	616.00	176.00	40.00%
14,000	440.00	616.00	$ 176.00	40.00%	14,000	440.00	616.00	176.00	40.00%
15,000	440.00	616.00	$ 176.00	40.00%	15,000	440.00	616.00	176.00	40.00%
16,000	440.00	616.00	$ 176.00	40.00%	16,000	440.00	616.00	176.00	40.00%
17,000	440.00	616.00	$ 176.00	40.00%	17,000	440.00	616.00	176.00	40.00%
18,000	440.00	616.00	$ 176.00	40.00%	18,000	440.00	616.00	176.00	40.00%
94,000	511.00	716.00	$ 205.00	40.12%	94,000	505.50	707.50	202.00	39.96%
95,000	512.42	718.00	$ 205.58	40.12%	95,000	506.81	709.33	202.52	39.96%
96,000	513.84	720.00	$ 206.16	40.12%	96,000	508.12	711.16	203.04	39.96%
97,000	515.26	722.00	$ 206.74	40.12%	97,000	509.43	712.99	203.56	39.96%
98,000	516.68	724.00	$ 207.32	40.13%	98,000	510.74	714.82	204.08	39.96%
99,000	518.10	726.00	$ 207.90	40.13%	99,000	512.05	716.65	204.60	39.96%
120,000	547.92	768.00	$ 220.08	40.17%	120,000	539.56	755.08	215.52	39.94%
128,000	559.28	784.00	$ 224.72	40.18%	128,000	550.04	769.72	219.68	39.94%
129,000	560.70	786.00	$ 225.30	40.18%	129,000	551.35	771.55	220.20	39.94%
149,000	589.10	826.00	$ 236.90	40.21%	149,000	577.55	808.15	230.60	39.93%
159,000	603.30	846.00	$ 242.70	40.23%	159,000	590.65	826.45	235.80	39.92%
185,000	640.22	898.00	$ 257.78	40.26%	185,000	624.71	874.03	249.32	39.91%
193,000	651.58	914.00	$ 262.42	40.27%	193,000	635.19	888.67	253.48	39.91%
201,000	662.94	930.00	$ 267.06	40.28%	201,000	645.67	903.31	257.64	39.90%
214,000	681.40	956.00	$ 274.60	40.30%	214,000	662.70	927.10	264.40	39.90%
248,000	729.68	1,024.00	$ 294.32	40.34%	248,000	707.24	989.32	282.08	39.88%
Average Usage					Average Usage				
160,250	$ 605.08	$ 848.50	$ 243.43	40.23%	160,250	592.29	828.74	236.45	39.92%
Median Usage					Median Usage				
154,000	$ 596.20	$ 836.00	$ 239.80	40.22%	154,000	584.10	817.30	233.20	39.92%

Present Rates:

Monthly Minimum:		$ 440.00	
Gallons in Minimum		44,000	
Charge Per 1,000 Gallons		Summer	Winter
Up to	99,999,999	$ 1.42	$ 1.31
Up to	99,999,998	$ 1.42	$ 1.31
Over	100,000,000	$ 1.42	$ 1.31
		$ 1.42	$ 1.31

Proposed Rates:

Monthly Minimum:		$ 616.00	
Gallons in Minimum		44,000	
Charge Per 1,000 Gallons		Summer	Winter
Up to	99,999,999	$ 2.00	$ 1.83
Up to	99,999,999	$ 2.00	$ 1.83
Over	100,000,000	$ 2.00	$ 1.83
		$ 2.00	$ 1.83

Arizona American - Havasu Water
Bill Comparison
Customer Classification — Multi-family 064 4 Inch

Arizona American - Havasu Water
Bill Comparison
Customer Classification — Multi-family 064 4 Inch
Step-One Rate Increase

Exhibit
Schedule H-4
Page 13
Witness: Kozoman

Usage	Summer Present Bill	Summer Proposed Bill	Dollar Increase	Percent Increase	Usage	Winter Present Bill	Winter Proposed Bill	Dollar Increase	Percent Increase
-	$ 640.00	$ 896.00	$ 256.00	40.00%	-	$ 640.00	$ 896.00	$ 256.00	40.00%
1,000	640.00	896.00	$ 256.00	40.00%	1,000	640.00	896.00	256.00	40.00%
2,000	640.00	896.00	$ 256.00	40.00%	2,000	640.00	896.00	256.00	40.00%
3,000	640.00	896.00	$ 256.00	40.00%	3,000	640.00	896.00	256.00	40.00%
4,000	640.00	896.00	$ 256.00	40.00%	4,000	640.00	896.00	256.00	40.00%
5,000	640.00	896.00	$ 256.00	40.00%	5,000	640.00	896.00	256.00	40.00%
6,000	640.00	896.00	$ 256.00	40.00%	6,000	640.00	896.00	256.00	40.00%
7,000	640.00	896.00	$ 256.00	40.00%	7,000	640.00	896.00	256.00	40.00%
8,000	640.00	896.00	$ 256.00	40.00%	8,000	640.00	896.00	256.00	40.00%
9,000	640.00	896.00	$ 256.00	40.00%	9,000	640.00	896.00	256.00	40.00%
10,000	640.00	896.00	$ 256.00	40.00%	10,000	640.00	896.00	256.00	40.00%
11,000	640.00	896.00	$ 256.00	40.00%	11,000	640.00	896.00	256.00	40.00%
12,000	640.00	896.00	$ 256.00	40.00%	12,000	640.00	896.00	256.00	40.00%
13,000	640.00	896.00	$ 256.00	40.00%	13,000	640.00	896.00	256.00	40.00%
14,000	640.00	896.00	$ 256.00	40.00%	14,000	640.00	896.00	256.00	40.00%
15,000	640.00	896.00	$ 256.00	40.00%	15,000	640.00	896.00	256.00	40.00%
16,000	640.00	896.00	$ 256.00	40.00%	16,000	640.00	896.00	256.00	40.00%
17,000	640.00	896.00	$ 256.00	40.00%	17,000	640.00	896.00	256.00	40.00%
18,000	640.00	896.00	$ 256.00	40.00%	18,000	640.00	896.00	256.00	40.00%
19,000	640.00	896.00	$ 256.00	40.00%	19,000	640.00	896.00	256.00	40.00%
20,000	640.00	896.00	$ 256.00	40.00%	20,000	640.00	896.00	256.00	40.00%
80,000	662.72	928.00	$ 265.28	40.03%	80,000	660.96	925.28	264.32	39.99%
81,000	664.14	930.00	$ 265.86	40.03%	81,000	662.27	927.11	264.84	39.99%
82,000	665.56	932.00	$ 266.44	40.03%	82,000	663.58	928.94	265.36	39.99%
83,000	666.98	934.00	$ 267.02	40.03%	83,000	664.89	930.77	265.88	39.99%
84,000	668.40	936.00	$ 267.60	40.04%	84,000	666.20	932.60	266.40	39.99%
85,000	669.82	938.00	$ 268.18	40.04%	85,000	667.51	934.43	266.92	39.99%
86,000	671.24	940.00	$ 268.76	40.04%	86,000	668.82	936.26	267.44	39.99%
164,000	782.00	1,096.00	$ 314.00	40.15%	164,000	771.00	1,079.00	308.00	39.95%
165,000	783.42	1,098.00	$ 314.58	40.15%	165,000	772.31	1,080.83	308.52	39.95%
166,000	784.84	1,100.00	$ 315.16	40.16%	166,000	773.62	1,082.66	309.04	39.95%
168,000	787.68	1,104.00	$ 316.32	40.16%	168,000	776.24	1,086.32	310.08	39.95%
174,000	796.20	1,116.00	$ 319.80	40.17%	174,000	784.10	1,097.30	313.20	39.94%
182,000	807.56	1,132.00	$ 324.44	40.18%	182,000	794.58	1,111.94	317.36	39.94%
185,000	811.82	1,138.00	$ 326.18	40.18%	185,000	798.51	1,117.43	318.92	39.94%
193,000	823.18	1,154.00	$ 330.82	40.19%	193,000	808.99	1,132.07	323.08	39.94%
204,000	838.80	1,176.00	$ 337.20	40.20%	204,000	823.40	1,152.20	328.80	39.93%
206,000	841.64	1,180.00	$ 338.36	40.20%	206,000	826.02	1,155.86	329.84	39.93%
249,000	902.70	1,266.00	$ 363.30	40.25%	249,000	882.35	1,234.55	352.20	39.92%
447,000	1,183.86	1,662.00	$ 478.14	40.39%	447,000	1,141.73	1,596.89	455.16	39.87%
Average Usage					Average Usage				
208,583	$ 845.31	$ 1,185.17	$ 339.86	40.21%	208,583	829.40	1,160.59	331.18	39.93%
Median Usage					Median Usage				
183,500	$ 809.69	$ 1,135.00	$ 325.31	40.18%	183,500	796.55	1,114.69	318.14	39.94%

Present Rates:

Monthly Minimum:		$ 640.00		
Gallons in Minimum		64,000		
Charge Per 1,000 Gallons		Summer	Winter	
Up to	99,999,999	$ 1.42	$	1.31
Up to	99,999,998	$ 1.42	$	1.31
Over	100,000,000	$ 1.42	$	1.31
		$ 1.42	$	1.31

Proposed Rates:

Monthly Minimum:		$ 896.00		
Gallons in Minimum		64,000		
Charge Per 1,000 Gallons		Summer	Winter	
Up to	99,999,999	$ 2.00	$	1.83
Up to	99,999,999	$ 2.00	$	1.83
Over	100,000,000	$ 2.00	$	1.83
		$ 2.00	$	1.83

Arizona American - Havasu Water
Bill Comparison
Customer Classification — Multi-family 089 1 Inch

Arizona American - Havasu Water
Bill Comparison
Customer Classification — Multi-family 089 1 Inch
Step-One Rate Increase

Exhibit
Schedule H-4
Page 16
Witness: Kozoman

Usage	Summer Present Bill	Summer Proposed Bill	Dollar Increase	Percent Increase	Usage	Winter Present Bill	Winter Proposed Bill	Dollar Increase	Percent Increase
-	$ 890.00	$ 1,246.00	$ 356.00	40.00%	-	$ 890.00	$ 1,246.00	$ 356.00	40.00%
1,000	890.00	1,246.00	$ 356.00	40.00%	1,000	890.00	1,246.00	356.00	40.00%
2,000	890.00	1,246.00	$ 356.00	40.00%	2,000	890.00	1,246.00	356.00	40.00%
3,000	890.00	1,246.00	$ 356.00	40.00%	3,000	890.00	1,246.00	356.00	40.00%
4,000	890.00	1,246.00	$ 356.00	40.00%	4,000	890.00	1,246.00	356.00	40.00%
5,000	890.00	1,246.00	$ 356.00	40.00%	5,000	890.00	1,246.00	356.00	40.00%
6,000	890.00	1,246.00	$ 356.00	40.00%	6,000	890.00	1,246.00	356.00	40.00%
7,000	890.00	1,246.00	$ 356.00	40.00%	7,000	890.00	1,246.00	356.00	40.00%
8,000	890.00	1,246.00	$ 356.00	40.00%	8,000	890.00	1,246.00	356.00	40.00%
9,000	890.00	1,246.00	$ 356.00	40.00%	9,000	890.00	1,246.00	356.00	40.00%
10,000	890.00	1,246.00	$ 356.00	40.00%	10,000	890.00	1,246.00	356.00	40.00%
11,000	890.00	1,246.00	$ 356.00	40.00%	11,000	890.00	1,246.00	356.00	40.00%
12,000	890.00	1,246.00	$ 356.00	40.00%	12,000	890.00	1,246.00	356.00	40.00%
13,000	890.00	1,246.00	$ 356.00	40.00%	13,000	890.00	1,246.00	356.00	40.00%
14,000	890.00	1,246.00	$ 356.00	40.00%	14,000	890.00	1,246.00	356.00	40.00%
15,000	890.00	1,246.00	$ 356.00	40.00%	15,000	890.00	1,246.00	356.00	40.00%
16,000	890.00	1,246.00	$ 356.00	40.00%	16,000	890.00	1,246.00	356.00	40.00%
17,000	890.00	1,246.00	$ 356.00	40.00%	17,000	890.00	1,246.00	356.00	40.00%
18,000	890.00	1,246.00	$ 356.00	40.00%	18,000	890.00	1,246.00	356.00	40.00%
19,000	890.00	1,246.00	$ 356.00	40.00%	19,000	890.00	1,246.00	356.00	40.00%
93,000	895.68	1,254.00	$ 358.32	40.01%	93,000	895.24	1,253.32	358.08	40.00%
94,000	897.10	1,256.00	$ 358.90	40.01%	94,000	896.55	1,255.15	358.60	40.00%
105,000	912.72	1,278.00	$ 365.28	40.02%	105,000	910.96	1,275.28	364.32	39.99%
118,000	931.18	1,304.00	$ 372.82	40.04%	118,000	927.99	1,299.07	371.08	39.99%
121,000	935.44	1,310.00	$ 374.56	40.04%	121,000	931.92	1,304.56	372.64	39.99%
195,000	1,040.52	1,458.00	$ 417.48	40.12%	195,000	1,028.86	1,439.98	411.12	39.96%
205,000	1,054.72	1,478.00	$ 423.28	40.13%	205,000	1,041.96	1,458.28	416.32	39.96%
237,000	1,100.16	1,542.00	$ 441.84	40.16%	237,000	1,083.88	1,516.84	432.96	39.95%
246,000	1,112.94	1,560.00	$ 447.06	40.17%	246,000	1,095.67	1,533.31	437.64	39.94%
325,000	1,225.12	1,718.00	$ 492.88	40.23%	325,000	1,199.16	1,677.88	478.72	39.92%
333,000	1,236.48	1,734.00	$ 497.52	40.24%	333,000	1,209.64	1,692.52	482.88	39.92%
325,000	1,225.12	1,718.00	$ 492.88	40.23%	325,000	1,199.16	1,677.88	478.72	39.92%
430,000	1,374.22	1,928.00	$ 553.78	40.30%	430,000	1,336.71	1,870.03	533.32	39.90%
432,000	1,377.06	1,932.00	$ 554.94	40.30%	432,000	1,339.33	1,873.69	534.36	39.90%
Average Usage					Average Usage				
256,000	$ 1,127.14	$ 1,580.00	$ 452.86	40.18%	256,000	1,108.77	1,551.61	442.84	39.94%
Median Usage					Median Usage				
241,500	$ 1,106.55	$ 1,551.00	$ 444.45	40.17%	241,500	1,089.78	1,525.08	435.30	39.94%

Present Rates:

			Summer	Winter
Monthly Minimum:			$ 890.00	
Gallons in Minimum			89,000	
Charge Per 1,000 Gallons			Summer	Winter
Up to	99,999,999		$ 1.42	$ 1.31
Up to	99,999,998		$ 1.42	$ 1.31
Over	100,000,000		$ 1.42	$ 1.31
			$ 1.42	$ 1.31

Proposed Rates:

			Summer	Winter
Monthly Minimum:			$1,246.00	
Gallons in Minimum			89,000	
Charge Per 1,000 Gallons			Summer	Winter
Up to	99,999,999		$ 2.00	$ 1.83
Up to	99,999,999		$ 2.00	$ 1.83
Over	100,000,000		$ 2.00	$ 1.83
			$ 2.00	$ 1.83

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Water Company, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM WATER, AGUA FRIA WATER AND ANTHEM/AGUA FRIA WASTEWATER DISTRICTS.	DOCKET NO. WS-01303A-02-0870

SUPPLEMENT TO DIRECT TESTIMONY OF

RONALD KOZOMAN, CPA

EXHIBIT
A-60
Admitted

TABLE OF CONTENTS

Page

I. INTRODUCTION 1

II. CAUSE OF INSUFFICIENCY: ITEM NUMBER 6 1

1374588.1

I. INTRODUCTION

Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENT TO YOUR DIRECT TESTIMONY?

A. The purpose of this supplemental testimony is to respond to Staff's List of Items Causing the Filing to be Insufficient dated December 23, 2002 ("Staff Insufficiency Finding"). In addition, the Company is concurrently filing supplements to the direct testimony of David P. Stephenson and Thomas Bourassa in response to the Staff Insufficiency Finding.

Q. HOW WILL YOUR SUPPLEMENTAL TESTIMONY BE ORGANIZED?

A. Specifically, in this testimony, I address only one of Staff's expressed reasons for insufficiency—its finding that Schedule H-4 for the Agua Fria water district fails to identify present and proposed rates on certain pages.

Q. HAVE YOU MADE ANY CHANGES AS A RESULT OF STAFF'S FINDINGS?

A. Yes, and where appropriate revised schedules are attached hereto at Tab A. I wish to point out, however, that none of the changes effect the plant in service, rate base, and/or the revenue requirement in this case.

II. CAUSE OF INSUFFICIENCY: AGUA FRIA WATER DISTRICT ITEM NUMBER 6

Q. STAFF CLAIMS THAT CERTAIN "H" SCHEDULES FOR THE AGUA FRIA WATER DISTRICT ARE MISSING PRESENT AND PROPOSED RATES. WHAT HAS THE COMPANY DONE TO RESPOND TO THIS FINDING?

A. For the Agua Fria water district Staff found that Schedule H-4, pages 8, 9, 10, 11, 13 and 17 failed to include the present and proposed rates. Schedules correcting this are attached hereto.

Q. DO ANY OF YOUR CHANGES AFFECT THE PRESENT OR PROPOSED RATES/REVENUES AS REFLECTED ON THE COMPANY'S SCHEDULES H-1 AND H-2?

A. No.

Q. DOES THAT CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

A. Yes.

A

Arizona American - Agua Fria
Bill Comparison
Customer Classification AWCL 34 Inch

Exhibit
Schedule H-4
Page 8
Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 15.00	$ 16.14	$ 1.14	7.60%
1,000	16.78	18.05	$ 1.27	7.57%
2,000	18.56	19.96	$ 1.40	7.54%
3,000	20.34	21.87	$ 1.53	7.52%
4,000	22.12	23.78	$ 1.66	7.50%
5,000	23.90	25.69	$ 1.79	7.49%
6,000	25.68	27.60	$ 1.92	7.48%
7,000	27.46	29.51	$ 2.05	7.47%
8,000	29.24	31.42	$ 2.18	7.46%
9,000	31.48	33.83	$ 2.35	7.47%
10,000	33.72	36.24	$ 2.52	7.47%
11,000	35.96	38.65	$ 2.69	7.48%
12,000	38.20	41.06	$ 2.86	7.49%
13,000	40.44	43.47	$ 3.03	7.49%
14,000	42.68	45.88	$ 3.20	7.50%
15,000	44.92	48.29	$ 3.37	7.50%
16,000	47.16	50.70	$ 3.54	7.51%
17,000	49.40	53.11	$ 3.71	7.51%
18,000	51.64	55.52	$ 3.88	7.51%
19,000	53.88	57.93	$ 4.05	7.52%
20,000	56.12	60.34	$ 4.22	7.52%
21,000	58.36	62.75	$ 4.39	7.52%
22,000	60.60	65.16	$ 4.56	7.52%
23,000	62.84	67.57	$ 4.73	7.53%
24,000	65.08	69.98	$ 4.90	7.53%
25,000	67.32	72.39	$ 5.07	7.53%
26,000	69.56	74.80	$ 5.24	7.53%
27,000	71.80	77.21	$ 5.41	7.53%
28,000	74.04	79.62	$ 5.58	7.54%
29,000	76.28	82.03	$ 5.75	7.54%
30,000	78.52	84.44	$ 5.92	7.54%
31,000	80.76	86.85	$ 6.09	7.54%
32,000	83.00	89.26	$ 6.26	7.54%
33,000	85.24	91.67	$ 6.43	7.54%
34,000	87.48	94.08	$ 6.60	7.54%
Average Usage				
14,989	$ 44.90	$ 48.26	$ 3.37	7.50%
Median Usage				
2,000	$ 18.56	$ 19.96	$ 1.40	7.54%

Present Rates:

Monthly Minimum:		$ 15.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 1.78
Up to	99,999,998	$ 2.24
Over	99,999,999	$ 2.24
		$ 2.24

Proposed Rates:

Monthly Minimum:		$ 16.14
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 1.91
Up to	99,999,999	$ 2.41
Over	100,000,000	$ 2.41
		$ 2.41

Arizona American - Agua Fria
Bill Comparison
Customer Classification AWCL 1 Inch

Exhibit
Schedule H-4
Page 9
Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 25.00	$ 26.90	$ 1.90	7.60%
1,000	26.78	28.81	$ 2.03	7.58%
2,000	28.56	30.72	$ 2.16	7.56%
3,000	30.34	32.63	$ 2.29	7.55%
4,000	32.12	34.54	$ 2.42	7.53%
5,000	33.90	36.45	$ 2.55	7.52%
6,000	35.68	38.36	$ 2.68	7.51%
7,000	37.46	40.27	$ 2.81	7.50%
8,000	39.24	42.18	$ 2.94	7.49%
9,000	41.48	44.59	$ 3.11	7.50%
10,000	43.72	47.00	$ 3.28	7.50%
11,000	45.96	49.41	$ 3.45	7.51%
12,000	48.20	51.82	$ 3.62	7.51%
13,000	50.44	54.23	$ 3.79	7.51%
14,000	52.68	56.64	$ 3.96	7.52%
15,000	54.92	59.05	$ 4.13	7.52%
16,000	57.16	61.46	$ 4.30	7.52%
17,000	59.40	63.87	$ 4.47	7.53%
18,000	61.64	66.28	$ 4.64	7.53%
19,000	63.88	68.69	$ 4.81	7.53%
20,000	66.12	71.10	$ 4.98	7.53%
21,000	68.36	73.51	$ 5.15	7.53%
22,000	70.60	75.92	$ 5.32	7.54%
23,000	72.84	78.33	$ 5.49	7.54%
24,000	75.08	80.74	$ 5.66	7.54%
25,000	77.32	83.15	$ 5.83	7.54%
26,000	79.56	85.56	$ 6.00	7.54%
27,000	81.80	87.97	$ 6.17	7.54%
28,000	84.04	90.38	$ 6.34	7.54%
29,000	86.28	92.79	$ 6.51	7.55%
30,000	88.52	95.20	$ 6.68	7.55%
31,000	90.76	97.61	$ 6.85	7.55%
32,000	93.00	100.02	$ 7.02	7.55%
33,000	95.24	102.43	$ 7.19	7.55%
Average Usage				
22,823	$ 72.44	$ 77.90	$ 5.46	7.54%
Median Usage				
9,000	$ 41.48	$ 44.59	$ 3.11	7.50%

Present Rates:

Monthly Minimum:		$ 25.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 1.78
Up to	99,999,998	$ 2.24
Over	99,999,999	$ 2.24
		$ 2.24

Proposed Rates:

Monthly Minimum:		$ 26.90
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 1.91
Up to	99,999,999	$ 2.41
Over	100,000,000	$ 2.41
		$ 2.41

Arizona American - Agua Fria
Bill Comparison
Customer Classification AWCL 1.5 Inch

Exhibit
Schedule H-4
Page 10
Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 53.00	$ 57.02	$ 4.02	7.58%
1,000	54.78	58.93	$ 4.15	7.58%
2,000	56.56	60.84	$ 4.28	7.57%
3,000	58.34	62.75	$ 4.41	7.56%
4,000	60.12	64.66	$ 4.54	7.55%
5,000	61.90	66.57	$ 4.67	7.54%
6,000	63.68	68.48	$ 4.80	7.54%
7,000	65.46	70.39	$ 4.93	7.53%
8,000	67.24	72.30	$ 5.06	7.53%
9,000	69.48	74.71	$ 5.23	7.53%
10,000	71.72	77.12	$ 5.40	7.53%
11,000	73.96	79.53	$ 5.57	7.53%
12,000	76.20	81.94	$ 5.74	7.53%
13,000	78.44	84.35	$ 5.91	7.53%
14,000	80.68	86.76	$ 6.08	7.54%
15,000	82.92	89.17	$ 6.25	7.54%
16,000	85.16	91.58	$ 6.42	7.54%
17,000	87.40	93.99	$ 6.59	7.54%
18,000	89.64	96.40	$ 6.76	7.54%
19,000	91.88	98.81	$ 6.93	7.54%
20,000	94.12	101.22	$ 7.10	7.54%
21,000	96.36	103.63	$ 7.27	7.54%
22,000	98.60	106.04	$ 7.44	7.55%
23,000	100.84	108.45	$ 7.61	7.55%
24,000	103.08	110.86	$ 7.78	7.55%
25,000	105.32	113.27	$ 7.95	7.55%
26,000	107.56	115.68	$ 8.12	7.55%
27,000	109.80	118.09	$ 8.29	7.55%
28,000	112.04	120.50	$ 8.46	7.55%
29,000	114.28	122.91	$ 8.63	7.55%
30,000	116.52	125.32	$ 8.80	7.55%
31,000	118.76	127.73	$ 8.97	7.55%
32,000	121.00	130.14	$ 9.14	7.55%
33,000	123.24	132.55	$ 9.31	7.55%
34,000	125.48	134.96	$ 9.48	7.55%
35,000	127.72	137.37	$ 9.65	7.56%
36,000	129.96	139.78	$ 9.82	7.56%
37,000	132.20	142.19	$ 9.99	7.56%
38,000	134.44	144.60	$ 10.16	7.56%
39,000	136.68	147.01	$ 10.33	7.56%
40,000	138.92	149.42	$ 10.50	7.56%
41,000	141.16	151.83	$ 10.67	7.56%
Average Usage				
89,393	$ 249.56	$ 268.46	$ 18.90	7.57%
Median Usage				
62,000	$ 188.20	$ 202.44	$ 14.24	7.57%

Present Rates:

Monthly Minimum:		$ 53.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 1.78
Up to	99,999,998	$ 2.24
Over	99,999,999	$ 2.24
		$ 2.24

Proposed Rates:

Monthly Minimum:		$ 57.02
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 1.91
Up to	99,999,999	$ 2.41
Over	100,000,000	$ 2.41
		$ 2.41

Arizona American - Agua Fria
Bill Comparison
Customer Classification AWCL 2 Inch

Exhibit
Schedule H-4
Page 11
Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 80.00	$ 86.07	$ 6.07	7.59%
1,000	81.78	87.98	$ 6.20	7.58%
2,000	83.56	89.89	$ 6.33	7.58%
3,000	85.34	91.80	$ 6.46	7.57%
4,000	87.12	93.71	$ 6.59	7.56%
5,000	88.90	95.62	$ 6.72	7.56%
6,000	90.68	97.53	$ 6.85	7.55%
7,000	92.46	99.44	$ 6.98	7.55%
8,000	94.24	101.35	$ 7.11	7.54%
9,000	96.48	103.76	$ 7.28	7.55%
10,000	98.72	106.17	$ 7.45	7.55%
11,000	100.96	108.58	$ 7.62	7.55%
12,000	103.20	110.99	$ 7.79	7.55%
13,000	105.44	113.40	$ 7.96	7.55%
14,000	107.68	115.81	$ 8.13	7.55%
15,000	109.92	118.22	$ 8.30	7.55%
16,000	112.16	120.63	$ 8.47	7.55%
17,000	114.40	123.04	$ 8.64	7.55%
18,000	116.64	125.45	$ 8.81	7.55%
19,000	118.88	127.86	$ 8.98	7.55%
20,000	121.12	130.27	$ 9.15	7.55%
60,000	210.72	226.67	$ 15.95	7.57%
61,000	212.96	229.08	$ 16.12	7.57%
62,000	215.20	231.49	$ 16.29	7.57%
63,000	217.44	233.90	$ 16.46	7.57%
64,000	219.68	236.31	$ 16.63	7.57%
65,000	221.92	238.72	$ 16.80	7.57%
66,000	224.16	241.13	$ 16.97	7.57%
67,000	226.40	243.54	$ 17.14	7.57%
68,000	228.64	245.95	$ 17.31	7.57%
69,000	230.88	248.36	$ 17.48	7.57%
70,000	233.12	250.77	$ 17.65	7.57%
71,000	235.36	253.18	$ 17.82	7.57%
72,000	237.60	255.59	$ 17.99	7.57%
73,000	239.84	258.00	$ 18.16	7.57%
74,000	242.08	260.41	$ 18.33	7.57%
75,000	244.32	262.82	$ 18.50	7.57%
76,000	246.56	265.23	$ 18.67	7.57%
77,000	248.80	267.64	$ 18.84	7.57%
78,000	251.04	270.05	$ 19.01	7.57%
79,000	253.28	272.46	$ 19.18	7.57%
80,000	255.52	274.87	$ 19.35	7.57%
81,000	257.76	277.28	$ 19.52	7.57%
82,000	260.00	279.69	$ 19.69	7.57%
83,000	262.24	282.10	$ 19.86	7.57%
84,000	264.48	284.51	$ 20.03	7.57%
85,000	266.72	286.92	$ 20.20	7.57%
86,000	268.96	289.33	$ 20.37	7.57%
87,000	271.20	291.74	$ 20.54	7.57%
88,000	273.44	294.15	$ 20.71	7.57%
89,000	275.68	296.56	$ 20.88	7.57%
90,000	277.92	298.97	$ 21.05	7.57%
Average Usage				
125,151	$ 356.66	$ 383.68	$ 27.03	7.58%
Median Usage				
34,000	$ 152.48	$ 164.01	$ 11.53	7.56%

Present Rates:

Monthly Minimum:	
Gallons in Minimum	
Charge Per 1,000 Gallons	
Up to	8,000
Up to	99,999,998
Over	99,999,999

Proposed Rates:

Monthly Minimum:	
Gallons in Minimum	
Charge Per 1,000 Gallons	
Up to	8,000
Up to	99,999,999
Over	100,000,000

Arizona American - Agua Fria
Bill Comparison
Customer Classification AWCL 6 Inch

Exhibit
Schedule H-4
Page 13
Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 400.00	$ 430.34	$ 30.34	7.58%
1,000	401.78	432.25	30.47	7.58%
2,000	403.56	434.16	30.60	7.58%
3,000	405.34	436.07	30.73	7.58%
4,000	407.12	437.98	30.86	7.58%
5,000	408.90	439.89	30.99	7.58%
6,000	410.68	441.80	31.12	7.58%
7,000	412.46	443.71	31.25	7.58%
8,000	414.24	445.62	31.38	7.58%
9,000	416.48	448.03	31.55	7.58%
10,000	418.72	450.44	31.72	7.58%
11,000	420.96	452.85	31.89	7.58%
12,000	423.20	455.26	32.06	7.58%
13,000	425.44	457.67	32.23	7.58%
14,000	427.68	460.08	32.40	7.58%
15,000	429.92	462.49	32.57	7.58%
16,000	432.16	464.90	32.74	7.58%
17,000	434.40	467.31	32.91	7.58%
18,000	436.64	469.72	33.08	7.58%
19,000	438.88	472.13	33.25	7.58%
20,000	441.12	474.54	33.42	7.58%
2,608,000	6,238.24	6,711.62	473.38	7.59%
2,710,000	6,466.72	6,957.44	490.72	7.59%
2,730,000	6,511.52	7,005.64	494.12	7.59%
2,989,000	7,091.68	7,629.83	538.15	7.59%
3,048,000	7,223.84	7,772.02	548.18	7.59%
3,327,000	7,848.80	8,444.41	595.61	7.59%
3,455,000	8,135.52	8,752.89	617.37	7.59%
3,583,000	8,422.24	9,061.37	639.13	7.59%
3,740,000	8,773.92	9,439.74	665.82	7.59%
4,153,000	9,699.04	10,435.07	736.03	7.59%
4,317,000	10,066.40	10,830.31	763.91	7.59%
4,884,000	11,336.48	12,196.78	860.30	7.59%
5,938,000	13,697.44	14,736.92	1,039.48	7.59%
Average Usage				
1,816,455	4,465.18	4,804.00	338.82	7.59%
Median Usage				
1,763,000	4,345.44	4,675.17	329.73	7.59%

Present Rates:

Monthly Minimum:		$ 400.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 1.78
Up to	99,999,998	$ 2.24
Over	99,999,999	$ 2.24
		$ 2.24

Proposed Rates:

Monthly Minimum:		$ 430.34
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 1.91
Up to	99,999,999	$ 2.41
Over	100,000,000	$ 2.41
		$ 2.41

Arizona American - Agua Fria
Bill Comparison
Customer Classification — Public Interruptible 8 Inch

Exhibit
Schedule H-4
Page 17
Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	-	-	-	
1,000	$ 1.00	$ 1.00	$ -	0.00%
2,000	2.00	2.00	-	0.00%
3,000	3.00	3.00	-	0.00%
4,000	4.00	4.00	-	0.00%
5,000	5.00	5.00	-	0.00%
6,000	6.00	6.00	-	0.00%
7,000	7.00	7.00	-	0.00%
8,000	8.00	8.00	-	0.00%
9,000	9.00	9.00	-	0.00%
10,000	10.00	10.00	-	0.00%
11,000	11.00	11.00	-	0.00%
12,000	12.00	12.00	-	0.00%
13,000	13.00	13.00	-	0.00%
14,000	14.00	14.00	-	0.00%
15,000	15.00	15.00	-	0.00%
16,000	16.00	16.00	-	0.00%
17,000	17.00	17.00	-	0.00%
18,000	18.00	18.00	-	0.00%
19,000	19.00	19.00	-	0.00%
20,000	20.00	20.00	-	0.00%
1,142,000	1,142.00	1,142.00	-	0.00%
1,397,000	1,397.00	1,397.00	-	0.00%
2,330,000	2,330.00	2,330.00	-	0.00%
3,345,000	3,345.00	3,345.00	-	0.00%
6,530,000	6,530.00	6,530.00	-	0.00%
6,815,000	6,815.00	6,815.00	-	0.00%
6,935,000	6,935.00	6,935.00	-	0.00%
8,300,000	8,300.00	8,300.00	-	0.00%
9,130,000	9,130.00	9,130.00	-	0.00%
11,090,000	11,090.00	11,090.00	-	0.00%
11,305,000	11,305.00	11,305.00	-	0.00%
Average Usage				
1,995,250	$ 1,995.25	$ 1,995.25	$ -	0.00%
Median Usage				
157,500	$ 157.50	$ 157.50	$ -	0.00%

Present Rates:

Monthly Minimum:		$	-
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	99,999,999	$	1.00
Up to	99,999,999	$	1.00
Over	99,999,999	$	1.00
		$	1.00

Proposed Rates:

Monthly Minimum:		$	-
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	99,999,999	$	1.00
Up to	99,999,999	$	1.00
Over	99,999,999	$	1.00
		$	1.00

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS TUBAC WATER DISTRICT.	DOCKET NO. W-01303A-02-0908

SUPPLEMENT TO DIRECT TESTIMONY OF

RONALD KOZOMAN, CPA

EXHIBIT
A-61
Admitted

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I. INTRODUCTION 1
II. CAUSE OF INSUFFICIENCY: TUBAC WATER DISTRICT NO. 6 1

1378709.1

I. INTRODUCTION

Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENT TO YOUR DIRECT TESTIMONY?

A. The purpose of this supplemental testimony is to respond to Staff's List of Items Causing the Filing to be Insufficient dated January 13, 2003 ("Staff Insufficiency Finding"). In addition, the Company is concurrently filing supplements to the direct testimony of David P. Stephenson and Thomas Bourassa in response to the Staff Insufficiency Finding.

Q. HOW WILL YOUR SUPPLEMENTAL TESTIMONY BE ORGANIZED?

A. In this testimony, I address Staff's expressed concerns over the application for the Tubac water district. Specifically, I address one of the reasons Staff has concluded that the filings for this district is insufficient as identified consistent with the numbering in the Staff Insufficiency Finding. Those items in the Staff Insufficiency Finding not covered in my supplemental testimony are addressed by either Mr. Stephenson or Mr. Bourassa.

Q. HAVE YOU MADE ANY CHANGES AS A RESULT OF STAFF'S FINDINGS?

A. Yes, and revised schedules are attached hereto at Tab A. I wish to point out, however, that none of the changes affect the plant in service, rate base, and/or the revenue requirement in this case.

II. CAUSE OF INSUFFICIENCY: TUBAC WATER DISTRICT NO. 6.

Q. STAFF CLAIMS THAT CERTAIN "H" SCHEDULES ARE MISSING PRESENT AND PROPOSED RATES. WHAT HAS THE COMPANY DONE TO RESPOND TO THIS FINDING?

A. Staff states that Schedule H-4, page 10 (bill comparison for the 3 inch commercial customer), and one-step Schedule H-4 pages 1 and 2 (bill comparison for the 5/8

inch and 1 inch residential customers) do not include the present and proposed rates. Revised schedules reflecting the present and proposed rates are attached hereto at Tab A.

Q. HAVE ANY OF YOUR CHANGES AFFECTED THE PRESENT OR PROPOSED RATES/REVENUES AS REFELECTED ON THE COMPANY'S SCHEDULES H-1 AND H-2?

A. No.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes.

A

Arizona American - Tubac
Bill Comparison
Customer Classification TWCL 3 Inch

Exhibit
Schedcule H-4
Page 10
Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 90.00	$ 167.59	$ 77.59	86.21%
1,000	91.66	170.68	$ 79.02	86.21%
2,000	93.32	173.77	$ 80.45	86.21%
3,000	94.98	176.86	$ 81.88	86.21%
4,000	96.64	179.95	$ 83.31	86.21%
5,000	98.30	183.04	$ 84.74	86.21%
6,000	99.96	186.13	$ 86.17	86.20%
7,000	101.62	189.22	$ 87.60	86.20%
8,000	103.28	192.31	$ 89.03	86.20%
9,000	105.32	196.10	$ 90.78	86.19%
10,000	107.36	199.89	$ 92.53	86.19%
11,000	109.40	203.68	$ 94.28	86.18%
12,000	111.44	207.47	$ 96.03	86.17%
13,000	113.48	211.26	$ 97.78	86.16%
14,000	115.52	215.05	$ 99.53	86.16%
15,000	117.56	218.84	$ 101.28	86.15%
16,000	119.60	222.63	$ 103.03	86.15%
17,000	121.64	226.42	$ 104.78	86.14%
18,000	123.68	230.21	$ 106.53	86.13%
19,000	125.72	234.00	$ 108.28	86.13%
20,000	127.76	237.79	$ 110.03	86.12%
21,000	129.80	241.58	$ 111.78	86.12%
22,000	131.84	245.37	$ 113.53	86.11%
23,000	133.88	249.16	$ 115.28	86.11%
24,000	135.92	252.95	$ 117.03	86.10%
25,000	137.96	256.74	$ 118.78	86.10%
26,000	140.00	260.53	$ 120.53	86.09%
27,000	142.04	264.32	$ 122.28	86.09%
28,000	144.08	268.11	$ 124.03	86.08%
29,000	146.12	271.90	$ 125.78	86.08%
30,000	148.16	275.69	$ 127.53	86.08%
31,000	150.20	279.48	$ 129.28	86.07%
Average Usage				
22,833	$ 133.54	$ 248.53	$ 114.99	86.11%
Median Usage				
6,000	$ 99.96	$ 186.13	$ 86.17	86.20%

Present Rates:

Monthly Minimum:		$ 90.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 1.66
Up to	999,999,999	$ 2.04
Over	1,000,000,000	$ 2.04
		$ 2.04

Proposed Rates:

Monthly Minimum:		$ 167.59
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 3.09
Up to	999,999,999	$ 3.79
Over	1,000,000,000	$ 3.79
		$ 3.79

Arizona American - Tubac
Bill Comparison
Customer Classification TWRE 5/8 Inch
Step-One Rate Increase

Exhibit
Schedcule H-4
Page 1
Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 15.35	$ 21.49	$ 6.14	40.00%
1,000	17.01	23.81	$ 6.80	39.98%
2,000	18.67	26.13	$ 7.46	39.96%
3,000	20.33	28.45	$ 8.12	39.94%
4,000	21.99	30.77	$ 8.78	39.93%
5,000	23.65	33.09	$ 9.44	39.92%
6,000	25.31	35.41	$ 10.10	39.91%
7,000	26.97	37.73	$ 10.76	39.90%
8,000	28.63	40.05	$ 11.42	39.89%
9,000	30.67	42.91	$ 12.24	39.91%
10,000	32.71	45.77	$ 13.06	39.93%
11,000	34.75	48.63	$ 13.88	39.94%
12,000	36.79	51.49	$ 14.70	39.96%
13,000	38.83	54.35	$ 15.52	39.97%
14,000	40.87	57.21	$ 16.34	39.98%
15,000	42.91	60.07	$ 17.16	39.99%
16,000	44.95	62.93	$ 17.98	40.00%
17,000	46.99	65.79	$ 18.80	40.01%
18,000	49.03	68.65	$ 19.62	40.02%
19,000	51.07	71.51	$ 20.44	40.02%
20,000	53.11	74.37	$ 21.26	40.03%
21,000	55.15	77.23	$ 22.08	40.04%
22,000	57.19	80.09	$ 22.90	40.04%
23,000	59.23	82.95	$ 23.72	40.05%
24,000	61.27	85.81	$ 24.54	40.05%
25,000	63.31	88.67	$ 25.36	40.06%
26,000	65.35	91.53	$ 26.18	40.06%
27,000	67.39	94.39	$ 27.00	40.07%
28,000	69.43	97.25	$ 27.82	40.07%
29,000	71.47	100.11	$ 28.64	40.07%
30,000	73.51	102.97	$ 29.46	40.08%
31,000	75.55	105.83	$ 30.28	40.08%
Average Usage				
13,177	$ 39.19	$ 54.86	$ 15.67	39.97%
Median Usage				
8,000	$ 28.63	$ 40.05	$ 11.42	39.89%

Present Rates:

Monthly Minimum:		$ 15.35
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 1.66
Up to	999,999,999	$ 2.04
Over	1,000,000,000	$ 2.04
		$ 2.04

Proposed Rates:

Monthly Minimum:		$ 21.49
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 2.32
Up to	999,999,999	$ 2.86
Over	1,000,000,000	$ 2.86
		$ 2.86

Arizona American - Tubac
Bill Comparison
Customer Classification TWRE 1 Inch
Step-One Rate Increase

Exhibit
Schedcule H-4
Page 2
Witness: Kozoman
REVISED

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 23.00	$ 32.20	$ 9.20	40.00%
1,000	24.66	34.52	$ 9.86	39.98%
2,000	26.32	36.84	$ 10.52	39.97%
3,000	27.98	39.16	$ 11.18	39.96%
4,000	29.64	41.48	$ 11.84	39.95%
5,000	31.30	43.80	$ 12.50	39.94%
6,000	32.96	46.12	$ 13.16	39.93%
7,000	34.62	48.44	$ 13.82	39.92%
8,000	36.28	50.76	$ 14.48	39.91%
9,000	38.32	53.62	$ 15.30	39.93%
10,000	40.36	56.48	$ 16.12	39.94%
11,000	42.40	59.34	$ 16.94	39.95%
12,000	44.44	62.20	$ 17.76	39.96%
13,000	46.48	65.06	$ 18.58	39.97%
14,000	48.52	67.92	$ 19.40	39.98%
15,000	50.56	70.78	$ 20.22	39.99%
16,000	52.60	73.64	$ 21.04	40.00%
17,000	54.64	76.50	$ 21.86	40.01%
18,000	56.68	79.36	$ 22.68	40.01%
19,000	58.72	82.22	$ 23.50	40.02%
20,000	60.76	85.08	$ 24.32	40.03%
21,000	62.80	87.94	$ 25.14	40.03%
22,000	64.84	90.80	$ 25.96	40.04%
23,000	66.88	93.66	$ 26.78	40.04%
24,000	68.92	96.52	$ 27.60	40.05%
25,000	70.96	99.38	$ 28.42	40.05%
26,000	73.00	102.24	$ 29.24	40.05%
27,000	75.04	105.10	$ 30.06	40.06%
28,000	77.08	107.96	$ 30.88	40.06%
29,000	79.12	110.82	$ 31.70	40.07%
30,000	81.16	113.68	$ 32.52	40.07%
31,000	83.20	116.54	$ 33.34	40.07%
32,000	85.24	119.40	$ 34.16	40.08%
33,000	87.28	122.26	$ 34.98	40.08%
Average Usage				
15,301	$ 51.17	$ 71.64	$ 20.47	39.99%
Median Usage				
12,000	$ 44.44	$ 62.20	$ 17.76	39.96%

Present Rates:

Monthly Minimum:		$ 23.00
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 1.66
Up to	999,999,999	$ 2.04
Over	1,000,000,000	$ 2.04
		$ 2.04

Proposed Rates:

Monthly Minimum:		$ 32.20
Gallons in Minimum		-
Charge Per 1,000 Gallons		
Up to	8,000	$ 2.32
Up to	999,999,999	$ 2.86
Over	1,000,000,000	$ 2.86
		$ 2.86

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WEST WATER AND WASTEWATER DISTRICTS.	**DOCKET NO. WS-01303A-02-0867**
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WATER AND WASTEWATER DISTRICTS.	**DOCKET NO. WS-01303A-02-0868**
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS MOHAVE WATER AND HAVASU WATER DISTRICTS.	**DOCKET NO. W-01303A-02-0869**

EXHIBIT
A-62
Admitted

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM WATER, AGUA FRIA WATER AND ANTHEM/AGUA FRIA WASTEWATER DISTRICTS.	**DOCKET NO. WS-01303A-02-0870**
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS TUBAC WATER DISTRICT.	**DOCKET NO. W-01303A-02-0908**

REBUTTAL TESTIMONY OF

RONALD L. KOZOMAN

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND ADDRESS?

A. Ronald L. Kozoman. 1605 W. Mulberry Drive, Phoenix, AZ 85015.

Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THE INSTANT CASE?

A. Yes, I have.

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. I will provide rebuttal testimony in response to the direct filings by Staff and RUCO. More specifically, my rebuttal testimony relates to rate design and the proposed new rates needed for Arizona-American to recover its revenue requirement. Where appropriate I will use the same abbreviations and conventions that were utilized in my direct testimony.

Q. HOW WILL YOUR REBUTTAL TESTIMONY BE ORGANIZED?

A. I will first provide a summary of the Company's revenue requirement for each water and wastewater district, based on its rebuttal position. As shown below, the Company has made certain adjustments in response to the other parties.

Next, I will discuss Staff's proposed rate design. As explained below, this rate design is poorly conceived and violates fundamental cost of service principles. It is predicated on providing a discounted commodity rate to all customers, and shifting revenue recovery to larger commercial customers, without regard to their cost of service.

Third, I will present cost of service studies for each of the Company's water districts in this case based on Staff's recommendations. These cost of service studies utilize the Staff's recommend revenues, plant, expenses, and so on. The purpose of the studies is to demonstrate the serious flaws in Staff's rate design and the inequities that rate design creates.

Finally, I will address certain rate issues with regard to RUCO and the other intervenors in this case.

As a preliminary matter, I should note that there is no disagreement concerning the Company's Low Income Program, which the Company was required to submit by the Commission in Decision No. 65655 (Feb. 20, 2003). That program applies only in Sun City and Sun City West, and relieves qualifying low income residential customers on 5/8 x 3/4 inch meters and 3/4 inch meters from paying a surcharge associated with the use of Central Arizona Project water in those two districts. Because this program is related to the surcharge, it does not affect the revenue requirements or rate design in this case. Due to the agreement of Staff and RUCO, there is no rebuttal on this topic.

Q. HAVE YOU PREPARED ANY REBUTTAL SCHEDULES?

A. Yes. I have prepared Rebuttal Schedules labeled as H and G. Additionally I have prepared Kozoman Rebuttal Schedules 1, 2, 3, and 4.

II. SUMMARY OF THE COMPANY'S REBUTTAL REVENUES

Q. WHAT ARE THE COMPANY'S PROPOSED RATE INCREASES BASED ON ITS REBUTTAL ADJUSTMENTS?

A. The currently requested revenue requirements and revenue increase for each water and wastewater district, based on the Company's rebuttal adjustments, are as follows:

	Revenue Requirement	Revenue Increase	Percent Increase
Agua Fria	$6,302,757	$119,289	1.93%
Anthem Water	4,025,066	18,658	0.47%
Anthem/Agua Fria Wastewater	2,186,787	323,599	17.37%
Havasu Water	569,225	128,301	29.10%

Mohave Water	4,590,694	196,561	4.47%
Sun City Water	10,543,503	4,364,140	70.62%
Sun City Wastewater	5,404,262	316,400	6.22%
Sun City West Water	4,581,390	1,215,842	36.13%
Sun City West Wastewater	5,140,333	1,608,546	45.56%
Tubac Water	439,919	186,106	73.32%

Q. HOW ARE THE REQUESTED INCREASES ALLOCATED?

A. The Company continues to maintain that the revenue increase for each district should be allocated proportionately to all customers according to the same cost of service based allocation methodology employed by the Commission when the current rates were established.

Kozoman Rebuttal Schedule 1 illustrates the comparable revenue proposals for the Company, Staff and RUCO. On the first page is a summary of the proposed rate increases or decreases. Each party's proposed rates are shown beginning on the second page of the schedule.

Q. HAVE YOU PREPARED A SCHEDULE CONTAINING THE COMPANY'S PROPOSED REBUTTAL RATES FOR EACH DIVISION?

A. Yes, I have prepared separate schedules for each district, which are attached. These schedules are labeled as Rebuttal Schedules H-1, H-2, and H-3, respectively for each district. The schedules show the Company's proposed rebuttal rates by meter sizes, and contain a bill comparison of present and presently proposed rates based on average customer usage.

Q. DOES THE COMPANY STILL PROPOSE TO PHASE IN RATE INCREASES OVER TWO YEARS FOR ANY OF THE SYSTEMS FOR

WHICH THE APPROVED INCREASE IS GREATER THAN 40 PERCENT?

A. Yes, where applicable it does.

III. STAFF'S PROPOSED RATES AND RATE DESIGN

Q. DOES THE COMPANY AGREE WITH STAFF'S PROPOSED RATE DESIGN?

A. No. Staff is proposing radical changes in the Company's rate design for all water districts. Staff is recommending a three-tier inverted block rate structure with breakpoints at 4,000 gallons and at 100,000 gallons of use for all of the Company's districts and for all meter sizes. This rate design is unsupported by a cost of service study and arbitrarily assumes that the breakpoints in the commodity rate should be the same for all customers, regardless of the customer's location and regardless of the customer's service classification and type of use. Staff's rate design violates the principle of designing rates based on the cost of service by generating a subsidy (i.e., selling water below cost in the first rate block) and then requiring customers that use large amounts of water for various non-residential purposes (for example, hospitals and schools) to pay more than the cost of service in order to recover the subsidy.

Q. WHAT IS STAFF'S EXPLANATION FOR THIS RATE DESIGN PROPOSAL?

A. The Staff witness sponsoring this rate design, Mr. Rogers, explains in his direct testimony at page 6 that the discounted commodity rate applicable to the first 4,000 gallons is intended to serve two purposes. First, according to Mr. Rogers, "it supports the state-wide effort to improve water use efficiency. Customers are rewarded monetarily by restricting their use to this level which reflects Staff's view of efficient water use." This reason is, however, illogical. Selling water to

all customers at a discounted rate, that is, a rate below the cost of service, does not encourage "water use efficiency." In reality, this sort of discount will encourage inefficient water use by sending the wrong pricing signal, particularly since the discounted commodity rate is applicable to all customers.

Q. WHAT IS THE SECOND REASON GIVEN BY MR. ROGERS FOR HIS RATE DESIGN?

A. Mr. Rogers also testifies on page 6 of his direct testimony that the discounted rate applicable to the first 4,000 gallons of use is akin to a "lifeline" rate. He states that the discounted rate "effectively serves as a supplementary life-line rate providing affordable water to customers willing to limit consumption to their basic needs. Providing affordable water in limited amounts is appropriate because water is the only utility commodity that is necessary for sustaining life." Once again, however, this rationale makes little sense and is contrary to basic cost of service principles. By definition, a lifeline rate is intended to provide a minimum volume of water service at a reduced cost to residential customers that find it difficult to afford water service due to their income levels. Lifeline rates are discussed by the American Water Works Association ("AWWA") in its Manual 34, entitled *Alternative Rates*. A copy of this manual's chapter on lifeline rates is attached to my rebuttal testimony and labeled as Kozoman Rebuttal Exhibit 1. In summary, the AWWA provides the following recommendations concerning lifeline rates and similar types of discounted rates for water service:

First, lifeline rates should be offered only to residential customers and then only to residential customers who meet certain income eligibility requirements. The reason for this recommendation is obvious: discounted rates, such as those proposed by Staff, are contrary to basic cost of service principles and are not economically efficient, as I previously stated. Discounted rates produce a subsidy

that must be recovered by means of higher rates in other usage blocks, who then pay more than their cost of service.

Second, the AWWA states that lifeline rates and similar types of discounted rates should not be considered unless the local cost of water service is high relative to other, similar water utilities, or where a significant percentage of residential customers are believed to be unable to afford water service. There is no indication in Mr. Rogers' direct testimony that Staff examined whether these circumstances are present. Again, Staff is proposing to establish a discounted rate for all customers, without regard to any customer's particular circumstances or whether such discount is necessary.

Third, the AWWA states that lifeline rates and similar types of discounted rates should <u>not</u> be used in areas where there are water shortages or where water use is a concern. The AWWA states that the use of lifeline rates "may encourage greater use among the eligible customers and therefore be inconsistent with the need to reduce water consumption. In this case, the benefits to customers whose water costs might be reduced would have to be weighed against water use concerns." AWWA, *Alternative Rates* at 11. The AWWA also states that discounted rates "provide no conservation or water reduction incentive to those that receive the subsidy. Since water is sold below cost, the pricing incentive to reduce consumption is lessened. . . . The impact on demand should be carefully considered in areas where water supplies are scarce." *Id.* at 13. In this case, although the Company is not facing water supply shortages, several of its water districts (Sun City, Sun City West, Anthem and Agua Fria) are located within the Phoenix Active Management Area, and are subject to certain water conservation requirements imposed by the Arizona Department of Water Resources. Also, the Tubac water district is located within the Santa Cruz Active Management Area. In

these Active Management Areas, water conservation is an established goal. Staff's proposed rate design is contrary to that goal.

Q. MR. ROGERS CONTENDS IN HIS DIRECT TESTIMONY THAT STAFF'S RATE DESIGN WILL PROMOTE REDUCTIONS IN AVERAGE USE IN THE LONG TERM. DO YOU AGREE?

A. Providing a discounted commodity rate, which is applicable to all customers, is contrary to Mr. Rogers' statement. It is important to keep in mind that the majority of customers will actually see their monthly bills decreased. This decrease will result from the fact that the first 4,000 gallons used by a customer will be priced at a discount. Mr. Rogers provides no explanation for how this sort of rate design, which is intended to address social welfare concerns rather than encouraging water conservation, will lead to a long-term reduction in average water use. Again, as the AWWA states, this type of rate structure should <u>not</u> be utilized where water use is a concern.

Q. DO YOU HAVE ANY COMMENTS ON STAFF'S UPPER RATE BLOCK AND ITS IMPACT ON THE COMPANY AND ITS CUSTOMERS?

A. Yes. Mr. Rogers testifies on page 6 of his direct testimony that the use of a breakpoint at 100,000 gallons "sends an economic signal to potential new customers that consumption at this level is high compared to other customers on the system and is being discouraged." He also states that a "relatively high break-over point is desirable to limit the effect of tiered rates on the vast majority of existing customers." There are several problems with these arguments.

First, Mr. Rogers addresses the "economic signal" that will be given to "<u>potential</u> new customers." He ignores the impact on the Company's <u>existing</u> customers, particularly commercial customers on larger meters. These customers, which include hospitals, schools and other types of public institutions, will receive

substantially greater rate increases. Whether deliberate or not, Staff's rate design will require a relatively small number of large volume users to pay higher rates in order to subsidize the remaining customers by virtue of Staff's initial, discounted rate block. There is no indication in Mr. Rogers' testimony whether he considered the impacts on the customers that use in excess of 100,000 gallons a month in developing his rate design. For example, there is no indication that these customers, while using large amounts of water, are using water inefficiently or have any conservation potential.

Second, Mr. Rogers' statement about the "desirability" of having a high breakpoint, in this case 100,000 gallons, makes little sense for the same reason. If Staff's goal is to encourage water conservation while promoting economic efficiency, a much better approach would be to design rates that are directed at high water users <u>in each customer class</u>. For example, it would be more appropriate to have relatively low breakpoints established for residential customers on smaller-sized meters to encourage them to reduce their water use. A residential customer who uses, on average, 20,000 gallons of water a month may well be using water far less efficiently and have greater conservation potential than, for example, a hospital that uses 150,000 gallons of water each month. By arbitrarily choosing 100,000 gallons per month as the breakpoint between the second and third tiers, without any cost of service study or supporting analysis based on the Company's test year bill count, Staff is ignoring the vast majority of customers and is simply shifting revenue recovery to large users, without regard to their cost of service.

Q. YOU MENTIONED THAT STAFF HAS NOT PERFORMED A COST OF SERVICE STUDY IN ORDER TO EVALUATE WHETHER ITS

PROPOSED RATE DESIGN FAIRLY ALLOCATES THE COST OF SERVICE AMONG THE DIFFERENT CUSTOMER CLASSES.

A. That is correct. Although Staff is proposing to dramatically change the Company's rate design, Staff did not perform a cost of service study to determine the impact of its rate design on various customer classes and whether the customers in those classes would be paying their cost of service.

Q. HAVE YOU PREPARED ANY COST OF SERVICE STUDIES TO EVALUATE STAFF'S RATE DESIGN?

A. Yes. I prepared cost of service studies for each of the Company's water districts using Staff's proposed plant value, expenses, and rates of return. I must emphasize that the Company does <u>not</u> agree with Staff's proposed plant values, expenses, and rates of return. The cost of service studies were prepared using Staff's values to determine if Staff's proposed rates are cost based or cost justified. The cost of service studies show that Staff's rates are not cost based, or even close to being set at cost, with regard to Staff's proposed monthly minimum charges. Nor are the rates cost based for the first 4,000 gallons of water usage.

IV. <u>COST OF SERVICE STUDY</u>

Q. WHAT IS A COST OF SERVICE STUDY?

A. A cost of service study is an allocation of plant and expenses among each class of customers. Utility plant and expenses are allocated to cost and asset functions. The cost functions are then allocated to customer classifications. The process attempts to trace the costs resulting from meeting the customers' service requirements. Ideally, the revenues received from each customer class should equal the cost of providing service to that customer class. The cost to provide service includes the income necessary to pay debt interest, provide a return on the

debt and equity financing the investment, and provide for the income taxes on the equity return.

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

A. The purpose of preparing a cost of service study is to offer guidance in setting rates to be charged for utility service. Rates aren't always set based on the computed cost to serve a particular class of customer. Instead, the cost of service study could be used to move the utility's rates closer to "cost-based" rates. Even if the Commission's goal is to give customers a signal to conserve water, the Commission must base its rates on cost. The cost to produce 20,000 gallons is approximately 20 times the cost to produce 1,000 gallons of water, unless the cost of service study is done on an incremental basis, i.e., if additional plant is needed to produce the additional 19,000 gallons of water.

Additionally, there are many factors at play when rates are set. The regulatory body may be moving toward cost-based rates. However, the regulatory body may also favor subsidizing one class of customer by the other classes of customers. Lifeline rates, discussed above, are a prime example of subsidization of a class of customers by all other customers, or by customers using more commodity than the average customer. Another example is a rate intended to encourage conservation. Thus, public policy may have a significant effect on rate design.

Q. HOW IS YOUR COST OF SERVICE STUDY ORGANIZED?

A. The standard filing requirements call for Schedules G-1 through G-7. I have included Rebuttal Schedules G-1 through G-7. Additionally, I have included Rebuttal Schedules G-8 and G-9, which I will explain later in my testimony.

Rebuttal schedules with higher numbers, i.e., 5, 6 and 7, contain the allocation factors and actual allocations to functions. These functions are then

carried forward to the summary schedules 1, 2, 3 and 4, which allocate expenses and plant (by function) to classes of customers (by meter size).

I will start with the Schedules labeled as G-7 and end with Schedules labeled as G-2 and G-1. I will then describe the Schedules G-8 and G-9.

Q. WHAT IS A FUNCTION?

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

Demand refers to how the water system is sized to deliver the water. Demand for system size is normally determined by total customers and fire flow requirements. In other words, the system is designed to be able to deliver water (the commodity) to customers when demanded, as well as meeting the demand placed on the water system when water is used to fight a fire.

Commodity refers to the actual volume of water. The commodity function is used to derive the commodity rate or the rate charged per 1,000 gallons of water.

Customer, service, and meter functions are used to develop a portion of the monthly minimum charged to each class of customer. The demand function should be included in the monthly minimum charged customers. However, the current practice of this Commission has been to allocate a portion of the demand function to both the commodity rate and to the monthly minimum charged customers.

Customer, service and meter functions refer to the delivery of the water from the Company's wells, surface sources or reservoirs through the transmission and distribution lines to the individual customer's premises. The costs associated with demand, customer, service and meter functions are incurred whether the customer uses 4,000 or 100,000 gallons of water per month. In fact, certain of

these costs are incurred by the utility even if the customer uses no water. The meter and service functions are subsets of the customer function.

Fire Protection assets (hydrants) and expenses associated with fire protection, including depreciation, were allocated to the customer function, under the concept that fire protection benefits all customers on the system. This has been the Commission policy with regard to fire protection.

Q. WHAT TYPE OF COST OF SERVICE STUDY DID YOU PREPARE TO TEST THE STAFF'S PROPOSED RATES?

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

Commodity costs are costs that tend to vary with the production or output of water. These costs would consist primarily of power costs, chemicals, water treatment, purchased water, and other variable expenses. Please note that I included a portion of the demand function into the commodity function, to adhere to the Commission Staff's past methodology. This approach overstates the allocations to the commodity function, resulting in a higher commodity rate and a lower monthly minimum charge.

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

Customer costs are those costs related to serving and/or having customers, without regard to the amount of water used. These costs would include meter reading, billing, customer accounting and collection, and the capital and

maintenance costs related to the meters, services, and customer equipment such as meters, service lines, computers, office furniture, transportation equipment, and so forth.

In following the practice of this Commission, fire protection costs were allocated to the customer function.

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

A. After the expenses and assets are allocated to the commodity, demand, customer, service, and meter functions, these values for the functions are then allocated to various customer classes. Customer classes are by meter sizes on the system.

Q. DOES A COST OF SERVICE STUDY PROVIDE FOR THE DATA FOR A TIERED RATE DESIGN?

A. No. The cost of service study will provide the cost of the commodity, but it will not indicate where rate tiers should be set. Normally, tiers are developed by means of a careful analysis of the water utility's bill count to determine, by customer class or meter size, where breakpoints are appropriate, depending on the specific goals of the rate design. However, a cost of service study is still useful because the starting point in developing tiered rates is the basic cost of service. Without such a cost of service study, the analyst is simply guessing in recommending rates for each tier, as Staff has done in this case.

Q. WOULD YOU PLEASE DESCRIBE AND EXPLAIN THE SCHEDULES WHICH COMPRISE YOUR COST OF SERVICE STUDY, AND WOULD YOU DESCRIBE HOW THE VARIOUS FUNCTIONS WERE DEVELOPED?

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

The commodity allocation is based on the number of gallons of water used by customers on various sizes of meters, plus the gallons from the revenue annualization to the year-end number of customers, divided by the total gallons of water sold (including gallons from the revenue annualization) during the test year. Thus, if 10,000,000 gallons of water were sold through the 5/8 x 3/4 inch meters, out of a total of 50,000,000 gallons of water sold by the water utility, this meter size would be allocated 20% of the commodity cost.

The demand allocation factor consists of the number of meters for each size of meter on the system, multiplied by the equivalent weight of each size of meter. The equivalent weight is determined by the flow capacity of each meter. A 5/8 x 3/4 inch meter can flow 20 gallons per minute, while a 6 inch meter can flow 1,000 gallons per minute. Thus, one 6 inch meter is equivalent to fifty 5/8 x 3/4 inch meters. The base meter on which larger meters are restated to equivalent meters is the 5/8 x 3/4 inch meter which is the smallest meter.

The customer allocation factor is the number of customers on each size meter. The allocation is based on total meters, not equivalent meters, because customer costs do not vary based on meter size.

I computed the meter allocation factor factors by multiplying the number of meters times the most recent cost of installing a meter. Costs were taken from the Commission Staff Engineering memorandum originated by Marlin Scott, Jr., dated April 23, 2002. The dollar weighted value of meters is then divided by the total computed meter cost to derive the meter allocation factor to each class of customer.

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

Schedule G-7, page 2a lists the allocation of expenses for wages/salaries and for repairs and maintenance. These factors were computed using the 2001 Trial Balance from Citizens Communication for the each division. I summed the various categories of expense for wages/salaries. I re-allocated the Operation/Supervision to each wage/salary category. I then used these labor allocations to allocate Staff's recommended wages and salaries to the various functions. This is appropriate because, as explained, the purpose of my cost of service study is to evaluate Staff's rate design.

The same method was used to derive the repairs and maintenance function allocations of expenses for 2001. I applied these allocation functions to Staff's recommended repairs and maintenance.

The depreciation expense allocations shown on Schedule G-6, page 2, apply the allocation factors shown on Schedule G-7, page 2, multiplied by the depreciation expense for each plant asset. For the demand function for Wells, Pumping Equipment and Transmission and Distribution Mains, I assumed an allocation factor of 90%. 10% of plant values and related depreciation expense for Wells, Pumping Equipment and Transmission and Distribution Mains was allocated to the commodity function. The depreciation expense was computed using Staff's depreciation rates.

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

On Schedule G-5, page 2, I allocated net plant rather than gross plant by deducting the accumulated depreciation from each plant asset. Because the Staff did not prepare a schedule showing accumulated depreciation by account for each plant asset, I listed the Company's accumulated depreciation by plant account, and added the Staff's adjustments to accumulated depreciation to derive the net plant values for each water division.

I deducted the advances and contributions in aid of construction from the plant balances normally financed with advances and contributions in aid of construction, which would be transmission and distribution mains. I allocated the advances or contributions to the both the demand and commodity functions, to be consistent with my allocation of the transmission and distribution mains. The allocations are shown on Schedule G-5, page 2.

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

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

Schedule G-3 allocates the rate bases for commodity, demand, customer, service, and meter to customer classes, which are meter sizes. On this schedule I allocated the interest expense to the various rate bases, consistent with the Staff's synchronization of interest expense.

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

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

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

I included the percentage of customer on each size meter on Schedule G-2 to emphasize that Staff's proposed rates will have a substantial adverse impact on the Company's opportunity of actually achieving Staff's recommended rate of return.

V. RATES OF RETURN AT PRESENT AND AT STAFF'S PROPOSED RATES

Q. BASED ON YOUR COST OF SERVICE STUDY, WHAT WERE THE RATES OF RETURN BY DIVISION USING THE STAFF'S RECOMMENDED REVENUES, EXPENSES, PLANT AND RATES OF RETURN AT PRESENT AND PROPOSED RATES?

A. There is a slight difference between what the Staff is showing on its Schedule 1 as the revenue requirement and the revenues contained in the Staff's bill counts. Thus, while the Staff recommends an overall rate of return of 6.60%, there are slight differences in what I compute in the cost of service study because I used Staff bill count revenues at proposed rates, which in some cases produced more or less than the Staff's recommended revenues shown on Staff Schedule 1.

The rates of return at present and at the Staff's proposed rates for each of the water divisions are shown on Kozoman Rebuttal Schedule 2. I will list the

present and proposed rates of return for each water division, and point out what the Commission should be concerned above, as shown on Kozoman Rebuttal Schedule 2. On that Schedule, I have printed some of the proposed rates of return in bold font to highlight the changes in rates of return at present rates and at the Staff's proposed rates.

AGUA FRIA WATER

Agua Fria Water's overall rate of return at present rates was 9.76%. At the Staff's proposed rates the return will drop to 6.57%. The rate of return for the 5/8 x 3/4 inch meter class will be only 3.64%. In contrast, the rates of return for the larger meters are: 1 1/2 inch meter 27.63%, 2 inch meter 25.28%, 3 inch meter 21.35%, and 33.89% for the 4 inch meter

ANTHEM WATER

Anthem Water's overall rate of return at present rates was 8.18%. At the Staff's proposed rates the return will drop to 6.59%. The rate of return for the 5/8 x 3/4 inch meter will be 8.08%. The rates of return for the larger meters are: 1 1/2 inch meter, 41.48%; 2 inch meter, 32.20%; 3 inch meter, 61.09%; and 78.04% for the 4 inch meter class.

HAVASU WATER

Havasu Water's overall rate of return at present rates was 8.91%. At the Staff's proposed rates the return will be 7.38%. (Staff did not include the difference between the bill count revenues and the general ledger in their proposed rates. I did.) The rate of return for the 5/8 x 3/4 inch meter class will be only 1.10%. In contrast, the rates of return for the larger meters are: 1 inch meter, 130.42%; 2 inch meter, 76.55%; 3 inch meter, 38.80%; and 51.81% for the 4 inch meter class.

MOHAVE WATER

Mohave Water's overall rate of return at present rates was 10.93%. At the Staff's proposed rates the return will drop to 6.64%. The rate of return for the 5/8 x 3/4 inch meter class will be only 4.42%. In contrast, the rates of return for the larger meters are: 1 inch meter, 19.38%; 1 1/2 inch meter, 38.75%; 2 inch meter, 17.61%; 3 inch meter, 21.60%; and -4.61% for the 4 inch meter class.

SUN CITY WATER

Sun City Water's overall rate of return at present rates was 0.99%. At the Staff's proposed rates the return will be 6.60%. The rate of return for the 5/8 x 3/4 inch meter class will be a miniscule 0.23%, i.e., essentially break-even, with no return. The rates of return for the larger meters are: 1 inch meter, 12.82%; 1 1/2 inch meter, 19.95%; 2 inch meter, 16.21%; 3 inch meter, 19.57%; and 0.77% for the 4 inch meter class.

SUN CITY WEST WATER

Sun City West Water's overall rate of return at present rates was 4.47%. At the Staff's proposed rates the return will be 6.61%. The rate of return for the 5/8 x 3/4 inch meter class will be only 3.10%. In contrast, the rates of return for the larger meters are: 1 inch meter, 14.35%; 1 1/2 inch meter, 34.94%; 2 inch meter, 25.20%; 3 inch meter, 45.26%; and 91.41% for the 4 inch meter class.

TUBAC WATER

Tubac Water's overall rate of return at present rates was 1.72%. At the Staff's proposed rates the return will be 6.57%. The rate of return for the 5/8 x 3/4 inch meter class will be 7.14%. The rates of return for the larger meters are: 1 inch meter, 3.35%; 1 1/2 inch meter, 5.99%; 2 inch meter, 14.49%; and -3.10% for the 3 inch meter class.

Q. WHAT DOES THE SHIFT IN RATES OF RETURN FROM THE SMALLER METERS TO THE LARGER METERS MEAN?

A. The Staff's proposed rate design (three commodity rate tiers which are inverted) produces a shift in the rate of return from the smaller meters to the larger meters. In fact, for some divisions, Havasu and Anthem as examples, the revenues produced by the smaller meters decrease, while the revenues from the larger meters increase, even though Staff is recommending a reduction in rates. Thus, the revenue requirement is being shifted to customers on larger meters.

The cost of service studies show that Staff's proposed rate design is creating a subsidy that must be paid by the larger users to compensate for the initial 4,000 gallon discounted rate block. Customers who use relatively small amounts of water (for example, below 10,000 gallons a month) are the primary beneficiaries of this subsidy because a significant percentage of their total monthly water use is priced at a discount. The revenues that are lost as a result of the price discount – the subsidy – are recovered by penalizing higher use customers, who are primarily served by larger meters. For this reason, the rates of return for virtually all of the larger meters are well above the overall rate of return. I have included Kozoman Rebuttal Schedule 3 comparing Staff's revenues by meter size at present and proposed rates, which highlights the subsidy Staff proposes.

VI. EXPLANATION OF REBUTTAL SCHEDULES G-8 AND G-9

Q. HOW DID YOU COMPUTE THE MONTHLY MINIMUMS BASED ON METER SIZE?

A. The monthly minimums are based on the flow capacity of each meter with the 5/8 x 3/4 inch meter being the base meter for pricing. The computation of the monthly minimum, in part, involves the following:

1. Rate base by function times the debt and equity component of the capital financing rate base, plus income tax on the equity component;
2. Expenses charged to the particular function, and
3. Depreciation charged to the particular function;

The sum of 1, 2, and 3 relating to customer rate base and expenses is divided by the number of meters (customers) to derive the customer charge. The sum of 1, 2, and 3 for meters and service lines is divided by the number of equivalent meters or services to derive the meter and service line charge.

Schedule G-8, page 1 contains the computed monthly minimum for a 5/8 x 3/4 inch meter, as to customer, meter, and service line based on the following: return on investment in assets (the rate base) for the above functions; income taxes allocated to each function, (income taxes based on the proposed rate of return on equity); the expenses allocated to each function, and depreciation allocated to each function. The demand costs should also be included in the monthly minimum.

However, Schedule G-8, page 1a, contains the same computations as contained on page 1, with the exception that the Staff's proposed rate of return for equity and the inclusion of income taxes on the equity return are omitted. This computation derives the actual cost, without a rate of return or recovery of income taxes. Please note that I am using the actual cost, which includes the cost of debt as well as expenses, but without a return on equity and associated income taxes.

Schedule G-8, page 2, contains the computation to derive the demand charge per equivalent 5/8 x 3/4 inch meter, which includes return on debt and equity, and the income taxes on the equity return, plus expenses. A 6 inch meter would be charged 50 times the demand charge for a 5/8 x 3/4 inch meter.

Schedule G-8, page 2a, contains the computation to derive the demand charge per equivalent 5/8 x 3/4 inch meter, but excludes a return on equity and the

income taxes on the equity return. This computation derives the actual cost, without a rate of return on equity or income taxes.

The computed monthly minimums should consist of the expenses and the return on the rate bases for the functions of customer, meter, service, and demand charges. Without inclusion of rates of return and income taxes, the actual cost, with no profit or debt cost recovery can be computed for the monthly minimum.

The computed monthly minimums are shown with and without Staff's recommended rate of return on equity and income taxes are contained on Schedules G-8, page 3.

Also shown on Schedule G-8, page 3 are Staff's proposed monthly minimums compared to the computed monthly minimums. When the computed monthly minimums, including rates of return and income taxes, are compared to the Staff's proposed monthly minimums, my earlier testimony is borne out that Staff's rates are not cost justified. The 5/8 x 3/4 inch meter rate proposed by the Staff is a fraction of the actual cost to serve the customer when Staff's recommended rates of return and income taxes are included in the computed minimum.

If Staff's recommended rate of return on equity and income taxes are excluded from the computed minimum, Staff's proposed rates as a percentage of the computed monthly minimum increase, but never reach 100%. In other words, Staff's monthly minimums fail to recover basic costs of service even without a return on equity.

Q. BUT, MR. KOZOMAN, AREN'T THE PROFITS, LOSSES AND COSTS YOU JUST CITED DEPENDENT ON HOW THE ALLOCATION FACTORS FOR FUNCTIONS ARE DERIVED ON SCHEDULE G-7, PAGE 2?

A. Yes, the allocations influence the results that are derived on Schedule G-8. As I testified, I am allocating costs to commodity for Wells, Pumping, and Distribution Mains to adhere to past Staff policy. The cost of service allocation factors are 90% to demand and 10% to commodity, for wells, pumping equipment and transmission and distributions lines. To approximately equal Staff's proposed monthly minimum for the 5/8 x 3/4 inch meters, the allocation factors for each division need to be changed to:

	Allocation Factor Used in Cost of Service Study	Allocation Factor to Match ACC Staff's Monthly Minimum
Agua Fria		
Demand Allocation Factor	90%	**-25%**
Commodity Allocation Factor	10%	125%
Anthem Water		
Demand Allocation Factor	90%	**-2%**
Commodity Allocation Factor	10%	102%
Havasu Water		
Demand Allocation Factor	90%	**-55%**
Commodity Allocation Factor	10%	155%
Mohave Water		
Demand Allocation Factor	90%	**-115%**
Commodity Allocation Factor	10%	215%
Sun City Water		
Demand Allocation Factor	90%	**-75%**
Commodity Allocation Factor	10%	175%

Sun City West Water		
Demand Allocation Factor	90%	**-60%**
Commodity Allocation Factor	10%	160%
Tubac Water		
Demand Allocation Factor	90%	13%
Commodity Allocation Factor	10%	87%

The negative allocations are highlighted with bold font. Obviously, the allocation factors to approximately match the Staff's proposed monthly minimums aren't reasonable.

Q. PLEASE CONTINUE WITH YOUR TESTIMONY ON COST RECOVERY.

A Schedule G-8, page 4, contains the computation to derive the computed commodity rate, which does include Staff's recommended rate of return on equity and income taxes. The commodity rate proposed by Staff produces a profit, however, because the first tier commodity rate is discounted, the Company will make no profit from customers using only 4,000 gallons. The loss that the Company will experience due to the Staff's proposed monthly minimums, which are well under cost as shown above, is exacerbated by the discount for all usage up to 4,000 gallons per month.

Schedule G-8, page 4a contains the computation to derive the computed commodity rate, which excludes Staff's recommended rates of return and income taxes. This rate is what it actually costs the Company's water district to produce the water per 1,000 gallons.

Q. PLEASE CONTINUE WITH YOU EXPLANATION OF THE G-9 COST OF SERVICE SCHEDULES.

A. Schedule G-9 consists of two pages. Page 1 contains the computed monthly minimum and commodity rate, again <u>without</u> Staff's proposed rate of return and

income taxes for illustrative purposes. For the Company to just meet its costs (no equity return, and no recovery of income taxes), a customer on a 5/8 x 3/4 inch meter must use more than the average monthly water usage or, in very few cases, slightly below the average usage (Mohave and Sun City West). This means that the Company will not collect the revenue required from the average residential user, i.e., the average residential user is being subsidized.

Page 2 of Schedule G-9 contains the computed monthly minimum and commodity rate with Staff's proposed rate of return and income taxes. For the Company to recover it expenses, recover the Staff's recommended equity return, and recover income taxes on the equity return, a customer on a 5/8 x 3/4 inch meter must use over the monthly average usage. These computed costs are from Schedule G-8, page 4, compared to the revenue generated by the Staff's proposed rates.

As the bulk of the Company's customers are residential customers on 5/8 x 3/4 inch meters, it is apparent that under Staff's proposed rates, only customers using greater quantities of water than the monthly average usage are profitable users.

Q. ARE YOU SAYING THEN THAT THE COMPANY CAN'T MAKE A PROFIT ON CUSTOMERS ON A 5/8 X 3/4 INCH METER WHO ARE USING THE AVERAGE QUANTITY OF WATER EACH MONTH?

A. That is exactly what I am saying. At average usage, the Company will lose money on residential customers on the 5/8 x 3/4 inch meter, in most of its water districts. And to clarify a point, debt cost is included in the computed monthly minimum and commodity rates without the Staff's proposed return and income taxes. Thus, the Company loses money for most residential customers on the 5/8 x 3/4 inch meters using the average monthly usage.

Q. COULD YOU PROVIDE A SUMMARY OF THE USAGE NECESSARY, BY WATER DISTRICT, FOR THE COMPANY TO JUST BREAK EVEN, AND ACTUALLY EARN STAFF'S PROPOSED EQUITY RETURN?

A. Yes.

	Aqua Fria	Havasu	Mohave
Gallons that must be used to Recover Costs	8,066	13,805	8,145
Gallons that must be used to Recover Costs and Profit	12,040	17,585	10,760
Average Usage	7,002	7,650	8,787
Percentage of Customers On 5/8 x 3/4 Inch Meter	92.19%	98.32%	94.93%

	Sun City	Sun City West	Tubac
Gallons that must be used to Recover Costs	11,515	6,795	7,952
Gallons that must be used to Recover Costs and Profit	15,335	10,170	12,260
Average Usage	8,361	7,171	13,177
Percentage of Customers on 5/8 x 3/4 Inch Meter	88.10%	93.43%	92.51%

Q. WHY ISN'T ANTHEM INCLUDED IN YOUR DATA?

A. I omitted Anthem because it is a special case. Del Webb entered into an agreement with Citizens to make certain payments, beginning in 2004, which have the effect of subsidizing rates in that district. Without including these payments, the Staff's proposed rates would not recover costs in Anthem, either.

Q. I THOUGHT STAFF WAS USING 2001 REVENUES AND EXPENSES, EVEN THOUGH, AS MR. BOURASSA EXPLAINS, CITIZENS' 2001 EXPENSES WERE NOT NORMAL?

A. Yes, that is Staff's recommended approach. However, Staff has chosen to include the Del Webb 2004 payment to reduce the revenue requirement in Anthem even though doing so is not consistent with its position on expense adjustments.

Q. WOULD YOU SUMMARIZE THE IMPACT OF THE STAFF'S PROPOSED RATES?

A. If the purpose of Staff's rate design is to encourage water conservation, then Staff has failed. This rate design does <u>not</u> encourage conservation because of the initial 4,000 gallon discounted rate block, and may destablize revenues and the Company's earnings because a significant portion of the revenue requirement would be shifted to a relatively small number of customers using over 100,000 gallons monthly. If those customers do conserve (or leave the system), the Company's revenues may decline substantially. This is a very poor rate design.

Q. WOULD A COST OF SERVICE STUDY USING THE COMPANY'S PROPOSED PLANT AND EXPENSES RESULT IN MONTHLY MINIMUMS AS HIGH OR HIGHER THAT WHAT IS COMPUTED IN YOUR COST OF SERVICE STUDY USING ACC STAFF PLANT, EXPENSES, AND RATE OF RETURN?

A. Yes. The Company's plant, expenses, and proposed rate of return are higher than what the Staff is recommending. Therefore, the Company's monthly minimum charges would be higher than what I computed using the Staff's values.

Q. IS THE COMPANY REQUESTING MONTHLY MINIMUMS AS HIGH AS IS SHOWN IN YOUR COST OF SERVICE STUDIES?

A. No, the Company is not requesting monthly minimums as high as I computed in the cost of service study. This is because the Company is proposing to retain the same general rate design that was approved in the prior Citizens cases in order to simplify the rate case.

Q, MR. ROGERS TESTIFIES THAT THE MULTI-UNIT BILLING AT HAVASU AND MOHAVE WATER SHOULD BE RE-EXAMINED IN A FUTURE RATE CASE. WOULD YOU PLEASE COMMENT THIS?

A. The multi-unit, multi-family billing is computed based on the number of households served by the meter multiplied by the monthly minimum charged for a 5/8 x 3/4 inch meter customer. Additionally, these customers receive the number of gallons included in the monthly minimum multiplied by the gallons included for a 5/8 x 3/4 inch meter. In the prior rate case for the Mohave water district, Citizens proposed changing how the multi-unit customers were billed. However, the Staff recommended that the current billing method be retained, and the Commission agreed.

If multi-unit customers were billed based on meter size, the revenues from these customers would decrease. The result would be that all other customers would have to make up the decrease in revenues. While the Company is not opposed to modifying the rate structure for these customers, one must remember that this would require other customers to pay higher rates to make up the resulting revenue shortfall.

VII. RUCO'S PROPOSED RATE DESIGN

Q. DOES THE COMPANY AGREE WITH THE PROPOSED RATE DESIGNS BY STAFF OR RUCO?

A. RUCO proposes rate increases and decreases allocated essentially evenly across the customer groups (with some exceptions, as I will discuss). This is the same

method used by the Company to allocate proposed rate increases. RUCO is proposing to eliminate any gallons included in the monthly minimum for the Havasu and Mohave water districts.

Q. WOULD YOU PLEASE COMMENT ON RUCO'S PROPOSED RATES FOR SUN CITY WATER?

A. RUCO is proposing a very slight decrease in the monthly minimums charged to the irrigation customers, approximately 0.002% to 0.013%. However, the proposed commodity rate for the irrigation customer class would increase by a whopping 201%! This causes an overall 161% increase in the proposed rates from the irrigation customer class. RUCO's proposed commodity rate increases for public interruptible water and construction water also approach 200%. The public interruptible increase is 198%.

To put RUCO's rate design into perspective, the increase in revenue that RUCO recommends for this water district is $1,963,334. The irrigation customer class provides approximately $356,000 of the rate increase. The irrigation customer class provides 4% of the total present revenues (excluding miscellaneous revenues), but will provide over 18% of the revenue increase under RUCO's proposal.

The 5/8 x 3/4 inch residential meter customers are proposed by RUCO to have an increase of approximately 20%. In contrast, residential customers on a 1 inch meter face increases of 28.5%, and commercial customers on a 4 inch meter face increases of 37%.

Q. MR. KOZOMAN, ARE THERE ANY OTHER PROBLEMS WITH RUCO'S RECOMMENDATIONS FOR SUN CITY WATER?

A. Yes. RUCO is proposing that all of the revenue increase be recovered by means of an increase in the commodity rate. The monthly minimums would not change.

This methodology violates basic cost of service principles, for the reasons I have already given.

Q. WOULD THE COST OF SERVICE STUDY YOU PREPARED USING STAFF'S PLANT AND EXPENSES JUSTIFY NO INCREASE IN THE MONTHLY MINIMUM, AND RECOVERING ALL OF THE REVENUE INCREASE BY INCREASING THE COMMODITY RATES?

A. Definitely not. While RUCO proposes a slightly lower rate base, the expenses are approximately equal to the expenses proposed by the Staff. The results produced by a cost of service study using RUCO's proposed plant and expenses would produce results similar to the cost of service study I prepared using the Staff's values. The cost of service study for the Sun City water district shows the monthly minimum to be $17.21, including the Staff's proposed rates of return and income taxes, and $14.37 without any rate of return and recovery of income taxes.

RUCO's proposed increase to only the commodity rates is not cost justified. The Sun City commodity rate from the cost of service study was $0.3757 per 1,000 gallons. RUCO's proposed commodity rate of $1.96 for the irrigation customer class, compared to $0.99 and $1.29 for the residential and commercial customers, respectively, cannot be supported by the cost to provide the commodity. By only increasing the commodity rate, RUCO is attempting to shift the revenue increase to larger users.

Q. WOULD YOU PLEASE COMMENT ON RUCO'S PROPOSED RATES FOR SUN CITY WEST WATER?

A. RUCO's proposed revenue increase for the Sun City West water district is again allocated to the commodity rates only. Once again, this would shift the rate increase to the larger users. As an example, the revenue increase allocated to the 5/8 x 3/4 residential customer class is approximately 13%, while the revenue

increases allocated to the larger meters for both residential and commercial customers range from 16.15% to 22.97%. Of course, this shifts the percentage of the total dollars the 5/8 x 3/4 residential customer class pays at present and proposed rates.

Q. WOULD THE COST OF SERVICE STUDY YOU PREPARED USING THE STAFF'S PLANT AND EXPENSES JUSTIFY NO INCREASE IN THE MONTHLY MINIMUM, AND RECOVERING ALL OF THE REVENUE INCREASE BY INCREASING THE COMMODITY RATES?

A. Once again, it would not. While RUCO proposes a slightly lower rate base for Sun City West, RUCO's recommended expenses for that water district are higher than the expenses recommended by the Staff. The results produced by a cost of service study using RUCO's proposed plant and expenses would produce results similar to the cost of service study prepared using the Staff's values. The cost of service study for the Sun City West water district shows the monthly minimum to be $13.03, including the Staff's proposed rate of return and income taxes, and $10.05 without any rate of return and income taxes.

Consequently, RUCO's proposed increase to only the commodity rates is not cost justified. The commodity rate from the cost of service study was approximately $0.35. RUCO's proposed commodity rates of $1.14 and $1.38, respectively, to the residential and commercial customers cannot be supported by the cost to provide the commodity.

Q. WOULD YOU COMMENT ON RUCO'S PROPOSED RATE DESIGN FOR SUN CITY WEST WASTEWATER?

A. For the Sun City West wastewater district, Mr. Moore proposes that the commodity rate charged to the large commercial customer class be increased by 155%, which results in an increase to this customer class of 129%. The other

customers on the wastewater system will be paying an increase of approximately 28%. Once again, RUCO is ignoring cost of service principles, and attempting to shift revenue recovery to larger commercial customers.

Q. DID RUCO PROPOSE KEEPING THE EXISTING MONTHLY MINIMUMS FOR THE AGUA FRIA, ANTHEM, HAVASU, MOHAVE AND TUBAC WATER DIVISIONS, AND INCREASING OR DECREASING THE COMMODITY RATES?

A. In the Agua Fria water division, for which RUCO recommends a rate decrease, the monthly minimums would be decreased by 14.80%. The first commodity rate would be decreased by 32%, while the second commodity rate would be decreased by 19.64%.

In the Anthem water district, for which RUCO recommends a rate decrease, the monthly minimums would be decreased by 25%. The commodity rate would be decreased by 18.50%.

In the Havasu water division, for which RUCO recommends a small rate increase, the monthly minimums would be increased by 25%, with the elimination of 1,000 gallons of water that are presently included in the monthly minimum, while the commodity rate would be increased 21%. The increase in the monthly minimum is 25% because a customer on the 5/8 x 3/4 inch meter is currently paying $10.00, which includes 1,000 gallons of water. With RUCO's proposed monthly minimum of $10.75, plus the cost of 1,000 gallons of water at RUCO's proposed rate of $1.72, the bill for a customer using 1,000 gallons of water will now be $12.47, or an increase of approximately 25%.

In the Mohave water division, for which RUCO recommends a rate decrease, the monthly minimums would be decreased by approximately 2% with the elimination of the 1,000 gallons of water that are presently included in the

monthly minimum, while the commodity rate would be decreased 16%. There is an increase in the monthly minimum because a customer on the 5/8 x 3/4 inch meter is currently paying $8.65, which includes 1,000 gallons of water. With RUCO's proposed monthly minimum of $7.45, plus the cost of 1,000 gallons of water at RUCO's proposed rate of $1.24, the bill for a customer using 1,000 gallons of water will now be $8.69, or a very slight increase.

In the Tubac water division, for which RUCO recommends a rate increase, the monthly minimums would be decreased by approximately 2% while the commodity rates would be increased by approximately 28%.

Q. THERE DOES NOT SEEM TO BE ANY LOGICAL METHODOLOGY AT WORK HERE, MR. KOZOMAN.

A. That is correct. There is no consistent rate design approach from one district to another. It appears that Ms. Diaz Cortez and Mr. Coley worked together on the rates some of the time, and attempted to spread the rate increase or decrease uniformly across the monthly minimum charges and commodity rates, while Mr. Moore worked independently of the remainder of RUCO's staff.

Q. ARE THERE ANY DIFFERENCES BETWEEN RUCO'S RECOMMENDED REVENUES AND WHAT YOU COMPUTE BASED ON RUCO'S RATES?

A. Yes, there are several significant differences. I compute total revenues from the Havasu system of $546,287 under RUCO's proposed rates, rather than RUCO's amount of $443,391. I compute total revenues from the Mohave system of $3,936,470 under RUCO's proposed rates, rather than RUCO's amount of $3,604,638. For Anthem/Agua Fria wastewater district, my bill count workbook produces revenues of $2,031,292 as opposed to RUCO's proposed revenues of

$1,941,199. For the Agua Fria water district, my bill count workbook produces revenues of $5,358,091 as opposed to RUCO's proposed revenues of $5,672,666.

Q. RUCO WITNESS RODNEY MOORE COMMENTED IN HIS TESTIMONY ABOUT PROBLEMS WITH THE COMPANY'S WORK PAPERS. DO YOU HAVE ANY COMMENTS ON THIS TESTIMONY?

A. Mr. Moore called both Mr. Bourassa and me when he had questions. One question he asked about concerned hidden rows in the bill counts. To be able to print out schedules from the bill counts, I had to hide rows. When I copied the files to provide them to the Staff and RUCO, I did not "un-hide" the rows. I apologize if this caused a problem. It was not intentional.

I should note that it took two weeks to obtain RUCO's work papers. I received duplicate computer files labeled "Mohave Water" and "Havasu Water." Both computer files were identical, and neither file contained either Mohave or Havasu data. The data programs were for New River Utility Company. Additionally, I received blank computer files, and files which could not be opened. The bill counts for Havasu and Mohave were received at the end of the two week period mentioned above. However, these bill counts were unusable, as RUCO completes a full workbook or bill count for each meter size and/or rate classification. Mohave had over 90 bill counts, without the benefit of linking the workbooks together. In other words, summary schedules are hard-coded (manually inputted). Time did not permit me to check these files.

The point here is that in a large and complicated rate case like this one, problems do develop. I don't believe RUCO deliberately attempted to delay production of its work papers to the Company, any more than I would deliberately "hide" columns in my work papers. It is unfortunate that Mr. Moore chose to bring this up as he did.

VIII. MISCELLANEOUS

Q. DO YOU HAVE REBUTTAL CONCERNING DIRECT TESTIMONY ON THE ANTHEM/AGUA FRIA, SUN CITY, AND SUN CITY WEST WASTEWATER DISTRICTS?

A. No. Both Staff and RUCO are generally spreading their proposed rate increase or decrease across the board, which is the same methodology proposed by the Company. The only major exception is RUCO's recommendation for Sun City West, which, as discussed, attempts to shift the revenue increase to the commercial larger customers without regard to the cost of service. However, the Company does not agree with either the Staff or RUCO's rates, which is a function of the parties' disagreement over each wastewater district's revenue requirement.

Q. WOULD YOU COMMENT ON YOUNGTOWN'S REQUEST TO BE INCLUDED ON THE IRRIGATION TARIFF FOR THE SUN CITY SERVICE AREA?

A. The Company does not oppose Youngtown's request. It should be understood, however, that if the Commission authorizes Youngtown to be included on the lower cost irrigation rate, then the rates for other customers must be increased slightly to make up for the shortfall in revenue. Kozoman Rebuttal Schedule 4, based on water usage for the period from October 2002 through September 2003, contains the billing at the present rates for a commercial customer on a 2 and 3 inch meter compared to the billing if these meter sizes were billed as irrigation customers. I have included the Company's present and proposed rebuttal rates, the Staff's proposed rates, and RUCO's proposed rates on pages 1, 2, and 3 respectively.

Because RUCO has proposed a substantial increase for irrigation water for the Sun City water district, as discussed above, Youngtown would experience a

lower water expense as a commercial customer, rather than as an irrigation customer, if RUCO's rates were adopted by the Commission. The Company does not know whether Youngtown supports RUCO's recommended rate design for the Sun City water district and, if so, whether Youngtown still wishes to be reclassified as an irrigation customer.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.

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KOZOMAN REBUTTAL EXHIBIT 1

Alternative Rates

AWWA MANUAL M34

First Edition

FOUNDED 1881

American Water Works Association

Chapter 3

Lifeline Rates and Low-Income Discounts

INTRODUCTION

Lifeline rates and low-income discounts are rate alternatives designed to provide a minimal or essential volume of water service at a reduced cost to those residential customers who, due to their income level, find it difficult to afford water service.

Both lifeline rates and low-income discounts address social welfare concerns. The propriety of a water utility's involvement in this role may be controversial. Some argue that this role is better and more efficiently achieved by governmental agencies specially designed for that function. Others believe that the advancement of accepted governmental policies is an appropriate role for any and all governmental units and investor-owned water utilities that are granted exclusive franchise service rights by the government.

Determining Rates

A lifeline rate structure provides an initial, below-cost rate for a specified volume of water. The volume of water billed at the lifeline rate is set at a level that represents the perceived minimal sanitary requirements for the residential customers it is intended to benefit. A low-income discount simply provides for a percentage discount from the normal rates. The discount can be applied to some or all of the water bill and can be set to ensure that the average water bill does not exceed a specified percentage of poverty-level income.

Eligibility

Lifeline rates or low-income discounts should only be offered to customers who meet preestablished income eligibility requirements. In some cases, when lifeline rates were first established, the lower lifeline rate was applied to all customers. The assumption was that low-income customers used less water than other customers,

which may not necessarily be true. As a result, all customers received the benefit of the reduced rates. The subsidy provided by the reduced rates was recovered through higher rates in all other usage blocks. Low-income customers who used more than the established lifeline volume allowance actually payed higher water bills due to the higher cost of the nonlifeline-priced water.

There are three primary considerations that must be addressed in setting lifeline rates or low-income discounts for residential customers.

- What is the appropriate level of water use used to determine the minimum sanitary level?
- Who should be offered the lifeline rates or low-income discounts?
- What amount of discount in the rates is warranted?

Minimum sanitary level. The minimum sanitary level of water use is not a single volume for all customers. Utilities that wish to adopt lifeline rates must determine the appropriate level of water use, recognizing that low-income households will consist of varying numbers of occupants resulting in varying minimal water requirements. This can make a lifeline program difficult to administer.

Participants. Lifeline rates and low-income discounts should not be offered to all residential customers. Only those customers that meet preestablished income eligibility criteria should be offered these rate alternatives. The determination of an appropriate income level at which to offer the alternative is a local utility decision. The use of the federal poverty level for a family of four can be a reasonable suggested starting point. Since family sizes vary, using a percentage of this measure, for example 150 percent of the federal poverty level for a family of four, may be useful for determining eligibility.

Determination of discounts. The determination of the amount of the discount or subsidy to offer is also a subjective decision that must be made at the local level. A determinant that may be considered is the annual household water bill as a percentage of typical household income. The lifeline rates or discount would be set at a level such that the annual water bill would not exceed some percentage of estimated household income.

Lifeline rates might be better administered by collecting family size and household income information. This would allow both income eligibility and the quantity of water provided at lifeline rates to be related to household size.

Applications

Lifeline rates or low-income discounts may be considered in the following situations:

- The local cost of water service is high relative to other similar water utilities.
- A significant percentage of residential customers are perceived to be unable to afford water service.

Evaluation and study should be performed to make sure that both these conditions exist in sufficient magnitude to justify further consideration of such rates.

The use of lifeline rates and low-income discounts should be discouraged in areas with extreme water shortages and where water use is of concern. This alternative may encourage greater use among the eligible customers and therefore be inconsistent with the need to reduce water consumption. In this case, the benefits to customers whose water costs might be reduced would have to be weighed against water use concerns.

ADVANTAGES AND DISADVANTAGES

Financial Sufficiency

Lifeline rates and low-income discounts do not present a major obstacle to revenue stability, though they may be less stable than some other rate alternatives. If the rates are properly developed, the revenues recovered under the lifeline rate or low-income discount should be reasonably stable because consumption has been set for minimum requirements. However, a key consideration is to determine how to recover the subsidies provided by the rate. The subsidy could be recovered only from the residential class. If the revenues recovered under rates for other classes do not include any subsidy for the lifeline or discounted rates, the revenues under the nondiscounted rates will then correspond well to changes in consumption levels or utility operating conditions.

Equity

Since lifeline rates and low-income discounts involve subsidized rates to certain residential customers, those particular customers do not contribute their relevant share of costs. Ineligible customers generally bear noncost-based price increases to provide the subsidy. If possible, the lifeline rate should be established so that all variable production costs are recovered.

Impact on Customers

The adoption of this rate alternative results in decreased water bills for those customers eligible for the lifeline rate or the low-income discount. Ineligible customers would encounter increased water bills. The amount of increase to these customers would depend on: (1) the relative number of customers being subsidized through the lifeline or low-income discount rates; (2) the amount of the subsidy that was granted; and (3) the method for recovering the subsidy from other customers or classes. In some cases, the number of eligible customers is relatively small, as is the amount of the subsidy. As a result, the impact on the nonsubsidized customers may be relatively insignificant.

Simplicity

While the concept and application of this rate alternative is relatively easy for customers to understand, the eligibility criteria may seem confusing.

Implementation

The implementation of lifeline rates or low-income discounts is particularly complex. This is one of its major problems. While the design of the rates is straightforward, the determination of several key factors is difficult. Those factors include:

- The minimum sanitary requirement to which the rate alternative would apply.
- Income eligibility criteria. The varying number of household inhabitants compounds this problem.
- The level of subsidy to allow. While the US government publishes poverty level statistics, these vary by household size. In any case, the subsidy should be of sufficient magnitude to provide adequate relief to the intended customers.
- The additional cost of administering the program, including personnel to create, implement, and operate the programs, and changes to the billing and collection

system. The cost of administering the program should be evaluated against the cost of the benefits to the targeted customers. If costs exceed benefits, simple direct payments to targeted customers might be an alternative to consider.

Once the rates are determined, the administration of lifeline rates and low-income discounts is made difficult due to the income verification procedures that are necessary. Not only do customer income levels need to be initially determined, but they should be verified periodically to ensure continued eligibility. Local agencies that provide other forms of assistance may be useful in this endeavor.

Conservation

Lifeline rates and low-income discounts provide no conservation or water reduction incentive to those that receive the subsidy. Since water is sold below cost, the pricing incentive to reduce consumption is lessened. Water use among the subsidized customers could increase, especially during peak periods. The impact on demand should be carefully considered in areas where water supplies are scarce.

Since the impact on those not receiving the lifeline or low-income subsidy is typically minimal, there is little to no conservation impact on these customers.

HISTORICAL PERSPECTIVE

Lifeline rates for electric utility service were considered by numerous state public service commissions in the early 1980s as one of the requirements of the 1978 Public Utility Regulatory Policy Act (PURPA). As the cost of water increases, lifeline rates are being considered by the water utility industry with greater frequency. These rate structures, however, have been the source of controversy among rate technicians in the electric, gas, and telephone industries. As a result, lifeline rates have not been widely adopted by these utilities.

EXAMPLE

Rate Determination

A lifeline rate structure determination is presented below. In this example, it is assumed that 40 gal per capita per day is a minimum sanitary requirement. For a household of four, this results in annual water use of 60,000 gal (5000 gal per month). The utility has also determined that customers with annual incomes at or below $9000 should become eligible for a lifeline water rate and that there are 200 such households in the service area. Because the utility chose a fairly low eligibility level when compared to the federal poverty level, it decided that the annual water bill with minimum sanitary usage should not exceed 1 percent of the annual income or $90 per year.

Under the current water rates, a household using 60,000 gal per year would have an annual water bill of $105.60 based on an annual service charge of $47.40 and a usage charge of $58.20. As shown on Table 3-1, the annual water bill would have to be reduced by $15.60 to achieve the desired annual bill of $90 for eligible low-income customers.

The utility has chosen to affect the entire reduction through the consumption or usage charges, rather than reducing its service charges. As a result, the annual usage charge would have to be reduced from $58.20 per year to $42.60 per year to achieve the annual reduction of $15.60. Table 3-2 shows the lifeline rate of $0.710 for the first 5000 gal per month would result in annual usage charges equal to the goal of $42.60.

Table 3-1 System Characteristics and Assumptions

Minimum Sanitary Use	60,000 gal/year 5000 gal/month
Eligibility (Income)	≤$9000 per year
Estimated Eligible Customers	200
Desired Maximum Annual Water Bill:	
One percent of eligible income ($9000/year)	$90/year water bill
Annual Charge Under Current Rates:	
Service charge	$47.40
Water use (5000 gal/month)	58.20
Total	$105.60
Necessary Reduction to Annual Bill	$15.60

Table 3-2 Calculation of Lifeline Rate

Current Consumption Charge Revenue	$58.20
Required Reduction	15.60
Revised Consumption Charge Revenue	$42.60
Calculation of Lifeline Rate:	
Revenue	$42.60
Usage	60,000 gal/year
Rate/thous gal	$0.710
Calculation of Lifeline Subsidy:	
Number of eligible accounts	200
Total subsidy	$3120
Increase in Other Rates Required	0.148%

	Current Rates	Lifeline Rates Eligible*	Lifeline Rates Ineligible
First 5000 gal/month	$0.970	$0.7100	$0.9714
Next 10,000 gal/month	0.970	0.9714	0.9714
Next 1,485,000 gal/month	0.860	0.8613	0.8613
Over 1,500,000 gal/month	$0.680	$0.6810	$0.6810

*Applies only to customers meeting income eligibility requirements.

Subsidy Required

The next step in the calculation of the lifeline rates is to determine the amount of subsidy that the reduced lifeline rate requires and how all other rates should be adjusted to produce this subsidy. Having determined that 200 households are eligible for the lifeline rates, the utility can calculate the amount of revenues that would be lost under this alternative. It is assumed that all 200 eligible households will use the minimum volume of 5000 gal per month. The annual lost revenues from this subsidy is determined by multiplying 200 by the per account subsidy of $15.60 to derive a total annual subsidy of $3120. To recover this from all other customers will require an across-the-board increase in the nonlifeline rates of 0.148 percent.

Table 3-2 presents the current rates and lifeline rates that result from this calculation. The utility has added an extra initial rate block for the first 5000 gal per

Table 3-3 Impact of Lifeline Rate

Meter Size *in.*	Monthly Usage *ft*^{3}	Monthly Usage *thous gal*	Current Cost/ Month*	Cost With Lifeline/ Month*	Increase	Percent Increase
5/8	0	0.000	$3.95	$3.95	$0.00	0.0
5/8	500	3.740	7.58	7.58	0.00	0.0
Lifeline	668	5.000	8.80	7.50	−1.30	−14.8
5/8	1000	7.480	11.21	11.22	0.01	0.1
5/8	3000	22.440	24.90	24.93	0.03	0.1
2	50,000	374.000	330.34	330.82	0.48	0.1
4	1,000,000	7480.000	5383.35	5391.26	7.91	0.1
8	1,500,000	11,220.000	$7951.25	$7962.91	$11.66	0.1

*Includes service charges as follows:

Meter Size—*in.*	Monthly Charge
5/8	$3.95
2	7.05
4	25.30
8	$50.00

month at the calculated lifeline rate. This rate would be available only to customers that met income eligibility requirements. It should be noted that customers eligible for the lifeline rate begin paying the normal or "ineligible" rates after their usage exceeds the minimum use of 5000 gal per month. All customers ineligible for the lifeline rate pay the same rate for the first two rate blocks.

Table 3-3 presents the impact of the lifeline example presented above. As stated earlier, the impact on noneligible customers is typically minimal, but depends on numerous factors.

The example allocated the lifeline rate subsidy to all other customers. It is preferable to allocate the subsidy only to the residential class.

Low-Income Discount

With a low-income discount, the utility's rates or bills are discounted for eligible customers, typically across the board. It is possible to discount only the consumption charges or a portion of the consumption charges (up to 5000 gal per month, for example). As with the lifeline rates, the subsidy provided by the discount would have to be allocated back to the other customers to ensure that the utility recovers its total revenue requirements.

SUMMARY

Lifeline rates and low-income discounts may be more widely used as the cost of water service grows relative to other goods and services. Since water is considered a necessity, many utilities may decide that arrangements to provide minimal quantities of service to those customers otherwise unable to afford service is a proper utility function. In developing lifeline rates or low-income discounts, utilities should develop rates that ensure that only eligible customers receive the benefits and that the determination of discount amounts and/or use allowances are properly reflected. This will ensure that subsidies provided by this rate alternative do not unfairly burden other customers. The utility must also weigh the benefits received against the cost of administering the program.

KOZOMAN REBUTTAL SCHEDULES

Arizona American
Test Year Ended December 31, 2001
Index of Rebuttal Schedules for
Ronald L. Kozoman, CPA

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Arizona American
Test Year Ended December 31, 2001
Comparison of Present and Company Proposed Rebuttal Revenues, ACC Staff Proposed Revenues and RUCO Proposed Revenues

Exhibit
Kozoman Rebuttal Schedule 1
Page 1
Witness: Kozoman

Line No.	Division	Present Revenues	Company Proposed Rebuttal Revenues	Company Dollar Increase (Decrease) From Present Revenues	Company Percent Increase (Decrease) From Present Revenues	ACC Staff Proposed Revenues	ACC Staff Dollar Increase (Decrease) From Present Revenues	ACC Staff Percent Increase (Decrease) From Present Revenues	RUCO Staff Proposed Revenues	RUCO Staff Dollar Increase (Decrease) From Present Revenues	RUCO Staff Percent Increase (Decrease) From Present Revenues
1											
2	Agua Fria Water	6,183,467	6,302,757	119,289	1.93%	5,313,715	(872,322)	-14.10%	5,572,666	(613,371)	-9.92%
3											
4	Anthem Water	4,006,408	4,025,066	18,658	0.47%	3,422,291	(588,514)	-14.67%	3,586,679	(424,126)	-10.57%
5											
6	Antherm / Agua Fria										
7	Wastewater	1,863,188	2,186,787	323,599	17.37%	1,793,061	(73,485)	-3.94%	1,941,195	74,649	4.00%
8											
9	Havasu Water	440,924	569,225	128,301	29.10%	409,727	(31,197)	-7.08%	443,391	2,467	0.56%
10											
11	Mohave Water	4,394,133	4,590,694	196,561	4.47%	3,710,046	(684,729)	-15.58%	3,604,636	(790,139)	-17.98%
12											
13	Sun City Water	6,179,363	10,543,503	4,364,140	70.62%	8,121,786	1,928,696	31.14%	8,156,424	1,963,334	31.70%
14											
15	Sun City Wastewater	5,087,862	5,404,262	316,400	6.22%	4,281,300	(807,040)	-15.86%	4,193,565	(894,775)	-17.58%
16											
17	Sun City West Water	3,365,549	4,581,390	1,215,842	36.13%	3,769,603	388,829	11.50%	3,860,482	479,708	14.19%
18											
19	Sun City West										
20	Wastewater	3,531,477	5,140,333	1,608,856	45.56%	4,663,747	1,128,067	31.91%	4,563,072	1,027,392	29.06%
21											
22	Tubac Water	253,812	439,919	186,106	73.32%	342,903	88,417	34.74%	295,298	40,812	16.04%
23											
24	Total Revenues	35,306,183	43,783,936	8,477,752	24.01%	35,828,179	476,722	1.35%	36,217,408	865,951	2.45%

Arizona American / Agua Fria Water Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rebuttal Rates
ACC Staff Proposed Rates, RUCO Staff Proposed Rates

Exhibit
Kozoman Rebuttal Schedule 1
Page 2
Witness: Kozoman

Line No.	Monthly Minimums		Present Rates	Company Proposed Rebuttal Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	5/8 x 3/4 Inch		$ 10.00	$ 10.20	$ 0.20	2.00%	$ 8.52	$ (1.48)	-14.80%	$ 8.25	$ (1.75)	-17.50%
2	3/4 Inch		15.00	15.30	0.30	2.00%	12.78	(2.22)	-14.80%	11.90	(3.10)	-20.67%
3	1 Inch		25.00	25.50	0.50	2.00%	21.30	(3.70)	-14.80%	20.00	(5.00)	-20.00%
4	1 1/2 Inch		53.00	54.06	1.06	2.00%	45.15	(7.85)	-14.81%	43.70	(9.30)	-17.55%
5	2 Inch		80.00	81.60	1.60	2.00%	68.16	(11.84)	-14.80%	65.80	(14.20)	-17.75%
6	3 Inch		155.00	158.10	3.10	2.00%	132.06	(22.94)	-14.80%	128.20	(26.80)	-17.29%
7	4 Inch		200.00	204.00	4.00	2.00%	170.41	(29.59)	-14.80%	165.00	(35.00)	-17.50%
8	6 Inch		400.00	408.00	8.00	2.00%	340.82	(59.18)	-14.80%	330.00	(70.00)	-17.50%
9	8 Inch		800.00	816.00	16.00	2.00%	681.64	(118.36)	-14.80%	660.00	(140.00)	-17.50%
10	Prison, 4 Inch Meter Rate		200.00	204.00	4.00	2.00%	170.41	(29.59)	-14.80%	200.00	-	0.00%
11	4 Inch Private Fire		30.00	30.60	0.60	2.00%	25.56	(4.44)	-14.80%	24.75	(5.25)	-17.50%
12	6 Inch Private Fire		45.00	45.90	0.90	2.00%	38.34	(6.66)	-14.80%	38.00	(7.00)	-15.56%
13	8 Inch Private Fire		60.00	61.20	1.20	2.00%	51.12	(8.88)	-14.80%	49.50	(10.50)	-17.50%
14	10 Inch Private Fire		120.00	122.40	2.40	2.00%	102.25	(17.75)	-14.79%	99.00	(21.00)	-17.50%
15	12 Inch Private Fire		180.00	183.60	3.60	2.00%	153.37	(26.63)	-14.79%	148.50	(31.50)	-17.50%
16	Gallons In Minimum											
17	All (except construction, prison, public interruptible)		-	-			-			-		
18	Construction		-	-			-			-		
19	Prison		-	-			-			-		
20	Public Interruptible		-	-			-			-		
21	**Tier 1:** Gallons / upper limit											
22	All (except construction, prison, public interruptible)		8,000	8,000	N/A	N/A	4,000	(4,000)	-50.00%	8,000	-	N/A
23	Construction		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
24	Prison		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
25	Public Interruptible		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
26	**Tier 2:** (Gallon upper limit, up to, but not exceeding)											
27	All (except construction, prison, public interruptible)		Infinite	Infinite	N/A	N/A	100,000			Infinite	Infinite	N/A
28	Construction		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
29	Prison		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
30	Public Interruptible		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
31	**Tier 3:** (Gallon over)											
32	All (except construction, prison, public interruptible)		Infinite	Infinite	N/A	N/A	Infinite			Infinite	Infinite	N/A
33	Construction		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
34	Prison		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
35	Public Interruptible		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
36	Commodity Rates (per 1,000 gallons over minimum and per Tier)											
37	All (except construction, prison)	Tier 1	$ 1.78	$ 1.82	0.04	2.25%	$ 1.20	$ (0.58)	-32.58%	$ 1.64	$ (0.14)	-7.87%
38	All (except construction, prison)	Tier 2	$ 2.24	$ 2.29	0.05	2.23%	1.80	$ (0.44)	-19.64%	1.86	(0.38)	-16.96%
39	All (except construction, prison)	Tier 3	$ 2.24	$ 2.29	0.05	2.23%	2.15	$ (0.09)	-4.02%	1.86	(0.38)	-16.96%
40	Construction, Contract Rate		$ 1.00	$ 1.00	-	0.00%	1.00	$ -	0.00%	0.90	(0.10)	-10.00%
41	Prison		$ 2.02	$ 2.06	0.04	1.98%	1.72	$ (0.30)	-14.85%	1.92	(0.10)	-4.95%
42	Public Interruptible, Contract Rate		$ 1.00	$ 1.00	-	0.00%	1.00	$ -	0.00%	0.90	(0.10)	-10.00%

Arizona American / Anthem Water Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rebuttal Rates
ACC Staff Proposed Rates, RUCO Staff Proposed Rates

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Kozoman Rebuttal Schedule 1
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Witness: Kozoman

Line No.	Monthly Minimums	Present Rates	Company Proposed Rebuttal Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	5/8 x 3/4 Inch (a)	$ 16.00	$ 16.15	$ 0.15	0.94%	$ 11.45	$ (4.55)	-28.44%	$ 12.00	$ (4.00)	-25.00%
2	3/4 Inch (a)	16.00	16.15	0.15	0.94%	11.45	(4.55)	-28.44%	12.00	(4.00)	-25.00%
3	1 Inch (a)	32.00	32.30	0.30	0.94%	22.91	(9.09)	-28.41%	24.00	(8.00)	-25.00%
4	1 1/2 Inch (a)	64.00	64.60	0.60	0.94%	45.81	(18.19)	-28.42%	48.00	(16.00)	-25.00%
5	2 Inch	80.00	80.75	0.75	0.94%	57.27	(22.73)	-28.41%	60.00	(20.00)	-25.00%
6	3 Inch	160.00	161.75	1.75	1.09%	114.54	(45.46)	-28.41%	120.00	(40.00)	-25.00%
7	4 Inch	200.00	202.35	2.35	1.18%	143.17	(56.83)	-28.42%	150.00	(50.00)	-25.00%
8	6 Inch	250.00	252.94	2.94	1.18%	178.96	(71.04)	-28.42%	187.50	(62.50)	-25.00%
9	8 Inch	-	1,295.20		N/A	1070.91			1,000.00	1,000.00	
10	Private Fire Protection (Flat Rates)						-			-	
11	3 Inch	70.00	70.82	0.82	1.17%	50.11	(19.89)	-28.41%	60.00	(10.00)	-14.29%
12	4 Inch	90.00	91.06	1.06	1.18%	64.43	(25.57)	-28.41%	72.00	(18.00)	-20.00%
13	6 Inch (a)	135.00	136.59	1.59	1.18%	96.64	(38.36)	-28.41%	104.00	(31.00)	-22.96%
14	8 Inch	180.00	182.11	2.11	1.17%	128.85	(51.15)	-28.42%	154.00	(26.00)	-14.44%
15	10 Inch	360.00	364.23	4.23	1.18%	257.71	(102.29)	-28.41%	308.00	(52.00)	-14.44%
16	Gallons In Minimum										
17	All	-	-			-			-		
18	Tier 1: Gallons / upper limit										
19	All (except wholesale	Infinite	Infinite			4,000			Infinite		
20	Irrigation	Infinite	Infinite			Infinite			Infinite		
21	Wholesale	Infinite	Infinite			Infinite			Infinite		
22	Tier 2: (Gallon upper limit, up to, but not exceeding)										
23	All (except wholesale	Infinite	Infinite			100,000			Infinite		
24	Irrigation	Infinite	Infinite			Infinite			Infinite		
25	Wholesale	Infinite	Infinite			Infinite			Infinite		
26	Tier 3: (Gallon over)										
27	All (except wholesale	Infinite	Infinite			Infinite			Infinite		
28	Irrigation	Infinite	Infinite			Infinite			Infinite		
29	Wholesale	Infinite	Infinite			Infinite			Infinite		
30	Commodity Rates (per 1,000 gallons over minimum and per Tier)										
31	All, except wholesale, Irrigation	$ 2.00	$ 2.02	0.02	1.17%	$ 0.88	$ (1.12)	-56.00%	$ 1.63	(0.37)	-18.50%
32	All, except wholesale, Irrigation	2.00	2.02	0.02	1.17%	$ 1.32	(0.68)	-34.00%	1.63	(0.37)	-18.50%
33	All, except wholesale, Irrigation	2.00	2.02	0.02	1.17%	$ 1.57	(0.43)	-21.50%	1.63	(0.37)	-18.50%
34	Irrigation	0.62	0.62			$ 0.62	-	0.00%			
35	Wholesale	2.16	2.16	-	0.00%	$ 2.16	-	0.00%	1.80	(0.36)	-16.67%

Arizona American / Anthem / Agua Wastewater Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rebuttal Rates
ACC Staff Proposed Rates, RUCO Staff Proposed Rates

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Witness: Kozoman

Line No.	Monthly Minimums	Present Rates	Company Proposed Rebuttal Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	Residential	$ 16.00	$ 22.07	$ 6.07	37.94%	$ 14.68	$ (1.32)	-8.25%	$ 18.85	$ 2.85	17.81%
2	Small Commercial 5/8 Inch Meter	16.00	22.07	6.07	37.94%	14.68	(1.32)	-8.25%	18.85	2.85	17.81%
3	Small Commercial 3/4 Inch Meter	24.00	33.10	9.10	37.92%	22.03	(1.97)	-8.21%	28.28	4.28	17.83%
4	Small Commercial 1 Inch Meter	32.00	44.15	12.15	37.97%	29.37	(2.63)	-8.22%	37.70	5.70	17.81%
5	Large Commercial	64.00	88.25	24.25	37.89%	58.73	(5.27)	-8.23%	78.00	14.00	21.88%
6											
7	Usage (per 1,000 gallons, up to)										
8	Residential	7,000	7,000			7,000			7,000		
9	Small Commercial 5/8 Inch Meter	10,000	10,000			10,000			10,000		
10	Small Commercial 3/4 Inch Meter	15,000	15,000			15,000			15,000		
11	Small Commercial 1 Inch Meter	25,000	25,000			25,000			25,000		
12	*	Infinite	Infinite			Infinite			Infinite		
13	Treatco	Infinite	Infinite			Infinite			Infinite		
14	Usage Rates (per 1,000 gallons up to limit)										
15	Residential	$ 2.00	$ 2.76	$ 0.76	38.00%	$ 1.84	$ (0.16)	-8.00%	2.43	$ 0.43	21.50%
16	Small Commercial 5/8 Inch Meter	$ 2.00	2.76	0.76	38.00%	1.84	(0.16)	-8.00%	2.43	0.43	21.50%
17	Small Commercial 3/4 Inch Meter	$ 2.00	2.76	0.76	38.00%	1.84	(0.16)	-8.00%	2.43	0.43	21.50%
18	Small Commercial 1 Inch Meter	$ 2.00	2.76	0.76	38.00%	1.84	(0.16)	-8.00%	2.43	0.43	21.50%
19	Large Commercial	$ 2.00	2.76	0.76	38.00%	1.84	(0.16)	-8.00%	2.43	0.43	21.50%
20	Treatco	$ 2.32	2.32	-	0.00%	2.32	-	0.00%	2.77	0.45	19.40%
21	**Capacity Reservation Charge**	$ 765.00	765.00	-	0.00%	$ 765.00	-	0.00%	$ 765.00	-	0.00%
22											
23	**Annual Fee for Industrial Discharge Service**										
24	For those customers consuming an amount of water less than or equal										
25	50,000 gallons per month through one or more water meters to the										
26	same facility, inclusive of meters used for irrigation:	$ 500.00	500.00	-	0.00%	$ 500.00	-	0.00%	$ 500.00	-	0.00%
27											
28											
29	For those customers consuming an amount of water greater than										
30	50,000 gallons per month through one or more water meters to the										
31	same facility, inclusive of meters used for irrigation:	$ 1,000.00	1,000.00	-	0.00%	$ 1,000.00	-	0.00%	$ 1,000.00	-	0.00%

Arizona American / Havasu Water Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rebuttal Rates
ACC Staff Proposed Rates, RUCO Staff Proposed Rates

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Kozoman Rebuttal Schedule 1
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Line No.	Monthly Minimums	Units Served	Present Rates	Company Proposed Rebuttal Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	5/8 x 3/4 Inch		$ 10.00	$ 12.99	$ 2.99	29.90%	$ 9.24	$ (0.76)	-7.60%	$ 10.75	$ 0.75	7.50%
2	1 Inch		17.10	22.23	5.13	30.00%	15.80	(1.30)	-7.60%	18.00	0.90	5.26%
3	1 1/2 Inch		24.00	31.20	7.20	30.00%				25.00	1.00	4.17%
4	2 Inch		33.60	43.68	10.08	30.00%	31.04	(2.56)	-7.62%	32.00	(1.60)	-4.76%
5	3 Inch		45.60	59.28	13.68	30.00%	42.13	(3.47)	-7.61%	44.00	(1.60)	-3.51%
6	4 Inch		57.60	74.88	17.28	30.00%	53.21	(4.39)	-7.62%	61.00	3.40	5.90%
7	6 Inch		200.00	260.00	60.00	30.00%				215.00	15.00	7.50%
8	8 Inch		400.00	520.00	120.00	30.00%				430.00	30.00	7.50%
9	Multi-Family 1"Meter	44	440.00	571.56	131.56	29.90%	406.49	(33.51)	-7.62%	473.00	33.00	7.50%
10	Multi-Family 2" Meter	56	560.00	727.44	167.44	29.90%	517.35	(42.65)	-7.62%	602.00	42.00	7.50%
11	Multi-Family 4" Meter	64	640.00	831.36	191.36	29.90%	591.26	(48.74)	-7.62%	688.00	48.00	7.50%
12	Multi-Family 2" Meter	65	650.00	844.35	194.35	29.90%	600.50	(49.50)	-7.62%	698.75	48.75	7.50%
13	Multi-Family 4" Meter	67	670.00	870.33	200.33	29.90%	618.98	(51.02)	-7.61%	720.25	50.25	7.50%
14	Multi-Family 1"Meter	89	890.00	1,156.11	266.11	29.90%	822.22	(67.78)	-7.62%	956.75	66.75	7.50%
15	Multi-Family 2" Meter	102	1,020.00	1,324.98	304.98	29.90%	942.32	(77.68)	-7.62%	1,096.50	76.50	7.50%
16	Multi-Family 4" Meter	129	1,290.00	1,675.71	385.71	29.90%	1,191.76	(98.24)	-7.62%	1,386.75	96.75	7.50%
17	Multi-Family 4" Meter	153	1,530.00	1,987.47	457.47	29.90%	1,413.48	(116.52)	-7.62%	1,644.75	114.75	7.50%
18	Gallons In Minimum, All Except		1,000	1,000	-	0.00%	-	(1,000)	-100.00%	-	(1,000)	-100.00%
19	Multi-Family											
20	Multi-Family 1"Meter	44	44,000	44,000			-	(44,000)	-100.00%	-	(44,000)	-100.00%
21	Multi-Family 2" Meter	56	56,000	56,000			-	(56,000)	-100.00%	-	(56,000)	-100.00%
22	Multi-Family 4" Meter	64	64,000	64,000			-	(64,000)	-100.00%	-	(64,000)	-100.00%
23	Multi-Family 2" Meter	65	65,000	65,000			-	(65,000)	-100.00%	-	(65,000)	-100.00%
24	Multi-Family 4" Meter	67	67,000	67,000			-	(67,000)	-100.00%	-	(67,000)	-100.00%
25	Multi-Family 1"Meter	89	89,000	89,000			-	(89,000)	-100.00%	-	(89,000)	-100.00%
26	Multi-Family 2" Meter	102	102,000	102,000			-	(102,000)	-100.00%	-	(102,000)	-100.00%
27	Multi-Family 4" Meter	129	129,000	129,000			-	(129,000)	-100.00%	-	(129,000)	-100.00%
28	Multi-Family 4" Meter	153	153,000	153,000			-	(153,000)	-100.00%	-	(153,000)	-100.00%
29	Gallons in Tiers											
30	Tier 1: Gallons upper limit		Infinite	Infinite			4,000			Infinite		
31	Tier 2: Gallons upper limit		Infinite	Infinite			100,000			Infinite		
32	Tier 3: Gallons upper limit		Infinite	Infinite			Infinite			Infinite		
33	Commodity Rates (per 1,000 gallons over minimum and per Tier)											
34	All, summer rate	Tier 1	$ 1.42	$ 2.07	0.65	45.77%	0.81	(0.61)	-42.96%	1.72	0.30	**21.13%**
35	All, summer rate	Tier 2	1.42	2.07	0.65	45.77%	1.21	(0.21)	-14.79%	1.72	0.30	**21.13%**
36	All, summer rate	Tier 3	1.42	2.07	0.65	45.77%	1.45	0.03	2.11%	1.72	0.30	**21.13%**
37	All, winter rate	Tier 1	$ 1.31	$ 1.91	0.60	45.80%	0.81	(0.50)	-38.17%	1.72	0.41	**31.30%**
38	All, winter rate	Tier 2	1.31	1.91	0.60	45.80%	1.21	(0.10)	-7.63%	1.72	0.41	**31.30%**
39	All, winter rate	Tier 3	1.31	1.91	0.60	45.80%	1.45	0.14	10.69%	1.72	0.41	**31.30%**

Arizona American / Mohave Water Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rebuttal Rates
ACC Staff Proposed Rates, RUCO Staff Proposed Rates

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Kozoman Rebuttal Schedule 1
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Witness: Kozoman

Line No.	Monthly Minimums	Units Served	Present Rates	Company Proposed Rebuttal Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	Residential,Commercial, Irrigation, Resale and Miscellaneous Customers											
2	5/8 x 3/4 Inch		$ 8.65	$ 9.03	$ 0.38	4.39%	$ 7.27	$ (1.38)	-15.93%	$ 7.45	$ (1.20)	-13.87%
3	3/4 Inch						7.27					
4	1 Inch		$ 15.00	$ 15.68	0.68	4.53%	12.61	(2.39)		12.90	(2.10)	-14.00%
5	1 1/2 Inch		$ 25.00	$ 26.15	1.15	4.60%	21.01	(3.99)	-15.98%	21.50	(3.50)	-14.00%
6	2 Inch		$ 30.00	$ 31.38	1.38	4.60%	25.21	(4.79)	-15.97%	25.85	(4.15)	-13.83%
7	3 Inch		$ 60.00	$ 62.77	2.77	4.62%	50.41	(9.59)	-15.98%	51.65	(8.35)	-13.92%
8	4 Inch		$ 90.00	$ 94.17	4.17	4.63%	75.62	(14.38)	-15.98%	77.50	(12.50)	-13.89%
9	6 Inch		$ 200.00	$ 209.27	9.27	4.64%	168.05	(31.95)	-15.98%	172.25	(27.75)	-13.88%
10	8 Inch		$ 400.00	$ 418.56	18.56	4.64%	336.10	(63.90)	-15.98%	344.50	(55.50)	-13.88%
11	10 Inch		N/A	$ 723.20			581.23			596.00		
12	Residential Rio Water										-	
13	5/8 Inch (a)		7.75	8.10	0.35	4.52%	6.51	(1.24)	-16.00%	6.65	(1.10)	-14.19%
14	1 Inch (a)		7.75	8.10	0.35	4.52%	6.51	(1.24)	-16.00%	6.65	(1.10)	-14.19%
15	2 Inch (a)		7.75	8.10	0.35	4.52%	6.51	(1.24)	-16.00%	6.65	(1.10)	-14.19%
16	Private Fire										-	
17	2 Inch or smaller (a)		3.00	3.13	0.13	4.33%	2.52	(0.48)	-16.00%	2.60	(0.40)	-13.33%
18	4 Inch (a)		6.00	6.27	0.27	4.50%	5.04	(0.96)	-16.00%	5.15	(0.85)	-14.17%
19	6 Inch (a)		9.00	9.42	0.42	4.67%	7.56	(1.44)	-16.00%	7.75	(1.25)	-13.89%
20	8 Inch (a)		12.00	12.55	0.55	4.58%	10.08	(1.92)	-16.00%	10.35	(1.65)	-13.75%
21	10 Inch		15.00	15.69	0.69	4.60%	12.60	(2.40)	-16.00%	12.90	(2.10)	-14.00%
22	12 Inch (a)		18.00	18.83	0.83	4.61%	15.12	(2.88)	-15.98%	15.50	(2.50)	-13.89%
23	14 Inch (a)		21.00	21.96	0.96	4.57%	17.65	(3.35)	-15.98%	18.10	(2.90)	-13.81%
24	20 Inch		30.00	31.38	1.38	4.60%	25.21	(4.79)	-15.98%	25.85	(4.15)	-13.83%
25	Per Sprinkler Head (a)		0.51	0.53	0.02	3.92%				0.44	(0.07)	-13.73%
26	Per each Private Fire Hydrant (a)		7.64	7.99	0.35	4.58%	6.42	(1.22)	-15.97%	6.55	(1.09)	-14.27%
27	Gallons In Minimum											
28	All (except Rio Water & Multi-Units		1000	1000	-	0.00%	0	(1,000)	-100.00%	0	(1,000)	-100.00%
29	Rio Water		2000	2000	-	0.00%	0	(2,000)	-100.00%	0	(2,000)	-100.00%
30	Multi-Unit & Multi-Family (a)											
31	Residential MF 5/8" Meter	573	4,956.45	5,174.19	217.74	4.39%	4,165.71	(790.74)	-15.95%	4,268.85	(687.60)	-13.87%
32	Residential MF 1" Meter	262	2,266.30	2,365.86	99.56	4.39%	1,904.74	(361.56)	-15.95%	1,951.90	(314.40)	-13.87%
33	Residential MF 1.5" Meter	130	1,124.50	1,173.90	49.40	4.39%	945.10	(179.40)	-15.95%	968.50	(156.00)	-13.87%
34	Residential MF 2" Meter	1525	13,191.25	13,770.75	579.50	4.39%	11,086.76	(2,104.49)	-15.95%	11,361.25	(1,830.00)	-13.87%
35	Residential MF 4" Meter	107	925.55	966.21	40.66	4.39%	777.89	(147.66)	-15.95%	797.15	(128.40)	-13.87%
36	Residential MF 6" Meter	1054	9,117.10	9,517.62	400.52	4.39%	7,662.58	(1,454.52)	-15.95%	7,852.30	(1,264.80)	-13.87%
37	Commercial 5/8"Meter	94	813.10	848.82	35.72	4.39%	683.38	(129.72)	-15.95%	700.30	(112.80)	-13.87%
38	Commmerical 1 "Meter	22	190.30	198.66	8.36	4.39%	159.94	(30.36)	-15.95%	163.90	(26.40)	-13.87%
39	Commercial 1.5" Meter	5	43.25	45.15	1.90	4.39%	36.35	(6.90)	-15.95%	37.25	(6.00)	-13.87%
40	Commercial 2" Meter	18	155.70	162.54	6.84	4.39%	130.86	(24.84)	-15.95%	134.10	(21.60)	-13.87%
41	Commodity Rates (per 1,000 gallons over minimum and per Tier, All Except Rio Water)											
42		Tier 1	$ 1.48	$ 1.55	0.07	4.73%	0.81	$ (0.67)	-45.27%	1.24	$ (0.24)	-16.22%
43		Tier 2	1.48	1.55	0.07	4.73%	1.23	(0.25)	-16.89%	1.24	(0.24)	-16.22%
44		Tier 3	1.48	1.55	0.07	4.73%	1.47	(0.01)	-0.68%	1.24	(0.24)	-16.22%
45	Commodity Rates: Rio Water											
46		Tier 1	$ 1.75	$ 1.83	0.08	4.57%	0.81	(0.94)	-53.71%	1.43	(0.32)	-18.29%
47		Tier 2	1.75	1.83	0.08	4.57%	1.23	(0.52)	-29.71%	1.43	(0.32)	-18.29%
48		Tier 3	1.75	1.83	0.08	4.57%	1.47	(0.28)	-16.00%	1.43	(0.32)	-18.29%
49	Gallons in Tiers											
50	Tier 1: Gallons upper limit		Infinite				4,000			Infinite		
51	Tier 2: Gallons upper limit		Infinite				100,000			Infinite		
52	Tier 3: Gallons upper limit		Infinite				Infinite			Infinite		
53	ACC Staff Public Authority Private Fire: Infinite Quantity						$ 1.25					
54	(a) Monthly Minimum times Units											

Arizona American / Sun City Water Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rebuttal Rates
ACC Staff Proposed Rates, RUCO Staff Proposed Rates

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Line No.	Monthly Minimums	Present Rates	Company Proposed Rebuttal Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	5/8 x 3/4 Inch	$ 5.00	$ 8.58	$ 3.58	71.60%	$ 6.59	$ 1.59	31.89%	$ 5.00	$ -	0.00%
2	3/4 Inch	5.00	8.58	3.58	71.60%	6.59	1.59	31.89%	5.00	-	0.00%
3	1 Inch	13.00	22.36	9.36	72.00%	17.15	4.15	31.89%	13.00	-	0.00%
4	1 1/2 Inch	28.00	48.16	20.16	72.00%	36.93	8.93	31.89%	27.84	(0.16)	-0.57%
5	2 Inch	41.00	70.52	29.52	72.00%	54.07	13.07	31.89%	40.98	(0.02)	-0.05%
6	3 Inch	70.00	120.40	50.40	72.00%	92.32	22.32	31.89%	69.96	(0.04)	-0.06%
7	4 Inch	103.00	177.16	74.16	72.00%	135.85	32.85	31.89%	102.95	(0.05)	-0.05%
8	6 Inch	141.00	242.52	101.52	72.00%	185.97	44.97	31.89%	140.93	(0.07)	-0.05%
9	Private Fire Protection										
10	Flat Rate 3	6.00	10.32	4.32	72.00%	7.91	1.91	31.89%	6.00	-	0.00%
11	Flat Rate 4	9.00	15.48	6.48	72.00%	11.87	2.87	31.89%	9.00	-	0.00%
12	Flat Rate 6	12.50	21.50	9.00	72.00%	16.49	3.99	31.89%	12.50	-	0.00%
13	Flat Rate 8	20.00	34.40	14.40	72.00%	26.38	6.38	31.89%	20.00	-	0.00%
14	Flat Rate 10	30.00	51.60	21.60	72.00%	39.57	9.57	31.89%	30.00	-	0.00%
15	Standby									-	
16	Public Interruptible	3.50	6.02	2.52	72.00%	4.62	1.12	31.89%	3.50	-	0.00%
17	Irrigation										
18	1 Inch	13.00	22.36	9.36	72.00%	17.15	4.15	31.89%	13.00	-	0.00%
19	1 1/2 Inch	28.00	48.16	20.16	72.00%	36.93	8.93	31.89%	27.99	(0.01)	-0.04%
20	2 Inch	41.00	70.52	29.52	72.00%	54.07	13.07	31.89%	40.99	(0.01)	-0.02%
21	3 Inch	70.00	120.40	50.40	72.00%	92.32	22.32	31.89%	69.99	(0.01)	-0.01%
22	4 Inch	103.00	177.16	74.16	72.00%	135.85	32.85	31.89%	102.98	(0.02)	-0.02%
23	6 Inch	141.00	242.52	101.52	72.00%	185.97	44.97	31.89%	140.81	(0.19)	-0.13%
24	Gallons In Minimum										
25	All customer classes	-	-								
26	Gallons in Tiers										
27	All, except construction, irrigation, public interruptible										
28	Tier 1: Gallons upper limit	8,000	8,000	-	0.00%	4,000			8,000	-	0.00%
29	Tier 2: Gallons upper limit	Infinite	Infinite			100,000			Infinite		
30	Tier 3: Gallons upper limit	Infinite	Infinite			Infinite			Infinite		
31	Commodity Rates										
32	All, except construction, irrigation, public interruptible										
33	Tier 1	$ 0.73	$ 1.26	0.53	72.60%	$ 0.78	$ 0.05	6.85%	$ 0.99	**$ 0.26**	**35.62%**
34	Tier 2	0.92	1.58	0.66	71.74%	1.17	0.25	27.17%	1.29	**0.37**	**40.22%**
35	Tier 3	0.92	1.58	0.66	71.74%	1.39	0.47	51.09%	1.29	**0.37**	**40.22%**
36	Construction / Untreated CAP	0.50	0.86	0.36	72.00%	0.66	0.16	31.89%	1.49	**0.99**	**198.00%**
37	Irrigation	0.65	1.12	0.47	72.31%	0.86	0.21	31.89%	1.96	**1.31**	**201.54%**
38	Public Interruptible	0.50	0.86	0.36	72.00%	0.66	0.16	31.89%	1.49	**0.99**	**198.00%**
39	Private Fire Protection					0.78					

Arizona American / Sun City Wastewater Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rebuttal Rates
ACC Staff Proposed Rates, RUCO Staff Proposed Rates

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Line No.	Monthly Minimums	Present Rates	Company Proposed Rebuttal Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	Residential and Commercial										
2	Residential (SSR) (a)	$ 12.87	$ 13.67	$ 0.80	6.22%	$ 10.82	$ (2.05)	-15.93%	$ 10.58	$ (2.29)	-17.79%
3	Commercial (SSC) (a)	15.46	16.42	0.96	6.21%	12.99	(2.47)	-15.98%	12.71	(2.75)	-17.79%
4	Commercial Large User (SS6 based on consumption)	32.80	34.84	2.04	6.22%	27.56	(5.24)	-15.98%	26.97	(5.83)	-17.77%
5	SS1 (commercial, additonal toilets) (a)	3.78	4.02	0.24	6.35%	3.18	(0.60)	-15.87%	3.11	(0.67)	-17.72%
6	SS2 (commercial restaurant,										
7	per dishwasher or garbage grinder)	29.10	30.91	1.81	6.22%	24.45	(4.65)	-15.98%	23.93	(5.17)	-17.77%
8	SS3 (commercial laundromat, per washing machine)	7.06	7.49	0.43	6.09%	5.93	(1.13)	-16.01%	5.80	(1.26)	-17.85%
9	SS4 (commercial, per wash rack)	14.40	15.30	0.90	6.25%	12.10	(2.30)	-15.97%	11.84	(2.56)	-17.78%
10	Rental Rooms	7.99	8.49	0.50	6.26%			0.00%	6.57	(1.42)	-17.77%
11	Paradise Resort Park, Contract Rate	3.94	3.94	-	0.00%			0.00%	2.88	(1.06)	-26.90%
12											
13	Gallons In Minimum										
14	Commercial SSR6 & Paradise Park Resort	20,000	20,000	-	0.00%	20,000	-	0.00%	20,000	-	0.00%
15											
16	Commodity Rates (per 1,000 gallons over minimum)										
17	Commercial SSR6 & Paradise Park Resort (a)	$ 1.24	$ 1.32	0.08	6.45%	$ 1.04	(0.20)	-16.13%	$ 1.20	(0.04)	-3.23%
18											
19	**Annual Fee for Industrial Discharge Service**										
20	For those customers consuming an amount of water less than or equal										
21	50,000 gallons per month through one or more water meters to the										
22	same facility, inclusive of meters used for irrigation:	$ 500.00	$ 500.00	-	0.00%	$ 500.00	-	0.00%	$ 500.00	-	0.00%
23											
24											
25	For those customers consuming an amount of water greater than										
26	50,000 gallons per month through one or more water meters to the										
27	same facility, inclusive of meters used for irrigation:	$ 1,000.00	$ 1,000.00	-	0.00%	$ 1,000.00	-	0.00%	$ 1,000.00	-	0.00%
28											
29	Annual Fee for Industrial Discharge Service charges shall be non-refundable and shall be assessed										
30	in advance each January by the Company by special billing. For new customers receiving this service,										
31	a prorated charge shall be assessed.										

Arizona American / Sun City West Water Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rebuttal Rates
ACC Staff Proposed Rates, RUCO Staff Proposed Rates

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Line No.	Monthly Minimums	Present Rates	Company Proposed Rebuttal Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	5/8 x 3/4 Inch	$ 5.00	$ 6.82	$ 1.82	36.40%	$ 5.60	$ 0.60	12.00%	$ 5.00	$ -	0.00%
2	3/4 Inch	5.00	6.82	1.82	36.40%	5.60	0.60	12.00%	5.00	-	0.00%
3	1 Inch (a)	13.00	17.75	4.75	36.54%	14.55	1.55	11.92%	13.00	-	0.00%
4	1 1/2 Inch (a)	28.00	38.24	10.24	36.57%	31.33	3.33	11.89%	28.00	-	0.00%
5	2 Inch (a)	41.00	56.00	15.00	36.59%	45.86	4.86	11.85%	41.00	-	0.00%
6	3 Inch	70.00	95.60	25.60	36.57%	78.32	8.32	11.89%	70.00	-	0.00%
7	4 Inch (a)	103.00	140.67	37.67	36.57%	115.24	12.24	11.88%	103.00	-	0.00%
8	6 Inch (a)	141.00	192.57	51.57	36.57%	157.75	16.75	11.88%	141.00	-	0.00%
9	Construction / Tariff to be canceled, as it is									-	
10	no longer used	8.00									
11	General Fire Sprinkler Rate 4 "	30.00	40.97	10.97	36.57%	33.57	3.57	11.90%	30.00	-	0.00%
12	General Fire Sprinkler Rate 6 "	45.00	61.46	16.46	36.58%	50.35	5.35	11.89%	45.00	-	0.00%
13	General Fire Sprinkler Rate 8 "	60.00	81.94	21.94	36.57%	67.13	7.13	11.88%	60.00	-	0.00%
14	General Fire Sprinkler Rate 10 "	120.00	163.89	43.89	36.58%				120.00	-	0.00%
15											
16	Gallons included in Monthly Minimum	0	0	-							
17	Gallons included in Tiers										
18	All, except construction										
19	Tier 1: Gallons upper limit	8,000	8,000	-	0.00%	4,000	(4,000)	-50.00%	8,000	-	0.00%
20	Tier 2: Gallons upper limit	Infinite	Infinite			100,000			Infinite		
21	Tier 3: Gallons upper limit	Infinite	Infinite			Infinite			Infinite		
22	Construction	Infinite	Infinite						Infinite		
23	All except general fire sprinkler										
24	Tier 1	$ 0.93	$ 1.27	0.34	36.56%	$ 0.84	$ (0.09)	-9.68%	$ 1.14	**0.21**	**22.58%**
25	Tier 2	$ 1.12	$ 1.53	0.41	36.61%	1.24	0.12	10.71%	1.38	**0.26**	**23.21%**
26	Tier 3	$ 1.12	$ 1.53	0.41	36.61%	1.52	0.40	35.71%			
27	General fire sprinkler					0.60					
28	Effluent Sales, per Acre Foot	150.00	204.86	54.86	36.57%	167.82	17.82	11.88%	216.90	**66.90**	**44.60%**
29	Central Arizona Project - Raw Untreated Water - Per 1,000 Gallons										
30		0.50	0.68	0.18	36.00%	0.56	0.06	12.00%	0.72	**0.22**	**44.00%**
31	In Addition to above charges, Company shall collect Groundwater Savings Fee per Decisin 62293										

Arizona American / Sun City West Wastewater Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rebuttal Rates
ACC Staff Proposed Rates, RUCO Staff Proposed Rates

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Line No.	Monthly Minimums	Present Rates	Company Proposed Rebuttal Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	Residential and Commercial										
2	Residential (WSR)	$ 16.24	$ 23.64	$ 7.40	45.57%	$ 21.45	$ 5.21	32.08%	$ 20.90	$ 4.66	28.69%
3	Commercial (SSC)	$ 23.09	$ 33.62	10.53	45.60%	30.50	7.41	32.09%	29.72	6.63	28.71%
4	Commercial Large User (SS6 based										
5	on consumption)	$ 45.42	$ 66.14	20.72	45.62%	59.99	14.57	32.08%	58.46	13.04	28.71%
6	WS1 (commercial, additonal toilets)	$ 5.30	$ 7.72	2.42	45.66%	7.00	1.70	32.08%	6.82	1.52	28.68%
7	WS2 (commercial restaurant, per dishwasher or										
8	or garbage grinder)	$ 42.58	$ 62.00	19.42	45.61%	56.24	13.66	32.08%	54.81	12.23	28.72%
9	WS3 (commercial laundromat, per washing machine)	$ 9.93	$ 14.46	4.53	45.62%	13.11	3.18	32.02%	12.78	2.85	28.70%
10	WS4 (commercial, per wash rack)	$ 20.81	$ 30.30	9.49	45.60%	27.48	6.67	32.05%	26.79	5.98	28.74%
11											
12	**Annual Fee for Industrial Discharge Service**										
13	For those customers consuming an amount of water less than or equal										
14	50,000 gallons per month through one or more water meters to the										
15	same facility, inclusive of meters used for irrigation:	$ 500.00	$ 500.00	-	0.00%	$ 500.00	-	0.00%	$ 500.00	-	0.00%
16											
17	For those customers consuming an amount of water greater than										
18	50,000 gallons per month through one or more water meters to the										
19	same facility, inclusive of meters used for irrigation:	$ 1,000.00	$ 1,000.00	-	0.00%	$ 1,000.00	-	0.00%	$ 1,000.00	-	0.00%
20											
21	Annual Fee for Industrial Discharge Service charges shall be non-refundable and shall be assessed										
22	in advance each January by the Company by special billing. For new customers receiving this service,										
23	a prorated charge shall be assessed.										
24											
25	Gallons In Minimum										
26	Commercial SSR6	20,000	20,000	-	0.00%	20,000	-	0.00%	20,000	-	0.00%
27											
28	Commodity Rates (per 1,000 gallons over minimum)										
29	Commercial SSR6 (a)	$ 0.98	$ 1.43	0.45	45.92%	$ 1.29	0.31	31.63%	$ 2.50	**$ 1.52**	**155.10%**

Arizona American / Tubac Water Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rebuttal Rates
ACC Staff Proposed Rates, RUCO Staff Proposed Rates

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Kozoman Rebuttal Schedule 1
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Line No.	Monthly Minimums	Present Rates	Company Proposed Rebuttal Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	5/8 x 3/4 Inch	$ 15.35	$ 26.74	$ 11.39	74.20%	$ 20.80	$ 5.45	35.50%	$ 15.00	$ (0.35)	-2.28%
2	3/4 Inch	15.35	26.74	11.39	74.20%	20.80	5.45	35.50%	15.00	(0.35)	-2.28%
3	1 Inch	23.00	40.07	17.07	74.22%	31.17	8.17	35.52%	22.48	(0.52)	-2.26%
4	1 1/2 Inch	46.00	80.14	34.14	74.22%	62.23	16.23	35.28%	44.96	(1.04)	-2.26%
5	2 Inch	76.00	132.41	56.41	74.22%	102.98	26.98	35.50%	74.28	(1.72)	-2.26%
6	3 Inch	90.00	156.81	66.81	74.23%	121.95	31.95	35.50%	87.96	(2.04)	-2.27%
7	4 Inch	132.00	229.98	97.98	74.23%	178.85	46.85	35.49%	129.00	(3.00)	-2.27%
8	6 Inch	180.00	313.61	133.61	74.23%	243.89	63.89	35.49%	175.91	(4.09)	-2.27%
9	8 Inch	N/A	2,674.00			2,079.62			1,500.00		
10	Gallons In Minimum										
11	All										
12	Tier 1: Gallons upper limit	8000	8,000	-	0.00%	4,000	(4,000)	-50.00%	8,000	-	0.00%
13	Tier 2: Gallons upper limit	Infinite	Infinite			10,000					
14	Tier 3: Gallons upper limit	Infinite	Infinite			Infinite					
15	Commodity Rates (per 1,000 gallons over minimum and/or per Tier)										
16	Tier 1	$ 1.66	$ 2.89	1.23	74.10%	1.81	0.15	9.04%	2.13	0.47	**28.31%**
17	Tier 2	$ 2.04	$ 3.55	1.51	74.02%	2.72	0.68	33.33%	2.61	0.57	**27.94%**
18	Tier 3	$ 2.04	$ 3.55	1.51	74.02%	3.26	1.22	59.80%			

Arizona American
Test Year Ended December 31, 2001
Summary of ACC Staff's Rates of Return at Present and Proposed Rates of Return by Meter Size / All Water Districts
Negative Number on Percent Change Line indicates Rate of Return has decreased, Positive Number indicates Increase in Return

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Line No.		Total	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
1		**Agua Fria Water / ACC Staff's Rates of Return by Meter Sizes**						**ACC Staff Recommends a Rate Decrease**				
2	Present Rates (a)	9.76%	9.03%	12.03%	17.68%	55.13%	48.11%	39.22%	70.20%	12.67%	-5.11%	No Meter
3	Proposed Rates (b)	6.57%	3.64%	5.06%	7.92%	27.63%	25.28%	21.35%	33.89%	7.95%	-2.22%	This Size
4	Percent Change	-32.66%	-59.73%	-57.95%	-55.20%	-49.87%	-47.45%	-45.58%	-51.72%	-37.24%	-56.56%	
5												
6		**Anthem Water / ACC Staff's Rates of Return by Meter Size**						**ACC Staff Recommends a Rate Decrease**				
7	Present Rates (a)	8.18%	16.50%	7.16%	9.15%	38.58%	21.46%	32.29%	-3.64%	-4.84%	No Meter	No Meter
8	Proposed Rates (b)	6.59%	8.08%	1.34%	4.36%	41.48%	32.20%	61.09%	78.04%	4.76%	This Size	This Size
9	Percent Change	-19.44%	**-51.05%**	**-81.23%**	-52.32%	**7.52%**	**50.03%**	**89.17%**	(c)	(c)		
10												
11		**Havasu Water / ACC Staff's Rates of Return by Meter Size**						**ACC Staff Recommends a Rate Decrease**				
12	Present Rates (a)	8.91%	1.67%	No Meter	79.23%	No Meter	70.19%	33.91%	52.83%	No Meter	No Meter	No Meter
13	Proposed Rates (b)	7.38%	-1.10%	This Size	130.42%	This Size	76.55%	38.80%	51.81%	This Size	This Size	This Size
14	Percent Change	-17.19%	-166.09%		**64.60%**		**9.06%**	**14.42%**	-1.92%			
15												
16		**Mohave Water / ACC Staff's Rates of Return by Meter Size**						**ACC Staff Recommends a Rate Decrease**				
17	Present Rates (a)	10.93%	9.42%	No Meter	24.99%	44.32%	20.91%	25.01%	-4.07%	22.81%	-6.50%	-5.96%
18	Proposed Rates (b)	6.64%	4.42%	This Size	19.38%	38.75%	17.61%	21.60%	-4.61%	21.12%	-6.61%	-6.05%
19	Percent Change	-39.28%	-53.05%		-22.44%	-12.59%	-15.77%	-13.66%	13.29%	-7.38%	-1.61%	-1.50%
20												
21		**Sun City Water / ACC Staff's Rates of Return by Meter Size**						**ACC Staff Recommends a Rate Increase**				
22	Present Rates (a)	0.99%	-3.92%	-2.95%	5.95%	11.21%	8.43%	9.97%	-2.65%	3.42%	-6.75%	No Meter
23	Proposed Rates (b)	6.60%	**0.23%**	1.12%	**12.82%**	**19.95%**	**16.21%**	**19.57%**	0.77%	**10.73%**	-6.50%	This Size
24	Percent Change	566.32%	(c)	(c)	115.45%	78.08%	92.30%	96.34%	(c)	213.60%	3.78%	
25												
26		**Sun City West Water / ACC Staff's Rates of Return by Meter Size**						**ACC Staff Recommends a Rate Increase**				
27	Present Rates (a)	4.47%	1.95%	14.26%	10.77%	27.10%	17.98%	29.79%	55.38%	-9.10%	-11.85%	No Meter
28	Proposed Rates (b)	6.61%	**3.10%**	**18.29%**	**14.35%**	**34.94%**	**25.20%**	**45.26%**	**91.41%**	-8.77%	-11.86%	This Size
29	Percent Change	47.61%	59.01%	28.28%	33.25%	28.97%	40.19%	51.95%	65.07%	3.61%	-0.07%	
30												
31		**Tubac Water / ACC Staff's Rates of Return by Meter Size**						**ACC Staff Recommends a Rate Increase**				
32	Present Rates (a)	1.72%	2.04%	No Meter	-0.40%	2.67%	6.73%	-4.06%	No Meter	No Meter	No Meter	No Meter
33	Proposed Rates (b)	6.57%	7.14%	This Size	3.35%	5.99%	14.49%	-3.10%	This Size	This Size	This Size	This Size
34	Percent Change	282.37%	250.48%		(c)	124.13%	115.36%	23.73%				
35												

36 **(a)** Present Revenues from Company's Bill Counts. Includes Miscellaneous Revenues
37 **(b)** Proposed Revenues from ACC Staff's Bill Counts. Includes Miscellaneous Revenues

(c) Percentage can't be computed due to a Negative and/or Positive Return at Present and/or Proposed Returns

Arizona American
Test Year Ended December 31, 2001
Summary of ACC Staff's Present and Proposed Revenues by Meter Size for All Water Divisions
Negative Number on Percent Change Line indicates Revenues have decreased, Positive Number indicates Increase in Revenues

Exhibit
Kozoman Rebuttal Schedule 3
Page 1
Witness: Kozoman

Line No.												Total
1		**Agua Fria Water / ACC Staff's Revenues by Meter Size**					**ACC Staff Recommends a Rate Decrease**					Revenues
2		5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	
3	Present Revenues (a)	3,334,444	41,750	443,710	190,418	763,772	362,757	252,893	376,895	76,869	No Meter	5,843,506
4	Proposed Revenues (b)	2,737,014	34,807	369,873	164,738	679,904	329,336	215,476	365,588	76,123	This Size	4,972,860
5	Percent Change	-17.92%	-16.63%	-16.64%	-13.49%	-10.98%	-9.21%	-14.80%	-3.00%	-0.97%		-14.90%
6												
7		**Anthem Water / ACC Staff's Revenues by Meter Size**					**ACC Staff Recommends a Rate Decrease**					
8	Present Revenues (a)	3,606	691,596	802,410	35,169	175,472	96,219	3,330	19,501	No Meter	20,135	1,847,438
9	Proposed Revenues (b)	2,319	444,462	540,565	30,015	181,895	116,953	57,346	78,871	This Size	20,233	1,472,658
10	Percent Change	-35.69%	-35.73%	-32.63%	-14.65%	**3.66%**	**21.55%**	**1622.09%**	**304.44%**		**0.48%**	-20.29%
11												
12		**Havasu Water / ACC Staff's Revenues by Meter Size**					**ACC Staff Recommends a Rate Decrease**					
13	Present Revenues (a)	278,124	No Meter	19,904	No Meter	33,343	25,194	67,516	No Meter	No Meter	No Meter	424,081
14	Proposed Revenues (b)	249,153	This Size	27,312	This Size	33,980	26,319	63,510	This Size	This Size	This Size	400,273
15	Percent Change	-10.42%		**37.21%**		**1.91%**	**4.47%**	-5.93%				-5.61%
16												
17		**Mohave Water / ACC Staff's Revenues by Meter Size**					**ACC Staff Recommends a Rate Decrease**					
18	Present Revenues (a)	3,074,418	No Meter	163,919	51,270	681,301	70,147	41,893	187,185	720	180	4,271,034
19	Proposed Revenues (b)	2,508,732	This Size	141,486	46,615	617,387	64,052	37,068	178,579	619	151	3,594,690
20	Percent Change	-18.40%		-13.69%	-9.08%	-9.38%	-8.69%	-11.52%	-4.60%	-14.09%	-16.00%	-15.84%
21												
22		**Sun City Water / ACC Staff's Revenues by Meter Size**					**ACC Staff Recommends a Rate Increase**					
23	Present Revenues (a)	2,699,560	4,973	115,782	1,735,928	929,375	82,640	77,742	414,880	2,419	No Meter	6,063,298
24	Proposed Revenues (b)	3,498,884	6,436	151,074	2,292,035	1,245,919	115,354	114,031	582,590	3,246	This Size	8,009,568
25	Percent Change	29.61%	29.41%	30.48%	32.04%	34.06%	39.59%	46.68%	40.42%	34.18%		32.10%
26												
27		**Sun City West Water / ACC Staff's Revenues by Meter Size**					**ACC Staff Recommends a Rate Increase**					
28	Present Revenues (a)	2,088,189	409	73,821	586,696	376,549	47,070	133,331	16,803	5,040	No Meter	3,327,909
29	Proposed Revenues (b)	2,280,793	453	82,970	666,029	441,869	58,990	179,025	19,247	5,639	This Size	3,735,016
30	Percent Change	9.22%	10.84%	12.39%	13.52%	17.35%	25.32%	34.27%	14.54%	11.88%		12.23%
31												
32		**Tubac Water / ACC Staff's Revenues by Meter Size**					**ACC Staff Recommends a Rate Increase**					
33	Present Revenues (a)	213,560	No Meter	18,662	4,603	11,433	2,863	No Meter	No Meter	No Meter	No Meter	251,121
34	Proposed Revenues (b)	288,555	This Size	25,681	5,796	16,638	3,441	This Size	This Size	This Size	This Size	340,112
35	Percent Change	35.12%		37.61%	25.91%	45.53%	20.16%					35.44%
36												

37 **(a)** Present Revenues from Company's Bill Counts. Excludes Miscellaneous Revenues
38 **(b)** Proposed Revenues from ACC Staff's Bill Counts. Excludes Miscellaneous Revenues

Arizona American / Sun City Water
Test Year Ended December 31, 2001
Impact of Switching Youngtown Water Service from Commercial to Irrigation Classification
Based on Usage from October 2002 through September 2003 / Company Rates

Exhibit
Kozoman Rebuttal Schedule 4
Page 1
Witness: Kozoman

Column Numbers------>		1	2	3	4	5	6
						(Cols. 3 - 1)	(Cols. 4 - 2)

Company's Present and Proposed Rebuttal Rates

Line No.	Year & Month	Usage	Billing as 2 Inch Commercial Present Rates	Billing as 2 Inch Commercial Rebuttal Proposed Rates	Billing as 2 Inch Irrigation Present Rates	Billing as 2 Inch Irrigation Rebuttal Proposed Rates	Difference in Billing at Present Rates	Difference in Billing at Rebuttal Proposed Rates
1	Sept. '03	255,000	$ 274.08	$ 470.86	$ 206.75	$ 356.12	$ (67.33)	$ (114.74)
2	Aug. '03	532,000	528.92	908.52	386.80	666.36	(142.12)	(242.16)
3	July '03	654,000	641.16	1,101.28	466.10	803.00	(175.06)	(298.28)
4	June '03	691,000	675.20	1,159.74	490.15	844.44	(185.05)	(315.30)
5	May '03	578,000	571.24	981.20	416.70	717.88	(154.54)	(263.32)
6	April '03	113,000	143.44	246.50	114.45	197.08	(28.99)	(49.42)
7	March '03	-	41.00	70.52	41.00	70.52	-	-
8	Feb. '03	105,000	136.08	233.86	109.25	188.12	(26.83)	(45.74)
9	Jan. '03	108,000	138.84	238.60	111.20	191.48	(27.64)	(47.12)
10	Dec. '02	209,000	231.76	398.18	176.85	304.60	(54.91)	(93.58)
11	Nov. '02	682,000	666.92	1,145.52	484.30	834.36	(182.62)	(311.16)
12	Oct. '02	183,000	207.84	357.10	159.95	275.48	(47.89)	(81.62)
13	Totals	4,110,000	$4,256.48	$7,311.88	$3,163.50	$5,449.44	$(1,092.98)	$(1,862.44)
14								
15			Billing as		Billing as		Difference in	
16			3 Inch Commercial		3 Inch Irrigation		Billing at	
17				Rebuttal		Rebuttal		Rebuttal
18	Year &		Present	Proposed	Present	Proposed	Present	Proposed
19	Month	Usage	Rates	Rates	Rates	Rates	Rates	Rates
20	Sept. '03	368,000	$ 407.04	$ 699.28	$ 309.20	$ 532.56	$ (97.84)	$ (166.72)
21	Aug. '03	325,000	367.48	631.34	281.25	484.40	(86.23)	(146.94)
22	July '03	362,000	401.52	689.80	305.30	525.84	(96.22)	(163.96)
23	June '03	295,000	339.88	583.94	261.75	450.80	(78.13)	(133.14)
24	May '03	232,000	281.92	484.40	220.80	380.24	(61.12)	(104.16)
25	April '03	398,000	434.64	746.68	328.70	566.16	(105.94)	(180.52)
26	March '03	198,000	250.64	430.68	198.70	342.16	(51.94)	(88.52)
27	Feb. '03	226,000	276.40	474.92	216.90	373.52	(59.50)	(101.40)
28	Jan. '03	213,000	264.44	454.38	208.45	358.96	(55.99)	(95.42)
29	Dec. '02	353,000	393.24	675.58	299.45	515.76	(93.79)	(159.82)
30	Nov. '02	442,000	475.12	816.20	357.30	615.44	(117.82)	(200.76)
31	Oct. '02	395,000	431.88	741.94	326.75	562.80	(105.13)	(179.14)
32	Totals	3,807,000	$4,324.20	$7,429.14	$3,314.55	$5,708.64	$(1,009.65)	$(1,720.50)
33								
34	Total Difference for 2 Inch & 3 Inch Meter, Commercial vs. Irrigation						$(2,102.63)	$(3,582.94)
35	(Line 13 + 32)							
36								

37	**Present Rates:**		**Proposed Rates**	
38		Commerical Customer Classification		
39	Monthly Minimum 2"	$ 41.00	Monthly Minimum 2"	70.52
40	Monthly Minimum 3"	$ 70.00	Monthly Minimum 3"	120.4
41	1st 8,000 Gallons/ Com.	0.73	1st 8,000 Gallons	1.26
42	Gallons in excess of 8,001	0.92	Gallons in excess of 8,001	1.58
43				
44	**Present Rates:**		**Proposed Rates**	
45		Irrigation Customer Classification		
46	Monthly Minimum 2"	$ 41.00	Monthly Minimum 2"	70.52
47	Monthly Minimum 3"	$ 70.00	Monthly Minimum 3"	120.4
48	All Gallons	0.65	All Gallons	1.12

Arizona American / Sun City Water
Test Year Ended December 31, 2001
Impact of Switching Youngtown Water Service from Commercial to Irrigation Classification
Based on Usage from October 2002 through September 2003 / ACC Staff Rates

Exhibit
Kozoman Rebuttal Schedule 4
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Witness: Kozoman

Column Numbers----->		1	2	3	4	5	6
						(Cols. 3 - 1)	(Cols. 4 - 2)

Company's Present and ACC Staff Proposed Rates

Line No.	Year & Month	Usage	Billing as 2 Inch Commercial Present Rates	Billing as 2 Inch Commercial ACC Staff Proposed Rates	Billing as 2 Inch Irrigation Present Rates	Billing as 2 Inch Irrigation ACC Staff Proposed Rates	Difference in Billing at Present Rates	Difference in Billing at ACC Staff Proposed Rates
1	Sept. '03	255,000	$ 274.08	$ 384.96	$ 206.75	$ 273.37	$ (67.33)	$ (111.59)
2	Aug. '03	532,000	528.92	769.99	386.80	511.59	(142.12)	(258.40)
3	July '03	654,000	641.16	939.57	466.10	616.51	(175.06)	(323.06)
4	June '03	691,000	675.20	991.00	490.15	648.33	(185.05)	(342.67)
5	May '03	578,000	571.24	833.93	416.70	551.15	(154.54)	(282.78)
6	April '03	113,000	143.44	187.58	114.45	151.25	(28.99)	(36.33)
7	March '03	-	41.00	30.51	41.00	54.07	-	23.56
8	Feb. '03	105,000	136.08	176.46	109.25	144.37	(26.83)	(32.09)
9	Jan. '03	108,000	138.84	180.63	111.20	146.95	(27.64)	(33.68)
10	Dec. '02	209,000	231.76	321.02	176.85	233.81	(54.91)	(87.21)
11	Nov. '02	682,000	666.92	978.49	484.30	640.59	(182.62)	(337.90)
12	Oct. '02	183,000	207.84	284.88	159.95	211.45	(47.89)	(73.43)
13	Totals	4,110,000	$ 4,256.48	$ 6,079.06	$ 3,163.50	$ 4,183.44	$(1,092.98)	$(1,895.62)
14								
15			Billing as 3 Inch Commercial		Billing as 3 Inch Irrigation		Difference in Billing at	
16								
17								
18	Year &		Present	ACC Staff Proposed	Present	ACC Staff Proposed	Present	ACC Staff Proposed
19	Month	Usage	Rates	Rates	Rates	Rates	Rates	Rates
20	Sept. '03	368,000	$ 407.04	$ 580.28	$ 309.20	408.80	$ (97.84)	$ (171.48)
21	Aug. '03	325,000	367.48	$ 520.51	281.25	371.82	(86.23)	(148.69)
22	July '03	362,000	401.52	$ 571.94	305.30	403.64	(96.22)	(168.30)
23	June '03	295,000	339.88	$ 478.81	261.75	346.02	(78.13)	(132.79)
24	May '03	232,000	281.92	$ 391.24	220.80	291.84	(61.12)	(99.40)
25	April '03	398,000	434.64	$ 621.98	328.70	434.60	(105.94)	(187.38)
26	March '03	198,000	250.64	$ 343.98	198.70	262.60	(51.94)	(81.38)
27	Feb. '03	226,000	276.40	$ 382.90	216.90	286.68	(59.50)	(96.22)
28	Jan. '03	213,000	264.44	$ 364.83	208.45	275.50	(55.99)	(89.33)
29	Dec. '02	353,000	393.24	$ 559.43	299.45	395.90	(93.79)	(163.53)
30	Nov. '02	442,000	475.12	$ 683.14	357.30	472.44	(117.82)	(210.70)
31	Oct. '02	395,000	431.88	$ 617.81	326.75	432.02	(105.13)	(185.79)
32	Totals	3,807,000	$ 4,324.20	$ 6,116.87	$ 3,314.55	$ 4,381.86	$(1,009.65)	$(1,735.01)
33								
34	Total Difference for 2 Inch & 3 Inch Meter, Commercial vs. Irrigation						$(2,102.63)	$(3,630.63)
35	(Line 13 + 32)							
36								

37	**Present Rates:**		**ACC Staff Proposed Rates**	
38		Commerical Customer Classification		
39	Monthly Minimum 2"	$ 41.00	Monthly Minimum 2"	$ 54.07
40	Monthly Minimum 3"	$ 70.00	Monthly Minimum 3"	$ 92.32
41	1st 8,000 Gallons/ Com.	$ 0.73	1st 4,000 Gallons	$ 0.78
42	Gallons in excess of 8,001	$ 0.92	Gallons from 4,001 to 100,000	$ 1.17
43			Gallons Over 100,001	$ 1.39
44				
45	**Present Rates:**		**ACC Staff Proposed Rates**	
46		Irrigation Customer Classification		
47	Monthly Minimum 2"	$ 41.00	Monthly Minimum 2"	$ 54.07
48	Monthly Minimum 3"	$ 70.00	Monthly Minimum 3"	$ 92.32
49	All Gallons	$ 0.65	All Gallons	$ 0.86

Arizona American / Sun City Water
Test Year Ended December 31, 2001
Impact of Switching Youngtown Water Service from Commercial to Irrigation Classification
Based on Usage from October 2002 through September 2003 / RUCO Staff Rates

Exhibit
Kozoman Rebuttal Schedule 4
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Witness: Kozoman

Column Numbers------>		1	2	3	4	5	6
						(Cols. 3 - 1)	(Cols. 4 - 2)

Company's Present and RUCO Staff Proposed Rates

Line No.	Year & Month	Usage	Billing as 2 Inch Commercial Present Rates	Billing as 2 Inch Commercial RUCO Staff Proposed Rates	Billing as 2 Inch Irrigation Present Rates	Billing as 2 Inch Irrigation RUCO Staff Proposed Rates	Difference in Billing at Present Rates	Difference in Billing at RUCO Staff Proposed Rates
1	Sept. '03	255,000	$ 274.08	$ 367.53	$ 206.75	$ 540.78	$ (67.33)	$ 173.25
2	Aug. '03	532,000	528.92	724.86	386.80	1,083.70	(142.12)	358.84
3	July '03	654,000	641.16	882.24	466.10	1,322.82	(175.06)	440.58
4	June '03	691,000	675.20	929.97	490.15	1,395.34	(185.05)	465.37
5	May '03	578,000	571.24	784.20	416.70	1,173.86	(154.54)	389.66
6	April '03	113,000	143.44	184.35	114.45	262.46	(28.99)	78.11
7	March '03	-	41.00	40.98	41.00	40.98	-	-
8	Feb. '03	105,000	136.08	174.03	109.25	246.78	(26.83)	72.75
9	Jan. '03	108,000	138.84	177.90	111.20	252.66	(27.64)	74.76
10	Dec. '02	209,000	231.76	308.19	176.85	450.62	(54.91)	142.43
11	Nov. '02	682,000	666.92	918.36	484.30	1,377.70	(182.62)	459.34
12	Oct. '02	183,000	207.84	274.65	159.95	399.66	(47.89)	125.01
13	Totals	4,110,000	$ 4,256.48	$ 5,767.26	$ 3,163.50	$ 8,547.36	$(1,092.98)	$ 2,780.10
14								
15			Billing as		Billing as		Difference in	
16			3 Inch Commercial		3 Inch Irrigation		Billing at	
17				RUCO Staff		RUCO Staff		RUCO Staff
18	Year &		Present	Proposed	Present	Proposed	Present	Proposed
19	Month	Usage	Rates	Rates	Rates	Rates	Rates	Rates
20	Sept. '03	368,000	$ 407.04	$ 542.28	$ 309.20	791.27	$ (97.84)	$ 248.99
21	Aug. '03	325,000	367.48	$ 486.81	281.25	706.99	(86.23)	220.18
22	July '03	362,000	401.52	$ 534.54	305.30	779.51	(96.22)	244.97
23	June '03	295,000	339.88	$ 448.11	261.75	648.19	(78.13)	200.08
24	May '03	232,000	281.92	$ 366.84	220.80	524.71	(61.12)	157.87
25	April '03	398,000	434.64	$ 580.98	328.70	850.07	(105.94)	269.09
26	March '03	198,000	250.64	$ 322.98	198.70	458.07	(51.94)	135.09
27	Feb. '03	226,000	276.40	$ 359.10	216.90	512.95	(59.50)	153.85
28	Jan. '03	213,000	264.44	$ 342.33	208.45	487.47	(55.99)	145.14
29	Dec. '02	353,000	393.24	$ 522.93	299.45	761.87	(93.79)	238.94
30	Nov. '02	442,000	475.12	$ 637.74	357.30	936.31	(117.82)	298.57
31	Oct. '02	395,000	431.88	$ 577.11	326.75	844.19	(105.13)	267.08
32	Totals	3,807,000	$ 4,324.20	$ 5,721.75	$ 3,314.55	$ 8,301.60	$(1,009.65)	$ 2,579.85
33								
34	Total Difference for 2 Inch & 3 Inch Meter, Commercial vs. Irrigation						$(2,102.63)	$ 5,359.95
35	(Line 13 + 32)							
36								

37	**Present Rates:**		**RUCO Staff Proposed Rates**	
38			Commerical Customer Classification	
39	Monthly Minimum 2"	$ 41.00	Monthly Minimum 2"	$ 40.99
40	Monthly Minimum 3"	$ 70.00	Monthly Minimum 3"	$ 69.99
41	1st 8,000 Gallons/ Com.	$ 0.73	1st 8,000 Gallons/ Com.	$ 0.99
42	Gallons in excess of 8,001	$ 0.92	Gallons in excess of 8,001	$ 1.29
43				
44				
45	**Present Rates:**		**RUCO Staff Proposed Rates**	
46			Irrigation Customer Classification	
47	Monthly Minimum 2"	$ 41.00	Monthly Minimum 2"	$ 40.99
48	Monthly Minimum 3"	$ 70.00	Monthly Minimum 3"	$ 69.99
49	All Gallons	$ 0.65	All Gallons	$ 1.96

AGUA FRIA
WATER DIVISION

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Rates of Return at Present Rates Using ACC Staff Net Plant and Expenses

Exhibit
Rebuttal Schedule G-1
Page 1
Witness: Kozoman

Meter Size->	Totals	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Water Revenues and Revenue Annualizations	5,843,506	3,334,444	41,750	443,710	190,418	763,772	362,757	252,893	376,895	76,869	-
Misc. Revenue **(a)**	339,961	339,961									
Total Revenues	6,183,467	3,674,405	41,750	443,710	190,418	763,772	362,757	252,893	376,895	76,869	-
Operating Expenses **(b)**	2,242,721	1,535,577	15,158	131,586	41,780	170,627	77,691	62,668	156,038	51,596	-
Depreciation and Amortization **(b)**	1,279,712	866,875	9,717	93,330	20,072	85,021	50,701	21,790	87,090	45,116	-
Property Tax **(c)**	293,920	174,656	1,984	21,091	9,051	36,304	17,243	12,021	17,915	3,654	-
Income Tax **(d)**	732,435	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	4,548,787	2,577,107	26,859	246,007	70,904	291,952	145,635	96,480	261,043	100,366	-
Operating Income	1,634,680	1,097,298	14,890	197,703	119,514	471,819	217,122	156,413	115,853	(23,497)	-
Interest Expense **(e)**	472,129	342,679	3,489	31,532	6,114	27,657	15,611	6,283	25,794	12,971	-
Net Income	1,162,551	754,619	11,401	166,171	113,400	444,162	201,511	150,130	90,059	(36,468)	-
Rate Base **(f)**	16,742,163	12,151,734	123,728	1,118,142	216,792	980,751	553,577	222,805	914,671	459,962	-
Rate of Return **(g)**	9.76%	9.03%	12.03%	17.68%	55.13%	48.11%	39.22%	70.20%	12.67%	-5.11%	

(a) Miscellaneous Revenue allocated to 5/8 Inch Customer Class.
(b) Operating Expenses and Depreciation computations are shown on Rebuttal Schedule G-4, Page 1.
(c) Property Taxes allocated based on Revenues
(d) Income Taxes allocated based on taxable income
(e) Interest Expense allocated based on Rate Base, Please see Rebuttal Schedule G-3, Page 1
(f) Rate Base computations are shown on Rebuttal Schedule G-3, Page 1
(g) Operating Income Divided by Rate Base

Income Tax Allocation											
Net Income & Income Tax	1,894,986										
Percent of Taxable Income		39.82%	0.60%	8.77%	5.98%	23.44%	10.63%	7.92%	4.75%	-1.92%	0.00%
Income Tax		732,435	732,435	732,435	732,435	732,435	732,435	732,435	732,435	732,435	732,435
Allocated Income Tax		291,669	4,407	64,227	43,831	171,674	77,886	58,027	34,809	(14,095)	-
Income Tax											
Property Tax Allocation	293,920	59.42%	0.68%	7.18%	3.08%	12.35%	5.87%	4.09%	6.10%	1.24%	0.00%
Property Tax Allocation	293,920	174,656	1,984	21,090.91	9,051.14	36,304.44	17,242.95	12,020.79	17,915.01	3,653.82	-

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Rates of Return at Proposed Rates Using ACC Staff Net Plant and Expenses

Exhibit
Rebuttal Schedule G-2
Page 1
Witness: Kozoman

Meter Size->	Totals	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Water Revenues and **(1)**	4,972,860	2,737,014	34,807	369,873	164,738	679,904	329,336	215,476	365,588	76,123	
Revenue Annualizations											
	-										
Misc. Revenue **(a)**	339,961	339,961									
Total Revenues	5,312,821	3,076,975	34,807	369,873	164,738	679,904	329,336	215,476	365,588	76,123	-
Operating Expenses **(b)**	2,242,721	1,535,577	15,158	131,586	41,780	170,627	77,691	62,668	156,038	51,596	-
Depreciation and Amortization **(b)**	1,279,712	866,875	9,717	93,330	20,072	85,021	50,701	21,790	87,090	45,116	-
Property Tax **(c)**	293,920	170,227	1,926	20,462	9,114	37,614	18,220	11,921	20,225	4,211	-
Income Tax **(d)**	395,729	62,437	1,745	35,914	33,864	138,685	64,560	43,583	29,531	(14,592)	-
Total Operating Expenses	4,212,081	2,635,115	28,546	281,292	104,831	431,947	211,172	139,962	292,884	86,331	-
Operating Income	1,100,740	441,860	6,261	88,580	59,907	247,957	118,164	75,514	72,704	(10,208)	-
Interest Expense **(e)**	472,129	342,679	3,489	31,532	6,114	27,657	15,611	6,283	25,794	12,971	-
Net Income	628,611	99,181	2,772	57,049	53,793	220,300	102,553	69,231	46,910	(23,179)	-
Rate Base **(f)**	16,742,163	12,151,734	123,728	1,118,142	216,792	980,751	553,577	222,805	914,671	459,962	-
Rate of Return **(g)**	6.57%	3.64%	5.06%	7.92%	27.63%	25.28%	21.35%	33.89%	7.95%	-2.22%	
Percent of Total Customers		92.187%	0.754%	4.583%	0.469%	1.223%	0.400%	0.092%	0.215%	0.077%	

(1) Revenues are from ACC Staff Proposed Rates Bill Count.
(a) Miscellaneous Revenue allocated to 5/8 Inch Customer Class.
(b) Operating Expenses and Depreciation computations are shown on Rebuttal Schedule G-4, Page 1.
(c) Property Taxes allocated based on Revenues
(d) Income Taxes allocated based on taxable income
(e) Interest Expense allocated based on Rate Base, Please see Rebuttal Schedule G-3, Page 1
(f) Rate Base computations are shown on Rebuttal Schedule G-3, Page 1
(g) Operating Income Divided by Rate Base

Income Tax Allocation											
Net Income & Income Tax	1,024,340										
Percent of Taxable Income		16%	0%	9%	9%	35%	16%	11%	7%	-4%	0%
Income Tax		395,729	395,729	395,729	395,729	395,729	395,729	395,729	395,729	395,729	395,729
Allocated Income Tax		62,437	1,745	35,914	33,864	138,685	64,560	43,583	29,531	(14,592)	-
Percent of Revenues		57.92%	0.66%	6.96%	3.10%	12.80%	6.20%	4.06%	6.88%	1.43%	0.00%
Property Tax Allocation	293,920	170,227	1,926	20,462	9,114	37,614	18,220	11,921	20,225	4,211	-

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2000
Cost of Service Study Using Commodity / Demand Method
Allocation of Assets to Customer Classes Using ACC Staff Net Plant

Exhibit
Rebuttal Schedule G-3
Page 1
Witness: Kozoman

Line No.		Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
1	Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid and Meter Deposits (from Schedule G-5, Page 1)											
2	Commodity	742,267	367,864	4,301	45,212	24,262	97,198	41,369	43,058	93,660	25,342	-
3	Demand	8,735,844	5,650,442	69,287	702,299	143,759	599,546	392,156	141,402	659,878	377,073	-
4	Customer	3,283,188	3,026,673	24,743	150,475	15,401	40,144	13,129	3,030	7,069	2,525	-
5	Service	2,385,157	2,131,961	17,428	120,922	13,293	45,004	19,537	6,553	22,443	8,015	-
6	Meter	1,595,709	974,794	7,969	99,234	20,077	198,860	87,386	28,762	131,620	47,007	-
7	Totals	16,742,163	12,151,734	123,728	1,118,142	216,792	980,751	553,577	222,805	914,671	459,962	-
8												
9												
10	Commodity	-	-	-	-	-	-	-	-	-	-	-
11	Demand	-	-	-	-	-	-	-	-	-	-	-
12	Customer											
13	Service											
14	Meter											
15	Totals	-	-	-	-	-	-	-	-	-	-	-
16												
17												
18				-	-	-	-	-	-	-		
19				-	-	-	-	-	-	-	-	-
20				-	-	-	-	-	-	-		
21				-	-	-	-	-	-	-	-	-
22												
23	Net Rate Base	16,742,163	12,151,734	123,728	1,118,142	216,792	980,751	553,577	222,805	914,671	459,962	-

	Total ACC Staff Interest	Allocated Interest Expense to Customer Classes									
Interest Expense Allocation:	472,129	342,679	3,489	31,532	6,114	27,657	15,611	6,283	25,794	12,971	-
Ratio of rate bases to total rate base		72.5816%	0.7390%	6.6786%	1.2949%	5.8580%	3.3065%	1.3308%	5.4633%	2.7473%	0.0000%

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Customer Classes Using ACC Staff Expenses

Exhibit
Rebuttal Schedule G-4
Page 1
Witness: Kozoman

	Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Operation and Maintenance Expense (from Schedule G-6, Page 1)											
Commodity	929,778	460,795	5,388	56,634	30,391	121,752	51,820	53,936	117,320	31,743	-
Demand	372,213	240,752	2,952	29,923	6,125	25,545	16,709	6,025	28,116	16,066	-
Customer	789,158	727,502	5,947	36,169	3,702	9,649	3,156	728	1,699	607	-
Service	49,252	44,024	360	2,497	274	929	403	135	463	166	-
Meter	102,319	62,505	511	6,363	1,287	12,751	5,603	1,844	8,440	3,014	-
Totals	2,242,721	1,535,577	15,158	131,586	41,780	170,627	77,691	62,668	156,038	51,596	-
Depreciaton Expense on Plant (from Schedule G-6, Page 2)											
Commodity	96,829	47,988	561	5,898	3,165	12,680	5,397	5,617	12,218	3,306	-
Demand	931,034	602,203	7,384	74,848	15,321	63,897	41,795	15,070	70,327	40,187	-
Customer	141,251	130,215	1,064	6,474	663	1,727	565	130	304	109	-
Service	66,815	59,723	488	3,387	372	1,261	547	184	629	225	-
Meter	43,782	26,746	219	2,723	551	5,456	2,398	789	3,611	1,290	-
Totals	1,279,712	866,875	9,717	93,330	20,072	85,021	50,701	21,790	87,090	45,116	-
Total Expenses (excluding Income Tax and Property Taxes)	3,522,433	2,402,452	24,875	224,916	61,853	255,648	128,392	84,459	243,127	96,712	-

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of Rate Base by Function Using ACC Staff Plant and Accumulated Depreciation

Exhibit
Rebuttal Schedule G-5
Page 1
Witness: Kozoman

	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Rate Base							
Plant minus (Accumulated Depreciation Contributions in Aid of Construction Advances in Aid of Construction and Meter Deposits)	16,742,163	8,735,844	742,267	3,283,188	1,595,709	2,385,157	16,742,163
	16,742,163	8,735,844	742,267	3,283,188	1,595,709	2,385,157	16,742,163

	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Allocation of Property Taxes to Functions							
Revenue Requirement by Function	5,313,712	2,206,605	1,156,991	1,295,716	305,726	348,674	5,313,712
						-	-
Total Revenue Requirement	5,313,712	2,206,605	1,156,991	1,295,716	305,726	348,674	5,313,712
Property Taxes Allocation	293,920	122,055	63,997	71,670	16,911	19,286	293,920

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Allocation of Net Plant, Advances and Contributions in Aid of
Construction and Meter Deposits Using ACC Staff Plant and Accumulated Depreciation to Functions

Exhibit
Rebuttal Schedule G-5
Page 2
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost Plant with Adjustments	Company's Accumulated Depreciation	ACC Staff Original Cost Accum. Depr. Adjustments. (Adj. 1)	Net Plant Values	Company's Additional Post-Closing Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service	Totals
	Intangible												
301.00	Organization	1,229	-		1,229	-	1,229	1,229					1,229
302.00	Franchises	78,887	-		78,887	-	78,887	78,887					78,887
303.00	Miscellaneous Intangibles	115,264	-		115,264	-	115,264	115,264					115,264
Total Intangible Plant		195,380	-		195,380	-	195,380						-
													-
	Source of Supply												-
310.00	Land and Land Rights	213,063	-		213,063	0	213,063	213,063					213,063
311.00	Structures and Improvements	1,189,507	43,705	(4,402)	1,150,204	14,215	1,135,990	1,135,990					1,135,990
312.00	Collecting and Impounding Res.	-	-		-	-	-	-					-
313.00	Lakes, Rivers, Other Intakes	-	-		-	-	-	-	-				-
314.00	Wells and Springs	4,052,408	284,050		3,768,358	50,909	3,717,449	3,345,704	371,745				3,717,449
Total Source of Supply Plant		5,454,978	327,755	(4,402)	5,131,625	65,123	5,066,501						-
													-
	Pumping												-
320.00	Land and Land Rights	47,681	-		47,681	-	47,681	47,681					47,681
321.00	Structures and Improvements	1,246,735	43,850		1,202,885	10,406	1,192,480	1,073,232	119,248				1,192,480
323.00	Other Power Production	-	-		-	-	-	-	-				-
325.00	Electric Pumping Equipment	14,614,342	1,663,002	(4,761)	12,956,101	321,178	12,634,923	11,371,431	1,263,492				12,634,923
326.00	*Diesel Pumping Equipment*	25,799	18,816		6,983	570	6,413	5,772	641				6,413
328.10	Gas Engine Pumping Equipment	697	292		405	15	389	350	39				389
Total Pumping Plant		15,935,254	1,725,960	(4,761)	14,214,055	332,169	13,881,886						-
					-								-
	Water Treatment				-								-
330.00	Land and Land Rights	-	-		-	-	-	-					-
331.00	Structures and Improvements	39,917	-		39,917	3,430	36,487	32,838	3,649				36,487
332.00	Water Treatment Equipment	374,055	44,052	(1,583)	331,587	4,450	327,137	294,423	32,714				327,137
Total Water Treatment Plant		413,972	44,052	(1,583)	371,504	7,880	363,624						-
													-
	Transmission and Distribution				-								-
340.00	Land and Land Rights	225	-		225	-	225	225					225
341.00	Structures and Improvements	-	-		-	-	-	-	-				-
342.00	Distribution, Reservoirs, & ST	3,090,645	(3,199)	(6,944)	3,100,789	23,885	3,076,904	2,769,213	307,690				3,076,904
343.00	Transmission and Distribution	21,459,474	1,577,034	(1,946)	19,884,387	163,562	19,720,825	17,748,742	1,972,082				19,720,825
344.00	Fire Mains	-	-		-	-	-						-
345.00	Services	2,694,167	258,328		2,435,839	33,393	2,402,446					2,402,446	2,402,446
346.00	Meters	1,744,305	126,715		1,617,590	21,881	1,595,709				1,595,709		1,595,709
348.00	Hydrants	2,805,185	213,717		2,591,468	27,987	2,563,482			2,563,482			2,563,482
349.00	Other Transmission & Distribution	-	-		-	-	-	-	-				-
Total Transmission and Distribution Plant		31,794,001	2,172,595	(8,891)	29,630,297	270,708	29,359,589						

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Allocation of Net Plant, Advances and Contributions in Aid of
Construction and Meter Deposits

Exhibit
Rebuttal Schedule G-5
Page 2a
Witness: Kozoman

	ACC Staff Original Cost Plant with Adjustments	Company's Accumulated Depreciation	ACC Staff Original Cost Accumulated Depr. Adj. (Adj. 1)	Net Plant Values	Company's Additional Post-Closing Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service	Totals
ALLOCATED COMMON PLANT												
Maricopa Common Plant												
389.00 Land and Land Rights	681	-		681	-	681	681					681
390.00 Structures and Improvements	467,707	43,425		424,282	996	423,285	423,285					423,285
391.00 Office Funiture and Equipment	230,306	50,343		179,963	1,732	178,231			178,231			178,231
391.10 Computer Equipment	272,602	(60,705)		333,307	1,250	332,058			332,058			332,058
392.00 Transportation Equipment	251,004	144,977		106,027	36,180	69,847	17,462		52,385			69,847
393.00 Stores Equipment	4,012	1,087		2,925	-	2,925			2,925			2,925
394.00 Tools, Shop and Garage	57,402	2,547		54,855	74	54,781			54,781			54,781
395.00 Laboratory Equipment	18,183	3,205		14,978	-	14,978			14,978			14,978
396.00 Power Operated Equipment	16,803	5,979		10,824	-	10,824	2,706		8,118			10,824
397.00 Communication Equipment	122,529	46,447		76,082	196	75,887	18,972		56,915			75,887
398.00 Miscellaneous Equipment	38,697	17,939		20,758	1,443	19,315			19,315			19,315
Total Common Plant	1,479,926	255,243	-	1,224,683	41,870	1,182,812						
Post Close Plant Adjustments, from Company Sch. B-2		(197,198)		197,198		197,198	177,478	19,720				197,198
				-		-	-					-
TOTAL WATER PLANT	55,273,511	4,328,408	(19,638)	50,964,741	717,750	50,246,990	38,874,628	4,091,020	3,283,188	1,595,709	2,402,446	50,246,990
Remove Double Booked Advance	(4,128,730)			(4,128,730)		(4,128,730)	(3,715,857)	(412,873)				(4,128,730)
Total Plant	51,144,781			46,836,011								
Adjustments to Accumulated Depreciation												
Company's additional Accumulated Depreciation Adjustment		717,750		(717,750)								-
		5,046,158										
Total Net Plant				46,118,260								
ACC Staffs Accumlated Depreciation	5,026,521											
Advances in Aid of Construction				27,385,370		(27,385,370)	(24,646,833)	(2,738,537)				(27,385,370)
Contributions in Aid of Construction				1,973,438		(1,973,438)	(1,776,094)	(197,344)				(1,973,438)
Customer Meter Deposits				17,289		(17,289)					(17,289)	(17,289)
Total Rate Base				16,742,163		16,742,163	8,735,844	742,267	3,283,188	1,595,709	2,385,157	16,742,163

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of ACC Staff Expenses to Functions

Exhibit
Rebuttal Schedule G-6
Page 1
Witness: Kozoman

		ACC Staff Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Salaries and Wages	(a)	415,526	98,789	10,977	259,704	46,056	-	415,526
Purchased Water		284,800		284,800				284,800
Purchased Power		601,887		601,887				601,887
Chemicals		10,523		10,523				10,523
Repairs and Maintenance	(b)	207,685	156,623		-	1,809	49,252	207,685
Office Supplies and Expense		36,793			36,793			36,793
Outside Services		66,131			66,131			66,131
Service Company Charges		-	-	-	-	-	-	-
Water Testing		8,614		8,614				8,614
Rents		25,840			25,840			25,840
Transportation Expenses		-			-			-
Insurance - General Liability		49,732			49,732			49,732
Insurance - Health and Life		-	-		-			-
Regulatory Commission Expense - Rate Case		43,906			43,906			43,906
Miscellaneous Expense		447,624	106,421	11,825	279,765	49,614	-	447,624
Depreciation Expense, Allocated on Rebuttal Schedule G-6, Page 2								-
Taxes Other Than Income		43,660	10,380	1,153	27,288	4,839	-	43,660
Property Taxes, Allocated on Rebuttal Schedules G-1 & G-2				-	-			-
Income Tax, Allocated on Rebuttal Schedules G-1 & G-2								
		2,242,721	372,213	929,778	789,158	102,319	49,252	2,242,721

(a) Labor (Wages and Salaries) factor computations shown on Rebuttal Schedule G-7, Page 2a
(b) Repairs and Maintenance allocation factors computation shown on Rebuttal Schedule G-7, Page 2a

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Allocation of Depreciation Expense Using ACC Plant and Depreciation Rates to Functions

Exhibit
Rebuttal Schedule G-6
Page 2
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost	Depreciation Rate	Depreciatio Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service	Totals
	Intangible										-
301.00	Organization	1,229		-							-
302.00	Franchises	78,887		-							-
303.00	Miscellaneous Intangibles	115,264		-							-
	Subtotal Intangible	195,380		-							-
											-
	Source of Supply										-
310.00	Land and Land Rights	213,063		-							-
311.00	Structures and Improvements	1,189,507	2.500%	29,738	29,738	29,738					29,738
312.00	Collecting and Impounding Res.	-		-	-	-					-
313.00	Lakes, Rivers, Other Intakes	-		-	-						-
314.00	Wells and Springs	4,052,408	2.520%	102,121	102,121	91,909	10,212				102,121
	Subtotal Source of Supply	5,454,978		131,858							-
											-
	Pumping										-
320.00	Land and Land Rights	47,681		-	-						-
321.00	Structures and Improvements	1,246,735	1.670%	20,820	20,820	18,738	2,082				20,820
323.00	Other Power Production	-		-	-	-	-				-
325.00	Electric Pumping Equipment	14,614,342	4.420%	645,954	645,954	581,359	64,595				645,954
326.00	Diesel Pumping Equipment	25,799	4.420%	1,140	1,140	1,026	114				1,140
328.10	Gas Engine Pumping Equipment	697	4.420%	31	31	28	3				31
	Subtotal Pumping	15,935,254		667,946							-
											-
	Water Treatment										-
330.00	Land and Land Rights	0		0.00%	-						-
331.00	Structures and Improvements	39,917	1.670%	667	667	600	67				667
332.00	Water Treatment Equipment	374,055	4.000%	14,962	14,962	13,466	1,496				14,962
	Subtotal Water Treatment	413,972		15,629							-
											-
	Transmission and Distribution										-
340.00	Land and Land Rights	225		-	-						-
341.00	Structures and Improvements	-		-	-	-	-				-
342.00	Distribution, Reservoirs, & ST	3,090,645	1.670%	51,614	51,614	46,452	5,161				51,614
343.00	Transmission and Distribution	21,459,474	1.530%	328,330	328,330	295,497	32,833				328,330
344.00	Fire Mains	-		-	-						-
345.00	Services	2,694,167	2.480%	66,815	66,815					66,815	66,815
346.00	Meters	1,744,305	2.510%	43,782	43,782				43,782		43,782
348.00	Hydrants	2,805,185	2.000%	56,104	56,104			56,104			56,104
349.00	Other Transmission & Distribution	-		-	-	-	-				-
	Subtotal Transmission and Distribution	31,794,001		546,645							

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Allocation of Depreciation Expense Using ACC Plant and Depreciation Rates to Functions

Exhibit
Rebuttal Schedule G-6
Page 2a
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost	Depreciation Rate	Depreciation Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service	Totals
	General										
389.00	Land and Land Rights	681	0.000%	-							-
390.00	Structures and Improvements	467,707	1.681%	7,861	7,861	7,861					7,861
391.00	Office Funiture and Equipment	230,306	4.545%	10,468	10,468			10,468			10,468
391.10	Computer Equipment	272,602	4.545%	12,390	12,390			12,390			12,390
392.00	Transportation Equipment	251,004	25.000%	62,751	62,751	15,688		47,063			62,751
393.00	Stores Equipment	4,012	3.921%	157	157			157			157
394.00	Tools, Shop and Garage	57,402	4.135%	2,374	2,374			2,374			2,374
395.00	Laboratory Equipment	18,183	3.710%	675	675			675			675
396.00	Power Operated Equipment	16,803	5.144%	864	864	216		648			864
397.00	Communication Equipment	122,529	10.278%	12,593	12,593	3,148		9,445			12,593
398.00	Miscellaneous Equipment	38,697	4.979%	1,927	1,927			1,927			1,927
	Subtotal General	1,479,926		112,060				-			
								-			-
						-					-
	ACC Plant	55,273,511		1,474,138							-
				-							-
											-
Amortization of Deferred Regulatory Assets		109,279	2.670%	2,918	2,918	2,918					2,918
											-
						-					-
						-					-
					-	-					-
Less: Amotization of Contributions		1,973,438	10.00%	(197,344)	(197,344)	(177,609)	(19,734)				(197,344)
Total Depreciation Expense				1,279,712	1,279,712	931,034	96,829	141,251	43,782	66,815	1,279,712

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
SUMMARY OF COMMODITY - DEMAND METHOD FUNCTION FACTORS

Exhibit
Rebuttal Schedule G-7
Page 1
Witness: Kozoman

Line No.	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Totals
1												
2												
3	Commodity	49.560%	0.579%	6.091%	3.269%	13.095%	5.573%	5.801%	12.618%	3.414%	0.00%	100.00%
4	Demand	64.681%	0.793%	8.039%	1.646%	6.863%	4.489%	1.619%	7.554%	4.316%	0.00%	100.00%
5	Customer	92.187%	0.754%	4.583%	0.469%	1.223%	0.400%	0.092%	0.215%	0.077%	0.00%	100.00%
6	Services	89.385%	0.731%	5.070%	0.557%	1.887%	0.819%	0.275%	0.941%	0.336%	0.00%	100.00%
7	Meters	61.088%	0.499%	6.219%	1.258%	12.462%	5.476%	1.802%	8.248%	2.946%	0.00%	100.00%
8												
9												
10												
11												
12												
13												

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
COMMODITY - DEMAND METHOD FUNCTION FACTORS
Plant and Depreciation Expense Allocations

Exhibit
Rebuttal Schedule G-7
Page 2
Witness: Kozoman

Line No.	Description	Total	Demand	Commodity	Customer
1					
2	Description	Total	Demand	Commodity	Customer
3	Wells	1.00	0.90	0.10	
4	Pumps & Equipment	1.00	0.90	0.10	
5	Distribution Mains	1.00	0.90	0.10	
6	Customer	1.00			1.00
7	Services	1.00			1.00
8	Meters	1.00			1.00
9	Fire Hydrants	1.00			1.00
10	Transportation Equip.	1.00	0.25		0.75
11	Office Furniture	1.00			1.00
12	Communication Equip.	1.00	0.25		0.75
13					
14	**To Approximately Match ACC Staff Proposed Rates for 5/8 Inch Meter**				
15	Demand and Commodity Allocation to Wells, Pumps and Equipment and				
16	Distribution Mains would need to be changed to approximately match				
17	ACC Staff's proposed monthly minimums and commodity rates. The				
18	match would be ACC Staff's Proposed Rates to Computed Monthly				
19	Minimum and Commodity rate WITHOUT Equity returns and				
20	Income Taxes. Match would be based on cost only.				
21					
22	**Required Allocations:**				
23	Description	Total	Demand	Commodity	Customer
24	Wells	1.00	-0.25	1.25	
25	Pumps & Equipment	1.00	-0.25	1.25	
26	Distribution Mains	1.00	-0.25	1.25	
27					
28					
29					
30					
31					
32					
33					

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
DEVELOPMENT OF ALLOCATION FACTORS

Exhibit
Rebuttal Schedule 7
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Witness: Kozoman

Labor Allocation Factors	
Pumping Labor	26.42%
Meter Labor	11.08%
Customer Labor	62.50%
	100.00%

Repairs and Maintenance Allocation Factors	
Repairs and Maintenance Demand	0.00%
Repairs and Maintenance Pumping	75.41%
Repairs and Maintenance Mains	0.00%
Repairs and Maintenance Services	23.71%
Repairs and Maintenance Meters	0.87%
Repairs and Maintenance Customer	0.00%
	100.00%

Computations shown on this work sheet are from page labeled asTrial Balance in this work book. Allocation percentage were computed based on Expenses charged by Citizens Utilities and are then applied to proforma amounts.

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
DEVELOPMENT OF CLASS ALLOCATION FACTORS

Exhibit
Rebuttal Schedule 7
Page 3
Witness: Kozoman

COMMODITY ALLOCATION FACTOR

Meter Size	(a) Total Gallons (in 1,000's) In Test Year	Percent of Total
5/8" x 3/4"	1,042,685	49.56%
3/4"	12,192	0.58%
1"	128,150	6.09%
1-1/2"	68,770	3.27%
2"	275,500	13.09%
3"	117,258	5.57%
4"	122,046	5.80%
6"	265,471	12.62%
8"	71,829	3.414%
10"	-	0.000%
Totals	2,103,901	100.00%

DEMAND ALLOCATION FACTOR

Meter Size	(a) Number of Meters and/or Services	Equivalent Weight	Equivalent Number of Meters and/or Services	Percent of Total
5/8" x 3/4	11,988	1.0	11,988	64.68%
3/4"	98	1.5	147	0.79%
1"	596	2.5	1,490	8.04%
1-1/2"	61	5.0	305	1.65%
2"	159	8.0	1,272	6.86%
3"	52	16.0	832	4.49%
4"	12	25.0	300	1.62%
6"	28	50.0	1,400	7.55%
8"	10	80.0	800	4.32%
10"	-	160.0	0	0.00%
Totals	13,004		18,534	100.00%

CUSTOMER ALLOCATION FACTOR

Meter Size	Number of Meters	Percent of Total
5/8" x 3/4"	11,988	92.19%
3/4"	98	0.75%
1"	596	4.58%
1-1/2"	61	0.47%
2"	159	1.22%
3"	52	0.40%
4"	12	0.09%
6"	28	0.22%
8"	10	0.08%
10"	0	0.00%
Totals	13,004	100.00%

SERVICES ALLOCATION FACTOR (b)

Meter Size	Number of Services	Installation Cost	Weighted Number Services	Percent of Total
5/8" x 3/4	11,988	$ 355.00	4,255,740	89.38%
3/4"	98	355.00	34,790	0.73%
1"	596	405.00	241,380	5.07%
1-1/2"	61	435.00	26,535	0.56%
2"	159	565.00	89,835	1.89%
3"	52	750.00	39,000	0.82%
4"	12	1,090.00	13,080	0.27%
6"	28	1,600.00	44,800	0.94%
8"	10	1,600.00	16,000	0.34%
10"	0	1,600.00	0	0.00%
Totals	13,004		4,761,160	100.00%

METER ALLOCATION FACTOR (b)

Meter Size	Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8" x 3/4"	11,988	$ 105.00	1,258,740	61.09%
3/4"	98	105.00	10,290	0.50%
1"	596	215.00	128,140	6.22%
1-1/2"	61	425.00	25,925	1.26%
2"	159	1,615.00	256,785	12.46%
3"	52	2,170.00	112,840	5.48%
4"	12	3,095.00	37,140	1.80%
6"	28	6,070.00	169,960	8.25%
8"	10	6,070.00	60,700	2.95%
10"	0	6,070.00	0	0.00%
Totals	13,004		2,060,520	100.00%

(a) Includes customer and gallon sold annualization
(b) Meter and Service Line cost from Arizona Corporation Commission Memo of April 23, 2002 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Debt, Equity, and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rebuttal Schedule G-8
Page 1
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	3,283,188	2,385,157	1,595,709	7,264,053
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	92,586	67,261	44,999	204,846
4	Rate Bases	3,283,188	2,385,157	1,595,709	7,264,053
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	123,448	89,682	59,999	273,128
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	201,051	146,059	97,716	444,825
9					
10	Revenue Requirement for Debt Component, from Line 3	92,586	67,261	44,999	204,846
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	201,051	146,059	97,716	444,825
13	Total Return Requirement with Income Tax	293,637	213,320	142,715	649,671
14					
15	Property Tax Expense, from Schedule G-5, Page 1	71,670	19,286	16,911	107,868
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	789,158	49,252	102,319	940,730
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	141,251	66,815	43,782	251,848
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	1,295,716	348,674	305,726	1,950,117
19					
20	**Customer Charge**				
21	Number of Bills = 13,004 times 12	156,048			
22					
23	**Charge per Bill**	$ 8.30			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 18,534 times 12		222,408	222,408	
28					
29	**Charge per Equivalent Meter**		$ 1.57	$ 1.37	
30					
31					
32	CUSTOMER CHARGE:				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge)				
34	Charge per Bill (Customer Charge with Equity and Income Tax)		$ 8.30		
35	Charge per Equivalent Meter (For Service Line Charge with Equity Return and Income Tax)		1.57		
36	Charge per Equivalent Meter (For Meter Charge with Equity Return and Income Tax)		1.37		
37	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter		$ 11.25		
39					

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity, and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rebuttal Schedule G-8
Page 1a
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	3,283,188	2,385,157	1,595,709	7,264,053
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	92,586	67,261	44,999	204,846
4	Rate Bases	3,283,188	2,385,157	1,595,709	7,264,053
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	0.00%	0.00%	0.00%	0.00%
6	Required Operating Income for Equity	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-
9					
10	Revenue Requirement for Debt Component, from Line 3	92,586	67,261	44,999	204,846
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	-	-	-	-
13	Total Return Requirement with Income Tax	92,586	67,261	44,999	204,846
14					
15	Property Tax Expense, from Schedule G-5, Page 1	71,670	19,286	16,911	107,868
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	789,158	49,252	102,319	940,730
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	141,251	66,815	43,782	251,848
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	1,094,665	202,616	208,011	1,505,292
19					
20	**Customer Charge**				
21	Number of Bills = 13,004 times 12	156,048			
22					
23	**Charge per Bill**	$ 7.01			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 18,534 times 12		222,408	222,408	
28					
29	**Charge per Equivalent Meter**		$ 0.91	$ 0.94	
30	**Actual Cost (without Equity Returns or Income Taxes)**				
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge, nor recovery of return or income tax)				
34	Charge per Bill (Customer Charge without Equity Return or Income Tax)	$ 7.01			
35	Charge per Equivalent Meter (For Service Line Charge without Equity Return or Income Tax)	0.91			
36	Charge per Equivalent Meter (For Meter Charge without Equity Return or Income Tax)	0.94			
37	(Service and Meter Revenue Requirement divided by Annualized Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter without recovery of Equity Return or Income Tax	$ 8.86			

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Schedule G-8
Page 2
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	8,735,844
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	246,351
5	Rate Base	8,735,844
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%
7	Required Operating Income for Equity	328,468
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	534,952
10		
11	Revenue Requirement for Debt Component, from Line 4	246,351
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	534,952
14		
15	Property Tax Expense, from Schedule G-5, Page 1	122,055
16	Demand Expenses, from Schedule G-6, Page 1	372,213
17	Depreciation, from Schedule G-6, Page 2	931,034
18	Totals	2,206,605
19	Total Revenue Requirement / Demand Component	
20	Equivalent Number of 5/8 x 3/4 Meters	222,408
21	Demand Charge for 5/8 x 3/4 Inch Meter	$ 9.92
22		

23		5/8" Demand	Meter	Demand
24	Demand Charge Per Equivalent	Charge	Ratio	Charge
25	5/8 x 3/4 Inch Meter	$ 9.92	1.0	$ 9.92
26	3/4 Inch Meter	$ 9.92	1.5	14.88
27	1 Inch Meter	$ 9.92	2.5	24.80
28	1 1/2 Inch Meter	$ 9.92	5.0	49.61
29	2 Inch Meter	$ 9.92	8.0	79.37
30	3 Inch Meter	$ 9.92	15.0	148.82
31	4 Inch Meter	$ 9.92	25.0	248.04
32	6 Inch Meter	$ 9.92	50.0	496.07
33	8 Inch Meter	$ 9.92	80.0	793.71
34	10 Inch Meter	$ 9.92	160.0	1,587.43

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Schedule G-8
Page 2a
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	8,735,844
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	246,351
5	Rate Base	8,735,844
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	
7	Required Operating Income for Equity	-
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	-
10		
11	Revenue Requirement for Debt Component, from Line 4	246,351
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	-
14		
15	Property Tax Expense, from Schedule G-5, Page 1	122,055
16	Demand Expenses, from Schedule G-6, Page 1	372,213
17	Depreciation, from Schedule G-6, Page 2	931,034
18	Totals	1,671,653
19	Total Revenue Requirement / Demand Component	
20	Equivalent Number of 5/8 x 3/4 Meters	222,408
21	Demand Charge for 5/8 x 3/4 Inch Meter	$ 7.52
22		

23		5/8" Demand	Meter	Demand
24	Demand Charge Per Equivalent	Charge	Ratio	Charge
25	5/8 x 3/4 Inch Meter	$ 7.52	1.0	$ 7.52
26	3/4 Inch Meter	$ 7.52	1.5	11.27
27	1 Inch Meter	$ 7.52	2.5	18.79
28	1 1/2 Inch Meter	$ 7.52	5.0	37.58
29	2 Inch Meter	$ 7.52	8.0	60.13
30	3 Inch Meter	$ 7.52	15.0	112.74
31	4 Inch Meter	$ 7.52	25.0	187.90
32	6 Inch Meter	$ 7.52	50.0	375.81
33	8 Inch Meter	$ 7.52	80.0	601.29
34	10 Inch Meter	$ 7.52	160.0	1,202.58

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including and Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 3
Witness: Kozoman

Including Equity Return and Income Taxes

Line No.		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended Monthly Minimum to Computed Minimum
1	5/8 x 3/4 Inch Meter	$ 8.30	$ 1.57	$ 1.37	$ 9.92	$ 21.17	$ 8.52	40.25%
2	3/4 Inch Meter	8.30	2.35	2.06	14.88	27.60	12.78	46.31%
3	1 Inch Meter	8.30	3.92	3.44	24.80	40.46	21.30	52.64%
4	1 1/2 Inch Meter	8.30	7.84	6.87	49.61	72.62	45.15	62.17%
5	2 Inch Meter	8.30	12.54	11.00	79.37	111.21	68.16	61.29%
6	3 Inch Meter	8.30	23.52	20.62	148.82	201.26	132.06	65.62%
7	4 Inch Meter	8.30	39.19	34.37	248.04	329.90	170.41	51.66%
8	6 Inch Meter	8.30	78.39	68.73	496.07	651.49	340.82	52.31%
9	8 Inch Meter	8.30	125.42	164.95	793.71	1,092.39	681.64	62.40%
10	10 Inch Meter	8.30	376.25	549.85	1,587.43	2,521.83		
11								
12	**Excluding Equity Return and Income Taxes**							
13								
14								
15								
16								
17								
18								
19								
20		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended Monthly Minimum to Computed Minimum
21	5/8 x 3/4 Inch Meter	$ 7.01	$ 0.91	$ 0.94	$ 7.52	$ 16.38	$ 8.52	52.02%
22	3/4 Inch Meter	7.01	1.37	1.40	11.27	21.06	12.78	60.69%
23	1 Inch Meter	7.01	2.28	2.34	18.79	30.42	21.30	70.02%
24	1 1/2 Inch Meter	7.01	4.56	4.68	37.58	53.83	45.15	83.88%
25	2 Inch Meter	7.01	7.29	7.48	60.13	81.91	68.16	83.21%
26	3 Inch Meter	7.01	13.67	14.03	112.74	147.45	132.06	89.56%
27	4 Inch Meter	7.01	22.78	23.38	187.90	241.08	170.41	70.69%
28	6 Inch Meter	7.01	45.55	46.76	375.81	475.14	340.82	71.73%
29	8 Inch Meter	7.01	72.88	74.82	601.29	756.01	681.64	90.16%
30	10 Inch Meter	7.01	145.76	149.64	1,202.58	1,505.00		

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 4
Witness: Kozoman

Line No.		Commodity	Customer	Service	Meter	Demand	Totals
1	Rate Bases from Schedule G-5, Page 1	742,267	3,283,188	2,385,157	1,595,709	8,735,844	16,742,163
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.820%	2.820%	2.820%	2.820%	2.820%	2.820%
3	Required Operating Income - for Debt	20,932	92,586	67,261	44,999	246,351	472,129
4	Rate Bases from Schedule G-5, Page 1	742,267	3,283,188	2,385,157	1,595,709	8,735,844	16,742,163
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	27,909	123,448	89,682	59,999	328,468	629,505
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	45,454	201,051	146,059	97,716	534,952	1,025,231
9							
10	Revenue Requirement for Debt Component, from Line 3	20,932	92,586	67,261	44,999	246,351	472,129
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	45,454	201,051	146,059	97,716	534,952	1,025,231
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	66,386	293,637	213,320	142,715	781,303	1,497,360
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	63,997	71,670	19,286	16,911	122,055	293,920
16	Expenses (From Sch. G-6. Page 1)	929,778	789,158	49,252	102,319	372,213	2,242,721
17	Depreciation and Amortization (From Schedule G-6, Page 2)	96,829	141,251	66,815	43,782	931,034	1,279,712
18	Total Revenue Requirement by function	1,156,991	1,295,716	348,674	305,726	2,206,605	5,313,712
19							
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	2,103,901	156,048	222,408	222,408	222,408	
21	Computed Commodity Rate, Customer, Meter, Service Line & Demand	$ 0.5499					
22	(Line 18 divided by Line 20)		$ 8.30	$ 1.57	$ 1.37	$ 9.92	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter and Demand Charge on Line 22)					$ 21.17	
24							

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 4a
Witness: Kozoman

Line No.		Commodity	Customer	Service	Meter	Demand	Totals
1	Rate Bases from Schedule G-5, Page 1	742,267	3,283,188	2,385,157	1,595,709	8,735,844	16,742,163
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	20,932	92,586	67,261	44,999	246,351	472,129
4	Rate Bases from Schedule G-5, Page 1	742,267	3,283,188	2,385,157	1,595,709	8,735,844	16,742,163
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)						
6	Required Operating Income for Equity	-	-	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	-	-	-	-	-	-
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-	-	-
9							
10	Revenue Requirement for Debt Component, from Line 3	20,932	92,586	67,261	44,999	246,351	472,129
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	-	-	-	-	-	-
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	20,932	92,586	67,261	44,999	246,351	472,129
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	63,997	71,670	19,286	16,911	122,055	293,920
16	Expenses (From Sch. G-6. Page 1)	929,778	789,158	49,252	102,319	372,213	2,242,721
17	Depreciation and Amortization (From Schedule G-6, Page 2)	96,829	141,251	66,815	43,782	931,034	1,279,712
18	Total Revenue Requirement by function	1,111,537	1,094,665	202,616	208,011	1,671,653	4,288,481
19							
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	2,103,901	156,048	222,408	222,408	222,408	
21	Computed Commodity Rate, Customer, Meter, Service Line & Demand	$ 0.5283					
22	(Line 18 divided by Line 20)		$ 7.0149	$ 0.9110	$ 0.9353	$ 7.5162	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter and Demand Charge on Line 22)					$ 16.38	

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **without** Equity Return and Income Taxes

Exhibit
Rebuttal Schedule G-9
Page 1
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rebuttal Schedule G-8, Page 4a	$ 0.5283
2	Computed Demand Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	$ 7.52
3	Computed Customer Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	7.01
4	Computed Service Line Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	0.91
5	Computed Meter Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	0.94
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rebuttal Schedule G-8, Page 4a	$ 16.38
7		
8	**ACC Staff Proposed Rates**	
9	Proposed Monthly Minimum for 5/8" Meter	$ 8.52
10	Proposed Commodity Rate	
11	0 to 4,000	$ 1.20
12	4,001 to 100,000	$ 1.80
13	Over 100,001	$ 2.15

14	Col. 1	Col. 2	Col. 3	Col. 4		Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
15				(Col. 2+ 3)					(Col. 6 + 7	(Col. 8-4)
16										
17	**Computed Costs, without Equity**									Recovery
18	**Return and Income Taxes**									of Expenses
19		Monthly		Total			Monthly			or,
20		Minimum	Commodity	Cost of			Minimum	Commodity	Total	(Lack of
21	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	Recovery)
22	-	$ 16.38	-	$ 16.38		-	$ 8.52		$ 8.52	$ (7.86)
23	1,000	$ 16.38	$ 0.5283	$ 16.91		1,000	8.52	$ 1.20	9.72	(7.19)
24	2,000	16.38	1.06	17.43		2,000	8.52	2.40	10.92	(6.51)
25	3,000	16.38	1.58	17.96		3,000	8.52	3.60	12.12	(5.84)
26	4,000	16.38	2.11	18.49		4,000	8.52	4.80	13.32	(5.17)
27	5,000	16.38	2.64	19.02		5,000	8.52	6.60	15.12	(3.90)
28	6,000	16.38	3.17	19.55		6,000	8.52	8.40	16.92	(2.63)
29	7,000	16.38	3.70	20.08		7,000	8.52	10.20	18.72	(1.36)
30	8,000	16.38	4.23	20.60	**Usage**	8,000	8.52	12.00	20.52	(0.08)
31	**8,066**	16.38	4.26	20.64	**<-Level->**	**8,066**	8.52	12.12	20.64	0.00
32	9,000	16.38	4.75	21.13	**When**	9,000	8.52	13.80	22.32	1.19
33	10,000	16.38	5.28	21.66	**Revenues**	10,000	8.52	15.60	24.12	2.46
34	11,000	16.38	5.81	22.19	**Equal**	11,000	8.52	17.40	25.92	3.73
35	12,000	16.38	6.34	22.72	**Expenses**	12,000	8.52	19.20	27.72	5.00
36	13,000	16.38	6.87	23.25		13,000	8.52	21.00	29.52	6.27
37	14,000	16.38	7.40	23.77	**(No Rate**	14,000	8.52	22.80	31.32	7.55
38	15,000	16.38	7.92	24.30	**of Return**	15,000	8.52	24.60	33.12	8.82
39	16,000	16.38	8.45	24.83	**on**	16,000	8.52	26.40	34.92	10.09
40	17,000	16.38	8.98	25.36	**Equity**	17,000	8.52	28.20	36.72	11.36
41	18,000	16.38	9.51	25.89	**or Income**	18,000	8.52	30.00	38.52	12.63
42	19,000	16.38	10.04	26.42	**Taxes**	19,000	8.52	31.80	40.32	13.90
43	20,000	16.38	10.57	26.94	**Included)**	20,000	8.52	33.60	42.12	15.18
44	21,000	16.38	11.09	27.47		21,000	8.52	35.40	43.92	16.45
45	22,000	16.38	11.62	28.00		22,000	8.52	37.20	45.72	17.72
46	23,000	16.38	12.15	28.53		23,000	8.52	39.00	47.52	18.99
47	24,000	16.38	12.68	29.06		24,000	8.52	40.80	49.32	20.26
48	25,000	16.38	13.21	29.59		25,000	8.52	42.60	51.12	21.53
49	26,000	16.38	13.74	30.11		26,000	8.52	44.40	52.92	22.81
50	27,000	16.38	14.26	30.64		27,000	8.52	46.20	54.72	24.08
51	28,000	16.38	14.79	31.17		28,000	8.52	48.00	56.52	25.35
52	29,000	16.38	15.32	31.70		29,000	8.52	49.80	58.32	26.62
53	30,000	16.38	15.85	32.23		30,000	8.52	51.60	60.12	27.89
54	**Average Usage**					**Average Usage**				
55	7,002	16.38	3.70	20.08		7,002	8.52	10.20	18.72	**(1.35)**

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **with** Equity Return & Income Taxes

Exhibit
Rebuttal Schedule G-9
Page 2
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rebuttal Schedule G-8, Page 4	$ 0.5499
2	Computed Demand Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	$ 9.92
3	Computed Customer Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	8.30
4	Computed Service Line Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	1.37
5	Computed Meter Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	1.57
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rebuttal Schedule G-8, Page 4	$ 21.17
7		
8	**ACC Staff Proposed Rates**	
9	Proposed Monthly Minimum for 5/8" Meter	$ 8.52
10	Proposed Commodity Rate	
11	0 to 4,000	$ 1.20
12	4,001 to 100,000	$ 1.80
13	Over 100,001	$ 2.15
14		

15	Col. 1	Col. 2	Col. 3	Col. 4 (Col. 2+ 3)		Col. 5	Col. 6	Col. 7	Col. 8 (Col. 6 + 7	Col. 9 (Col, 8-4)
16										Recovery of Expenses Rate of Return & Income Tax or (Lack of Recovery)
19	**Computed Costs, with Equity**									
20	**Return and Income Taxes**									
21		Monthly		Total			Monthly			
22		Minimum	Commodity	Cost of			Minimum	Commodity	Total	
23	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	
24	-	$ 21.17	-	$ 21.17		-	$ 8.52		$ 8.52	$ (12.65)
25	1,000	$ 21.17	$ 0.5499	$ 21.72		1,000	8.52	$ 1.20	9.72	(12.00)
26	2,000	21.17	1.10	22.27		2,000	8.52	2.40	10.92	(11.35)
27	3,000	21.17	1.65	22.82		3,000	8.52	3.60	12.12	(10.70)
28	4,000	21.17	2.20	23.37		4,000	8.52	4.80	13.32	(10.05)
29	5,000	21.17	2.75	23.92		5,000	8.52	6.60	15.12	(8.80)
30	6,000	21.17	3.30	24.47		6,000	8.52	8.40	16.92	(7.55)
31	7,000	21.17	3.85	25.02		7,000	8.52	10.20	18.72	(6.30)
32	8,000	21.17	4.40	25.57		8,000	8.52	12.00	20.52	(5.05)
33	9,000	21.17	4.95	26.12		9,000	8.52	13.80	22.32	(3.80)
34	10,000	21.17	5.50	26.67		10,000	8.52	15.60	24.12	(2.55)
35	11,000	21.17	6.05	27.22		11,000	8.52	17.40	25.92	(1.30)
36	12,000	21.17	6.60	27.77	**Usage**	12,000	8.52	19.20	27.72	(0.05)
37	**12,040**	21.17	6.62	27.79	**<-Level->**	**12,040**	8.52	19.27	27.79	0.00
38	13,000	21.17	7.15	28.32	**When**	13,000	8.52	21.00	29.52	1.20
39	14,000	21.17	7.70	28.87	**Revenues**	14,000	8.52	22.80	31.32	2.45
40	15,000	21.17	8.25	29.42	**Equal**	15,000	8.52	24.60	33.12	3.70
41	16,000	21.17	8.80	29.97	**Expenses**	16,000	8.52	26.40	34.92	4.95
42	17,000	21.17	9.35	30.52	**and**	17,000	8.52	28.20	36.72	6.20
43	18,000	21.17	9.90	31.07	**Rate of**	18,000	8.52	30.00	38.52	7.45
44	19,000	21.17	10.45	31.62	**Return**	19,000	8.52	31.80	40.32	8.70
45	20,000	21.17	11.00	32.17	**and**	20,000	8.52	33.60	42.12	9.95
46	21,000	21.17	11.55	32.72	**Income**	21,000	8.52	35.40	43.92	11.20
47	22,000	21.17	12.10	33.27	**Taxes**	22,000	8.52	37.20	45.72	12.45
48	23,000	21.17	12.65	33.82		23,000	8.52	39.00	47.52	13.70
49	24,000	21.17	13.20	34.37		24,000	8.52	40.80	49.32	14.95
50	25,000	21.17	13.75	34.92		25,000	8.52	42.60	51.12	16.20
51	26,000	21.17	14.30	35.47		26,000	8.52	44.40	52.92	17.45
52	27,000	21.17	14.85	36.02		27,000	8.52	46.20	54.72	18.70
53	28,000	21.17	15.40	36.57		28,000	8.52	48.00	56.52	19.95
54	**Average Usage**					**Average Usage**				
55	7,002	$ 21.17	$ 3.851	$ 25.02		7,002	8.52	10.20	18.72	**(6.29)**

Arizona American - Agua Fria Water Division
Summary of Revenues by Customer Classification - Present and Proposed Rates
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Kozoman

in No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch Residential	$3,127,076	$3,193,947	$ 66,870	2.14%	52.62%	52.75%
2	3/4 Inch Residential	36,220	36,994	774	2.14%	0.61%	0.61%
3	1 Inch Residential	399,199	407,744	8,545	2.14%	6.72%	6.73%
4	1.5 Inch Residential	78,797	80,521	1,725	2.19%	1.33%	1.33%
5	2 Inch Residential	328,284	335,483	7,199	2.19%	5.52%	5.54%
6	3 Inch Residential	563	574	11	2.04%	0.01%	0.01%
7	5/8 Inch Commercial	4,629	4,727	98	2.11%	0.08%	0.08%
8	3/4 Inch Commercial	4,437	4,533	96	2.16%	0.07%	0.07%
9	1 Inch Commercial	31,984	32,673	689	2.16%	0.54%	0.54%
10	1.5 Inch Commercial	91,467	93,465	1,997	2.18%	1.54%	1.54%
11	2 Inch Commercial	359,785	367,631	7,846	2.18%	6.05%	6.07%
12	3 Inch Commercial	359,249	367,044	7,795	2.17%	6.05%	6.06%
13	6 Inch Commercial	147,370	150,629	3,259	2.21%	2.48%	2.49%
14	2 Inch Public Interruptible						
15	3 Inch Public Interruptible	4,838	4,838	-	0.00%	0.08%	0.08%
16	6 Inch Public Interruptible	282,872	282,872	-	0.00%	4.76%	4.67%
17	8 Inch Public Interruptible	71,829	71,829	-	0.00%	1.21%	1.19%
18	10 Inch Public Interruptible	7,554	7,554	-	0.00%	0.13%	0.12%
19	4 Inch Prison	248,933	253,863	4,930	1.98%	4.19%	4.19%
20	4 Inch Private Fire	2,520	2,570	50	2.00%	0.04%	0.04%
21	6 Inch Private Fire	10,890	11,108	218	2.00%	0.18%	0.18%
22	8 Inch Private Fire	4,020	4,100	80	2.00%	0.07%	0.07%
23	Miscellaneous Revenues	339,961	339,961	-	0.00%	5.72%	5.61%
24	**Subtotal Water Revenues**	$5,942,478	$6,054,661	112,183	1.89%	100.00%	100.00%
25							
26							
27			**Revenue Annualization (a)**				
28		**Present**	**Proposed**	**Dollar**	**Percent**	Additioinal	Additional Gallons to
29		**Revenues**	**Revenues**	**Change**	**Change**	Bills to be Issued	be Pumped in 1,000's
30	5/8 Inch Residential	202,538	206,861	4,322	2.13%	9,245	100,718
31	3/4 Inch Residential	1,584	1,618	34	2.14%	47	470
32	1 Inch Residential	10,260	10,479	219	2.13%	180	2,867
33	1.5 Inch Residential	5,170	5,283	113	2.19%	19	1,890
34	2 Inch Residential	44,120	45,085	966	2.19%	104	16,153
35	3 Inch Residential	(563)	(574)	(11)	2.04%	(3)	(47)
36	5/8 Inch Commercial	201	205	4	2.09%	13	40
37	3/4 Inch Commercial	(492)	(503)	(11)	2.16%	(10)	(165)
38	1 Inch Commercial	2,266	2,315	49	2.15%	34	688
39	1.5 Inch Commercial	14,983	15,310	326	2.18%	66	5,236
40	2 Inch Commercial	31,582	32,270	687	2.18%	97	10,794
41	3 Inch Commercial	(1,330)	(1,360)	(29)	2.21%	(1)	(526)
42	6 Inch Commercial	16,136	16,494	357	2.21%	3	6,673
43	6 Inch Public Interruptible	(81,903)	(81,903)	-	0.00%	(10)	(84,017)
44	10 Inch Public Interruptible	(7,554)	(7,554)	-	0.00%	(10)	(7,554)
45	4 Inch Private Fire	1,440	1,469	29	2.00%	48	
46	6 Inch Private Fire	1,530	1,561	31	2.00%	34	
47	8 Inch Private Fire	1,020	1,040	20	2.00%	17	
48	Totals	240,990	248,096	7,106	2.95%	9,873	53,220
49	Total Revenues	6,183,467	6,302,757	119,289	1.93%		

50 **(a)** Customer Growth Annualization is calculated by computing the change in the number of customers by month from the
51 beginning of the year to the end of the year, and then multipling the additional customers times the average revenue
52 for that month

Arizona American - Agua Fria Water Division
Analysis of Revenue by Detailed Class, at Average Usage
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch Residential	11,197	7,002	$ 22.46	$ 22.94	0.48	2.14%
2	3/4 Inch Residential	87	10,027	33.78	34.50	0.72	2.14%
3	1 Inch Residential	542	17,634	60.82	62.12		
4	1.5 Inch Residential	23	102,940	279.90	286.03	6.13	2.19%
5	2 Inch Residential	58	175,037	468.40	478.68	10.27	2.19%
6	3 Inch Residential	0	15,667	186.41	190.22	3.80	2.04%
7	4 Inch Residential	-	-	-	-	-	0.00%
8	6 Inch Residential	-	-	-	-	-	0.00%
9	5/8 Inch Commercial	20	4,561	18.12	18.50	0.38	2.11%
10	3/4 Inch Commercial	8	14,989	44.90	45.87	0.97	2.16%
11	1 Inch Commercial	36	22,823	72.44	74.00	1.56	2.15%
12	1.5 Inch Commercial	31	89,393	249.56	255.01	5.45	2.18%
13	2 Inch Commercial	84	125,151	356.66	364.44	7.78	2.18%
14	3 Inch Commercial	52	188,454	573.46	585.90	12.44	2.17%
15	4 Inch Commercial	-	-	-	-	-	0.00%
16	6 Inch Commercial	3	1,816,455	4,465.18	4,563.92	98.74	2.21%
17	8 Inch Commercial	-	-	-	-	-	0.00%
18	2 Inch Public Interruptible	0	-	-	-	-	0.00%
19	3 Inch Public Interruptible	0	1,612,667	1,612.67	1,612.67	-	0.00%
20	4 Inch Public Interruptible	-	-	-	-	-	0.00%
21	6 Inch Public Interruptible	3	8,319,765	8,319.76	8,319.76	-	0.00%
22	8 Inch Public Interruptible	3	1,995,250	1,995.25	1,995.25	-	0.00%
23	10 Inch Public Interruptible	1	755,400	755.40	755.40	-	0.00%
24	4 Inch Prison	1	10,170,500	20,744.41	21,155.23	410.82	1.98%
25	Construction	-	-	-	-	-	0.00%
26	4 Inch Private Fire	7	-	30.00	30.60	0.60	2.00%
27	6 Inch Private Fire	20	-	45.00	45.90	0.90	2.00%
28	8 Inch Private Fire	6	-	60.00	61.20	1.20	2.00%
29							
30							
31	Totals	12,182					
32							
33	Actuall Year End Number						
34	of Customers:	13,004					
35							

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

Arizona American - Agua Fria Water Division
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size	Present Rates	Proposed Rates	Percent Change
1				
2				
3				
4	**Monthly Usage Charge for:**			
5	Residential,Commercial, Irrigation, Resale and Miscellaneous Customers			
6	5/8 x 3/4 Inch	$ 10.00	$ 10.20	2.00%
7	3/4 Inch (a)	15.00	15.30	2.00%
8	1 Inch (a)	25.00	25.50	2.00%
9	1 1/2 Inch	53.00	54.06	2.00%
10	2 Inch (a)	80.00	81.60	2.00%
11	3 Inch (a)	155.00	158.10	2.00%
12	4 Inch (a)	200.00	204.00	2.00%
13	6 Inch (a)	400.00	408.00	2.00%
14	8 Inch (a)	800.00	816.00	2.00%
15	Fire Hydrant			
16				
17	Prison, 4 Inch Meter Rate	200.00	204.00	2.00%
18				
19	4 Inch Private Fire (a)	30.00	30.60	2.00%
20	6 Inch Private Fire (a)	45.00	45.90	2.00%
21	8 Inch Private Fire (a)	60.00	61.20	2.00%
22	10 Inch Private Fire (a)	120.00	122.40	2.00%
23	12 Inch Private Fire (a)	180.00	183.60	2.00%
24				
25				
26				
27				
28				
29				
30				
31				
32	Gallons In Minimum			
33	All (except construction, prison, public interruptible)	-	-	
34	Construction	-	-	
35	Prison	-	-	
36	Public Interruptible	-	-	
37				
38	**Tier 1:** Gallons / upper limit			
39	All (except construction, prison, public interruptible)	8,000	8,000	
40	Construction	99,999,999	99,999,999	
41	Prison	99,999,999	99,999,999	
42	Public Interruptible	99,999,999	99,999,999	
43				
44				
45	(a) = Rounded to nearest whole cent			
46				
47				
48				
49				

Arizona American - Agua Fria Water Division
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Sch H-3
Page 2
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1					
2					
3	**Tier 2:** (Gallon upper limit, up to, but not exceeding)				
4	All (except construction, prison, public interruptible)		99,999,999	99,999,999	
5	Construction		99,999,999	99,999,999	
6	Prison		99,999,999	99,999,999	
7	Public Interruptible		99,999,999	99,999,999	
8					
9					
10					
11					
12					
13					
14					
15	**Tier 3:** (Gallon over)				
16	All (except construction, prison, public interruptible)		99,999,999	99,999,999	
17	Construction		99,999,999	99,999,999	
18	Prison		99,999,999	99,999,999	
19	Public Interruptible		99,999,999	99,999,999	
20					
21					
22					
23					
24					
25					
26					
27	Commodity Rates (per 1,000 gallons over minimum and per Tier)				
28	All (except construction, prison) (a)	Tier 1	$ 1.78	1.82	2.25%
29	All (except construction, prison) (a)	Tier 2	2.24	2.29	2.23%
30	All (except construction, prison) (a)	Tier 3	2.24	2.29	2.23%
31	All (except construction, prison) (a)	Tier 4	2.24	2.29	2.23%
32					
33					
34	Construction , Contract Rate		$ 1.00	1.00	0.00%
35					
36	Prison		$ 2.02	2.06	1.98%
37					
38	Public Interruptible , Contract Rate		$ 1.00	1.00	0.00%
39					
40	Raw CAP Water, charge plus additions for cost increases (a)		$ 0.50	Tariff To Be Canceled	
41	(Available to golf courses and other irrigation or turf facilities)				
42					
43	Non Potable Water		N/A	$ 0.62	
44	(a) = Rounded up to next whole cent .				
45	N/A = Not applicable, as there is no existing tariff for Agua Fria, but tariff exists for Anthem Wastewater				

Arizona American - Agua Fria Water Division
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 3
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	$ 30.00	$ 30.00
2	Establishment (After Hours)	$ 40.00	$ 40.00
3	Reconnection	$ 30.00	$ 30.00
4	Reconnection (After Hours)	$ 40.00	$ 40.00
5	Meter Test, if less than 3.00% variance	$ 10.00	$ 10.00
6	Deposit	**	**
7	Deposit Interest	**	**
8	Re-Establishment	30.00	30.00
9	Re-Establishment (After Hours)	$ 40.00	$ 40.00
10	NSF Check	$ 10.00	$ 10.00
11	Deferred Payment, Per Month	(a)	(a)
12	Meter Re-Read	$ 5.00	5.00
13	**Charge of Moving Customer Meter -**		
14	**Customer Requested**	Cost	Cost
15	Late Payment Charge	1.50%	1.50%
16			
17	**Sprinklers**	(b)	(b)
18			
19			

20 ** PER COMMISSION RULES (R14-2-403.B), with interest rates as filed by the Company
21 or at 6.00%.
22 (a) May include a finance charge as approved by the Commission in a tariff proceeding.
23 Groundwater Withdrawal Fees shall be collected as an assessment, and is subject to annual
24 revisions as required due to changes in rates charged by the Arizona Department of Water
25 Resources ("ADWR"). Includes an allowance of 10% lost and unaccounted for water.
26 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
27 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
28 TAX. PER COMMISSION RULE (14-2-409.D 5)
29 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
30 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES,
31 DEPENDING ON WHETHER THE COMPANY CHOOSES RATE BASE OR GROSS- UP TREATMENT.
32 (b) 1.00% of the monthly minimum for a comparable sized meter connection, but no less than $5 per month
33
34
35
36
37
38
39
40
41
42
43

Arizona American - Agua Fria Water Division
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Schedule H-3
Page 4
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates		
1		Service Line		Meter Installation	
2		Present	Proposed	Present	Proposed
3	Meter Size	Charges	Charges	Charges	Charges
4	5/8 x 3/4 Inch	$255	$370	$ 65	$ 130
5	3 / 4 Inch, will no longer be installed	$255	$370	$ 105	$ 205
6	1 Inch	$275	$420	$ 145	$ 240
7	1 1/2 Inch	$290	$450	$ 345	$ 450
8	2 Inch	$315	$580	$ 775	$ 1,640
9	3 Inch	Cost	$765	Cost	$ 2,195
10	4 Inch	Cost	$1,120	Cost	$ 3,145
11	6 Inch	Cost	$6,020	Cost	$ 6,120
12	8 Inch	Cost	Cost	Cost	Cost
13					
14	As meters and service lines are now taxable income for income purposes, The Company				
15	shall collect income taxes on the meter and service line charges.				
16	Any tax collected will be refunded each year that the meter deposit is refunded.				
17					
18	**Water Facililties Hook-up Fee (a)**				
19	Meter Size: Factor				
20	5/8 x 3/4 Inch 1		$ 1,150	$ 1,150	
21	3 / 4 Inch 1.5		1,725	1,725	
22	1 Inch 2.5		2,875	2,875	
23	1 1/2 Inch 5		5,750	5,750	
24	2 Inch 8		9,200	9,200	
25	3 Inch 16		18,400	18,400	
26	4 Inch 25		28,750	28,750	
27	6 Inch 50		57,500	57,500	
28	8 Inch 100		115,000	115,000	
29	**(a)** Accounted for as a Contribution in Aid of Construction				
30					
31	**Central Arizona Project Hook-up Fee**				
32	Meter Size: **ERU**				
33	5/8 x 3/4 Inch 1		$ 150	$ 150	
34	3 / 4 Inch 1.5		225	225	
35	1 Inch 2.5		375	375	
36	1 1/2 Inch 5		750	750	
37	2 Inch 8		1,200	1,200	
38	3 Inch 16		2,400	2,400	
39	4 Inch 25		3,750	3,750	
40	6 Inch 50		7,500	7,500	
41	8 Inch 100		15,000	15,000	
42	**ERU** = Equivalent Residential Unit				
43					

ANTHEM
WATER DIVISION

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Rates of Return at Present Rates Using ACC Staff Net Plant and Expenses

Exhibit
Rebuttal Schedule G-1
Page 1
Witness: Kozoman

Meter Size->	Totals	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Water Revenues and **(1)** Revenue Annualizations	1,847,438	3,606	691,596	802,410	35,169	175,472	96,219	3,330	19,501	-	20,135
	-										
(a) Miscellaneous Revenue	1,950,387	3,807	730,135	847,124	37,128	185,251	101,581	3,516	20,588	-	21,257
Total Revenues	3,797,825	7,413	1,421,731	1,649,534	72,297	360,723	197,800	6,846	40,089	-	41,392
Operating Expenses **(b)**	1,543,994	2,746	632,937	606,087	22,776	121,609	63,587	7,167	60,890	-	26,195
Depreciation and Amortization **(b)**	874,137	1,092	333,020	372,768	6,757	47,119	20,486	7,785	67,266	-	17,845
Property Tax **(c)**	173,433	339	64,925	75,328	3,302	16,473	9,033	313	1,831	-	1,890
Income Tax **(d)**	446,707	1,381	137,763	228,091	17,923	76,899	47,148	(5,171)	(52,765)	-	(4,561)
Total Operating Expenses	3,038,271	5,557	1,168,645	1,282,275	50,757	262,100	140,253	10,093	77,221	-	41,369
Operating Income	759,553	1,856	253,085	367,259	21,540	98,623	57,547	(3,248)	(37,131)	-	23
Interest Expense **(e)**	261,934	317	99,622	113,172	1,574	12,960	5,025	2,513	21,648	-	5,104
Net Income	497,619	1,539	153,464	254,087	19,965	85,663	52,522	(5,761)	(58,779)	-	(5,081)
Rate Base **(f)**	9,288,445	11,243	3,532,682	4,013,185	55,833	459,572	178,195	89,106	767,651	-	180,980
Rate of Return **(g)**	8.18%	16.50%	7.16%	9.15%	38.58%	21.46%	32.29%	-3.64%	-4.84%		

(1) Revenues are from Company's Bill Count.
(a) Miscellaneous Revenue allocated to Each Customer Class based on percent of revenues at present rates.
(b) Operating Expenses and Depreciation computations are shown on Rebuttal Schedule G-4, Page 1.
(c) Property Taxes allocated based on Revenues
(d) Income Taxes allocated based on taxable income
(e) Interest Expense allocated based on Rate Base, Please see Rebuttal Schedule G-3, Page 1
(f) Rate Base computations are shown on Rebuttal Schedule G-3, Page 1
(g) Operating Income Divided by Rate Base

Income Tax Allocation											
Net Income & Income Tax	944,326										
Percent of Taxable Income		0.31%	30.84%	51.06%	4.01%	17.21%	10.55%	-1.16%	-11.81%	0.00%	-1.02%
Income Tax		446,707	446,707	446,707	446,707	446,707	446,707	446,707	446,707	446,707	446,707
Allocated Income Tax		1,381	137,763	228,091	17,923	76,899	47,148	(5,171)	(52,765)	-	(4,561)
Income Tax											
Property Tax Allocation	173,433	0.20%	37.44%	43.43%	1.90%	9.50%	5.21%	0.18%	1.06%	0.00%	1.09%
Property Tax Allocation	173,433	339	64,925	75,328.27	3,301.55	16,472.91	9,032.82	312.61	1,830.73	-	1,890.24

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Rates of Return at Proposed Rates Using ACC Staff Net Plant and Expenses

Exhibit
Rebuttal Schedule G-2
Page 1
Witness: Kozoman

Meter Size->	Totals	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Water Revenues and **(1)**	1,472,658	2,319	444,462	540,565	30,015	181,895	116,953	57,346	78,871	-	20,233
Revenue Annualizations	-										
Misc. Revenue **(a)**	1,950,387	3,071	588,645	715,924	39,752	240,902	154,892	75,948	104,456	-	26,796
Total Revenues	3,423,045	5,390	1,033,107	1,256,489	69,767	422,797	271,845	133,294	183,327	-	47,029
Operating Expenses **(b)**	1,543,994	2,746	632,937	606,087	22,776	121,609	63,587	7,167	60,890	-	26,195
Depreciation and Amortization **(b)**	874,137	1,092	333,020	372,768	6,757	47,119	20,486	7,785	67,266	-	17,845
Property Tax **(c)**	173,433	273	52,344	63,662	3,535	21,422	13,773	6,754	9,289	-	2,383
Income Tax **(d)**	219,548	371	(32,695)	38,856	13,540	84,685	65,136	42,046	9,342	-	(1,734)
Total Operating Expenses	2,811,112	4,482	985,606	1,081,373	46,608	274,834	162,982	63,752	146,786	-	44,689
Operating Income	611,933	908	47,500	175,116	23,159	147,963	108,864	69,542	36,541	-	2,340
Interest Expense **(e)**	261,934	317	99,622	113,172	1,574	12,960	5,025	2,513	21,648	-	5,104
Net Income	349,999	591	(52,121)	61,944	21,585	135,003	103,838	67,029	14,893	-	(2,764)
Rate Base **(f)**	9,288,445	11,243	3,532,682	4,013,185	55,833	459,572	178,195	89,106	767,651	-	180,980
Rate of Return **(g)**	6.59%	8.08%	1.34%	4.36%	41.48%	32.20%	61.09%	78.04%	4.76%		
Percent of Total Customers		0.248%	57.325%	40.130%	0.248%	1.273%	0.248%	0.093%	0.403%	0.000%	0.031%

(1) Revenues are from ACC Staff Bill Count / Proposed Rates.
(a) Miscellaneous Revenue allocated to Each Customer Class based on percent of revenues at proposed rates.
(b) Operating Expenses and Depreciation computations are shown on Rebuttal Schedule G-4, Page 1.
(c) Property Taxes allocated based on Revenues
(d) Income Taxes allocated based on taxable income
(e) Interest Expense allocated based on Rate Base, Please see Rebuttal Schedule G-3, Page 1
(f) Rate Base computations are shown on Rebuttal Schedule G-3, Page 1
(g) Operating Income Divided by Rate Base

Income Tax Allocation											
Net Income & Income Tax	569,546										
Percent of Taxable Income		0%	-15%	18%	6%	39%	30%	19%	4%	0%	-1%
Income Tax		219,548	219,548	219,548	219,548	219,548	219,548	219,548	219,548	219,548	219,548
Allocated Income Tax		371	(32,695)	38,856	13,540	84,685	65,136	42,046	9,342	-	(1,734)
Percent of Revenues		0.16%	30.18%	36.71%	2.04%	12.35%	7.94%	3.89%	5.36%	0.00%	1.37%
Property Tax Allocation	173,433	273	52,344	63,662	3,535	21,422	13,773	6,754	9,289	-	2,383

Arizona American - Anthem Water
Test Year Ended December 31, 2000
Cost of Service Study Using Commodity / Demand Method
Allocation of Assets to Customer Classes Using ACC Staff Net Plant

Exhibit
Rebuttal Schedule G-3
Page 1
Witness: Kozoman

Line No.		Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
1	Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid and Meter Deposits (from Schedule G-5, Page 1)											
2	Commodity	276,069	613	102,206	92,810	8,802	41,567	24,400	-	17	-	5,654
3	Demand	7,813,833	8,457	2,928,602	3,416,966	42,283	346,718	135,304	79,280	687,093	-	169,131
4	Customer	207,299	515	118,833	83,190	515	2,638	515	193	836	-	64
5	Service	384,020	879	202,979	162,109	1,077	7,171	1,857	1,012	6,439	-	495
6	Meter	607,225	780	180,062	258,109	3,157	61,478	16,118	8,621	73,265	-	5,636
7	Totals	9,288,445	11,243	3,532,682	4,013,185	55,833	459,572	178,195	89,106	767,651	-	180,980
8												
9												
10	Commodity	-	-	-	-	-	-	-	-	-	-	-
11	Demand	-	-	-	-	-	-	-	-	-	-	-
12	Customer											
13	Service											
14	Meter											
15	Totals	-	-	-	-	-	-	-	-	-	-	-
16												
17												
18				-	-	-	-	-	-	-		
19				-	-	-	-	-	-	-	-	-
20				-	-	-	-	-	-	-		
21				-	-	-	-	-	-	-	-	-
22												
23	Net Rate Base	9,288,445	11,243	3,532,682	4,013,185	55,833	459,572	178,195	89,106	767,651	-	180,980
24												
		Total ACC Staff Interest										
	Interest Expense Allocation	261,934	317	99,622	113,172	1,574	12,960	5,025	2,513	21,648	-	5,104
	Ratio of rate bases to total rate base		0.1210%	38.0331%	43.2062%	0.6011%	4.9478%	1.9185%	0.9593%	8.2646%	0.0000%	1.9484%

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Customer Classes Using ACC Staff Expenses

Exhibit
Rebuttal Schedule G-4
Page 1
Witness: Kozoman

	Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Operation and Maintenance Expense (from Schedule G-6, Page 1)											
Commodity	577,611	1,283	213,844	194,185	18,415	86,969	51,051	-	36	-	11,829
Demand	650,846	704	243,935	284,613	3,522	28,880	11,270	6,604	57,231	-	14,088
Customer	286,385	711	164,169	114,927	711	3,644	711	267	1,155	-	89
Service	10,107	23	5,342	4,266	28	189	49	27	169	-	13
Meter	19,045	24	5,648	8,096	99	1,928	506	270	2,298	-	177
Totals	1,543,994	2,746	632,937	606,087	22,776	121,609	63,587	7,167	60,890	-	26,195
Depreciaton Expense on Plant (from Schedule G-6, Page 2)											
Commodity	80,732	179	29,889	27,141	2,574	12,156	7,135	-	5	-	1,653
Demand	740,402	801	277,501	323,776	4,007	32,853	12,821	7,512	65,106	-	16,026
Customer	27,274	68	15,635	10,945	68	347	68	25	110	-	8
Service	10,199	23	5,391	4,305	29	190	49	27	171	-	13
Meter	15,529	20	4,605	6,601	81	1,572	412	220	1,874	-	144
Totals	874,137	1,092	333,020	372,768	6,757	47,119	20,486	7,785	67,266	-	17,845
Total Expenses (excluding Income Tax and Property Taxes)	2,418,131	3,838	965,957	978,855	29,533	168,728	84,072	14,952	128,155	-	44,040

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of Rate Base by Function Using ACC Staff Plant and Accumulated Depreciation

Exhibit
Rebuttal Schedule G-5
Page 1
Witness: Kozoman

	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Rate Base							
Plant minus (Accumulated Depreciation Contributions in Aid of Construction Advances in Aid of Construction and Meter Deposits)	9,288,445	7,813,833	276,069	207,299	607,225	384,020	9,288,445
	9,288,445	7,813,833	276,069	207,299	607,225	384,020	9,288,445

	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Allocation of Property Taxes to Functions							
Revenue Requirement by Function	3,422,290	2,201,665	719,496	349,933	93,628	57,569	3,422,290
						-	-
Total Revenue Requirement	3,422,290	2,201,665	719,496	349,933	93,628	57,569	3,422,290
Property Taxes Allocation	173,433	111,575	36,462	17,734	4,745	2,917	173,433

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Allocation of Net Plant, Advances and Contributions in Aid of
Construction and Meter Deposits Using ACC Staff Plant and Accumulated Depreciation to Functions

Exhibit
Rebuttal Schedule G-5
Page 2
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost Plant with Adjustments	Company's Accumulated Depreciation	ACC Staff Original Cost Accum. Depr. Adjustments. (None)	Net Plant Values	Company's Additional Post-Closing Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service	Totals
	Intangible												
301.00	Organization	-	-		-	-	-	-					-
302.00	Franchises	3,827,476	-		3,827,476	-	3,827,476	3,827,476					3,827,476
303.00	Miscellaneous Intangibles	-	-		-	-	-	-					-
Total Intangible Plant		3,827,476	-		3,827,476	-	3,827,476						-
		0											-
	Source of Supply	0											-
310.00	Land and Land Rights	5,000	-		5,000	$ -	5,000	5,000					5,000
311.00	Structures and Improvements	212,175	5,960		206,215	1,127	205,089	205,089					205,089
312.00	Collecting and Impounding Res.	370,979	13,254		357,725	3,096	354,628	354,628					354,628
313.00	Lakes, Rivers, Other Intakes	394,971	21,387		373,584	4,935	368,648	331,784	36,865				368,648
314.00	Wells and Springs	461,497	22,685		438,812	-	438,812	394,931	43,881				438,812
Total Source of Supply Plant		1,444,622	63,287		1,381,335	9,158	1,372,177						-
		0											-
	Pumping	0											-
320.00	Land and Land Rights	20,000	-		20,000	-	20,000	20,000					20,000
321.00	Structures and Improvements	2,057,878	72,766		1,985,112	17,176	1,967,936	1,771,142	196,794				1,967,936
323.00	Other Power Production	-	-		-	-	-	-	-				-
325.00	Electric Pumping Equipment	9,608,437	793,757		8,814,680	212,172	8,602,508	7,742,257	860,251				8,602,508
326.00	Diesel Pumping Equipment	-	-		-	-	-	-	-				-
328.10	Gas Engine Pumping Equipment	1,476	65		1,411	33	1,379	1,241	138				1,379
Total Pumping Plant		11,687,791	866,588		10,821,203	229,381	10,591,823						-
		0											-
	Water Treatment	0											-
330.00	Land and Land Rights	-	-		-	-	-	-					-
331.00	Structures and Improvements	634,556	5,118		629,438	5,296	624,142	561,728	62,414				624,142
332.00	Water Treatment Equipment	4,378,549	166,535		4,212,014	87,377	4,124,637	3,712,173	412,464				4,124,637
Total Water Treatment Plant		5,013,105	171,653		4,841,452	92,673	4,748,779						-
		0											-
	Transmission and Distribution	0											-
340.00	Land and Land Rights	18,469	-		18,469	-	18,469	18,469					18,469
341.00	Structures and Improvements	1,866,969	151		1,866,818	154	1,866,664	1,679,998	186,666				1,866,664
342.00	Distribution, Reservoirs, & ST	15,471,434	67,634		15,403,800	14,840	15,388,960	13,850,064	1,538,896				15,388,960
343.00	Transmission and Distribution	-	366,685		(366,685)	87,247	(453,932)	(408,539)	(45,393)				(453,932)
344.00	Fire Mains	773,445	-		773,445	-	773,445	773,445					773,445
345.00	Services	411,258	23,795		387,463	147	387,316					387,316	387,316
346.00	Meters	618,693	11,468		607,225	-	607,225				607,225		607,225
348.00	Hydrants	-	15,871		(15,871)	-	(15,871)			(15,871)			(15,871)
349.00	Other Transmission & Distribution	-	-		-	-	-	-	-				-
Total Transmission and Distribution Plant		19,160,268	485,603		18,674,665	102,389	18,572,276						

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Allocation of Net Plant, Advances and Contributions in Aid of Construction and Meter Deposits

Exhibit
Rebuttal Schedule G-5
Page 2a
Witness: Kozoman

		ACC Staff Original Cost Plant with Adjustments	Company's Accumulated Depreciation	ACC Staff Original Cost Accumulated Depr. Adj. (None)	Net Plant Values	Company's Additional Post-Closing Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service	Totals
ALLOCATED COMMON PLANT													
Maricopa Common Plant													
389.00	Land and Land Rights	171	-		171	-	171	171					171
390.00	Structures and Improvements	117,575	10,916		106,659	924	105,735	105,735					105,735
391.00	Office Funiture and Equipment	57,875	12,656		45,219	896	44,323			44,323			44,323
391.10	Computer Equipment	81,095	(15,260)		96,355	-	96,355			96,355			96,355
392.00	Transportation Equipment	90,270	36,445		53,825	493	53,332	13,333		39,999			53,332
393.00	Stores Equipment	1,009	273		736	-	736			736			736
394.00	Tools, Shop and Garage	14,430	640		13,790	31	13,759			13,759			13,759
395.00	Laboratory Equipment	6,621	806		5,815	451	5,364			5,364			5,364
396.00	Power Operated Equipment	4,224	1,503		2,721	36	2,685	671		2,014			2,685
397.00	Communication Equipment	32,468	11,676		20,792	-	20,792	5,198		15,594			20,792
398.00	Miscellaneous Equipment	9,728	4,509		5,219	194	5,025			5,025			5,025
Total Common Plant		415,466	64,164		351,302	3,024	348,278						
													-
													-
	TOTAL WATER PLANT	41,548,728	1,651,294	-	39,897,434	436,625	39,460,808	34,965,993	3,292,975	207,299	607,225	387,316	39,460,808
Total Plant		41,548,728			39,897,434								
	Adjustments to Accumulated Depreciation												
Company's additional Accumulated Depreciation Adjustment			436,625		(436,625)								-
	Total Acumulated Depreciation		2,087,920										
	Total Net Plant				39,460,808								
	Advances in Aid of Construction				29,093,642		(29,093,642)	(26,184,278)	(2,909,364)				(29,093,642)
	Contributions in Aid of Construction				1,075,425		(1,075,425)	(967,883)	(107,543)				(1,075,425)
	Customer Meter Deposits				3,296		(3,296)					(3,296)	(3,296)
	Total Rate Base				9,288,445		9,288,445	7,813,833	276,069	207,299	607,225	384,020	9,288,445

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of ACC Staff Expenses to Functions

Exhibit
Rebuttal Schedule G-6
Page 1
Witness: Kozoman

		ACC Staff Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Salaries and Wages	(a)	372,209	260,430	28,937	73,693	9,149	-	372,209
Purchased Water		161,330		161,330				161,330
Purchased Power		264,487		264,487				264,487
Chemicals		78,285		78,285				78,285
Repairs and Maintenance	(b)	130,909	108,722	12,080	-	-	10,107	130,909
Office Supplies and Expense		15,168			15,168			15,168
Outside Services		19,830			19,830			19,830
Service Company Charges		-	-	-	-	-	-	-
Water Testing		1,193		1,193				1,193
Rents		18,568			18,568			18,568
Transportation Expenses		-			-			-
Insurance - General Liability		52,946			52,946			52,946
Insurance - Health and Life		-	-		-			-
Regulatory Commission Expense - Rate Case		26,471			26,471			26,471
Miscellaneous Expense		324,127	226,788	25,199	64,173	7,967	-	324,127
Depreciation Expense, Allocated on Rebuttal Schedule G-6, Page 2								-
Taxes Other Than Income		78,471	54,905	6,101	15,536	1,929	-	78,471
Property Taxes, Allocated on Rebuttal Schedules G-1 & G-2				-	-			-
Income Tax, Allocated on Rebuttal Schedules G-1 & G-2								
		1,543,994	650,846	577,611	286,385	19,045	10,107	1,543,994

(a) Labor (Wages and Salaries) factor computations shown on Rebuttal Schedule G-7, Page 2a
(b) Repairs and Maintenance allocation factors computation shown on Rebuttal Schedule G-7, Page 2a

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Allocation of Depreciation Expense Using ACC Plant and Depreciation Rates to Functions

Exhibit
Rebuttal Schedule G-6
Page 2
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost	Depreciation Rate	Depreciatio Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service	Totals
	Intangible										-
301.00	Organization	-		-							-
302.00	Franchises	3,827,476		-							-
303.00	Miscellaneous Intangibles	-		-							-
	Subtotal Intangible	3,827,476		-							-
											-
	Source of Supply										-
310.00	Land and Land Rights	5,000		-							-
311.00	Structures and Improvements	212,175	2.500%	5,304	5,304	5,304					5,304
312.00	Collecting and Impounding Res.	370,979	2.500%	-	-	-					-
313.00	Lakes, Rivers, Other Intakes	394,971	2.500%	-	-						-
314.00	Wells and Springs	461,497	2.520%	11,630	11,630	10,467	1,163				11,630
	Subtotal Source of Supply	1,444,622		16,934							-
											-
	Pumping										-
320.00	Land and Land Rights	20,000	0.000%	-	-						-
321.00	Structures and Improvements	2,057,878	1.670%	34,367	34,367	30,930	3,437				34,367
323.00	Other Power Production	-	0.000%	-	-	-	-				-
325.00	Electric Pumping Equipment	9,608,437	4.420%	424,693	424,693	382,224	42,469				424,693
326.00	Diesel Pumping Equipment	-	4.420%	-	-	-	-				-
328.10	Gas Engine Pumping Equipment	1,476	4.420%	65	65	59	7				65
	Subtotal Pumping	11,687,791		459,125							-
											-
	Water Treatment										-
330.00	Land and Land Rights				-						-
331.00	Structures and Improvements	634,556	1.670%	10,597	10,597	9,537	1,060				10,597
332.00	Water Treatment Equipment	4,378,549	4.000%	175,142	175,142	157,628	17,514				175,142
	Subtotal Water Treatment	5,013,105		185,739							-
											-
	Transmission and Distribution										-
340.00	Land and Land Rights	18,469		-	-						-
341.00	**Structures and Improvements (a)**	**######**	**0.000%**	-	-	-	-				-
342.00	Distribution, Reservoirs, & ST	15,471,434	1.670%	258,373	258,373	232,536	25,837				258,373
343.00	Transmission and Distribution	-	1.530%	-	-	-	-				-
344.00	Fire Mains	773,445	0.000%	-	-						-
345.00	Services	411,258	2.480%	10,199	10,199					10,199	10,199
346.00	Meters	618,693	2.510%	15,529	15,529				15,529		15,529
348.00	Hydrants	-	2.000%	-	-			-			-
349.00	Other Transmission & Distribution	-		-	-	-	-				-
	Subtotal Transmission and Distribution	19,160,268		284,101							

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Allocation of Depreciation Expense Using ACC Plant and Depreciation Rates to Functions

Exhibit
Rebuttal Schedule G-6
Page 2a
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost	Depreciation Rate	Depreciation Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service	Totals
	General										
389.00	Land and Land Rights	171		-							-
390.00	Structures and Improvements	117,575	1.681%	1,976	1,976	1,976					1,976
391.00	Office Funiture and Equipment	57,875	4.545%	2,631	2,631			2,631			2,631
391.10	Computer Equipment	81,095	4.545%	3,686	3,686			3,686			3,686
392.00	Transportation Equipment	90,270	25.000%	22,568	22,568	5,642		16,926			22,568
393.00	Stores Equipment	1,009	3.921%	40	40			40			40
394.00	Tools, Shop and Garage	14,430	4.135%	597	597			597			597
395.00	Laboratory Equipment	6,621	3.710%	246	246			246			246
396.00	Power Operated Equipment	4,224	5.144%	217	217	54		163			217
397.00	Communication Equipment	32,468	10.278%	3,337	3,337	834		2,503			3,337
398.00	Miscellaneous Equipment	9,728	4.979%	484	484			484			484
	Subtotal General	415,466		35,781				-			
								-			-
											-
	Subtotals	41,548,728		981,680							-
				-							
				-							
						-					-
						-					-
					-	-					-
Less: Amotization of Contributions		1,075,425	10.00%	(107,542)	(107,542)	(96,788)	(10,754)				(107,542)
Total Depreciation Expense				874,137	874,137	740,402	80,732	27,274	15,529	10,199	874,137

(a) No ACC Staff testimony on why there is no depreciation on Structures & Improvements.

Arizona American - Anthem Water
Test Year Ended December 31, 2001
SUMMARY OF COMMODITY - DEMAND METHOD FUNCTION FACTORS

Exhibit
Rebuttal Schedule G-7
Page 1
Witness: Kozoman

Line No.	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Totals
1												
2	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Totals
3	Commodity	0.222%	37.022%	33.619%	3.188%	15.057%	8.838%	0.000%	0.006%	0.000%	2.05%	100.00%
4	Demand	0.108%	37.480%	43.730%	0.541%	4.437%	1.732%	1.015%	8.793%	0.000%	2.16%	100.00%
5	Customer	0.248%	57.325%	40.130%	0.248%	1.273%	0.248%	0.093%	0.403%	0.000%	0.03%	100.00%
6	Services	0.229%	52.856%	42.214%	0.281%	1.867%	0.484%	0.264%	1.677%	0.000%	0.13%	100.00%
7	Meters	0.128%	29.653%	42.506%	0.520%	10.124%	2.654%	1.420%	12.066%	0.000%	0.93%	100.00%
8												
9												
10												
11												
12												
13												

Arizona American - Anthem Water
Test Year Ended December 31, 2001
COMMODITY - DEMAND METHOD FUNCTION FACTORS
Plant and Depreciation Expense Allocations

Exhibit
Rebuttal Schedule G-7
Page 2
Witness: Kozoman

Line No.	Description	Total	Demand	Commodity	Customer
1					
2	Description	Total	Demand	Commodity	Customer
3	Wells	1.00	0.90	0.10	
4	Pumps & Equipment	1.00	0.90	0.10	
5	Distribution Mains	1.00	0.90	0.10	
6	Customer	1.00			1.00
7	Services	1.00			1.00
8	Meters	1.00			1.00
9	Fire Hydrants	1.00			1.00
10	Transportation Equip.	1.00	0.25		0.75
11	Office Furniture	1.00			1.00
12	Communication Equip.	1.00	0.25		0.75
13					
14					
15	**To Approximately Match ACC Staff Proposed Rates for 5/8 Inch Meter**				
16	Demand and Commodity Allocation to Wells, Pumps and Equipment and				
17	Distribution Mains would need to be changed to approximately match				
18	ACC Staff's proposed monthly minimums and commodity rates. The				
19	match would be ACC Staff's Proposed Rates to Computed Monthly				
20	Minimum and Commodity rate WITHOUT Equity returns and				
21	Income Taxes. Match would be based on cost only.				
22					
23					
24			**Required Allocations:**		
25	Description	Total	Demand	Commodity	Customer
26	Wells	1.00	(0.02)	1.02	
27	Pumps & Equipment	1.00	(0.02)	1.02	
28	Distribution Mains	1.00	(0.02)	1.02	
29					
30					
31					

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
DEVELOPMENT OF ALLOCATION FACTORS

Exhibit
Rebuttal Schedule 7
Page 2a
Witness: Kozoman

Labor Allocation Factors	
Pumping Labor	77.74%
Meter Labor	2.46%
Customer Labor	19.80%
	100.00%

Repairs and Maintenance Allocation Factors	
Repairs and Maintenance Demand	13.86%
Repairs and Maintenance Pumping	75.91%
Repairs and Maintenance Mains	2.51%
Repairs and Maintenance Services	7.72%
Repairs and Maintenance Meters	0.00%
Repairs and Maintenance Customer	0.00%
	100.00%

Computations shown on this work sheet are from page labeled asTrial Balance in this work book. Allocation percentage were computed based on Expenses charged by Citizens Utilities and are then applied to proforma amounts.

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
DEVELOPMENT OF CLASS ALLOCATION FACTORS

Exhibit
Rebuttal Schedule 7
Page 3
Witness: Kozoman

COMMODITY ALLOCATION FACTOR

Meter Size	(a) Total Gallons (in 1,000's) In Test Year	Percent of Total
5/8" x 3/4"	1,011	0.22%
3/4"	168,521	37.02%
1"	153,028	33.62%
1-1/2"	14,512	3.19%
2"	68,536	15.06%
3"	40,231	8.84%
4"	-	0.00%
6"	28	0.01%
8"	-	0.000%
10"	9,322	2.048%
Totals	455,190	100.00%

DEMAND ALLOCATION FACTOR

Meter Size	(a) Number of Meters and/or Services	Equivalent Weight	Equivalent Number of Meters and/or Services	Percent of Total
5/8" x 3/4	8	1.0	8	0.11%
3/4"	1,847	1.5	2,771	37.48%
1"	1,293	2.5	3,233	43.73%
1-1/2"	8	5.0	40	0.54%
2"	41	8.0	328	4.44%
3"	8	16.0	128	1.73%
4"	3	25.0	75	1.01%
6"	13	50.0	650	8.79%
8"	-	80.0	0	0.00%
10"	1	160.0	160	2.16%
Totals	3,222		7,392	100.00%

CUSTOMER ALLOCATION FACTOR

Meter Size	Number of Meters	Percent of Total
5/8" x 3/4"	8	0.25%
3/4"	1,847	57.32%
1"	1,293	40.13%
1-1/2"	8	0.25%
2"	41	1.27%
3"	8	0.25%
4"	3	0.09%
6"	13	0.40%
8"	0	0.00%
10"	1	0.03%
Totals	3,222	100.00%

SERVICES ALLOCATION FACTOR (b)

Meter Size	Number of Services	Installation Cost	Weighted Number Services	Percent of Total
5/8" x 3/4	8	$ 355.00	2,840	0.23%
3/4"	1,847	355.00	655,685	52.86%
1"	1,293	405.00	523,665	42.21%
1-1/2"	8	435.00	3,480	0.28%
2"	41	565.00	23,165	1.87%
3"	8	750.00	6,000	0.48%
4"	3	1,090.00	3,270	0.26%
6"	13	1,600.00	20,800	1.68%
8"	0	1,600.00	0	0.00%
10"	1	1,600.00	1,600	0.13%
Totals	3,222		1,240,505	100.00%

METER ALLOCATION FACTOR (b)

Meter Size	Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8" x 3/4"	8	$ 105.00	840	0.13%
3/4"	1,847	105.00	193,935	29.65%
1"	1,293	215.00	277,995	42.51%
1-1/2"	8	425.00	3,400	0.52%
2"	41	1,615.00	66,215	10.12%
3"	8	2,170.00	17,360	2.65%
4"	3	3,095.00	9,285	1.42%
6"	13	6,070.00	78,910	12.07%
8"	0	6,070.00	0	0.00%
10"	1	6,070.00	6,070	0.93%
Totals	3,222		654,010	100.00%

(a) Includes customer and gallon sold annualization
(b) Meter and Service Line cost from Arizona Corporation Commission Memo of April 23, 2002 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Debt, Equity, and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rebuttal Schedule G-8
Page 1
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	207,299	384,020	607,225	1,198,544
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	5,846	10,829	17,124	33,799
4	Rate Bases	207,299	384,020	607,225	1,198,544
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	7,794	14,439	22,832	45,065
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	12,694	23,516	37,184	73,395
9					
10	Revenue Requirement for Debt Component, from Line 3	5,846	10,829	17,124	33,799
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	12,694	23,516	37,184	73,395
13	Total Return Requirement with Income Tax	18,540	34,345	54,308	107,194
14					
15	Property Tax Expense, from Schedule G-5, Page 1	17,734	2,917	4,745	25,396
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	286,385	10,107	19,045	315,537
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	27,274	10,199	15,529	53,002
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	349,933	57,569	93,628	501,129
19					
20	**Customer Charge**				
21	Number of Bills = 3,222 times 12 Months	38,664			
22					
23	**Charge per Bill**	$ 9.05			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Inch Meters 7,392 times 12		88,704	88,704	
28					
29	**Charge per Equivalent 5/8 x 3/4 Inch Meter**		$ 0.65	$ 1.06	
30					
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)				
34	Charge per Bill (Customer Charge with Equity Return and Income Tax)	$ 9.05			
35	Charge per Equivalent Meter (For Service Line Charge with Equity Return and Income Tax)	0.65			
36	Charge per Equivalent Meter (For Meter Charge with Equity Return and Income Tax)	1.06			
37	(Service and Meter Revenue Requirement divided by Annualized Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter	$ 10.76			
39					

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return, and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rebuttal Schedule G-8
Page 1a
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	207,299	384,020	607,225	1,198,544
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	5,846	10,829	17,124	33,799
4	Rate Bases	207,299	384,020	607,225	1,198,544
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	0.00%	0.00%	0.00%	0.00%
6	Required Operating Income for Equity	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-
9					
10	Revenue Requirement for Debt Component, from Line 3	5,846	10,829	17,124	33,799
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	-	-	-	-
13	Total Return Requirement with Income Tax	5,846	10,829	17,124	33,799
14					
15	Property Tax Expense, from Schedule G-5, Page 1	17,734	2,917	4,745	25,396
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	286,385	10,107	19,045	315,537
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	27,274	10,199	15,529	53,002
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	337,238	34,053	56,443	427,734
19					
20	**Customer Charge**				
21	Number of Bills = 3,222 times 12	38,664			
22					
23	**Charge per Bill**	$ 8.72			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Inch Meters 7,392 times 12		88,704	88,704	
28					
29	**Charge per Equivalent 5/8 x 3/4 Inch Meter**		$ 0.38	$ 0.64	
30	**Actual Cost (without Equity Returns or Income Taxes)**				
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge, nor recovery of equity return or income tax)				
34	Charge per Bill (Customer Charge without Equity Return or Income Tax)	$ 8.72			
35	Charge per Equivalent Meter (For Service Line Charge without Equity Return or Income Tax)	0.38			
36	Charge per Equivalent Meter (For Meter Charge without Equity Return or Income Tax)	0.64			
37	(Service and Meter Revenue Requirement divided by Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter without recovery of Equity Return or Income Tax	$ 9.74			

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Schedule G-8
Page 2
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	7,813,833
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	220,350
5	Rate Base	7,813,833
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%
7	Required Operating Income for Equity	293,800
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	478,492
10		
11	Revenue Requirement for Debt Component, from Line 4	220,350
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	478,492
14		
15	Property Tax Expense, from Schedule G-5, Page 1	111,575
16	Demand Expenses, from Schedule G-6, Page 1	650,846
17	Depreciation, from Schedule G-6, Page 2	740,402
18	Totals	2,201,665
19	Total Revenue Requirement / Demand Component	
20	Equivalent Number of 5/8 x 3/4 Inch Meters	88,704
21	Demand Charge for 5/8 x 3/4 Inch Meter	$ 24.82
22		

23		5/8" Demand	Meter	Demand
24	Demand Charge Per Equivalent	Charge	Ratio	Charge
25	5/8 x 3/4 Inch Meter	$ 24.82	1.0	$ 24.82
26	3/4 Inch Meter	$ 24.82	1.5	37.23
27	1 Inch Meter	$ 24.82	2.5	62.05
28	1 1/2 Inch Meter	$ 24.82	5.0	124.10
29	2 Inch Meter	$ 24.82	8.0	198.56
30	3 Inch Meter	$ 24.82	16.0	397.13
31	4 Inch Meter	$ 24.82	25.0	620.51
32	6 Inch Meter	$ 24.82	50.0	1,241.02
33	8 Inch Meter	$ 24.82	80.0	1,985.63
34	10 Inch Meter	$ 24.82	160.0	3,971.26

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Schedule G-8
Page 2a
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	7,813,833
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	220,350
5	Rate Base	7,813,833
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	
7	Required Operating Income for Equity	-
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	-
10		
11	Revenue Requirement for Debt Component, from Line 4	220,350
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	-
14		
15	Property Tax Expense, from Schedule G-5, Page 1	111,575
16	Demand Expenses, from Schedule G-6, Page 1	650,846
17	Depreciation, from Schedule G-6, Page 2	740,402
18	Totals	1,723,173
19	Total Revenue Requirement / Demand Component	
20	Equivalent Number of 5/8 x 3/4 Inch Meters	88,704
21	Demand Charge for 5/8 x 3/4 Inch Meter	$ 19.43
22		

23		5/8" Demand	Meter	Demand
24	Demand Charge Per Equivalent	Charge	Ratio	Charge
25	5/8 x 3/4 Inch Meter	$ 19.43	1.0	$ 19.43
26	3/4 Inch Meter	$ 19.43	1.5	29.14
27	1 Inch Meter	$ 19.43	2.5	48.57
28	1 1/2 Inch Meter	$ 19.43	5.0	97.13
29	2 Inch Meter	$ 19.43	8.0	155.41
30	3 Inch Meter	$ 19.43	16.0	310.82
31	4 Inch Meter	$ 19.43	25.0	485.65
32	6 Inch Meter	$ 19.43	50.0	971.31
33	8 Inch Meter	$ 19.43	80.0	1,554.09
34	10 Inch Meter	$ 19.43	160.0	3,108.18

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including and Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 3
Witness: Kozoman

Including Equity Return and Income Taxes

Line No.		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended Monthly Minimum to Computed Minimum
1	5/8 x 3/4 Inch Meter	$ 9.05	$ 0.65	$ 1.06	$ 24.82	$ 35.58	$ 11.45	32.18%
2	3/4 Inch Meter	9.05	0.97	1.58	37.23	48.84	$ 11.45	23.44%
3	1 Inch Meter	9.05	1.62	2.64	62.05	75.36	$ 22.91	30.40%
4	1 1/2 Inch Meter	9.05	3.24	5.28	124.10	141.67	$ 45.81	32.33%
5	2 Inch Meter	9.05	5.19	8.44	198.56	221.25	$ 57.27	25.88%
6	3 Inch Meter	9.05	10.38	16.89	397.13	433.45	$ 114.54	26.43%
7	4 Inch Meter	9.05	16.22	26.39	620.51	672.17	$ 143.17	21.30%
8	6 Inch Meter	9.05	32.45	52.78	1,241.02	1,335.29	$ 178.96	13.40%
9	8 Inch Meter	9.05	51.92	126.66	1,985.63	2,173.26	$ 1,070.91	49.28%
10	10 Inch Meter	9.05	155.76	422.20	3,971.26	4,558.27		
11								
12								
13	Excluding Equity Return and Income Taxes							
14								
15								
16								
17								
18								
19								
20								
21								
22								
23	5/8 x 3/4 Inch Meter	$ 8.72	$ 0.38	$ 0.64	$ 19.43	$ 29.17	$ 11.45	39.25%
24	3/4 Inch Meter	8.72	0.58	0.95	29.14	39.39	$ 11.45	29.07%
25	1 Inch Meter	8.72	0.96	1.59	48.57	59.84	$ 22.91	38.29%
26	1 1/2 Inch Meter	8.72	1.92	3.18	97.13	110.95	$ 45.81	41.29%
27	2 Inch Meter	8.72	3.07	5.09	155.41	172.29	$ 57.27	33.24%
28	3 Inch Meter	8.72	6.14	10.18	310.82	335.86	$ 114.54	34.10%
29	4 Inch Meter	8.72	9.60	15.91	485.65	519.88	$ 143.17	27.54%
30	6 Inch Meter	8.72	19.19	31.82	971.31	1,031.04	$ 178.96	17.36%
31	8 Inch Meter	8.72	30.71	50.90	1,554.09	1,644.43	$ 1,070.91	65.12%

32	10 Inch Meter	8.72	61.42	101.81	3,108.18	3,280.13
33						

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 4
Witness: Kozoman

Line No.		Commodity	Customer	Service	Meter	Demand	Totals
1	Rate Bases from Schedule G-5, Page 1	276,069	207,299	384,020	607,225	7,813,833	9,288,445
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.820%	2.820%	2.820%	2.820%	2.820%	2.820%
3	Required Operating Income - for Debt	7,785	5,846	10,829	17,124	220,350	261,934
4	Rate Bases from Schedule G-5, Page 1	276,069	207,299	384,020	607,225	7,813,833	9,288,445
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	10,380	7,794	14,439	22,832	293,800	349,246
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	16,905	12,694	23,516	37,184	478,492	568,792
9							
10	Revenue Requirement for Debt Component, from Line 3	7,785	5,846	10,829	17,124	220,350	261,934
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	16,905	12,694	23,516	37,184	478,492	568,792
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	24,691	18,540	34,345	54,308	698,842	830,726
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	36,462	17,734	2,917	4,745	111,575	173,433
16	Expenses (From Sch. G-6. Page 1)	577,611	286,385	10,107	19,045	650,846	1,543,994
17	Depreciation and Amortization (From Schedule G-6, Page 2)	80,732	27,274	10,199	15,529	740,402	874,137
18	Total Revenue Requirement by function	719,496	349,933	57,569	93,628	2,201,665	3,422,290
19							
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	455,190	38,664	88,704	88,704	88,704	
21	Computed Commodity Rate, Customer, Meter, Service Line & Demand	$ 1.5806					
22	(Line 18 divided by Line 20)		$ 9.05	$ 0.65	$ 1.06	$ 24.82	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter and Demand Charge on Line 22)					$ 35.58	
24							

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **without** Equity Return or Income Taxes

Exhibit
Rebuttal Schedule G-9
Page 1
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rebuttal Schedule G-8, Page 4a	$ 1.5435
2	Computed Demand Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	$ 19.43
3	Computed Customer Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	8.72
4	Computed Service Line Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	0.38
5	Computed Meter Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	0.64
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rebuttal Schedule G-8, Page 4a	$ 29.17
7		
8	**ACC Staff Proposed Rates**	
9	Proposed Monthly Minimum for 5/8" Meter	$ 11.45
10	Proposed Commodity Rate	
11	0 to 4,000	$ 0.88
12	4,001 to 100,000	$ 1.32
13	Over 100,001	$ 1.57
14		

15	Col. 1	Col. 2	Col. 3	Col. 4		Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
16				(Col. 2+ 3)					(Col. 6 + 7	(Col, 8-4)
17	**Computed Costs, without Equity**									Recovery
18	**Return or Income Taxes**									of Expenses
19		Monthly		Total	**Usage**		Monthly			or,
20		Minimum	Commodity	Cost of	**Level**		Minimum	Commodity	Total	(Lack of
21	Usage	Revenue	Revenue	Service	**When**	Usage	Revenue	Revenue	Revenue	Recovery)
22	-	$ 29.17	-	$ 29.17	**Revenues**	-	$ 11.45		$ 11.45	$ (17.72)
23	1,000	$ 29.17	$ 1.5435	$ 30.71	**Equal**	1,000	11.45	$ 0.88	12.33	(18.38)
24	2,000	29.17	3.09	32.26	**Expenses**	2,000	11.45	1.76	13.21	(19.05)
25	3,000	29.17	4.63	33.80	**Can Not**	3,000	11.45	2.64	14.09	(19.71)
26	4,000	29.17	6.17	35.34	**be**	4,000	11.45	3.52	14.97	(20.37)
27	5,000	29.17	7.72	36.89	**Achieved**	5,000	11.45	4.84	16.29	(20.60)
28	6,000	29.17	9.26	38.43		6,000	11.45	6.16	17.61	(20.82)
29	7,000	29.17	10.80	39.97	**As**	7,000	11.45	7.48	18.93	(21.04)
30	8,000	29.17	12.35	41.52	**Proposed**	8,000	11.45	8.80	20.25	(21.27)
31	9,000	29.17	13.89	43.06	**Commodity**	9,000	11.45	10.12	21.57	(21.49)
32	10,000	29.17	15.44	44.60	**Rates &**	10,000	11.45	11.44	22.89	(21.71)
33	11,000	29.17	16.98	46.15	**Proposed**	11,000	11.45	12.76	24.21	(21.94)
34	12,000	29.17	18.52	47.69	**Monthly**	12,000	11.45	14.08	25.53	(22.16)
35	13,000	29.17	20.07	49.23	**Minimum**	13,000	11.45	15.40	26.85	(22.38)
36	14,000	29.17	21.61	50.78	**Rates**	14,000	11.45	16.72	28.17	(22.61)
37	15,000	29.17	23.15	52.32	**are Below**	15,000	11.45	18.04	29.49	(22.83)
38	16,000	29.17	24.70	53.86	**Actual**	16,000	11.45	19.36	30.81	(23.05)
39	17,000	29.17	26.24	55.41	**Cost to**	17,000	11.45	20.68	32.13	(23.28)
40	18,000	29.17	27.78	56.95	**Service**	18,000	11.45	22.00	33.45	(23.50)
41	19,000	29.17	29.33	58.50		19,000	11.45	23.32	34.77	(23.73)
42	20,000	29.17	30.87	60.04		20,000	11.45	24.64	36.09	(23.95)
43	25,000	29.17	38.59	67.76	**Computed**	25,000	11.45	31.24	42.69	(25.07)
44	30,000	29.17	46.31	75.47	**Cost of**	30,000	11.45	37.84	49.29	(26.18)
45	35,000	29.17	54.02	83.19	**Service**	35,000	11.45	44.44	55.89	(27.30)
46	40,000	29.17	61.74	90.91	**Rates**	40,000	11.45	51.04	62.49	(28.42)
47	45,000	29.17	69.46	98.63	**Do Not**	45,000	11.45	57.64	69.09	(29.54)
48	50,000	29.17	77.18	106.34	**Include**	50,000	11.45	64.24	75.69	(30.65)
49	55,000	29.17	84.89	114.06	**Rate**	55,000	11.45	70.84	82.29	(31.77)
50	60,000	29.17	92.61	121.78	**of Return**	60,000	11.45	77.44	88.89	(32.89)
51	65,000	29.17	100.33	129.50	**on Equity**	65,000	11.45	84.04	95.49	(34.01)
52	70,000	29.17	108.05	137.21	**or Income**	70,000	11.45	90.64	102.09	(35.12)
53	150,000	29.17	231.53	260.70	**Taxes**	150,000	11.45	215.02	226.47	(34.23)
54	**Average Usage**					**Average Usage**				
55	10,212	29.17	15.76	44.93		10,212	11.45	11.72	23.17	**(21.76)**

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **with** Equity Return and Income Taxes

Exhibit
Rebuttal Schedule G-9
Page 2
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rebuttal Schedule G-8, Page 4	$ 1.5806
2	Computed Demand Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	$ 24.82
3	Computed Customer Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	9.05
4	Computed Service Line Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	1.06
5	Computed Meter Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	0.65
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rebuttal Schedule G-8, Page 4	$ 35.58
7		
8	**ACC Staff Proposed Rates**	
9	Proposed Monthly Minimum for 5/8" Meter	$ 11.45
10	Proposed Commodity Rate	
11	0 to 4,000	$ 0.88
12	4,001 to 100,000	$ 1.32
13	Over 100,001	$ 1.57
14		

15	Col. 1	Col. 2	Col. 3	Col. 4		Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
16				(Col. 2+ 3)					(Col. 6 + 7	(Col. 8-4)
17										Recovery
18										of Expenses
19	**Computed Costs, with Equity**									Rate of
20	**Return and Income Taxes**				**Usage**					Return & Tax
21		Monthly		Total	**Level**		Monthly			or
22		Minimum	Commodity	Cost of	**When**		Minimum	Commodity	Total	(Lack of
23	Usage	Revenue	Revenue	Service	**Revenues**	Usage	Revenue	Revenue	Revenue	Recovery)
24	-	$ 35.58	-	$ 35.58	**Equals**	-	$ 11.45		$ 11.45	$ (24.13)
25	1,000	$ 35.58	$ 1.5806	$ 37.16	**Expenses**	1,000	11.45	$ 0.88	12.33	(24.83)
26	2,000	35.58	3.16	38.74	**and Return**	2,000	11.45	1.76	13.21	(25.53)
27	3,000	35.58	4.74	40.32	**cannot be**	3,000	11.45	2.64	14.09	(26.23)
28	4,000	35.58	6.32	41.90	**Achieved**	4,000	11.45	3.52	14.97	(26.93)
29	5,000	35.58	7.90	43.48	**As**	5,000	11.45	4.84	16.29	(27.19)
30	6,000	35.58	9.48	45.06	**Proposed**	6,000	11.45	6.16	17.61	(27.45)
31	7,000	35.58	11.06	46.64	**Commodity**	7,000	11.45	7.48	18.93	(27.71)
32	8,000	35.58	12.65	48.22	**Rates &**	8,000	11.45	8.80	20.25	(27.97)
33	9,000	35.58	14.23	49.80	**Proposed**	9,000	11.45	10.12	21.57	(28.23)
34	10,000	35.58	15.81	51.38	**Monthly**	10,000	11.45	11.44	22.89	(28.49)
35	11,000	35.58	17.39	52.96	**Minimum**	11,000	11.45	12.76	24.21	(28.75)
36	12,000	35.58	18.97	54.54	**Rates**	12,000	11.45	14.08	25.53	(29.01)
37	13,000	35.58	20.55	56.12	**are Below**	13,000	11.45	15.40	26.85	(29.27)
38	14,000	35.58	22.13	57.70	**Actual**	14,000	11.45	16.72	28.17	(29.53)
39	15,000	35.58	23.71	59.29	**Cost**	15,000	11.45	18.04	29.49	(29.80)
40	16,000	35.58	25.29	60.87	**to**	16,000	11.45	19.36	30.81	(30.06)
41	17,000	35.58	26.87	62.45	**Service**	17,000	11.45	20.68	32.13	(30.32)
42	20,000	35.58	31.61	67.19		20,000	11.45	24.64	36.09	(31.10)
43	25,000	35.58	39.52	75.09	**Computed**	25,000	11.45	31.24	42.69	(32.40)
44	30,000	35.58	47.42	82.99	**Cost of**	30,000	11.45	37.84	49.29	(33.70)
45	35,000	35.58	55.32	90.90	**Service**	35,000	11.45	44.44	55.89	(35.01)
46	40,000	35.58	63.23	98.80	**Rates**	40,000	11.45	51.04	62.49	(36.31)
47	45,000	35.58	71.13	106.70	**Includes**	45,000	11.45	57.64	69.09	(37.61)
48	50,000	35.58	79.03	114.61	**Rate**	50,000	11.45	64.24	75.69	(38.92)
49	55,000	35.58	86.94	122.51	**of Return**	55,000	11.45	70.84	82.29	(40.22)
50	60,000	35.58	94.84	130.41	**on Equity**	60,000	11.45	77.44	88.89	(41.52)
51	65,000	35.58	102.74	138.32	**and Income**	65,000	11.45	84.04	95.49	(42.83)
52	70,000	35.58	110.65	146.22	**Taxes**	70,000	11.45	90.64	102.09	(44.13)
53	150,000	35.58	237.10	272.67		150,000	11.45	215.02	226.47	(46.20)
54	**Average Usage**					**Average Usage**				
55	10,212	$ 35.58	$ 16.142	$ 51.72		10,212	11.45	11.72	23.17	**(28.55)**

Arizona American - Anthem Water
(Formerly Known as Citizens Water Services / Water)
Summary of Revenues by Customer Classification - Present and Proposed Rates
With Annualized Revenues to Year End Number of Customers
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Kozoman

Line No.	Meter Size	Customer Classification	Adjusted Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	$ 3,606	$ 3,645	$ 39	1.07%	0.09%	0.10%
2	3/4 Inch	Residential	620,738	627,283	6,545	1.05%	16.29%	16.39%
3	1 Inch	Residential	650,122	656,761	6,639	1.02%	17.07%	17.16%
4	1.5 Inch	Residential	2,834	2,862	28	0.98%	0.07%	0.07%
5	2 Inch	Residential	65,116	65,851	735	1.13%	1.71%	1.72%
6	3 Inch	Residential	-	-	-			
7	4 Inch	Residential		-	-			
8	3/4 Inch	Commercial	2,064	2,085	21	1.01%	0.05%	0.05%
9	1 Inch	Commercial	50,820	51,402	582	1.14%	1.33%	1.34%
10	1.5 Inch	Commercial	19,528	19,752	224	1.15%	0.51%	0.52%
11	2 Inch	Commercial	100,690	101,817	1,127	1.12%	2.64%	2.66%
12	3 Inch	Commercial	63,160	63,888	728	1.15%	1.66%	1.67%
13	2 Inch	Wholesale	-	-	-			
14	3 Inch	Wholesale	11,915	11,915	-	0.00%	0.31%	0.31%
15	6 Inch	Wholesale	56	56	-	0.00%	0.00%	0.00%
16	10 Inch	Wholesale	18,457	18,457	-	0.00%	0.48%	0.48%
17	4 Inch	Fire Protection	3,330	3,369	39	1.18%	0.09%	0.09%
18	6 Inch	Fire Protection	19,845	20,079	234	1.18%	0.52%	0.52%
19	Miscellaneous Revenues		1,950,387	1,950,387	-	0.00%	51.20%	50.97%
20	Citizens Water Resouces (Treatco)		226,872	226,872	-	0.00%	5.96%	5.93%
21	**Subtotal Water Revenues**		$3,809,540	$3,826,480	$ 16,940	0.44%	100.00%	100.00%
22								
23								
24							Additional	Gallons
25	**Revenue Annualization**						Bills	in 1,000's
26	Citizens Water Resouces (Treatco)		$ (18,289)	$ (18,289)	$ -	0.00%	(8)	(29,498)
27	3/4 Inch	Residential	67,152	67,853	701	1.04%	2,306	15,163
28	1 Inch	Residential	98,822	99,823	1,001	1.01%	2,102	15,859
29	2 Inch	Residential	(3,894)	(3,937)	(43)	1.12%	(12)	(1,467)
30	3/4 Inch	Commercial	1,642	1,659	17	1.02%	68	277
31	1 Inch	Commercial	2,646	2,672	27	1.01%	59	379
32	1.5 Inch	Commercial	12,807	12,953	146	1.14%	27	5,539
33	2 Inch	Commercial	13,560	13,712	152	1.12%	40	5,180
34	3 Inch	Commercial	(24,131)	(24,409)	(278)	1.15%	(40)	(8,865)
35	3 Inch	Wholesale	45,275	45,275	-	0.00%	19	20,961
36	6 Inch	Wholesale	5	5	-	0.00%	1	2
37	10 Inch	Wholesale	1,678	1,678	-	0.00%	1	777
38	6 Inch	Fire Protection	(405)	(410)	(5)	1.18%	(3)	
39	Total Revenues Annualziations		$ 196,868	$ 198,586	$ 1,718	0.87%		
40	**Total Water Revenues with**							
41	**Revenue Annualizaiton**		$4,006,408	$4,025,066	$ 18,658	0.47%	4,560	24,306
42								
43								
44								
45								
46								
47								

48 **(A)** Customer Growth Annualization is calculated by computing the change in the number of customers by month from the
49 beginning of the year t the end of the year, and then multipling the additional customers times the average revenue for
50 that month.

Arizona American - Anthem Water
(Formerly Known as Citizens Water Services / Water)
Analysis of Revenue by Detailed Class at Average Usage
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Kozoman

Line No.		Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	8	10,212	$ 36.42	$ 36.81	0.39	1.07%
2	3/4 Inch	Residential	1,642	7,753	31.51	31.84	0.33	1.05%
3	1 Inch	Residential	1,096	8,719	49.44	49.94	0.50	1.02%
4	1.5 Inch	Residential	3	7,361	78.72	79.50	0.77	0.98%
5	2 Inch	Residential	13	168,705	417.41	422.12	4.71	1.13%
6	3 Inch	Residential						
7	4 Inch	Residential						
8								
9	3/4 Inch	Commercial	7	3,727	23.45	23.69	0.24	1.01%
10	1 Inch	Commercial	17	107,951	247.90	250.74	2.84	1.14%
11	1.5 Inch	Commercial	3	263,879	591.76	598.56	6.80	1.15%
12	2 Inch	Commercial	25	130,084	340.17	343.98	3.81	1.12%
13	3 Inch	Commercial	9	201,964	563.93	570.42	6.50	1.15%
14								
15								
16	2 Inch	Wholesale						
17	3 Inch	Wholesale	0	1,103,200	2,382.91	2,382.91	-	0.00%
18	6 Inch	Wholesale	1	2,364	5.11	5.11	-	0.00%
19	10 Inch	Wholesale	1	776,818	1,677.93	1,677.93	-	0.00%
20								
21	4 Inch	Fire Protection	3	-	90.00	91.06	1.06	1.18%
22	6 Inch	Fire Protection	12	-	135.00	136.59	1.59	1.18%
23								
24								
25								
26								
27		Totals	2,841					
28								
29		Actuall Year End Number						
30		of Customers:	3,222					
31								

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

Arizona American - Anthem Water
(Formerly Known as Citizens Water Services / Water)
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size	Present Rates	Proposed Rates	Percent Change
1	Percentage Increase in Monthly Minimums			
2	Percentage Increase in Commodity Rates			
3				
4	**Monthly Usage Charge for:**			
5	Residential,Commercial			
6	5/8 x 3/4 Inch (a)	$ 16.00	$ 16.15	0.94%
7	3/4 Inch (a)	16.00	16.15	0.94%
8	1 Inch (a)	32.00	32.30	0.94%
9	1 1/2 Inch (a)	64.00	64.60	0.94%
10	2 Inch	80.00	80.75	0.94%
11	3 Inch	160.00	161.75	1.09%
12	4 Inch	200.00	202.35	1.17%
13	6 Inch	250.00	252.94	1.18%
14	8 Inch	-	1,295.20	0.00%
15	Private Fire Protection (Flat Rates)			
16	3 Inch	70.00	70.82	1.17%
17	4 Inch	90.00	91.06	1.18%
18	6 Inch (a)	135.00	136.59	1.18%
19	8 Inch	180.00	182.11	1.17%
20	10 Inch	360.00	364.23	1.18%
21				
22	Wholesale	-	-	0.00%
23				
24				
25	Gallons In Minimum			
26	All	-	-	
27				
28				
29				
30				
31	**Tier 1:** Gallons upper limit			
32	All, except wholesale	999,999,999	999,999,999	
33	Wholesale	999,999,999	999,999,999	
34				
35				
36	(a) Rounded to nearest whole cent			
37				
38				
39				
40				

Arizona American - Anthem Water
(Formerly Known as Citizens Water Services / Water)
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 2
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1					
2					
3	**Tier 2:** (Gallon upper limit, up to, but not exceeding)				
4	All, except wholesale		999,999,999	999,999,999	
5	Wholesale		999,999,999	999,999,999	
6					
7					
8					
9					
10					
11					
12					
13					
14					
15	**Tier 3:** (Gallon over)				
16	All, except wholesale		999,999,999	999,999,999	
17	Wholesale		999,999,999	999,999,999	
18					
19					
20					
21					
22					
23					
24					
25					
26					
27	Commodity Rates (per 1,000 gallons over minimum and per Tier)				
28	All, except wholesale	Tier 1	$ 2.00	$ 2.02	1.17%
29	All, except wholesale	Tier 2	2.00	2.02	1.17%
30	All, except wholesale	Tier 3	2.00	2.02	1.17%
31	All, except wholesale	Tier 4		2.02	
32					
33					
34					
35	Wholesale		$ 2.16	2.16	0.00%
36	Contract Rate				
37	(a) Rounded to nearest whole cent				
38					

Arizona American - Anthem Water
(Formerly Known as Citizens Water Services / Water)
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 3
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	$ 60.00	$ 60.00
2	Establishment (After Hours)	$ 90.00	$ 90.00
3	Reconnection (Deliquent)	$ 30.00	$ 40.00
4	Reconnection (After Hours)	$ 45.00	$ 55.00
5	Meter Test	$ 30.00	$ 30.00
6	Deposit	**	**
7	Deposit Interest	**	**
8	Re-Establishment (With-in 12 Months)	***	***
9			
10	NSF Check	$ 20.00	$ 20.00
11	Deferred Payment, Per Month (b)	1.50%	1.50%
12	Meter Re-Read	$ 10.00	10.00
13	Charge of Moving Customer Meter -		
14	Customer Requested	Cost	Cost
15	Late Payment Charge, greater of 1.50% or	1.50%	1.50%
16	Damages to Meter Locks, Valves, Seals	Cost	Cost
17	Sprinklers		
18			
19			
20	** PER COMMISSION RULES (R14-2-403.B)		
21	*** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)		
22	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
23	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
24	TAX. PER COMMISSION RULE (14-2-409.D 5)		
25	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
26	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.		
27	(a) 1.00% of the monthly minimum for a comparable sized meter connection, but no less than $5 per month		
28			
29			
30		Present	Proposed
31	Meter Size	Charges	Charges
32	5/8 x 3/4 Inch	$320	$500
33	3 / 4 Inch	$320	$575
34	1 Inch	$420	$660
35	1 1/2 Inch	$635	$900
36	2 Inch	$1,090	$1,525
37	3 Inch	Cost	Cost
38	4 Inch	Cost	Cost
39	6 Inch	Cost	Cost
40	8 Inch	Cost	Cost
41			
42	As meters and service lines are now taxable income for income purposes, The Company		
43	shall collect income taxes on the meter and service line charges.		
44	Any tax collected will be refunded each year that the meter deposit is refunded.		

ANTHEM/ AGUA FRIA
WASTEWATER DIVISION

Arizona American - Anthem / Agua Fria Wastewater
(Formerly Citizens Water Services / Wastewater)
Summary of Revenues by Customer Classification - Present and Proposed Rates
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	Adjusted Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	Residential	650,824	897,893	247,069	37.96%	38.76%	46.33%
2	Small Commercial 5/8 Inch Meter	1,501	2,071	570	37.95%	0.09%	0.11%
3	Small Commercial 3/4 Inch Meter	-	-	-			
4	Small Commercial 1 Inch Meter	-	-	-			
5	Large Commercial	29,477	40,667	11,190	37.96%	1.76%	2.10%
6	Revenues from Treatco excluding Annualization	11,231	11,231	-	0.00%		
7	Miscellaneous Revenues	986,072	986,072	-	0.00%	58.73%	50.88%
8	**Subtotal of Revenues**	$1,679,105	$1,937,934	$ 258,829	15.41%	100.00%	100.00%
9							
10							Additional
11						Additional	Gallons
12	**Revenue Annualization**					Billings	In 1,000's
13	Treatco Revenue Annualization	13,480	13,480	-	0.00%	14	5,810
14	Residential	167,515	231,113	63,598	37.97%	5,758	10,354
15	Small Commercial 5/8 Inch Meter	(841)	(1,160)	(319)	37.96%	(30)	(0.21)
16	Small Commercial 3/4 Inch Meter						
17	Small Commercial 1 Inch Meter						
18	Large Commercial	3,930	5,422	1,492	37.96%	21	0.27
19	Total Revenue Annualization	184,083	248,853	64,771	35.19%		
20	Total Revenues with Revenue Annualization	1,863,188	2,186,787	323,599	17.37%	5,763	16,164
21							

Arizona American - Anthem / Agua Fria Wastewater
(Formerly Citizens Water Services / Wastewater)
Analysis of Revenue by Detailed Class at Average Usage
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Usage	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	Residential	2,033	8,854	30.00	41.39	11.39	37.97%
2	Small Commercial 5/8 Inch Meter	7	8,205	32.41	44.72	12.31	37.97%
3	Small Commercial 3/4 Inch Meter	-		-	-	-	0.00%
4	Small Commercial 1 Inch Meter	-		-	-	-	0.00%
5	Large Commercial	13	60,695	185.39	255.77	70.38	37.96%

Arizona American - Anthem / Agua Fria Wastewater
(Formerly Citizens Water Services / Wastewater)
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size	Present Rates	Proposed Rates	Percent Change
1				
2				
3				
4	**Monthly Usage Charge for:**			
5	Residential and Commercial			
6	Residential	$ 16.00	$ 22.07	37.94%
7	Small Commercial 5/8 Inch Meter	16.00	$ 22.07	37.94%
8	Small Commercial 3/4 Inch Meter	24.00	$ 33.10	37.92%
9	Small Commercial 1 Inch Meter	32.00	$ 44.15	37.97%
10	Large Commercial	64.00	$ 88.25	37.89%
11				
12				
13	In Addition to the above charges, customers will also pay for commodity treated, which is listed below.			
14	There are no commodity charges, once the gallons listed below is discharged.			
15				
16				
17	Usage (per 1,000 gallons, up to)			
18	Residential	7,000	7,000	
19	Small Commercial 5/8 Inch Meter	10,000	10,000	
20	Small Commercial 3/4 Inch Meter	15,000	15,000	
21	Small Commercial 1 Inch Meter	25,000	25,000	
22	Large Commercial	999,999,999	999,999,999	
23				
24				
25	Usage Rates (per 1,000 gallons up to limit)			
26	Residential	$ 2.00	$ 2.76	38.00%
27	Small Commercial 5/8 Inch Meter	2.00	2.76	38.00%
28	Small Commercial 3/4 Inch Meter	2.00	2.76	38.00%
29	Small Commercial 1 Inch Meter	2.00	2.76	38.00%
30	Large Commercial	2.00	2.76	38.00%
31				
32	**Capacity Reservation Charge**	$ 765.00	$ 765.00	
33	(a) Rounded to nearest whole cent			
34	**Annual Fee for Industrial Discharge Service**			
35	For those customers consuming an amount of water less than or equal			
36	50,000 gallons per month through one or more water meters to the			
37	same facility, inclusive of meters used for irrigation:	$ 500.00	$ 500.00	
38				
39				
40	For those customers consuming an amount of water greater than			
41	50,000 gallons per month through one or more water meters to the			
42	same facility, inclusive of meters used for irrigation:	$ 1,000.00	$ 1,000.00	
43				
44	Annual Fee for Industrial Discharge Service charges shall be non-refundable and shall be assessed			
45	in advance each January by the Company by special billing. For new customers receiving this service,			
46	a prorated charge shall be assessed.			

Arizona American - Anthem / Agua Fria Wastewater
(Formerly Citizens Water Services / Wastewater)
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 2
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	$ 30.00	$ 30.00
2	Establishment (After Hours)	$ 45.00	$ 45.00
3	Reconnection (Deliquent)	$ 30.00	$ 40.00
4	Reconnection (After Hours)	$ 45.00	$ 55.00
5			
6	Deposit	**	**
7	Deposit Interest	**	**
8	Re-Establishment (With-in 12 Months)	***	***
9			
10	NSF Check	$ 15.00	$ 15.00
11	Deferred Payment, Per Month (b)	1.50%	1.50%
12			
13			
14			
15	Late Payment Charge	1.50%	1.50%
16			
17			
18			
19			
20	** PER COMMISSION RULES (R14-2-403.B)		
21	*** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)		
22	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
23	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
24	TAX. PER COMMISSION RULE (14-2-409.D 5)		
25	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
26	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.		
27	(a) 1.00% of the monthly minimum for a comparable sized meter connection, but no less than $5 per month		
28			
29	**Annual Fee for Industrial Discharge Service**		
30	For those customers consuming an amount of water less than or equal		
31	50,000 gallons per month through one or more water meters to the		
32	same facility, inclusive of meters used for irr	$ 500.00	$ 500.00
33			
34			
35	For those customers consuming an amount of water greater than		
36	50,000 gallons per month through one or more water meters to the		
37	same facility, inclusive of meters used for irr	$ 1,000.00	$ 1,000.00
38			
39	Annual Fee for Industrial Discharge Service charges shall be non-refundable and shall be assessed		
40	in advance each January by the Company by special billing. For new customers receiving this service,		
41	a prorated charge shall be assessed.		
42			
43			
44			

HAVASU
WATER DIVISION

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Rates of Return at Present Rates Using ACC Staff Net Plant and Expenses

Exhibit
Rebuttal Schedule G-1
Page 1
Witness: Kozoman

Change difference between G/L & Bill Count Revenues

Meter Size->	Totals	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Water Revenues and Revenue Annualizations	424,081	278,124		19,904		33,343	25,194	67,516			-
Difference Between Bill count and G/L Revenues **(a)**	6,311	6,311									
Misc. Revenue **(a)**	10,532	10,532									
Total Revenues	440,924	294,967	-	19,904	-	33,343	25,194	67,516	-	-	-
Operating Expenses **(b)**	273,174	237,616	-	5,723	-	6,068	9,869	13,898	-	-	-
Depreciation and Amortization **(b)**	38,447	34,170	-	396	-	861	902	2,117	-	-	-
Property Tax **(c)**	24,578	16,442	-	1,110	-	1,859	1,404	3,764	-	-	-
Income Tax **(d)**	31,474	(5,120)	-	4,784	-	9,240	4,760	17,810	-	-	-
Total Operating Expenses	367,673	283,109	-	12,013	-	18,028	16,935	37,588	-	-	-
Operating Income	73,251	11,858	-	7,892	-	15,314	8,258	29,928	-	-	-
Interest Expense **(e)**	23,184	20,003	-	281	-	615	687	1,597	-	-	-
Net Income	50,067	(8,145)	-	7,611	-	14,699	7,572	28,331	-	-	-
Rate Base **(f)**	822,118	709,336	-	9,960	-	21,817	24,355	56,648	-	-	-
Rate of Return **(g)**	8.91%	1.67%		79.23%		70.19%	33.91%	52.83%			

(a) Miscellaneous Revenue and Difference between bill count and general ledger revenues allocated to 5/8 Inch Customer Class.
(b) Operating Expenses and Depreciation computations are shown on Rebuttal Schedule G-4, Page 1.
(c) Property Taxes allocated based on Revenues
(d) Income Taxes allocated based on taxable income
(e) Interest Expense allocated based on Rate Base, Please see Rebuttal Schedule G-3, Page 1
(f) Rate Base computations are shown on Rebuttal Schedule G-3, Page 1
(g) Operating Income Divided by Rate Base

Income Tax Allocation											
Net Income & Income Tax	81,541										
Percent of Taxable Income		-16.27%	0.00%	15.20%	0.00%	29.36%	15.12%	56.58%	0.00%	0.00%	0.00%
Income Tax		31,474	31,474	31,474	31,474	31,474	31,474	31,474	31,474	31,474	31,474
Allocated Income Tax		(5,120)	-	4,784	-	9,240	4,760	17,810	-	-	-
Income Tax											
Property Tax Allocation	24,578	66.90%	0.00%	4.51%	0.00%	7.56%	5.71%	15.31%	0.00%	0.00%	0.00%
Property Tax Allocation	24,578	16,442	-	1,109.53	-	1,858.61	1,404.37	3,763.53	-	-	-

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Rates of Return at Proposed Rates Using ACC Staff Net Plant and Expenses

Exhibit
Rebuttal Schedule G-2
Page 1
Witness: Kozoman

Change difference between G/L & Bill Count Revenues

Meter Size->	Totals	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Water Revenues and **(1)**	400,273	249,153	-	27,312	-	33,980	26,319	63,510	-	-	-
Revenue Annualizations											
Difference Between Bill count and G/L Revenues **(a)(a1)**	5,483	5,483									
Misc. Revenue **(a)**	10,532	10,532									
Total Revenues	416,288	265,168	-	27,312	-	33,980	26,319	63,510	-	-	-
Operating Expenses **(b)**	273,174	237,616	-	5,723	-	6,068	9,869	13,898	-	-	-
Depreciation and Amortization **(b)**	38,447	34,170	-	396	-	861	902	2,117	-	-	-
Property Tax **(c)**	24,578	15,656	-	1,613	-	2,006	1,554	3,750	-	-	-
Income Tax **(d)**	19,432	(14,437)	-	6,591	-	8,342	4,544	14,393	-	-	-
Total Operating Expenses	355,631	273,005	-	14,322	-	17,278	16,869	34,157	-	-	-
Operating Income	60,656	(7,837)	-	12,990	-	16,702	9,450	29,352	-	-	-
Interest Expense **(e)**	23,184	20,003	-	281	-	615	687	1,597	-	-	-
Net Income	37,473	(27,840)	-	12,709	-	16,087	8,763	27,755	-	-	-
Rate Base **(f)**	822,118	709,336	-	9,960	-	21,817	24,355	56,648	-	-	-
Rate of Return **(g)**	7.38%	-1.10%		130.42%		76.55%	38.80%	51.81%			
Percent of Total Customers		98.318%	0.000%	0.589%	0.000%	0.421%	0.252%	0.421%	0.000%	0.000%	0.000%

(1) Revenues are from ACC Staff Proposed Rates Bill Count.
(a) Miscellaneous Revenue and Difference between bill count and general ledger revenues allocated to 5/8 Inch Customer Class.
(a1) Difference between Revenues per general ledger and bill count reduced to reflect ACC Staff's Proposed Rate Reduction
(b) Operating Expenses and Depreciation computations are shown on Rebuttal Schedule G-4, Page 1.
(c) Property Taxes allocated based on Revenues
(d) Income Taxes allocated based on taxable income
(e) Interest Expense allocated based on Rate Base, Please see Rebuttal Schedule G-3, Page 1
(f) Rate Base computations are shown on Rebuttal Schedule G-3, Page 1
(g) Operating Income Divided by Rate Base

Income Tax Allocation											
Net Income & Income Tax	56,905										
Percent of Taxable Income		-74%	0%	34%	0%	43%	23%	74%	0%	0%	0%
Income Tax		19,432	19,432	19,432	19,432	19,432	19,432	19,432	19,432	19,432	19,432
Allocated Income Tax		(14,437)	-	6,591	-	8,342	4,544	14,393	-	-	-
Percent of Revenues		63.70%	0.00%	6.56%	0.00%	8.16%	6.32%	15.26%	0.00%	0.00%	0.00%
Property Tax Allocation	24,578	15,656	-	1,613	-	2,006	1,554	3,750	-	-	-

Arizona American - Havasu Water
Test Year Ended December 31, 2000
Cost of Service Study Using Commodity / Demand Method
Allocation of Assets to Customer Classes Using ACC Staff Net Plant

Exhibit
Rebuttal Schedule G-3
Page 1
Witness: Kozoman

Line No.		Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
1	Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid and Meter Deposits (from Schedule G-5, Page 1)											
2	Commodity	25,571	18,068	-	1,741	-	1,071	2,742	1,950	-	-	-
3	Demand	441,449	368,741	-	5,520	-	12,617	15,141	39,429	-	-	-
4	Customer	83,365	81,963	-	491	-	351	210	351	-	-	-
5	Service	140,834	136,441	-	932	-	929	740	1,792	-	-	-
6	Meter	130,899	104,123	-	1,277	-	6,850	5,522	13,127	-	-	-
7	Totals	822,118	709,336	-	9,960	-	21,817	24,355	56,648	-	-	-
8												
9												
10	Commodity	-	-	-	-	-	-	-	-	-	-	-
11	Demand	-	-	-	-	-	-	-	-	-	-	-
12	Customer											
13	Service											
14	Meter											
15	Totals	-	-	-	-	-	-	-	-	-	-	-
16												
17												
18				-	-	-	-	-	-	-		
19				-	-	-	-	-	-	-	-	-
20				-	-	-	-	-	-	-		
21				-	-	-	-	-	-	-	-	-
22												
23	Net Rate Base	822,118	709,336	-	9,960	-	21,817	24,355	56,648	-	-	-
24												
		ACC Staff Interest Expense										
	Interest Expense Allocation	23,184	20,003	-	281	-	615	687	1,597	-	-	-
	Ratio of rate bases to total rate base		86.2816%	0.0000%	1.2115%	0.0000%	2.6538%	2.9625%	6.8906%	0.0000%	0.0000%	0.0000%

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Customer Classes Using ACC Staff Expenses

Exhibit
Rebuttal Schedule G-4
Page 1
Witness: Kozoman

	Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Operation and Maintenance Expense (from Schedule G-6, Page 1)											
Commodity	56,147	39,672	-	3,822	-	2,351	6,021	4,281	-	-	-
Demand	83,721	69,932	-	1,047	-	2,393	2,871	7,478	-	-	-
Customer	103,863	102,115	-	611	-	437	262	437	-	-	-
Service	14,281	13,835	-	95	-	94	75	182	-	-	-
Meter	15,163	12,061	-	148	-	793	640	1,521	-	-	-
Totals	273,174	237,616	-	5,723	-	6,068	9,869	13,898	-	-	-
Depreciaton Expense on Plant (from Schedule G-6, Page 2)											
Commodity	697	493	-	47	-	29	75	53	-	-	-
Demand	14,848	12,402	-	186	-	424	509	1,326	-	-	-
Customer	11,425	11,233	-	67	-	48	29	48	-	-	-
Service	5,268	5,103	-	35	-	35	28	67	-	-	-
Meter	6,209	4,939	-	61	-	325	262	623	-	-	-
Totals	38,447	34,170	-	396	-	861	902	2,117	-	-	-
Total Expenses (excluding Income Tax and Property Taxes)	311,621	271,787	-	6,119	-	6,929	10,771	16,015	-	-	-

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of Rate Base by Function Using ACC Staff Plant and Accumulated Depreciation

Exhibit
Rebuttal Schedule G-5
Page 1
Witness: Kozoman

	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Rate Base							
Plant minus (Accumulated Depreciation Contributions in Aid of Construction Advances in Aid of Construction and Meter Deposits)	822,118	441,449	25,571	83,365	130,899	140,834	822,118
	822,118	441,449	25,571	83,365	130,899	140,834	822,118

	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Allocation of Property Taxes to Functions							
Revenue Requirement by Function	409,726	146,861	62,905	130,577	35,189	34,195	409,726
						-	-
Total Revenue Requirement	409,726	146,861	62,905	130,577	35,189	34,195	409,726
Property Taxes Allocation	24,578	8,810	3,773	7,833	2,111	2,051	24,578

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Allocation of Net Plant, Advances and Contributions in Aid of
Construction and Meter Deposits Using ACC Staff Plant and Accumulated Depreciation to Functions

Exhibit
Rebuttal Schedule G-5
Page 2
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost Plant with Adjustments	Company's Accumulated Depreciation	ACC Staff Original Cost Accum. Depr. Adjustments. (Adj. 1)	Net Plant Values	Company's Additional Post-Closing Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service	Totals
	Intangible												
301.00	Organization	10,144	-		10,144	-	10,144	10,144					10,144
302.00	Franchises	-	-		-	-	-	-					-
303.00	Miscellaneous Intangibles	-	-		-	-	-	-					-
Total Intangible Plant		10,144	-		10,144	-	10,144						-
													-
	Source of Supply												-
310.00	Land and Land Rights	7,771	-		7,771	0	7,771	7,771					7,771
311.00	Structures and Improvements	63,763	8,782	(364)	55,345	357	54,988	54,988					54,988
312.00	Collecting and Impounding Res.	148,253	19,259		128,994	1,882	127,112	127,112					127,112
313.00	Lakes, Rivers, Other Intakes	-	-		-	-	-	-	-				-
314.00	Wells and Springs	36,089	75,605	(17,553)	(21,963)	1,359	(23,321)	(20,989)	(2,332)				(23,321)
Total Source of Supply Plant		255,876	103,645	(17,917)	170,147	3,597	166,550						-
													-
	Pumping												-
320.00	Land and Land Rights	-	-		-	-	-	-					-
321.00	Structures and Improvements	-	-		-	-	-	-	-				-
323.00	Other Power Production	22,738	10,719		12,019	582	11,438	10,294	1,144				11,438
325.00	Electric Pumping Equipment	254,730	45,084	(204)	209,850	4,727	205,122	184,610	20,512				205,122
326.00	*Diesel Pumping Equipment*	-	-		-	-	-	-	-				-
328.10	Gas Engine Pumping Equipment	-	-		-	-	-	-	-				-
Total Pumping Plant		277,468	55,803	(204)	221,869	5,309	216,560						-
													-
	Water Treatment												-
330.00	Land and Land Rights	-	-		-	-	-	-					-
331.00	Structures and Improvements	-	-		-	-	-	-	-				-
332.00	Water Treatment Equipment	25,315	24,643		672	1,518	(847)	(762)	(85)				(847)
Total Water Treatment Plant		25,315	24,643	-	672	1,518	(847)						-
													-
	Transmission and Distribution												-
340.00	Land and Land Rights	-	-		-	-	-	-					-
341.00	Structures and Improvements	-	-		-	-	-	-	-				-
342.00	Distribution, Reservoirs, & ST	225,871	55,856		170,015	1,759	168,256	151,430	16,826				168,256
343.00	Transmission and Distribution	774,027	172,563		601,464	6,832	594,632	535,169	59,463				594,632
344.00	Fire Mains	-	-		-	-	-						-
345.00	Services	182,275	27,743		154,532	2,632	151,900					151,900	151,900
346.00	Meters	176,386	42,384		134,002	3,103	130,899				130,899		130,899
348.00	Hydrants	-	-		-	-	-			-			-
349.00	Other Transmission & Distribution	-	-		-	-	-	-	-				-
Total Transmission and Distribution Plant		1,358,559	298,545	-	1,060,014	14,327	1,045,687						

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Allocation of Net Plant, Advances and Contributions in Aid of Construction and Meter Deposits

Exhibit
Rebuttal Schedule G-5
Page 2a
Witness: Kozoman

		ACC Staff Original Cost Plant with Adjustments	Company's Accumulated Depreciation	ACC Staff Original Cost Accumulated Depr. Adj. (Adj. 1)	Net Plant Values	Company's Additional Post-Closing Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service	Totals
ALLOCATED COMMON PLANT													
Maricopa Common Plant													
389.00	Land and Land Rights	25	-		25	-	25	25					25
390.00	Structures and Improvements	10,577	5,078		5,499	0	5,499	5,499					5,499
391.00	Office Funiture and Equipment	22,445	813		21,632	96	21,535			21,535			21,535
391.10	Computer Equipment	33,449	(7,397)		40,846	221	40,624			40,624			40,624
392.00	Transportation Equipment	45,234	24,571		20,663	10,607	10,056	2,514		7,542			10,056
393.00	Stores Equipment	247	163		84	-	84			84			84
394.00	Tools, Shop and Garage	10,104	6,491		3,613	266	3,348			3,348			3,348
395.00	Laboratory Equipment	627	447		180	-	180			180			180
396.00	Power Operated Equipment	11,684	4,124		7,560	422	7,137	1,784		5,353			7,137
397.00	Communication Equipment	7,477	1,198		6,279	386	5,894	1,473		4,420			5,894
398.00	Miscellaneous Equipment	934	637		297	18	279			279			279
Total Common Plant		142,803	36,126	-	106,677	12,016	94,661						
					-		-	-					-
					-		-	-					-
	TOTAL WATER PLANT	2,070,165	518,763	(18,120)	1,569,522	36,768	1,532,755	1,071,063	95,528	83,365	130,899	151,900	1,532,755
Total Plant		2,070,165			1,569,522								
	Adjustments to Accumulated Depreciation												
Company's additional Accumulated Depreciation Adjustment			36,768		(36,768)								-
			555,531										
	Total Net Plant				1,532,755								
	Advances in Aid of Construction				418,704		(418,704)	(376,834)	(41,870)				(418,704)
	Contributions in Aid of Construction				280,867		(280,867)	(252,780)	(28,087)				(280,867)
	Customer Meter Deposits				11,066		(11,066)					(11,066)	(11,066)
	Total Rate Base				822,118		822,118	441,449	25,571	83,365	130,899	140,834	822,118

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of ACC Staff Expenses to Functions

Exhibit
Rebuttal Schedule G-6
Page 1
Witness: Kozoman

		ACC Staff Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Salaries and Wages	(a)	59,846	14,872	1,652	35,626	7,696	-	59,846
Purchased Water		806		806				806
Purchased Power		47,138		47,138				47,138
Chemicals		(1,099)		(1,099)				(1,099)
Repairs and Maintenance	(b)	75,805	55,069	6,119	-	336	14,281	75,805
Office Supplies and Expense		9,893			9,893			9,893
Outside Services		13,709			13,709			13,709
Service Company Charges		-	-	-	-	-	-	-
Water Testing		-		-				-
Rents		1,837			1,837			1,837
Transportation Expenses		-			-			-
Insurance - General Liability		6,879			6,879			6,879
Insurance - Health and Life		-	-		-			-
Regulatory Commission Expense - Rate Case		2,910			2,910			2,910
Miscellaneous Expense		47,502	11,805	1,312	28,277	6,108	-	47,502
Depreciation Expense, Allocated on Rebuttal Schedule G-6, Page 2								-
Taxes Other Than Income		7,949	1,975	219	4,732	1,022	-	7,949
Property Taxes, Allocated on Rebuttal Schedules G-1 & G-2				-	-			-
Income Tax, Allocated on Rebuttal Schedules G-1 & G-2								
		273,174	83,721	56,147	103,863	15,163	14,281	273,174

(a) Labor (Wages and Salaries) factor computations shown on Rebuttal Schedule G-7, Page 2a
(b) Repairs and Maintenance allocation factors computation shown on Rebuttal Schedule G-7, Page 2a

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Allocation of Depreciation Expense Using ACC Plant and Depreciation Rates to Functions

Exhibit
Rebuttal Schedule G-6
Page 2
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost	Depreciation Rate	Depreciatio Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service	Totals
	Intangible										-
301.00	Organization	10,144		-							-
302.00	Franchises	-		-							-
303.00	Miscellaneous Intangibles	-		-							-
	Subtotal Intangible	10,144		-							-
											-
	Source of Supply										-
310.00	Land and Land Rights	7,771		-							-
311.00	Structures and Improvements	63,763	2.790%	714	714	714					714
312.00	Collecting and Impounding Res.	148,253	2.540%	3,766	3,766	3,766					3,766
313.00	Lakes, Rivers, Other Intakes	-		-	-						-
314.00	Wells and Springs	36,089	2.540%	2,718	2,718	2,446	272				2,718
	Subtotal Source of Supply	255,876		7,197							-
											-
	Pumping										-
320.00	Land and Land Rights	-		-	-						-
321.00	Structures and Improvements	-		-	-	-	-				-
323.00	Other Power Production	22,738	5.120%	1,164	1,164	1,048	116				1,164
325.00	Electric Pumping Equipment	254,730	3.710%	9,460	9,460	8,514	946				9,460
326.00	Diesel Pumping Equipment	-		-	-	-	-				-
328.10	Gas Engine Pumping Equipment	-		-	-	-	-				-
	Subtotal Pumping	277,468		10,624							-
											-
	Water Treatment										-
330.00	Land and Land Rights				-						-
331.00	Structures and Improvements	-		-	-	-	-				-
332.00	Water Treatment Equipment	25,315	12.000%	3,038	3,038	2,734	304				3,038
	Subtotal Water Treatment	25,315		3,038							-
											-
	Transmission and Distribution										-
340.00	Land and Land Rights	-		-	-						-
341.00	Structures and Improvements	-		-	-	-	-				-
342.00	Distribution, Reservoirs, & ST	225,871	2.330%	3,520	3,520	3,168	352				3,520
343.00	Transmission and Distribution	774,027	2.100%	15,158	15,158	13,642	1,516				15,158
344.00	Fire Mains	-		-	-						-
345.00	Services	182,275	2.890%	5,268	5,268					5,268	5,268
346.00	Meters	176,386	3.520%	6,209	6,209				6,209		6,209
348.00	Hydrants	-		-	-			-			-
349.00	Other Transmission & Distribution	-		-	-	-	-				-
	Subtotal Transmission and Distribution	1,358,559		30,155							

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Allocation of Depreciation Expense Using ACC Plant and Depreciation Rates to Functions

Exhibit
Rebuttal Schedule G-6
Page 2a
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost	Depreciation Rate	Depreciation Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service	Totals
	General										
389.00	Land and Land Rights	25		-							-
390.00	Structures and Improvements	10,577	2.030%	215	215	215					215
391.00	Office Funiture and Equipment	22,445	4.099%	414	414			414			414
391.10	Computer Equipment	33,449	4.099%	1,025	1,025			1,025			1,025
392.00	Transportation Equipment	45,234	25.000%	11,309	11,309	2,827		8,481			11,309
393.00	Stores Equipment	247	3.930%	10	10			10			10
394.00	Tools, Shop and Garage	10,104	7.552%	763	763			763			763
395.00	Laboratory Equipment	627	3.064%	19	19			19			19
396.00	Power Operated Equipment	11,684	9.230%	567	567	142		425			567
397.00	Communication Equipment	7,477	4.104%	307	307	77		230			307
398.00	Miscellaneous Equipment	934	6.190%	58	58			58			58
	Subtotal General	142,803		14,686				-			
								-			-
					-	-					-
Amortization of Deferred Regulatory Assets		24,785	3.365%	834	834	834					834
	Subtotals	2,094,950		66,533							-
				-							
				-							
						-					-
						-					-
											-
Less: Amotization of Contributions		280,867	10.00%	(28,087)	(28,087)	(25,278)	(2,809)				(28,087)
Total Depreciation Expense				38,447	38,447	14,848	697	11,425	6,209	5,268	38,447

Arizona American - Havasu Water
Test Year Ended December 31, 2001
SUMMARY OF COMMODITY - DEMAND METHOD FUNCTION FACTORS

Exhibit
Rebuttal Schedule G-7
Page 1
Witness: Kozoman

Line No.	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Totals
1												
2	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Totals
3	Commodity	70.658%	0.000%	6.807%	0.000%	4.187%	10.723%	7.625%	0.000%	0.000%	0.00%	100.00%
4	Demand	83.530%	0.000%	1.250%	0.000%	2.858%	3.430%	8.932%	0.000%	0.000%	0.00%	100.00%
5	Customer	98.318%	0.000%	0.589%	0.000%	0.421%	0.252%	0.421%	0.000%	0.000%	0.00%	100.00%
6	Services	96.881%	0.000%	0.662%	0.000%	0.659%	0.525%	1.272%	0.000%	0.000%	0.00%	100.00%
7	Meters	79.544%	0.000%	0.975%	0.000%	5.233%	4.219%	10.029%	0.000%	0.000%	0.00%	100.00%
8												
9												
10												
11												
12												
13												

Arizona American - Havasu Water
Test Year Ended December 31, 2001
COMMODITY - DEMAND METHOD FUNCTION FACTORS
Plant and Depreciation Expense Allocations

Exhibit
Rebuttal Schedule G-7
Page 2
Witness: Kozoman

Line No.	Description	Total	Demand	Commodity	Customer
1					
2	Description	Total	Demand	Commodity	Customer
3	Wells	1.00	0.90	0.10	
4	Pumps & Equipment	1.00	0.90	0.10	
5	Distribution Mains	1.00	0.90	0.10	
6	Customer	1.00			1.00
7	Services	1.00			1.00
8	Meters	1.00			1.00
9	Fire Hydrants	1.00			1.00
10	Transportation Equip.	1.00	0.25		0.75
11	Office Furniture	1.00			1.00
12	Communication Equip.	1.00	0.25		0.75
13					
14					
15	**To Approximately Match ACC Staff Proposed Rates for 5/8 Inch Meter**				
16	Demand and Commodity Allocation to Wells, Pumps and Equipment and				
17	Distribution Mains would need to be changed to approximately match				
18	ACC Staff's proposed monthly minimums and commodity rates. The				
19	match would be ACC Staff's Proposed Rates to Computed Monthly				
20	Minimum and Commodity rate WITHOUT Equity returns and				
21	Income Taxes. Match would be based on cost only.				
22					
23	**Required Allocations:**				
24	Description	Total	Demand	Commodity	Customer
25	Wells	1.00	(0.55)	1.55	
26	Pumps & Equipment	1.00	(0.55)	1.55	
27	Distribution Mains	1.00	(0.55)	1.55	
28					
29					
30					
31					
32					
33					
34					
35					
36					

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
DEVELOPMENT OF ALLOCATION FACTORS

Exhibit
Rebuttal Schedule 7
Page 2a
Witness: Kozoman

Labor Allocation Factors		
Pumping Labor	27.61%	pumpinglabor
Meter Labor	12.86%	meterlabor
Customer Labor	59.53%	customerlabor
	100.00%	

Repairs and Maintenance Allocation Factors		
Repairs and Maintenance Demand	0.00%	rmdemand
Repairs and Maintenance Pumping	30.05%	rmpumping
Repairs and Maintenance Mains	50.67%	rmmains
Repairs and Maintenance Services	18.84%	rmservices
Repairs and Maintenance Meters	0.44%	rmmeters
Repairs and Maintenance Customer	0.00%	rmcustomer
	100.00%	

Computations shown on this work sheet are from page labeled asTrial Balance in this work book. Allocation percentage were computed based on Expenses charged by Citizens Utilities and are then applied to proforma amounts.

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
DEVELOPMENT OF CLASS ALLOCATION FACTORS

Exhibit
Rebuttal Schedule 7
Page 3
Witness: Kozoman

COMMODITY ALLOCATION FACTOR

Meter Size	(a) Total Gallons (in 1,000's) In Test Year	Percent of Total
5/8" x 3/4"	113,494	70.66%
3/4"	-	0.00%
1"	10,934	6.81%
1-1/2"	-	0.00%
2"	6,725	4.19%
3"	17,224	10.72%
4"	12,247	7.62%
6"	-	0.00%
8"	-	0.000%
10"	-	0.000%
Totals	160,624	100.00%

DEMAND ALLOCATION FACTOR

Meter Size	(a) Number of Meters and/or Services	Equivalent Weight	Equivalent Number of Meters and/or Services	Percent of Total
5/8" x 3/4	1,169	1.0	1,169	83.53%
3/4"	-	1.5	0	0.00%
1"	7	2.5	18	1.25%
1-1/2"	-	5.0	0	0.00%
2"	5	8.0	40	2.86%
3"	3	16.0	48	3.43%
4"	5	25.0	125	8.93%
6"	-	50.0	0	0.00%
8"	-	80.0	0	0.00%
10"	-	160.0	0	0.00%
Totals	1,189		1,400	100.00%

CUSTOMER ALLOCATION FACTOR

Meter Size	Number of Meters	Percent of Total
5/8" x 3/4"	1,169	98.32%
3/4"	0	0.00%
1"	7	0.59%
1-1/2"	0	0.00%
2"	5	0.42%
3"	3	0.25%
4"	5	0.42%
6"	0	0.00%
8"	0	0.00%
10"	0	0.00%
Totals	1,189	100.00%

SERVICES ALLOCATION FACTOR (b)

Meter Size	Number of Services	Installation Cost	Weighted Number Services	Percent of Total
5/8" x 3/4	1,169	$ 355.00	414,995	96.88%
3/4"	0	355.00	0	0.00%
1"	7	405.00	2,835	0.66%
1-1/2"	0	435.00	0	0.00%
2"	5	565.00	2,825	0.66%
3"	3	750.00	2,250	0.53%
4"	5	1,090.00	5,450	1.27%
6"	0	1,600.00	0	0.00%
8"	0	1,600.00	0	0.00%
10"	0	1,600.00	0	0.00%
Totals	1,189		428,355	100.00%

METER ALLOCATION FACTOR (b)

Meter Size	Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8" x 3/4"	1,169	$ 105.00	122,745	79.54%
3/4"	0	105.00	0	0.00%
1"	7	215.00	1,505	0.98%
1-1/2"	0	425.00	0	0.00%
2"	5	1,615.00	8,075	5.23%
3"	3	2,170.00	6,510	4.22%
4"	5	3,095.00	15,475	10.03%
6"	0	6,070.00	0	0.00%
8"	0	6,070.00	0	0.00%
10"	0	6,070.00	0	0.00%
Totals	1,189		154,310	100.00%

(a) Includes customer and gallon sold annualization
(b) Meter and Service Line cost from Arizona Corporation Commission Memo of April 23, 2002 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and

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Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Debt, Equity, and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rebuttal Schedule G-8
Page 1
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	83,365	140,834	130,899	355,098
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	2,351	3,972	3,691	10,014
4	Rate Bases	83,365	140,834	130,899	355,098
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	3,135	5,295	4,922	13,352
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	5,105	8,624	8,016	21,745
9					
10	Revenue Requirement for Debt Component, from Line 3	2,351	3,972	3,691	10,014
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	5,105	8,624	8,016	21,745
13	Total Return Requirement with Income Tax	7,456	12,596	11,707	31,759
14					
15	Property Tax Expense, from Schedule G-5, Page 1	7,833	2,051	2,111	11,995
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	103,863	14,281	15,163	133,306
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	11,425	5,268	6,209	22,902
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	130,577	34,195	35,189	199,961
19					
20	**Customer Charge**				
21	Number of Bills = 1,189 times 12	14,268			
22					
23	**Charge per Bill**	$ 9.15			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 1,400 times 12		16,794	16,794	
28					
29	**Charge per Equivalent Meter**		$ 2.04	$ 2.10	
30					
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge)				
34	Charge per Bill (Customer Charge with Equity Return and Income Tax)	$ 9.15			
35	Charge per Equivalent Meter (For Service Line Charge with Equity Return and Income Tax)	2.04			
36	Charge per Equivalent Meter (For Meter Charge with Equity Return and Income Tax)	2.10			
37	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter	$ 13.28			
39					

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Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rebuttal Schedule G-8
Page 1a
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	83,365	140,834	130,899	355,098
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	2,351	3,972	3,691	10,014
4	Rate Bases	83,365	140,834	130,899	355,098
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	0.00%	0.00%	0.00%	0.00%
6	Required Operating Income for Equity	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-
9					
10	Revenue Requirement for Debt Component, from Line 3	2,351	3,972	3,691	10,014
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	-	-	-	-
13	Total Return Requirement with Income Tax	2,351	3,972	3,691	10,014
14					
15	Property Tax Expense, from Schedule G-5, Page 1	7,833	2,051	2,111	11,995
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	103,863	14,281	15,163	133,306
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	11,425	5,268	6,209	22,902
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	125,472	25,571	27,174	178,216
19					
20	**Customer Charge**				
21	Number of Bills = 1,189 times 12	14,268			
22					
23	**Charge per Bill**	$ 8.79			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 1,400 times 12		16,794	16,794	
28					
29	**Charge per Equivalent Meter**		$ 1.52	$ 1.62	
30	**Actual Cost (without Equity Return or Income Taxes)**				
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge, nor recovery of return or income tax)				
34	Charge per Bill (Customer Charge without Equity Return or Income Tax)		$ 8.79		
35	Charge per Equivalent Meter (For Service Line Charge without Equity Return or Income Tax)		1.52		
36	Charge per Equivalent Meter (For Meter Charge without Equity Return or Income Tax)		1.62		
37	(Service and Meter Revenue Requirement divided by Annualized Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter without recovery of Equity Return or Income Tax		$ 11.93		

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Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Schedule G-8
Page 2
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	441,449
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	12,449
5	Rate Base	441,449
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%
7	Required Operating Income for Equity	16,598
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	27,033
10		
11	Revenue Requirement for Debt Component, from Line 4	12,449
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	27,033
14		
15	Property Tax Expense, from Schedule G-5, Page 1	8,810
16	Demand Expenses, from Schedule G-6, Page 1	83,721
17	Depreciation, from Schedule G-6, Page 2	14,848
18	Totals	146,861
19	Total Revenue Requirement / Demand Component	
20	Equivalent Number of 5/8 x 3/4 Meters	16,794
21	Demand Charge for 5/8 x 3/4 Inch Meter	$ 8.74
22		

23		5/8" Demand	Meter	Demand
24	Demand Charge Per Equivalent	Charge	Ratio	Charge
25	5/8 x 3/4 Inch Meter	$ 8.74	1.0	$ 8.74
26	3/4 Inch Meter	$ 8.74	1.5	13.12
27	1 Inch Meter	$ 8.74	2.5	21.86
28	1 1/2 Inch Meter	$ 8.74	5.0	43.72
29	2 Inch Meter	$ 8.74	8.0	69.96
30	3 Inch Meter	$ 8.74	15.0	131.17
31	4 Inch Meter	$ 8.74	25.0	218.62
32	6 Inch Meter	$ 8.74	50.0	437.24
33	8 Inch Meter	$ 8.74	80.0	699.59
34	10 Inch Meter	$ 8.74	160.0	1,399.17

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Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Schedule G-8
Page 2a
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	441,449
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	12,449
5	Rate Base	441,449
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	
7	Required Operating Income for Equity	-
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	-
10		
11	Revenue Requirement for Debt Component, from Line 4	12,449
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	-
14		
15	Property Tax Expense, from Schedule G-5, Page 1	8,810
16	Demand Expenses, from Schedule G-6, Page 1	83,721
17	Depreciation, from Schedule G-6, Page 2	14,848
18	Totals	119,828
19	Total Revenue Requirement / Demand Component	
20	Equivalent Number of 5/8 x 3/4 Meters	16,794
21	Demand Charge for 5/8 x 3/4 Inch Meter	$ 7.14
22		

23		5/8" Demand	Meter	Demand
24	Demand Charge Per Equivalent	Charge	Ratio	Charge
25	5/8 x 3/4 Inch Meter	$ 7.14	1.0	$ 7.14
26	3/4 Inch Meter	$ 7.14	1.5	10.70
27	1 Inch Meter	$ 7.14	2.5	17.84
28	1 1/2 Inch Meter	$ 7.14	5.0	35.68
29	2 Inch Meter	$ 7.14	8.0	57.08
30	3 Inch Meter	$ 7.14	15.0	107.03
31	4 Inch Meter	$ 7.14	25.0	178.38
32	6 Inch Meter	$ 7.14	50.0	356.76
33	8 Inch Meter	$ 7.14	80.0	570.81
34	10 Inch Meter	$ 7.14	160.0	1,141.63

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Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including and Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 3
Witness: Kozoman

Including Equity Return and Income Taxes

Line No.		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Proposed Monthly Minimum to Computed Minimum
1	5/8 x 3/4 Inch Meter	$ 9.15	$ 2.04	$ 2.10	$ 8.74	$ 22.03	$ 9.24	41.95%
2	3/4 Inch Meter	9.15	3.05	3.14	13.12	28.47		
3	1 Inch Meter	9.15	5.09	5.24	21.86	41.34	$ 15.80	38.22%
4	1 1/2 Inch Meter	9.15	10.18	10.48	43.72	73.53		
5	2 Inch Meter	9.15	16.29	16.76	69.96	112.16	$ 31.04	27.67%
6	3 Inch Meter	9.15	30.54	31.43	131.17	202.30		
7	4 Inch Meter	9.15	50.90	52.38	218.62	331.06	$ 53.21	16.07%
8	6 Inch Meter	9.15	101.81	104.77	437.24	652.97		
9	8 Inch Meter	9.15	162.89	251.44	699.59	1,123.07		
10	10 Inch Meter	9.15	488.68	838.14	1,399.17	2,735.15		
11								
12	**Excluding Equity Return and Income Taxes**							
13								
14								
15								
16								
17								
18								
19		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Proposed Monthly Minimum to Computed Minimum
20	5/8 x 3/4 Inch Meter	$ 8.79	$ 1.52	$ 1.62	$ 7.14	$ 19.07	$ 9.24	48.45%
21	3/4 Inch Meter	8.79	2.28	2.43	10.70	24.21	$ -	
22	1 Inch Meter	8.79	3.81	4.05	17.84	34.48	$ 15.80	45.82%
23	1 1/2 Inch Meter	8.79	7.61	8.09	35.68	60.17	$ -	
24	2 Inch Meter	8.79	12.18	12.94	57.08	91.00	$ 31.04	34.11%
25	3 Inch Meter	8.79	22.84	24.27	107.03	162.93	$ -	
26	4 Inch Meter	8.79	38.07	40.45	178.38	265.69	$ 53.21	20.03%
27	6 Inch Meter	8.79	76.13	80.90	356.76	522.59	$ -	
28	8 Inch Meter	8.79	121.81	129.44	570.81	830.86	$ -	
29	10 Inch Meter	8.79	243.62	258.89	1,141.63	1,652.93	$ -	
30								

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 4
Witness: Kozoman

Line No.		Commodity	Customer	Service	Meter	Demand	Totals
1	Rate Bases from Schedule G-5, Page 1	25,571	83,365	140,834	130,899	441,449	822,118
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.820%	2.820%	2.820%	2.820%	2.820%	2.820%
3	Required Operating Income - for Debt	721	2,351	3,972	3,691	12,449	23,184
4	Rate Bases from Schedule G-5, Page 1	25,571	83,365	140,834	130,899	441,449	822,118
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	961	3,135	5,295	4,922	16,598	30,912
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	1,566	5,105	8,624	8,016	27,033	50,344
9							
10	Revenue Requirement for Debt Component, from Line 3	721	2,351	3,972	3,691	12,449	23,184
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	1,566	5,105	8,624	8,016	27,033	50,344
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	2,287	7,456	12,596	11,707	39,482	73,527
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	3,773	7,833	2,051	2,111	8,810	24,578
16	Expenses (From Sch. G-6. Page 1)	56,147	103,863	14,281	15,163	83,721	273,174
17	Depreciation and Amortization (From Schedule G-6, Page 2)	697	11,425	5,268	6,209	14,848	38,447
18	Total Revenue Requirement by function	62,905	130,577	34,195	35,189	146,861	409,726
19							
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	160,624	14,268	16,794	16,794	16,794	
21	Computed Commodity Rate, Customer, Meter, Service Line & Demand	$ 0.3916					
22	(Line 18 divided by Line 20)		$ 9.15	$ 2.04	$ 2.10	$ 8.74	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter and Demand Charge on Line 22)					$ 22.03	
24							

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 4a
Witness: Kozoman

Line No.		Commodity	Customer	Service	Meter	Demand	Totals
1	Rate Bases from Schedule G-5, Page 1	25,571	83,365	140,834	130,899	441,449	822,118
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	721	2,351	3,972	3,691	12,449	23,184
4	Rate Bases from Schedule G-5, Page 1	25,571	83,365	140,834	130,899	441,449	822,118
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)						
6	Required Operating Income for Equity	-	-	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	-	-	-	-	-	-
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-	-	-
9							
10	Revenue Requirement for Debt Component, from Line 3	721	2,351	3,972	3,691	12,449	23,184
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	-	-	-	-	-	-
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	721	2,351	3,972	3,691	12,449	23,184
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	3,773	7,833	2,051	2,111	8,810	24,578
16	Expenses (From Sch. G-6. Page 1)	56,147	103,863	14,281	15,163	83,721	273,174
17	Depreciation and Amortization (From Schedule G-6, Page 2)	697	11,425	5,268	6,209	14,848	38,447
18	Total Revenue Requirement by function	61,339	125,472	25,571	27,174	119,828	359,383
19							
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	160,624	14,268	16,794	16,794	16,794	
21	Computed Commodity Rate, Customer, Meter, Service Line & Demand	$ 0.3819					
22	(Line 18 divided by Line 20)		$ 8.7939	$ 1.5226	$ 1.6181	$ 7.1352	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter and Demand Charge on Line 22)					$ 19.07	

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **without** Equity Return or Income Taxes

Exhibit
Rebuttal Schedule G-9
Page 1
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rebuttal Schedule G-8, Page 4a	$ 0.3819
2	Computed Demand Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	$ 7.14
3	Computed Customer Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	8.79
4	Computed Service Line Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	1.52
5	Computed Meter Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	1.62
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rebuttal Schedule G-8, Page 4a	$ 19.07
7		
8	**ACC Staff Proposed Rates**	
9	Proposed Monthly Minimum for 5/8" Meter	$ 9.24
10	Proposed Commodity Rate	
11	0 to 4,000	$ 0.81
12	4,001 to 100,000	$ 1.21
13	Over 100,001	$ 1.45
14		

15	Col. 1	Col. 2	Col. 3	Col. 4		Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
16				(Col. 2+ 3)					(Col. 6 + 7	(Col. 8-4)
17	**Computed Costs, without Equity**									
18	**Return or Income Taxes**									Recovery of Expenses or,
19		Monthly		Total			Monthly			
20		Minimum	Commodity	Cost of			Minimum	Commodity	Total	(Lack of
21	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	Recovery)
22	-	$ 19.07	-	$ 19.07		-	$ 9.24		$ 9.24	$ (9.83)
23	1,000	$ 19.07	$ 0.3819	$ 19.45		1,000	9.24	$ 0.81	10.05	(9.40)
24	2,000	19.07	0.76	19.83		2,000	9.24	1.62	10.86	(8.97)
25	3,000	19.07	1.15	20.22		3,000	9.24	2.43	11.67	(8.55)
26	4,000	19.07	1.53	20.60		4,000	9.24	3.24	12.48	(8.12)
27	5,000	19.07	1.91	20.98		5,000	9.24	4.45	13.69	(7.29)
28	6,000	19.07	2.29	21.36		6,000	9.24	5.66	14.90	(6.46)
29	7,000	19.07	2.67	21.74		7,000	9.24	6.87	16.11	(5.63)
30	8,000	19.07	3.06	22.12		8,000	9.24	8.08	17.32	(4.80)
31	9,000	19.07	3.44	22.51		9,000	9.24	9.29	18.53	(3.98)
32	10,000	19.07	3.82	22.89		10,000	9.24	10.50	19.74	(3.15)
33	11,000	19.07	4.20	23.27		11,000	9.24	11.71	20.95	(2.32)
34	12,000	19.07	4.58	23.65		12,000	9.24	12.92	22.16	(1.49)
35	13,000	19.07	4.96	24.03	**Usage**	13,000	9.24	14.13	23.37	(0.66)
36	**13,805**	19.07	5.27	24.34	**<-Level->**	**13,805**	9.24	15.10	24.34	0.00
37	14,000	19.07	5.35	24.42	**When**	14,000	9.24	15.34	24.58	0.16
38	15,000	19.07	5.73	24.80	**Revenues**	15,000	9.24	16.55	25.79	0.99
39	16,000	19.07	6.11	25.18	**Equal**	16,000	9.24	17.76	27.00	1.82
40	17,000	19.07	6.49	25.56	**Expenses**	17,000	9.24	18.97	28.21	2.65
41	18,000	19.07	6.87	25.94		18,000	9.24	20.18	29.42	3.48
42	19,000	19.07	7.26	26.33	**(No Rate**	19,000	9.24	21.39	30.63	4.30
43	20,000	19.07	7.64	26.71	**of Return**	20,000	9.24	22.60	31.84	5.13
44	21,000	19.07	8.02	27.09	**on**	21,000	9.24	23.81	33.05	5.96
45	22,000	19.07	8.40	27.47	**Equity**	22,000	9.24	25.02	34.26	6.79
46	23,000	19.07	8.78	27.85	**or**	23,000	9.24	26.23	35.47	7.62
47	24,000	19.07	9.17	28.23	**Income**	24,000	9.24	27.44	36.68	8.45
48	25,000	19.07	9.55	28.62	**Taxes**	25,000	9.24	28.65	37.89	9.27
49	26,000	19.07	9.93	29.00	**Included)**	26,000	9.24	29.86	39.10	10.10
50	27,000	19.07	10.31	29.38		27,000	9.24	31.07	40.31	10.93
51	28,000	19.07	10.69	29.76		28,000	9.24	32.28	41.52	11.76
52	29,000	19.07	11.07	30.14		29,000	9.24	33.49	42.73	12.59
53	30,000	19.07	11.46	30.53		30,000	9.24	34.70	43.94	13.41
54	**Average Usage**					**Average Usage**				
55	7,650	19.07	2.92	21.99		7,650	9.24	7.66	16.90	**(5.09)**

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **with** Equity Return or Income Taxes

Exhibit
Rebuttal Schedule G-9
Page 2
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rebuttal Schedule G-8, Page 4	$ 0.3916
2	Computed Demand Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	$ 8.74
3	Computed Customer Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	9.15
4	Computed Service Line Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	2.10
5	Computed Meter Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	2.04
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rebuttal Schedule G-8, Page 4	$ 22.03

ACC Staff Proposed Rates

Proposed Monthly Minimum for 5/8" Meter			$ 9.24
Proposed Commodity Rate			
0	to	4,000	$ 0.81
4,001	to	100,000	$ 1.21
Over 100,001			$ 1.45

Computed Costs, with Equity Return and Income Taxes

Col. 1	Col. 2	Col. 3	Col. 4 (Col. 2+ 3)		Col. 5	Col. 6	Col. 7	Col. 8 (Col. 6 + 7	Col. 9 (Col. 8-4) Recovery of Expenses Rate of Return & IncomeTax or (Lack of Recovery)
Usage	Monthly Minimum Revenue	Commodity Revenue	Total Cost of Service		Usage	Monthly Minimum Revenue	Commodity Revenue	Total Revenue	
-	$ 22.03	-	$ 22.03		-	$ 9.24		$ 9.24	$ (12.79)
1,000	$ 22.03	$ 0.3916	$ 22.42		1,000	9.24	$ 0.81	10.05	(12.37)
2,000	22.03	0.78	22.81		2,000	9.24	1.62	10.86	(11.95)
3,000	22.03	1.17	23.20		3,000	9.24	2.43	11.67	(11.53)
4,000	22.03	1.57	23.59		4,000	9.24	3.24	12.48	(11.11)
5,000	22.03	1.96	23.99		5,000	9.24	4.45	13.69	(10.30)
6,000	22.03	2.35	24.38		6,000	9.24	5.66	14.90	(9.48)
7,000	22.03	2.74	24.77		7,000	9.24	6.87	16.11	(8.66)
8,000	22.03	3.13	25.16		8,000	9.24	8.08	17.32	(7.84)
9,000	22.03	3.52	25.55		9,000	9.24	9.29	18.53	(7.02)
10,000	22.03	3.92	25.94		10,000	9.24	10.50	19.74	(6.20)
11,000	22.03	4.31	26.34		11,000	9.24	11.71	20.95	(5.39)
12,000	22.03	4.70	26.73		12,000	9.24	12.92	22.16	(4.57)
13,000	22.03	5.09	27.12		13,000	9.24	14.13	23.37	(3.75)
14,000	22.03	5.48	27.51		14,000	9.24	15.34	24.58	(2.93)
15,000	22.03	5.87	27.90		15,000	9.24	16.55	25.79	(2.11)
16,000	22.03	6.27	28.29		16,000	9.24	17.76	27.00	(1.29)
17,000	22.03	6.66	28.69	**Usage**	17,000	9.24	18.97	28.21	(0.48)
17,585	22.03	6.89	28.91	**<-Level->**	**17,585**	9.24	19.68	28.92	0.00
18,000	22.03	7.05	29.08	**When**	18,000	9.24	20.18	29.42	0.34
19,000	22.03	7.44	29.47	**Revenues**	19,000	9.24	21.39	30.63	1.16
20,000	22.03	7.83	29.86	**Equal**	20,000	9.24	22.60	31.84	1.98
21,000	22.03	8.22	30.25	**Expenses**	21,000	9.24	23.81	33.05	2.80
22,000	22.03	8.62	30.64	**and**	22,000	9.24	25.02	34.26	3.62
23,000	22.03	9.01	31.04	**Rate of**	23,000	9.24	26.23	35.47	4.43
24,000	22.03	9.40	31.43	**Return**	24,000	9.24	27.44	36.68	5.25
25,000	22.03	9.79	31.82	**and**	25,000	9.24	28.65	37.89	6.07
26,000	22.03	10.18	32.21	**Income**	26,000	9.24	29.86	39.10	6.89
27,000	22.03	10.57	32.60	**Taxes**	27,000	9.24	31.07	40.31	7.71
28,000	22.03	10.97	32.99		28,000	9.24	32.28	41.52	8.53
Average Usage					**Average Usage**				
7,650	$ 22.03	$ 2.996	$ 25.02		7,650	$ 9.24	7.66	16.90	**(8.13)**

Arizona American - Havasu Water
Summary of Revenues by Customer Classification - Present and Proposed Rates
With Annualized Revenues to Year End Number of Customers
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch Residential		249,903	324,855	74,952	29.99%	56.31%	56.70%
2	1 Inch Residential		3,296	4,294	998	30.28%	0.74%	0.75%
3	1.5 Inch Residential		-	-	-		0.00%	0.00%
4	2 Inch Residential		1,580	2,055	476	30.11%	0.36%	0.36%
5	3 Inch Residential		-	-	-		0.00%	0.00%
6	4 Inch Residential		3,730	4,855	1,126	30.19%	0.84%	0.85%
7	6 Inch Residential		-	-	-		0.00%	0.00%
8	5/8 Inch Commercial		15,714	20,432	4,718	30.03%	3.54%	3.57%
9	1 Inch Commercial		7,007	9,112	2,105	30.03%	1.58%	1.59%
10	2 Inch Commercial		3,958	5,145	1,187	30.00%	0.89%	0.90%
11	3 Inch Commercial		30,088	39,132	9,044	30.06%	6.78%	6.83%
12	4 Inch Commercial		3,820	4,967	1,146	30.01%	0.86%	0.87%
13	6 inch Commercial		-	-	-		0.00%	0.00%
14	Multi-Family 44	1"	7,203	9,361	2,158	29.95%	1.62%	1.63%
15	Multi-Family 56	2"	7,741	10,058	2,316	29.92%	1.74%	1.76%
16	Multi-Family 64	4"	10,065	13,078	3,014	29.94%	2.27%	2.28%
17	Multi-Family 65	2"	9,406	12,222	2,817	29.94%	2.12%	2.13%
18	Multi-Family 67	4"	11,990	15,583	3,593	29.97%	2.70%	2.72%
19	Multi-Family 89	1"	13,438	16,696	3,257	24.24%	3.03%	2.91%
20	Multi-Family 102	2"	12,850	16,693	3,843	29.91%	2.90%	2.91%
21	Multi-Family 129	4"	16,174	21,032	4,858	30.03%	3.64%	3.67%
22	Multi-Family 153	4"	18,998	24,679	5,681	29.90%	4.28%	4.31%
23	Miscellaneous Revenues		10,532	10,532	-	0.00%	2.37%	1.84%
24	Difference between Bill Count Revenues							
25	and General Ledger Revenues		6,311	8,204	1,893	30.00%	1.42%	1.43%
26	**Subtotal Revenues**		$ 443,802	$ 572,985	129,182	29.11%	100.00%	100.00%
27								
28							Additional	
29				Revenue Annualization				Gallons to
30			Present	Proposed	Dollar	Percent	Bills to be	be Pumped
31			Revenues	Revenues	Change	Change	Issued	(In 1,000's)
32	5/8 Inch Residential		11,725	15,244	3,519	30.01%	620	4,686
33	1 Inch Residential		(3,296)	(4,294)	(998)	30.28%	(4)	(365)
34	2 Inch Residential		(1,428)	(1,858)	(430)	30.15%	(6)	(1,001)
35	4 Inch Residential		(4,464)	(5,808)	(1,345)	30.12%	(8)	(2,915)
36	5/8 Inch Commercial		783	1,018	235	30.06%	22	429
37	1 Inch Commercial		(541)	(702)	(161)	29.80%	(4)	(365)
38	2 Inch Commercial		(764)	(991)	(228)	29.82%	(5)	(460)
39	3 Inch Commercial		(4,894)	(6,367)	(1,473)	30.11%	(6)	(3,349)
40	Total Revenue Annualizations		(2,878)	(3,760)	(881)	30.62%	609	(3,339)
41	**Total Revenues**		440,924	569,225	128,301	29.10%		

Arizona American - Havasu Water
Analysis of Revenue by Detailed Class at Average Usage
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/01	Average Consumption	Summer Revenues Present Rates	Summer Revenues Proposed Rates	Summer Proposed Increase Dollar Amount	Summer Proposed Increase Percent Amount	Winter Revenues Present Rates	Winter Revenues Proposed Rates	Winter Proposed Increase Dollar Amount	Winter Proposed Increase Percent Amount
1	5/8 Inch Residential		1,082	7,659	$ 19.46	$ 25.31	5.85	30.09%	$ 18.72	$ 24.31	5.59	29.84%
2	1 Inch Residential		0	569,250	824.02	1,073.49	249.48	30.28%	761.51	988.26	226.75	29.78%
3	1.5 Inch Residential											
4	2 Inch Residential		1	166,833	269.08	350.47	81.39	30.25%	250.84	325.60	74.76	29.80%
5	3 Inch Residential		-	-	45.60	59.28	13.68	30.00%	45.60	59.28	13.68	30.00%
6	4 Inch Residential		1	291,500	470.11	612.31	142.20	30.25%	438.16	568.73	130.58	29.80%
7	6 Inch Residential											
8	5/8 Inch Commercial		33	22,384	40.37	52.55	12.19	30.19%	38.01	49.34	11.33	29.80%
9	1 Inch Commercial		5	68,625	113.13	147.34	34.21	30.24%	105.69	137.19	31.50	29.81%
10	2 Inch Commercial		2	76,793	141.23	183.90	42.67	30.21%	132.89	172.53	39.64	29.83%
11	3 Inch Commercial		4	489,810	739.71	963.58	223.87	30.26%	685.94	890.26	204.32	29.79%
12	4 Inch Commercial		1	192,833	330.00	429.77	99.77	30.23%	308.90	401.00	92.10	29.81%
13	6 inch Commercial											
14	Multi-Family 44	1"	1	160,250	605.08	786.62	181.55	30.00%	592.29	769.19	176.90	29.87%
15	Multi-Family 56	2"	1	117,917	647.92	841.99	194.06	29.95%	641.11	832.70	191.59	29.88%
16	Multi-Family 64	4"	1	208,583	845.31	1,098.84	253.53	29.99%	829.40	1,077.15	247.75	29.87%
17	Multi-Family 65	2"	1	161,083	786.44	1,022.10	235.67	29.97%	775.87	1,007.69	231.82	29.88%
18	Multi-Family 67	4"	1	305,250	1,008.32	1,311.09	302.78	30.03%	982.11	1,275.36	293.25	29.86%
19	Multi-Family 89	1"	1	256,000	1,127.14	1,465.06	337.92	29.98%	1,108.77	1,440.01	331.24	29.87%
20	Multi-Family 102	2"	1	134,167	1,065.68	1,384.49	318.81	29.92%	1,062.14	1,379.66	317.53	29.89%
21	Multi-Family 129	4"	1	170,500	1,348.93	1,752.49	403.56	29.92%	1,344.37	1,746.26	401.90	29.89%
22	Multi-Family 153	4"	1	192,000	1,585.38	2,059.62	474.24	29.91%	1,581.09	2,053.77	472.68	29.90%
23												
24												
25	Totals		1,138									
26												
27	Actuall Year End Number											
28	of Customers:		1,189									
29												

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

Arizona American - Havasu Water
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size	Present Rates	Proposed Rates	Percent Change
1	Percentage Increase in Monthly Minimums			
2	Percentage Increase in Commodity Rates			
3				
4	**Monthly Usage Charge for:**			
5	Residential,Commercial, Irrigation, Resale and Miscellaneous Customers			
6	5/8 x 3/4 Inch	$ 10.00	$ 12.99	29.90%
7	1 Inch	17.10	22.23	30.00%
8	1 1/2 Inch	24.00	31.20	30.00%
9	2 Inch	33.60	43.68	30.00%
10	3 Inch	45.60	59.28	30.00%
11	4 Inch	57.60	74.88	30.00%
12	6 Inch	200.00	260.00	30.00%
13	8 Inch	400.00	520.00	30.00%
14				
15				
16	Multi-unit properties - multiple of 5/8 inch minimum charge.			
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31	Gallons In Minimum			
32	All, except Multi-unit	1,000	1,000	
33	Multi- unit - multiple of minimum			
34				
35				
36				
37	**Tier 1:** Gallons upper limit			
38	All, except Multi-unit	99,999,999	99,999,999	
39	Multi- unit - mutiple of tier			
40				
41				
42	(a) Rounded to nearest whole cent			
43				
44				
45				
46				
47				
48				

Arizona American - Havasu Water
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 2
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1					
2					
3	**Tier 2:** (Gallon upper limit, up to, but not exceeding)				
4	All, except Multi-unit		99,999,999	99,999,999	
5	Multi- unit - mutiple of tier				
6					
7					
8					
9					
10					
11					
12					
13					
14					
15	**Tier 3:** (Gallon over)				
16	All, except Multi-unit		99,999,999	99,999,999	
17	Multi- unit - mutiple of tier				
18					
19					
20					
21					
22					
23					
24					
25					
26					
27	Commodity Rates (per 1,000 gallons over minimum and per Tier)				
28	All, summer rate	Tier 1	$ 1.42	$ 1.85	30.28%
29	All, summer rate	Tier 2	1.42	1.85	30.28%
30	All, summer rate	Tier 3	1.42	1.85	30.28%
31	All, summer rate	Tier 4	1.42	1.85	30.28%
32					
33	All, winter rate	Tier 1	$ 1.31	$ 1.70	29.77%
34	All, winter rate	Tier 2	1.31	1.70	29.77%
35	All, winter rate	Tier 3	1.31	1.70	29.77%
36	All, winter rate	Tier 4	1.31	1.70	29.77%
37					
38	(a) Rounded to nearest whole cent				

Arizona American - Havasu Water
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 3
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates	
1	Establishment & Reestablishment	$ 25.00	$ 25.00	
2	Establishment (After Hours)	$ 35.00	$ 35.00	
3	Reconnection (Deliquent)			
4	Reconnection (After Hours)			
5	Meter Test			
6	Deposit	**	**	
7	Deposit Interest	**	**	
8	Re-Establishment (With-in 12 Months)	***	***	
9	Service Calls, Minimum Service Charge	$ 25.00	$ 25.00	
10	Service Calls, Minimum Service Charge, After Hours	$ 35.00	$ 35.00	
10	NSF Check	$ 10.00	$ 10.00	
11	Deferred Payment, Per Month	(b)	(b)	
12	Meter Re-Read	$ 5.00	5.00	
13	Charge of Moving Customer Meter -			
14	Customer Requested	Cost	Cost	
15	Late Payment Charge, 1.50% of balance			
16	Damages to Meter Locks, Valves, Seals	Cost	Cost	(2)
17	Sprinklers	(a)		

18 (1) Greater of 1.50% or $5.00 Present Rates or 1.5% or $10.00 Proposed Rates.
19 (2) $40.00 plus actual cost of making repairs.
20 ** PER COMMISSION RULES (R14-2-403.B)
21 *** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)
22 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
23 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
24 TAX. PER COMMISSION RULE (14-2-409.D 5)
25 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
26 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES,
OR, THE COMPANY MAY ELECT TO PAY THE INCOME TAXES, IF APPLICABLE.
27 (b) May include a service charge

	Present Charges		
	Service Charges		
	Installation of		Proposed
Meter Size	Ser. Line	Meter	Charges
5/8 x 3/4 Inch	$ 210.00	$ 65.00	$500
3 / 4 Inch	$ 210.00	$ 85.00	$575
1 Inch	$ 215.00	$ 110.00	$660
1 1/2 Inch	$ 225.00	$ 250.00	$900
2 Inch	$ 275.00	$ 375.00	$2,220
3 Inch	Cost	Cost	Cost
4 Inch	Cost	Cost	Cost
6 Inch	Cost	Cost	Cost
8 Inch	Cost	Cost	Cost
Meters Larger than 8"	Cost	Cost	Cost

As meters and service lines are now taxable income for income purposes, The Company
shall collect income taxes on the meter and service line charges.
Any tax collected will be refunded each year that the meter deposit is refunded.

MOHAVE
WATER DIVISION

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Rates of Return at Present Rates Using ACC Staff Net Plant and Expenses

Exhibit
Rebuttal Schedule G-1
Page 1
Witness: Kozoman

Meter Size->	Totals	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Water Revenues and **(1)**	4,271,034	3,074,418		163,919	51,270	681,301	70,147	41,893	187,185	720	180
Revenue Annualizations											
Private Fire **(a)**	14,394	14,394									
Misc. Revenue **(a)**	108,705	108,705									
Total Revenues	4,394,133	3,197,517	-	163,919	51,270	681,301	70,147	41,893	187,185	720	180
Operating Expenses **(b)**	1,935,809	1,570,064	-	45,324	9,349	182,818	16,909	57,942	39,136	10,642	3,626
Depreciation and Amortization **(b)**	670,933	515,764	-	14,916	2,833	71,770	6,029	32,972	17,821	6,569	2,259
Property Tax **(c)**	240,289	174,854	-	8,964	2,804	37,256	3,836	2,291	10,236	39	10
Income Tax **(d)**	492,378	286,598	-	33,929	13,451	137,266	15,538	(26,462)	42,646	(7,839)	(2,749)
Total Operating Expenses	3,339,409	2,547,279	-	103,132	28,437	429,110	42,312	66,743	109,839	9,411	3,146
Operating Income	1,054,723	650,238	-	60,787	22,833	252,191	27,835	(24,850)	77,346	(8,691)	(2,966)
Interest Expense **(e)**	272,115	194,706	-	6,859	1,453	34,013	3,138	17,209	9,563	3,768	1,404
Net Income	782,609	455,531	-	53,928	21,380	218,178	24,697	(42,059)	67,783	(12,459)	(4,370)
Rate Base **(f)**	9,649,461	6,904,482	-	243,233	51,513	1,206,145	111,290	610,265	339,125	133,625	49,783
Rate of Return **(g)**	10.93%	9.42%		24.99%	44.32%	20.91%	25.01%	-4.07%	22.81%	-6.50%	-5.96%

(1) Revenues are from Company's Present Rates Bill Count. Difference between Bill Count and General Ledger Revenues, included in 5/8" x 3/4" Customer Class.
(a) Private Fire and Miscellaneous Revenue allocated to 5/8 Inch Customer Class.
(b) Operating Expenses and Depreciation computations are shown on Rebuttal Schedule G-4, Page 1.
(c) Property Taxes allocated based on Revenues
(d) Income Taxes allocated based on taxable income
(e) Interest Expense allocated based on Rate Base, Please see Rebuttal Schedule G-3, Page 1
(f) Rate Base computations are shown on Rebuttal Schedule G-3, Page 1
(g) Operating Income Divided by Rate Base

Income Tax Allocation											
Net Income & Income Tax	1,274,987										
Percent of Taxable Income		58.21%	0.00%	6.89%	2.73%	27.88%	3.16%	-5.37%	8.66%	-1.59%	-0.56%
Income Tax		492,378	492,378	492,378	492,378	492,378	492,378	492,378	492,378	492,378	492,378
Allocated Income Tax		286,598	-	33,929	13,451	137,266	15,538	(26,462)	42,646	(7,839)	(2,749)
Income Tax											
Property Tax Allocation	240,289	72.77%	0.00%	3.73%	1.17%	15.50%	1.60%	0.95%	4.26%	0.02%	0.00%
Property Tax Allocation	240,289	174,854	-	8,963.76	2,803.67	37,256.40	3,835.93	2,290.88	10,236.08	39.37	9.84

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Rates of Return at Proposed Rates Using ACC Staff Net Plant and Expenses

Exhibit
Rebuttal Schedule G-2
Page 1
Witness: Kozoman

Meter Size->	Totals	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Water Revenues and **(1)**	3,594,690	2,508,732	-	141,486	46,615	617,387	64,052	37,068	178,579	619	151
Revenue Annualizations											
Private Fire **(a)**	12,172	12,172									
Misc. Revenue **(a)**	108,705	108,705									
Total Revenues	3,715,567	2,629,609	-	141,486	46,615	617,387	64,052	37,068	178,579	619	151
Operating Expenses **(b)**	1,935,809	1,570,064	-	45,324	9,349	182,818	16,909	57,942	39,136	10,642	3,626
Depreciation and Amortization **(b)**	670,933	515,764	-	14,916	2,833	71,770	6,029	32,972	17,821	6,569	2,259
Property Tax **(c)**	240,289	170,059	-	9,150	3,015	39,927	4,142	2,397	11,549	40	10
Income Tax **(d)**	228,081	68,458	-	24,948	11,459	110,464	12,939	(28,089)	38,437	(7,801)	(2,733)
Total Operating Expenses	3,075,112	2,324,346	-	94,337	26,656	404,979	40,019	65,222	106,943	9,449	3,161
Operating Income	640,455	305,263	-	47,149	19,959	212,408	24,034	(28,153)	71,637	(8,831)	(3,010)
Interest Expense **(e)**	272,115	194,706	-	6,859	1,453	34,013	3,138	17,209	9,563	3,768	1,404
Net Income	368,340	110,557	-	40,290	18,506	178,395	20,895	(45,363)	62,073	(12,599)	(4,414)
Rate Base **(f)**	9,649,461	6,904,482	-	243,233	51,513	1,206,145	111,290	610,265	339,125	133,625	49,783
Rate of Return **(g)**	6.64%	4.42%		19.38%	38.75%	17.61%	21.60%	-4.61%	21.12%	-6.61%	-6.05%
Percent of Total Customers		94.933%		1.635%	0.183%	2.464%	0.125%	0.484%	0.132%	0.037%	0.007%

(1) Revenues are from ACC Staff Proposed Rates Bill Count. Difference between Bill Count and General Ledger Revenues, included in 5/8" x 3/4" Customer Class.
(a) Private Fire and Miscellaneous Revenue allocated to 5/8 Inch Customer Class.
(b) Operating Expenses and Depreciation computations are shown on Rebuttal Schedule G-4, Page 1.
(c) Property Taxes allocated based on Revenues
(d) Income Taxes allocated based on taxable income
(e) Interest Expense allocated based on Rate Base, Please see Rebuttal Schedule G-3, Page 1
(f) Rate Base computations are shown on Rebuttal Schedule G-3, Page 1
(g) Operating Income Divided by Rate Base

Income Tax Allocation											
Net Income & Income Tax	596,421										
Percent of Taxable Income		30%	0%	11%	5%	48%	6%	-12%	17%	-3%	-1%
Income Tax		228,081	228,081	228,081	228,081	228,081	228,081	228,081	228,081	228,081	228,081
Allocated Income Tax		68,458	-	24,948	11,459	110,464	12,939	(28,089)	38,437	(7,801)	(2,733)
Percent of Revenues		70.77%	0.00%	3.81%	1.25%	16.62%	1.72%	1.00%	4.81%	0.02%	0.00%
Property Tax Allocation	240,289	170,059	-	9,150	3,015	39,927	4,142	2,397	11,549	40	10

Arizona American - Mohave Water
Test Year Ended December 31, 2000
Cost of Service Study Using Commodity / Demand Method
Allocation of Assets to Customer Classes Using ACC Staff Net Plant

Exhibit
Rebuttal Schedule G-3
Page 1
Witness: Kozoman

Line No.		Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
1	Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid and Meter Deposits (from Schedule G-5, Page 1)											
2	Commodity	404,684	282,776	-	16,997	5,197	72,923	8,995	4,077	13,718	-	-
3	Demand	5,677,904	3,731,659	-	160,686	36,028	774,751	78,397	475,573	259,403	115,290	46,116
4	Customer	1,004,378	953,489	-	16,423	1,841	24,745	1,252	4,861	1,326	368	74
5	Service	1,338,116	1,227,516	-	24,121	2,904	50,701	3,405	19,213	7,692	2,137	427
6	Meter	1,224,378	709,041	-	25,007	5,542	283,025	19,241	106,541	56,987	15,830	3,166
7	Totals	9,649,461	6,904,482	-	243,233	51,513	1,206,145	111,290	610,265	339,125	133,625	49,783
8												
9												
10	Commodity	-	-	-	-	-	-	-	-	-	-	-
11	Demand	-	-	-	-	-	-	-	-	-	-	-
12	Customer											
13	Service											
14	Meter											
15	Totals	-	-	-	-	-	-	-	-	-	-	-
16												
17												
18				-	-	-	-	-	-	-		
19				-	-	-	-	-	-	-	-	-
20				-	-	-	-	-	-	-		
21				-	-	-	-	-	-	-	-	-
22												
23	Net Rate Base	9,649,461	6,904,482	-	243,233	51,513	1,206,145	111,290	610,265	339,125	133,625	49,783
24												
			ACC Staff Interest Expense									
	Interest Expense Allocation	272,115	194,706	-	6,859	1,453	34,013	3,138	17,209	9,563	3,768	1,404
	Ratio of rate bases to total rate base		71.5530%	0.0000%	2.5207%	0.5338%	12.4996%	1.1533%	6.3243%	3.5144%	1.3848%	0.5159%

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Customer Classes Using ACC Staff Expenses

Exhibit
Rebuttal Schedule G-4
Page 1
Witness: Kozoman

	Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Operation and Maintenance Expense (from Schedule G-6, Page 1)											
Commodity	322,558	225,390	-	13,547	4,143	58,125	7,170	3,250	10,934	-	-
Demand	368,778	242,370	-	10,437	2,340	50,320	5,092	30,888	16,848	7,488	2,995
Customer	947,455	899,450	-	15,492	1,737	23,343	1,181	4,585	1,250	347	69
Service	91,204	83,666	-	1,644	198	3,456	232	1,310	524	146	29
Meter	205,813	119,187	-	4,204	932	47,575	3,234	17,909	9,579	2,661	532
Totals	1,935,809	1,570,064	-	45,324	9,349	182,818	16,909	57,942	39,136	10,642	3,626
Depreciaton Expense on Plant (from Schedule G-6, Page 2)											
Commodity	16,350	11,425	-	687	210	2,946	363	165	554	-	-
Demand	232,746	152,966	-	6,587	1,477	31,758	3,214	19,494	10,633	4,726	1,890
Customer	147,696	140,212	-	2,415	271	3,639	184	715	195	54	11
Service	154,933	142,127	-	2,793	336	5,870	394	2,225	891	247	49
Meter	119,209	69,034	-	2,435	540	27,556	1,873	10,373	5,548	1,541	308
Totals	670,933	515,764	-	14,916	2,833	71,770	6,029	32,972	17,821	6,569	2,259
Total Expenses (excluding Income Tax and Property Taxes)	2,606,742	2,085,828	-	60,240	12,182	254,588	22,938	90,914	56,957	17,211	5,885

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of Rate Base by Function Using ACC Staff Plant and Accumulated Depreciation

Exhibit
Rebuttal Schedule G-5
Page 1
Witness: Kozoman

	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Rate Base							
Plant minus (Accumulated Depreciation Contributions in Aid of Construction Advances in Aid of Construction and Meter Deposits)	9,649,461	5,677,904	404,684	1,004,378	1,224,378	1,338,116	9,649,461
	9,649,461	5,677,904	404,684	1,004,378	1,224,378	1,338,116	9,649,461

	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Allocation of Property Taxes to Functions							
Revenue Requirement by Function	3,710,045	1,186,160	401,079	1,267,042	464,618	391,146	3,710,045
						-	-
Total Revenue Requirement	3,710,045	1,186,160	401,079	1,267,042	464,618	391,146	3,710,045
Property Taxes Allocation	240,289	76,824	25,977	82,063	30,092	25,333	240,289

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Allocation of Net Plant, Advances and Contributions in Aid of
Construction and Meter Deposits Using ACC Staff Plant and Accumulated Depreciation to Functions

Exhibit
Rebuttal Schedule G-5
Page 2
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost Plant with Adjustments	Company's Accumulated Depreciation	ACC Staff Original Cost Accum. Depr. Adjustments. (Adj. 2)	Net Plant Values	Company's Additional Post-Closing Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service	Totals
	Intangible												
301.00	Organization	34,004	-		34,004	-	34,004	34,004					34,004
302.00	Franchises	37,061	-		37,061	-	37,061	37,061					37,061
303.00	Miscellaneous Intangibles	-	-		-	-	-	-					-
Total Intangible Plant		71,065	-		71,065	-	71,065						-
		0											-
	Source of Supply	0											-
310.00	Land and Land Rights	209,048	-		209,048	0	209,048	209,048					209,048
311.00	Structures and Improvements	770,946	87,695		683,251	5,480	677,771	677,771					677,771
312.00	Collecting and Impounding Res.	663,944	76,625		587,319	8,429	578,891	578,891					578,891
313.00	Lakes, Rivers, Other Intakes	-	-		-	-	-	-	-				-
314.00	Wells and Springs	754,209	280,623	(26,693)	500,279	10,678	489,601	440,641	48,960				489,601
Total Source of Supply Plant		2,398,147	444,942	(26,693)	1,979,898	24,587	1,955,311						-
		0											-
	Pumping	0											-
320.00	Land and Land Rights	2,361	-		2,361	-	2,361	2,361					2,361
321.00	Structures and Improvements	1,687	(2,645)		4,332	20	4,312	3,881	431				4,312
323.00	Other Power Production	-	-		-	-	-	-	-				-
325.00	Electric Pumping Equipment	1,854,623	911,974		942,649	43,719	898,930	809,037	89,893				898,930
326.00	Diesel Pumping Equipment	-	-		-	-	-	-	-				-
328.10	Gas Engine Pumping Equipment	-	-		-	-	-	-	-				-
Total Pumping Plant		1,858,671	909,329	-	949,342	43,739	905,603						-
		0											-
	Water Treatment	0											-
330.00	Land and Land Rights	396,801	-		396,801	-	396,801	396,801					396,801
331.00	Structures and Improvements	15,157	-		15,157	7,145	8,012	7,211	801				8,012
332.00	Water Treatment Equipment	50,870	50,941		(71)	(4,005)	3,935	3,541	393				3,935
Total Water Treatment Plant		462,828	50,941	-	411,887	3,140	408,747						-
		0											-
	Transmission and Distribution	0											-
340.00	Land and Land Rights	9,609	-		9,609	-	9,609	9,609					9,609
341.00	Structures and Improvements	4,583	1,999		2,584	41	2,543	2,288	254				2,543
342.00	Distribution, Reservoirs, & ST	1,093,508	241,857	(49,444)	901,095	10,761	890,334	801,301	89,033				890,334
343.00	Transmission and Distribution	11,661,493	3,472,215		8,189,278	152,117	8,037,161	7,233,445	803,716				8,037,161
344.00	Fire Mains	-	-		-	-	-						-
345.00	Services	2,863,818	1,340,557		1,523,261	77,433	1,445,827					1,445,827	1,445,827
346.00	Meters	1,825,558	541,600		1,283,958	59,580	1,224,378				1,224,378		1,224,378
348.00	Hydrants	-	-		-	-	-			-			-
349.00	Other Transmission & Distribution	-	-		-	-	-	-	-				-
Total Transmission and Distribution Plant		17,458,569	5,598,228	(49,444)	11,909,784	299,932	11,609,853						

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Allocation of Net Plant, Advances and Contributions in Aid of
Construction and Meter Deposits

Exhibit
Rebuttal Schedule G-5
Page 2a
Witness: Kozoman

	ACC Staff Original Cost Plant with Adjustments	Company's Accumulated Depreciation	ACC Staff Original Cost Accumulated Depr. Adj. (Adj. 2)	Net Plant Values	Company's Additional Post-Closing Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service	Totals
ALLOCATED COMMON PLANT												
Maricopa Common Plant												
389.00 Land and Land Rights	293	-		293	-	293	293					293
390.00 Structures and Improvements	28,709	58,920	(17,226)	(12,985)	(23,920)	10,935	10,935					10,935
391.00 Office Funiture and Equipment	301,146	9,438		291,708	2,601	289,106			289,106			289,106
391.10 Computer Equipment	353,433	(85,822)		439,255	6,387	432,868			432,868			432,868
392.00 Transportation Equipment	546,135	285,102		261,033	63,379	197,654	49,414		148,241			197,654
393.00 Stores Equipment	2,865	1,896		969	63	906			906			906
394.00 Tools, Shop and Garage	119,563	75,310		44,253	4,726	39,527			39,527			39,527
395.00 Laboratory Equipment	7,277	5,191		2,086	126	1,961			1,961			1,961
396.00 Power Operated Equipment	71,294	47,856		23,438	3,289	20,149	5,037		15,112			20,149
397.00 Communication Equipment	113,610	13,895		99,715	1,622	98,093	24,523		73,570			98,093
398.00 Miscellaneous Equipment	10,836	7,388		3,448	360	3,088			3,088			3,088
Total Common Plant	1,555,161	419,174	(17,226)	1,153,213	58,633	1,094,580						
						-	-					-
						-	-					-
TOTAL WATER PLANT	23,804,441	7,422,614	(93,363)	16,475,190	430,031	16,045,159	11,337,092	1,033,483	1,004,378	1,224,378	1,445,827	16,045,159
Total Plant	23,804,441			16,475,190								
Adjustments to Accumulated Depreciation												
Company's additional Accumulated Depreciation Adjustment		430,031		(430,031)								-
		7,852,645										
Total Net Plant				16,045,159								
Advances in Aid of Construction				3,462,178		(3,462,178)	(3,115,960)	(346,218)				(3,462,178)
Contributions in Aid of Construction				2,825,809		(2,825,809)	(2,543,228)	(282,581)				(2,825,809)
Customer Meter Deposits				107,711		(107,711)					(107,711)	(107,711)
Total Rate Base				9,649,461		9,649,461	5,677,904	404,684	1,004,378	1,224,378	1,338,116	9,649,461

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of ACC Staff Expenses to Functions

Exhibit
Rebuttal Schedule G-6
Page 1
Witness: Kozoman

		ACC Staff Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Salaries and Wages	(a)	614,283	141,127	15,681	382,548	74,927	-	614,283
Purchased Water		5,040		5,040				5,040
Purchased Power		294,679		294,679				294,679
Chemicals		(18,136)		(18,136)				(18,136)
Repairs and Maintenance	(b)	301,313	121,854	13,539	-	74,716	91,204	301,313
Office Supplies and Expense		120,364			120,364			120,364
Outside Services		40,219			40,219			40,219
Service Company Charges		-	-	-	-	-	-	-
Water Testing		-		-				-
Rents		18,307			18,307			18,307
Transportation Expenses		-			-			-
Insurance - General Liability		70,223			70,223			70,223
Insurance - Health and Life		-	-		-			-
Regulatory Commission Expense - Rate Case		29,013			29,013			29,013
Miscellaneous Expense		422,562	97,080	10,787	263,153	51,542	-	422,562
Depreciation Expense, Allocated on Rebuttal Schedule G-6, Page 2								-
Taxes Other Than Income		37,941	8,717	969	23,628	4,628	-	37,941
Property Taxes, Allocated on Rebuttal Schedules G-1 & G-2				-	-			-
Income Tax, Allocated on Rebuttal Schedules G-1 & G-2								
		1,935,809	368,778	322,558	947,455	205,813	91,204	1,935,809

(a) Labor (Wages and Salaries) factor computations shown on Rebuttal Schedule G-7, Page 2a
(b) Repairs and Maintenance allocation factors computation shown on Rebuttal Schedule G-7, Page 2a

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Allocation of Depreciation Expense Using ACC Plant and Depreciation Rates to Functions

Exhibit
Rebuttal Schedule G-6
Page 2
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost	Depreciation Rate	Depreciatio Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service	Totals
	Intangible										-
301.00	Organization	34,004		-							-
302.00	Franchises	37,061		-							-
303.00	Miscellaneous Intangibles	-		-							-
	Subtotal Intangible	71,065		-							-
											-
	Source of Supply										-
310.00	Land and Land Rights	209,048		-							-
311.00	Structures and Improvements	770,946	2.830%	21,818	21,818	21,818					21,818
312.00	Collecting and Impounding Res.	663,944	2.540%	16,864	16,864	16,864					16,864
313.00	Lakes, Rivers, Other Intakes	-		-	-						-
314.00	Wells and Springs	754,209	2.700%	20,364	20,364	18,327	2,036				20,364
	Subtotal Source of Supply	2,398,147		59,046							-
											-
	Pumping										-
320.00	Land and Land Rights	2,361		-	-						-
321.00	Structures and Improvements	1,687	2.390%	40	40	36	4				40
323.00	Other Power Production	-		-	-	-	-				-
325.00	Electric Pumping Equipment	1,854,623	5.120%	94,957	94,957	85,461	9,496				94,957
326.00	Diesel Pumping Equipment	-		-	-	-	-				-
328.10	Gas Engine Pumping Equipment	-		-	-	-	-				-
	Subtotal Pumping	1,858,671		94,997							-
											-
	Water Treatment										-
330.00	Land and Land Rights	396,801		-	-						-
331.00	Structures and Improvements	15,157	2.500%	379	379	341	38				379
332.00	Water Treatment Equipment	50,870	12.000%	6,104	6,104	5,494	610				6,104
	Subtotal Water Treatment	462,828		6,483							-
											-
	Transmission and Distribution										-
340.00	Land and Land Rights	9,609		-	-						-
341.00	Structures and Improvements	4,583	1.810%	83	83	75	8				83
342.00	Distribution, Reservoirs, & ST	1,093,508	1.810%	19,792	19,792	17,813	1,979				19,792
343.00	Transmission and Distribution	11,661,493	2.610%	304,365	304,365	273,928	30,436				304,365
344.00	Fire Mains	-		-	-						-
345.00	Services	2,863,818	5.410%	154,933	154,933					154,933	154,933
346.00	Meters	1,825,558	6.530%	119,209	119,209				119,209		119,209
348.00	Hydrants	-		-	-			-			-
349.00	Other Transmission & Distribution	-		-	-	-	-				-
	Subtotal Transmission and Distribution	17,458,569		598,382							

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Allocation of Depreciation Expense Using ACC Plant and Depreciation Rates to Functions

Exhibit
Rebuttal Schedule G-6
Page 2a
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost	Depreciation Rate	Depreciation Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service	Totals
	General										
389.00	Land and Land Rights	293		-							-
390.00	Structures and Improvements	28,709	2.030%	583	583	583					583
391.00	Office Funiture and Equipment	301,146	4.099%	12,342	12,342			12,342			12,342
391.10	Computer Equipment	353,433	4.099%	14,485	14,485			14,485			14,485
392.00	Transportation Equipment	546,135	25.000%	136,534	136,534	34,133		102,400			136,534
393.00	Stores Equipment	2,865	3.930%	113	113			113			113
394.00	Tools, Shop and Garage	119,563	7.552%	9,029	9,029			9,029			9,029
395.00	Laboratory Equipment	7,277	3.064%	223	223			223			223
396.00	Power Operated Equipment	71,294	9.230%	6,581	6,581	1,645		4,935			6,581
397.00	Communication Equipment	113,610	4.104%	4,662	4,662	1,166		3,497			4,662
398.00	Miscellaneous Equipment	10,836	6.190%	671	671			671			671
	Subtotal General	1,555,161		185,222				-			
								-			-
					-	-					-
	Subtotals	23,804,441		944,130							-
				-							
				-							
						-					-
						-					-
Amortization of Deferred Regulatory Asset		234,640	3.999%	9,384	9,384	9,384					9,384
Less: Amotization of Contributions		2,825,809	10.00%	(282,581)	(282,581)	(254,323)	(28,258)				(282,581)
Total Depreciation Expense				670,933	670,933	232,746	16,350	147,696	119,209	154,933	670,933

Arizona American - Mohave Water
Test Year Ended December 31, 2001
SUMMARY OF COMMODITY - DEMAND METHOD FUNCTION FACTORS

Exhibit
Rebuttal Schedule G-7
Page 1
Witness: Kozoman

Line No.	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Totals
1												
2	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Totals
3	Commodity	69.876%	0.000%	4.200%	1.284%	18.020%	2.223%	1.008%	3.390%	0.000%	0.00%	100.00%
4	Demand	65.722%	0.000%	2.830%	0.635%	13.645%	1.381%	8.376%	4.569%	2.031%	0.81%	100.00%
5	Customer	94.933%	0.000%	1.635%	0.183%	2.464%	0.125%	0.484%	0.132%	0.037%	0.01%	100.00%
6	Services	91.735%	0.000%	1.803%	0.217%	3.789%	0.254%	1.436%	0.575%	0.160%	0.03%	100.00%
7	Meters	57.910%	0.000%	2.042%	0.453%	23.116%	1.571%	8.702%	4.654%	1.293%	0.26%	100.00%
8												
9												
10												
11												
12												
13												

Arizona American - Mohave Water
Test Year Ended December 31, 2001
COMMODITY - DEMAND METHOD FUNCTION FACTORS
Plant and Depreciation Expense Allocations

Exhibit
Rebuttal Schedule G-7
Page 2
Witness: Kozoman

Line No.	Description	Total	Demand	Commodity	Customer
1					
2	Description	Total	Demand	Commodity	Customer
3	Wells	1.00	0.90	0.10	
4	Pumps & Equipment	1.00	0.90	0.10	
5	Distribution Mains	1.00	0.90	0.10	
6	Customer	1.00			1.00
7	Services	1.00			1.00
8	Meters	1.00			1.00
9	Fire Hydrants	1.00			1.00
10	Transportation Equip.	1.00	0.25		0.75
11	Office Furniture	1.00			1.00
12	Communication Equip.	1.00	0.25		0.75
13					
14					
15	**To Approximately Match ACC Staff Proposed Rates for 5/8 Inch Meter**				
16	Demand and Commodity Allocation to Wells, Pumps and Equipment and				
17	Distribution Mains would need to be changed to approximately match				
18	ACC Staff's proposed monthly minimums and commodity rates. The				
19	match would be ACC Staff's Proposed Rates to Computed Monthly				
20	Minimum and Commodity rate WITHOUT Equity returns and				
21	Income Taxes. Match would be based on cost only.				
22					
23	**Required Allocations:**				
24	Description	Total	Demand	Commodity	Customer
25	Wells	1.00	-1.15	2.15	
26	Pumps & Equipment	1.00	-1.15	2.15	
27	Distribution Mains	1.00	-1.15	2.15	
28					
29					
30					
31					
32					

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
DEVELOPMENT OF ALLOCATION FACTORS

Exhibit
Rebuttal Schedule 7
Page 2a
Witness: Kozoman

Labor Allocation Factors	
Pumping Labor	25.53%
Meter Labor	12.20%
Customer Labor	62.28%
	100.00%

Repairs and Maintenance Allocation Factors	
Repairs and Maintenance Demand	1.49%
Repairs and Maintenance Pumping	13.56%
Repairs and Maintenance Mains	29.88%
Repairs and Maintenance Services	30.27%
Repairs and Maintenance Meters	24.80%
Repairs and Maintenance Customer	0.00%
	100.00%

Computations shown on this work sheet are from page labeled asTrial Balance in this work book. Allocation percentage were computed based on Expenses charged by Citizens Utilities and are then applied to proforma amounts.

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
DEVELOPMENT OF CLASS ALLOCATION FACTORS

Exhibit
Rebuttal Schedule 7
Page 3
Witness: Kozoman

COMMODITY ALLOCATION FACTOR

Meter Size	(a) Total Gallons (in 1,000's) In Test Year	Percent of Total
5/8" x 3/4"	1,234,371	69.88%
3/4"	-	0.00%
1"	74,193	4.20%
1-1/2"	22,688	1.28%
2"	318,324	18.02%
3"	39,264	2.22%
4"	17,799	1.01%
6"	59,880	3.39%
8"	-	0.000%
10"	-	0.000%
Totals	1,766,520	100.00%

DEMAND ALLOCATION FACTOR

Meter Size	(a) Number of Meters and/or Services	Equiv-alent Weight	Equivalent Number of Meters and/or Services	Percent of Total
5/8" x 3/4	12,947	1.0	12,947	65.72%
3/4"	-	1.5	0	0.00%
1"	223	2.5	558	2.83%
1-1/2"	25	5.0	125	0.63%
2"	336	8.0	2,688	13.65%
3"	17	16.0	272	1.38%
4"	66	25.0	1,650	8.38%
6"	18	50.0	900	4.57%
8"	5	80.0	400	2.03%
10"	1	160.0	160	0.81%
Totals	13,638		19,700	100.00%

CUSTOMER ALLOCATION FACTOR

Meter Size	Number of Meters	Percent of Total
5/8" x 3/4"	12,947	94.93%
3/4"	0	0.00%
1"	223	1.64%
1-1/2"	25	0.18%
2"	336	2.46%
3"	17	0.12%
4"	66	0.48%
6"	18	0.13%
8"	5	0.04%
10"	1	0.01%
Totals	13,638	100.00%

SERVICES ALLOCATION FACTOR (b)

Meter Size	Number of Services	Install-ation Cost	Weighted Number Services	Percent of Total
5/8" x 3/4	12,947	$ 355.00	4,596,185	91.73%
3/4"	0	355.00	0	0.00%
1"	223	405.00	90,315	1.80%
1-1/2"	25	435.00	10,875	0.22%
2"	336	565.00	189,840	3.79%
3"	17	750.00	12,750	0.25%
4"	66	1,090.00	71,940	1.44%
6"	18	1,600.00	28,800	0.57%
8"	5	1,600.00	8,000	0.16%
10"	1	1,600.00	1,600	0.03%
Totals	13,638		5,010,305	100.00%

METER ALLOCATION FACTOR (b)

Meter Size	Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8" x 3/4"	12,947	$ 105.00	1,359,435	57.91%
3/4"	0	105.00	0	0.00%
1"	223	215.00	47,945	2.04%
1-1/2"	25	425.00	10,625	0.45%
2"	336	1,615.00	542,640	23.12%
3"	17	2,170.00	36,890	1.57%
4"	66	3,095.00	204,270	8.70%
6"	18	6,070.00	109,260	4.65%
8"	5	6,070.00	30,350	1.29%
10"	1	6,070.00	6,070	0.26%
Totals	13,638		2,347,485	100.00%

(a) Includes customer and gallon sold annualization
(b) Meter and Service Line cost from Arizona Corporation Commission Memo of April 23, 2002 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rebuttal Schedule G-8
Page 1
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	1,004,378	1,338,116	1,224,378	3,566,872
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	28,323	37,735	34,527	100,586
4	Rate Bases	1,004,378	1,338,116	1,224,378	3,566,872
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	37,765	50,313	46,037	134,114
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	61,505	81,942	74,977	218,423
9					
10	Revenue Requirement for Debt Component, from Line 3	28,323	37,735	34,527	100,586
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	61,505	81,942	74,977	218,423
13	Total Return Requirement with Income Tax	89,828	119,676	109,504	319,009
14					
15	Property Tax Expense, from Schedule G-5, Page 1	82,063	25,333	30,092	137,488
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	947,455	91,204	205,813	1,244,472
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	147,696	154,933	119,209	421,837
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	1,267,042	391,146	464,618	2,122,806
19					
20	**Customer Charge**				
21	Number of Bills = 13,638 times 12	163,656			
22					
23	**Charge per Bill**	$ 7.74			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 19,700 times 12		236,394	236,394	
28					
29	**Charge per Equivalent Meter**		$ 1.65	$ 1.97	
30					
31					
32	CUSTOMER CHARGE:				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge)				
34	Charge per Bill (Customer Charge with Equity Return and Income Tax)		$ 7.74		
35	Charge per Equivalent Meter (For Service Line Charge with Equity Return and Income Tax)		1.65		
36	Charge per Equivalent Meter (For Meter Charge with Equity Return and Income Tax)		1.97		
37	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter		$ 11.36		
39					

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rebuttal Schedule G-8
Page 1a
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	1,004,378	1,338,116	1,224,378	3,566,872
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	28,323	37,735	34,527	100,586
4	Rate Bases	1,004,378	1,338,116	1,224,378	3,566,872
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	0.00%	0.00%	0.00%	0.00%
6	Required Operating Income for Equity	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-
9					
10	Revenue Requirement for Debt Component, from Line 3	28,323	37,735	34,527	100,586
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	-	-	-	-
13	Total Return Requirement with Income Tax	28,323	37,735	34,527	100,586
14					
15	Property Tax Expense, from Schedule G-5, Page 1	82,063	25,333	30,092	137,488
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	947,455	91,204	205,813	1,244,472
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	147,696	154,933	119,209	421,837
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	1,205,537	309,205	389,641	1,904,383
19					
20	**Customer Charge**				
21	Number of Bills = 13,638 times 12	163,656			
22					
23	**Charge per Bill**	$ 7.37			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 19,700 times 12		236,394	236,394	
28					
29	**Charge per Equivalent Meter**		$ 1.31	$ 1.65	
30	**Actual Cost (without Equity Return or Income Taxes)**				
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge, nor recovery of return or income tax)				
34	Charge per Bill (Customer Charge without Equity Return or Income Tax)	$ 7.37			
35	Charge per Equivalent Meter (For Service Line Charge without Equity Return or Income Tax)	1.31			
36	Charge per Equivalent Meter (For Meter Charge without Equity Return or Income Tax)	1.65			
37	(Service and Meter Revenue Requirement divided by Annualized Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter without recovery of Equity Return or Income Tax	$ 10.32			

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Schedule G-8
Page 2
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	5,677,904
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	160,117
5	Rate Base	5,677,904
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%
7	Required Operating Income for Equity	213,489
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	347,695
10		
11	Revenue Requirement for Debt Component, from Line 4	160,117
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	347,695
14		
15	Property Tax Expense, from Schedule G-5, Page 1	76,824
16	Demand Expenses, from Schedule G-6, Page 1	368,778
17	Depreciation, from Schedule G-6, Page 2	232,746
18	Totals	1,186,160
19	Total Revenue Requirement / Demand Component	
20	Equivalent Number of 5/8 x 3/4 Meters	236,394
21	Demand Charge for 5/8 x 3/4 Inch Meter	$ 5.02
22		

23		5/8" Demand	Meter	Demand
24	Demand Charge Per Equivalent	Charge	Ratio	Charge
25	5/8 x 3/4 Inch Meter	$ 5.02	1.0	$ 5.02
26	3/4 Inch Meter	$ 5.02	1.5	7.53
27	1 Inch Meter	$ 5.02	2.5	12.54
28	1 1/2 Inch Meter	$ 5.02	5.0	25.09
29	2 Inch Meter	$ 5.02	8.0	40.14
30	3 Inch Meter	$ 5.02	15.0	75.27
31	4 Inch Meter	$ 5.02	25.0	125.44
32	6 Inch Meter	$ 5.02	50.0	250.89
33	8 Inch Meter	$ 5.02	80.0	401.42
34	10 Inch Meter	$ 5.02	160.0	802.84

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Schedule G-8
Page 2a
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	5,677,904
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	160,117
5	Rate Base	5,677,904
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	
7	Required Operating Income for Equity	-
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	-
10		
11	Revenue Requirement for Debt Component, from Line 4	160,117
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	-
14		
15	Property Tax Expense, from Schedule G-5, Page 1	76,824
16	Demand Expenses, from Schedule G-6, Page 1	368,778
17	Depreciation, from Schedule G-6, Page 2	232,746
18	Totals	838,465
19	Total Revenue Requirement / Demand Component	
20	Equivalent Number of 5/8 x 3/4 Meters	236,394
21	Demand Charge for 5/8 x 3/4 Inch Meter	$ 3.55
22		$ 2.87

23		5/8" Demand	Meter	Demand
24	Demand Charge Per Equivalent	Charge	Ratio	Charge
25	5/8 x 3/4 Inch Meter	$ 3.55	1.0	$ 3.55
26	3/4 Inch Meter	$ 3.55	1.5	5.32
27	1 Inch Meter	$ 3.55	2.5	8.87
28	1 1/2 Inch Meter	$ 3.55	5.0	17.73
29	2 Inch Meter	$ 3.55	8.0	28.38
30	3 Inch Meter	$ 3.55	15.0	53.20
31	4 Inch Meter	$ 3.55	25.0	88.67
32	6 Inch Meter	$ 3.55	50.0	177.34
33	8 Inch Meter	$ 3.55	80.0	283.75
34	10 Inch Meter	$ 3.55	160.0	567.50

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including and Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 3
Witness: Kozoman

Including Equity Return and Income Taxes

Line No.		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended onthly Mininum to ComputedCost
1	5/8 x 3/4 Inch Meter	$ 7.74	$ 1.65	$ 1.97	$ 5.02	$ 16.38	$ 7.27	44.38%
2	3/4 Inch Meter	7.74	2.48	2.95	7.53	20.70	$ 7.27	35.12%
3	1 Inch Meter	7.74	4.14	4.91	12.54	29.34	$ 12.61	42.98%
4	1 1/2 Inch Meter	7.74	8.27	9.83	25.09	50.93	$ 21.01	41.24%
5	2 Inch Meter	7.74	13.24	15.72	40.14	76.84	$ 25.21	32.81%
6	3 Inch Meter	7.74	24.82	29.48	75.27	137.31	$ 50.41	36.72%
7	4 Inch Meter	7.74	41.37	49.14	125.44	223.69	$ 75.62	33.81%
8	6 Inch Meter	7.74	82.73	98.27	250.89	439.63	$ 168.05	38.22%
9	8 Inch Meter	7.74	132.37	235.85	401.42	777.38	$ 336.10	43.23%
10	10 Inch Meter	7.74	397.11	786.18	802.84	1,993.87	$ 581.23	29.15%
11								
12								
13								
14	**Excluding Equity Return and Income Taxes**							
15								
16								
17								
18						Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended onthly Mininum to ComputedCost
19								
20								
21		Customer Charge	Service Line Charge	Meter Charge	Demand Charge			
22								
23	5/8 x 3/4 Inch Meter	$ 7.37	$ 1.31	$ 1.65	$ 2.87	$ 13.19	$ 7.27	55.11%
24	3/4 Inch Meter	7.37	1.96	2.47	4.30	16.11	7.27	45.14%
25	1 Inch Meter	7.37	3.27	4.12	7.17	21.93	12.61	57.50%
26	1 1/2 Inch Meter	7.37	6.54	8.24	14.35	36.50	21.01	57.56%
27	2 Inch Meter	7.37	10.46	13.19	22.96	53.97	25.21	46.71%
28	3 Inch Meter	7.37	19.62	24.72	43.04	94.75	50.41	53.21%
29	4 Inch Meter	7.37	32.70	41.21	71.74	153.01	75.62	49.42%
30	6 Inch Meter	7.37	65.40	82.41	143.48	298.66	168.05	56.27%
31	8 Inch Meter	7.37	104.64	131.86	229.57	473.43	336.10	70.99%
32	10 Inch Meter	7.37	209.28	263.72	459.13	939.50	581.23	61.87%

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 4
Witness: Kozoman

Line No.		Commodity	Customer	Service	Meter	Demand	Totals
1	Rate Bases from Schedule G-5, Page 1	404,684	1,004,378	1,338,116	1,224,378	5,677,904	9,649,461
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.820%	2.820%	2.820%	2.820%	2.820%	2.820%
3	Required Operating Income - for Debt	11,412	28,323	37,735	34,527	160,117	272,115
4	Rate Bases from Schedule G-5, Page 1	404,684	1,004,378	1,338,116	1,224,378	5,677,904	9,649,461
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	15,216	37,765	50,313	46,037	213,489	362,820
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	24,781	61,505	81,942	74,977	347,695	590,899
9							
10	Revenue Requirement for Debt Component, from Line 3	11,412	28,323	37,735	34,527	160,117	272,115
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	24,781	61,505	81,942	74,977	347,695	590,899
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	36,194	89,828	119,676	109,504	507,812	863,014
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	25,977	82,063	25,333	30,092	76,824	240,289
16	Expenses (From Sch. G-6. Page 1)	322,558	947,455	91,204	205,813	368,778	1,935,809
17	Depreciation and Amortization (From Schedule G-6, Page 2)	16,350	147,696	154,933	119,209	232,746	670,933
18	Total Revenue Requirement by function	401,079	1,267,042	391,146	464,618	1,186,160	3,710,045
19							
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	1,766,520	163,656	236,394	236,394	236,394	
21	Computed Commodity Rate, Customer, Meter, Service Line & Demand	$ 0.2270					
22	(Line 18 divided by Line 20)		$ 7.74	$ 1.65	$ 1.97	$ 5.02	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter and Demand Charge on Line 22)					$ 16.38	
24							

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 4a
Witness: Kozoman

Line No.		Commodity	Customer	Service	Meter	Demand	Totals
1	Rate Bases from Schedule G-5, Page 1	404,684	1,004,378	1,338,116	1,224,378	5,677,904	9,649,461
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	11,412	28,323	37,735	34,527	160,117	272,115
4	Rate Bases from Schedule G-5, Page 1	404,684	1,004,378	1,338,116	1,224,378	5,677,904	9,649,461
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)						
6	Required Operating Income for Equity	-	-	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	-	-	-	-	-	-
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-	-	-
9							
10	Revenue Requirement for Debt Component, from Line 3	11,412	28,323	37,735	34,527	160,117	272,115
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	-	-	-	-	-	-
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	11,412	28,323	37,735	34,527	160,117	272,115
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	25,977	82,063	25,333	30,092	76,824	240,289
16	Expenses (From Sch. G-6. Page 1)	322,558	947,455	91,204	205,813	368,778	1,935,809
17	Depreciation and Amortization (From Schedule G-6, Page 2)	16,350	147,696	154,933	119,209	232,746	670,933
18	Total Revenue Requirement by function	376,298	1,205,537	309,205	389,641	838,465	3,119,146
19							
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	1,766,520	163,656	236,394	236,394	236,394	
21	Computed Commodity Rate, Customer, Meter, Service Line & Demand	$ 0.2130					
22	(Line 18 divided by Line 20)		$ 7.3663	$ 1.3080	$ 1.6483	$ 3.5469	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter and Demand Charge on Line 22)					$ 13.87	

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **without** Equity Return and Income Taxes

Exhibit
Rebuttal Schedule G-9
Page 1
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rebuttal Schedule G-8, Page 4a	$ 0.2130
2	Computed Demand Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	$ 3.55
3	Computed Customer Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	7.37
4	Computed Service Line Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	1.31
5	Computed Meter Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	1.65
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rebuttal Schedule G-8, Page 4a	$ 13.87
7		
8	**ACC Staff Proposed Rates**	
9	Proposed Monthly Minimum for 5/8" Meter	$ 7.27
10	Proposed Commodity Rate	
11	0 to 4,000	$ 0.81
12	4,001 to 100,000	$ 1.23
13	Over 100,001	$ 1.47
14		

15	Col. 1	Col. 2	Col. 3	Col. 4		Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
16				(Col. 2+ 3)					(Col. 6 + 7	(Col. 8-4)
17	**Computed Costs, without Equity**									Recovery
18	**Return or Income Taxes**									of Expenses
19		Monthly		Total			Monthly			or,
20		Minimum	Commodity	Cost of			Minimum	Commodity	Total	(Lack of
21	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	Recovery)
22	-	$ 13.87	-	$ 13.87		-	$ 7.27		$ 7.27	$ (6.60)
23	1,000	$ 13.87	$ 0.2130	$ 14.08		1,000	7.27	$ 0.81	8.08	(6.00)
24	2,000	13.87	0.43	14.30		2,000	7.27	1.62	8.89	(5.41)
25	3,000	13.87	0.64	14.51		3,000	7.27	2.43	9.70	(4.81)
26	4,000	13.87	0.85	14.72		4,000	7.27	3.24	10.51	(4.21)
27	5,000	13.87	1.07	14.93		5,000	7.27	4.47	11.74	(3.19)
28	6,000	13.87	1.28	15.15		6,000	7.27	5.70	12.97	(2.18)
29	7,000	13.87	1.49	15.36		7,000	7.27	6.93	14.20	(1.16)
30	8,000	13.87	1.70	15.57	**Usage**	8,000	7.27	8.16	15.43	(0.14)
31	**8,145**	13.87	1.74	15.60	**<-Level->**	**8,145**	7.27	8.34	15.61	0.00
32	9,000	13.87	1.92	15.79	**When**	9,000	7.27	9.39	16.66	0.87
33	10,000	13.87	2.13	16.00	**Revenues**	10,000	7.27	10.62	17.89	1.89
34	11,000	13.87	2.34	16.21	**Equal**	11,000	7.27	11.85	19.12	2.91
35	12,000	13.87	2.56	16.43	**Expenses**	12,000	7.27	13.08	20.35	3.92
36	13,000	13.87	2.77	16.64	**(No Rate**	13,000	7.27	14.31	21.58	4.94
37	14,000	13.87	2.98	16.85	**of Return**	14,000	7.27	15.54	22.81	5.96
38	15,000	13.87	3.20	17.06	**on**	15,000	7.27	16.77	24.04	6.98
39	16,000	13.87	3.41	17.28	**Equity**	16,000	7.27	18.00	25.27	7.99
40	17,000	13.87	3.62	17.49	**or Income**	17,000	7.27	19.23	26.50	9.01
41	18,000	13.87	3.83	17.70	**Taxes**	18,000	7.27	20.46	27.73	10.03
42	19,000	13.87	4.05	17.92	**Included)**	19,000	7.27	21.69	28.96	11.04
43	20,000	13.87	4.26	18.13		20,000	7.27	22.92	30.19	12.06
44	21,000	13.87	4.47	18.34		21,000	7.27	24.15	31.42	13.08
45	22,000	13.87	4.69	18.56		22,000	7.27	25.38	32.65	14.09
46	23,000	13.87	4.90	18.77		23,000	7.27	26.61	33.88	15.11
47	24,000	13.87	5.11	18.98		24,000	7.27	27.84	35.11	16.13
48	25,000	13.87	5.33	19.19		25,000	7.27	29.07	36.34	17.15
49	26,000	13.87	5.54	19.41		26,000	7.27	30.30	37.57	18.16
50	27,000	13.87	5.75	19.62		27,000	7.27	31.53	38.80	19.18
51	28,000	13.87	5.96	19.83		28,000	7.27	32.76	40.03	20.20
52	29,000	13.87	6.18	20.05		29,000	7.27	33.99	41.26	21.21
53	30,000	13.87	6.39	20.26		30,000	7.27	35.22	42.49	22.23
53	**Average Usage**					**Average Usage**				
54	8,787	13.87	1.87	15.74		8,787	7.27	9.13	16.40	**0.66**

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **with** Equity Return and Income Taxes

Exhibit
Rebuttal Schedule G-9
Page 2
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rebuttal Schedule G-8, Page 4	$ 0.2270
2	Computed Demand Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	$ 5.02
3	Computed Customer Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	7.74
4	Computed Service Line Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	1.97
5	Computed Meter Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	1.65
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rebuttal Schedule G-8, Page 4	$ 16.38

ACC Staff Proposed Rates

Proposed Monthly Minimum for 5/8" Meter			$ 7.27
Proposed Commodity Rate			
0	to	4,000	$ 0.81
4,001	to	100,000	$ 1.23
Over 100,001			$ 1.47

Computed Costs, with Equity Return and Income Taxes

Col. 1	Col. 2	Col. 3	Col. 4 (Col. 2+ 3)		Col. 5	Col. 6	Col. 7	Col. 8 (Col. 6 + 7	Col. 9 (Col. 8-4) Recovery of Expenses Rate of Return & Income Tax or (Lack of Recovery)
Usage	Monthly Minimum Revenue	Commodity Revenue	Total Cost of Service		Usage	Monthly Minimum Revenue	Commodity Revenue	Total Revenue	
-	$ 16.38	-	$ 16.38		-	$ 7.27		$ 7.27	$ (9.11)
1,000	$ 16.38	$ 0.2270	$ 16.61		1,000	7.27	$ 0.81	8.08	(8.53)
2,000	16.38	0.45	16.83		2,000	7.27	1.62	8.89	(7.94)
3,000	16.38	0.68	17.06		3,000	7.27	2.43	9.70	(7.36)
4,000	16.38	0.91	17.29		4,000	7.27	3.24	10.51	(6.78)
5,000	16.38	1.14	17.52		5,000	7.27	4.47	11.74	(5.78)
6,000	16.38	1.36	17.74		6,000	7.27	5.70	12.97	(4.77)
7,000	16.38	1.59	17.97		7,000	7.27	6.93	14.20	(3.77)
8,000	16.38	1.82	18.20		8,000	7.27	8.16	15.43	(2.77)
9,000	16.38	2.04	18.42		9,000	7.27	9.39	16.66	(1.76)
10,000	16.38	2.27	18.65	**Usage**	10,000	7.27	10.62	17.89	(0.76)
10,760	16.38	2.44	18.82	**<-Level->**	**10,760**	7.27	11.55	18.82	0.00
11,000	16.38	2.50	18.88	**When**	11,000	7.27	11.85	19.12	0.24
12,000	16.38	2.72	19.10	**Revenues**	12,000	7.27	13.08	20.35	1.25
13,000	16.38	2.95	19.33	**Equal**	13,000	7.27	14.31	21.58	2.25
14,000	16.38	3.18	19.56	**Expenses**	14,000	7.27	15.54	22.81	3.25
15,000	16.38	3.41	19.79	**and**	15,000	7.27	16.77	24.04	4.25
16,000	16.38	3.63	20.01	**Return**	16,000	7.27	18.00	25.27	5.26
17,000	16.38	3.86	20.24	**on Equity**	17,000	7.27	19.23	26.50	6.26
18,000	16.38	4.09	20.47	**and**	18,000	7.27	20.46	27.73	7.26
19,000	16.38	4.31	20.69	**Income**	19,000	7.27	21.69	28.96	8.27
20,000	16.38	4.54	20.92	**Taxes**	20,000	7.27	22.92	30.19	9.27
21,000	16.38	4.77	21.15		21,000	7.27	24.15	31.42	10.27
22,000	16.38	4.99	21.37		22,000	7.27	25.38	32.65	11.28
23,000	16.38	5.22	21.60		23,000	7.27	26.61	33.88	12.28
24,000	16.38	5.45	21.83		24,000	7.27	27.84	35.11	13.28
25,000	16.38	5.68	22.06		25,000	7.27	29.07	36.34	14.28
26,000	16.38	5.90	22.28		26,000	7.27	30.30	37.57	15.29
27,000	16.38	6.13	22.51		27,000	7.27	31.53	38.80	16.29
28,000	16.38	6.36	22.74		28,000	7.27	32.76	40.03	17.29
Average Usage					**Average Usage**				
8,787	$ 16.38	$ 1.995	$ 18.37		8,787	$ 7.27	9.13	16.40	**(1.98)**

Arizona / American Mohave Water
Summary of Revenues by Customer Classification - Present and Proposed Rates
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1							
2							
3	Residential 5/8 Inch	$2,648,370	$2,769,461	121,091	4.57%	60.90%	60.96%
4	Residential 1 Inch	15,626	16,355	729	4.66%	0.36%	0.36%
5	Residential 1.5 Inch	-	-	-			
6	Residential 2 Inch	14,500	15,181	681	4.70%	0.33%	0.33%
7							
8	Residential Muti-family 5/8 Inch	94,231	98,486	4,255	4.52%	2.17%	2.17%
9	Residential Muti-family 1 Inch	44,888	46,920	2,032	4.53%	1.03%	1.03%
10	Residential Muti-family 1.5 Inch	16,223	16,944	721	4.44%	0.37%	0.37%
11	Residential Muti-family 2 Inch	248,296	259,467	11,170	4.50%	5.71%	5.71%
12	Residential Muti-family 4 Inch	17,645	18,442	797	4.52%	0.41%	0.41%
13	Residential Muti-family 6 Inch	162,922	170,218	7,296	4.48%	3.75%	3.75%
14							
15	Rio Water Residential 5/8 Inch	80,529	84,197	3,668	4.55%	1.85%	1.85%
16	Rio Water Residential 1 Inch	26	27	1	4.56%	0.00%	0.00%
17	Rio Water Residential 2 Inch	74	77	3	4.55%	0.00%	0.00%
18							
19	Commercial 5/8 Inch	125,418	131,218	5,800	4.62%	2.88%	2.89%
20	Commercial 1 Inch	90,568	94,804	4,236	4.68%	2.08%	2.09%
21	Commercial 1.5 Inch	28,828	30,185	1,357	4.71%	0.66%	0.66%
22	Commercial 2 Inch	355,657	372,403	16,746	4.71%	8.18%	8.20%
23	Commercial 3 Inch	51,990	54,437	2,447	4.71%	1.20%	1.20%
24							
25	Commercial Multi-Unit 5/8 Inch	16,427	17,174	747	4.55%	0.38%	0.38%
26	Commercial Multi-Unit 1 Inch	3,014	3,149	135	4.48%	0.07%	0.07%
27	Commercial Multi-Unit 1.5 Inch	2,619	2,741	122	4.66%	0.06%	0.06%
28	Commercial Multi-Unit 2 Inch	9,383	9,814	431	4.59%	0.22%	0.22%
29							
30	Public Authority 58 Inch	4,450	4,651	201	4.52%	0.10%	0.10%
31	Public Authority 1 Inch	5,109	5,348	239	4.67%	0.12%	0.12%
32	Public Authority 1.5 Inch	3,877	4,058	181	4.68%	0.09%	0.09%
33	Public Authority 2 Inch	61,130	64,005	2,874	4.70%	1.41%	1.41%
34	Public Authority 3 Inch	15,446	16,176	730	4.72%	0.36%	0.36%
35	Public Authority 4 Inch	19,712	20,643	931	4.72%	0.45%	0.45%
36	Public Authority 6 Inch	33,295	34,867	1,572	4.72%	0.77%	0.77%
37							
38	Private Fire 2 Inch	264	275	11	4.33%	0.01%	0.01%
39	Private Fire 4 Inch	4,554	4,759	205	4.50%	0.10%	0.10%
40	Private Fire 6 Inch	1,539	1,611	72	4.67%	0.04%	0.04%
41	Private Fire 8 Inch	588	615	27	4.58%	0.01%	0.01%
42	Private Fire 10 Inch	180	188	8	4.60%	0.00%	0.00%
43	Private Fire Hydrant	14,489	15,153	664	4.58%	0.33%	0.33%
44	Miscellaneous Revenues	108,705	108,705		0.00%	2.50%	2.39%
45	Difference Between Bill Count Rev. & G/L Rev.	48,141	50,376	2,235	4.64%	1.11%	1.11%
46	**Subtotal of Water Revenues**	$4,348,715	$4,543,132	$ 194,417	4.47%	100.00%	100.00%
47							

Arizona / American Mohave Water
Summary of Revenues by Customer Classification - Present and Proposed Rates
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-1
Page 2
Witness: Kozoman

Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Additional Bills to be Issued	Additional Gallons to be Produced in 1,000's
1	Residential 5/8 Inch	49,762	52,038	2,276	4.57%	2,662	19,964
2	Residential 1 Inch	1,073	1,123	50	4.66%	24	507
3	Residential 1.5 Inch						
4	Residential 2 Inch	(1,244)	(1,302)	(58)	4.69%	(12)	(748)
5							
6	Residential Muti-family 5/8 Inch	(1,693)	(1,771)	(78)	4.63%	(9)	(515)
7	Residential Muti-family 1 Inch	57	59	3	4.58%	1	5
8	Residential Muti-family 1.5 Inch	(277)	(289)	(12)	4.39%	(8)	-
9	Residential Muti-family 2 Inch	(13,893)	(14,510)	(617)	4.44%	15	(1,854)
10	Residential Muti-family 4 Inch	-	-			-	-
11	Residential Muti-family 6 Inch	(10,652)	(11,114)	(463)	4.34%	(9)	493
12							
13	Rio Water Residential 5/8 Inch	2,721	2,844	124	4.55%	111	1,326
14	Rio Water Residential 1 Inch	287	300	13	4.56%	11	138
15	Rio Water Residential 2 Inch	212	221	10	4.55%	9	99
16							
17	Commercial 5/8 Inch	2,096	2,193	97	4.62%	78	1,038
18	Commercial 1 Inch	3,184	3,333	149	4.67%	60	1,603
19	Commercial 1.5 Inch	-	-			-	-
20	Commercial 2 Inch	10,608	11,107	499	4.71%	62	5,973
21	Commercial 3 Inch	2,711	2,839	128	4.70%	10	1,436
22							
23	Commercial Multi-Unit 5/8 Inch	3,966	4,150	185	4.65%	6	2,185
24	Commercial Multi-Unit 1 Inch	42	44	2	4.45%	1	9
25	Commercial Multi-Unit 1.5 Inch	-	-			-	-
26	Commercial Multi-Unit 2 Inch	(2,842)	(2,970)	(128)	4.50%	(8)	(688)
27							
28	Public Authority 58 Inch						
29	Public Authority 1 Inch	45	47	2	4.66%	1	21
30	Public Authority 1.5 Inch						
31	Public Authority 2 Inch	(977)	(1,023)	(46)	4.71%	(6)	(0.23)
32	Public Authority 3 Inch						
33	Public Authority 4 Inch	(18)	(19)	(1)	4.50%	(3)	-
34	Public Authority 6 Inch						
35							
36	Private Fire 2 Inch	132	138	6	4.33%	44	-
37	Private Fire 4 Inch						
38	Private Fire 6 Inch	81	85	4	4.67%	9	-
39	Private Fire 8 Inch	132	138	6	4.58%	11	-
40	Private Fire 10 Inch						
41	Private Fire Hydrant	(95)	(100)	(4)	4.58%	(12)	
42	Total Revenue Annualization	45,417	47,562	2,144	4.72%	3,048	30,993
43	Revenues from Page 1	4,348,715	4,543,132	194,417	4.47%		
44	Totals	4,394,133	4,590,694	196,561	4.47%	3,048	30,993

Arizona / American Mohave Water
Analysis of Revenue by Detailed Class at Average Usage
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Number of Units at 12/31/01	Average Consumption Per Customer	Revenues Per Customer Present Rates	Revenues Per Customer Proposed Rates	Revenues Per Unit Present Rates	Revenues Per Unit Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1									-	
2									-	
3	Residential 5/8 Inch	11,933	11,933	7,500	18.27	19.10	18.27	19.10	0.83	4.57%
4	Residential 1 Inch	29	29	21,141	88.42	92.55	88.42	92.55	4.12	4.66%
5	Residential 1.5 Inch									
6	Residential 2 Inch	10	10	62,308	120.74	126.41	120.74	126.41	5.67	4.70%
7									-	
8	Residential Muti-family 5/8 Inch	178	578	13,801	43.76	45.74	13.45	14.05	1.97	4.51%
9	Residential Muti-family 1 Inch	38	262	33,048	98.49	102.95	14.27	14.91	4.46	4.53%
10	Residential Muti-family 1.5 Inch	4	133	71,750	366.69	382.98	10.13	10.58	16.29	4.44%
11	Residential Muti-family 2 Inch	108	1,641	53,220	189.71	198.24	12.46	13.02	8.53	4.50%
12	Residential Muti-family 4 Inch	2	107	216,583	731.83	764.88	13.68	14.30	33.06	4.52%
13	Residential Muti-family 6 Inch	1	757	1,920,929	7,008.36	7,322.32	11.78	12.31	313.96	4.48%
14										
15	Rio Water Residential 5/8 Inch	264	264	11,942	25.15	26.29	25.15	26.29	1.15	4.55%
16	Rio Water Residential 1 Inch	0	0	12,501	26.13	27.32	26.13	27.32	1.19	4.56%
17	Rio Water Residential 2 Inch	0	0	11,000	23.50	24.57	23.50	24.57	1.07	4.55%
18										
19	Commercial 5/8 Inch	378	378	13,691	27.43	28.70	27.43	28.70	1.27	4.62%
20	Commercial 1 Inch	135	135	28,529	55.74	58.35	55.74	58.35	2.61	4.68%
21	Commercial 1.5 Inch	16	16	85,344	149.83	156.88	149.83	156.88	7.05	4.71%
22	Commercial 2 Inch	163	163	103,576	181.81	190.37	181.81	190.37	8.56	4.71%
23	Commercial 3 Inch	15	15	153,110	285.12	298.54	285.12	298.54	13.42	4.71%
24										
25	Commercial Multi-Unit 5/8 Inch	20	86	25,526	69.33	72.48	15.81	16.53	3.15	4.55%
26	Commercial Multi-Unit 1 Inch	5	22	12,339	49.86	52.09	11.31	11.82	2.23	4.47%
27	Commercial Multi-Unit 1.5 Inch	1	5	123,250	218.26	228.44	43.65	45.69	10.18	4.66%
28	Commercial Multi-Unit 2 Inch	3	37	126,781	293.04	306.50	21.41	22.39	13.46	4.59%
29										
30	Public Authority 58 Inch	27	27	3,731	12.69	13.26	12.69	13.26	0.57	4.50%
31	Public Authority 1 Inch	8	8	27,158	53.71	56.22	53.71	56.22	2.51	4.67%
32	Public Authority 1.5 Inch	5	5	27,767	64.61	67.64	64.61	67.64	3.02	4.68%
33	Public Authority 2 Inch	37	37	74,826	139.26	145.81	139.26	145.81	6.55	4.70%
34	Public Authority 3 Inch	1	1	830,167	1,287.17	1,347.98	1,287.17	1,347.98	60.81	4.72%
35	Public Authority 4 Inch	1	1	1,050,083	1,642.64	1,720.25	1,642.64	1,720.25	77.61	4.72%
36	Public Authority 6 Inch	1	1	1,740,583	2,774.58	2,905.62	2,774.58	2,905.62	131.04	4.72%
37										
38	Private Fire 2 Inch	7	7	-	-	-	-	-	-	0.00%
39	Private Fire 4 Inch	63	63	-	-	-	-	-	-	0.00%
40	Private Fire 6 Inch	14	14	-	-	-	-	-	-	0.00%
41	Private Fire 8 Inch	4	4	-	-	-	-	-	-	0.00%
42	Private Fire 10 Inch	1	1	-	-	-	-	-	-	0.00%
43	Private Fire Hydrant	158	158	-	-	-	-	-	-	0.00%
44										
45										
46										
47	Subtotal	13,628	16,896							
48										
49	Actual Year End Number									
50	of Customers:	13,795	17,315							
51										

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

Arizona / American Mohave Water
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1	Percentage Increase in Monthly Minimums				
2	Percentage Increase in Commodity Rates				
3					
4	**Monthly Usage Charge for:**				
5	Residential,Commercial, Irrigation, Resale and Miscellaneous Customers				
6	5/8 x 3/4 Inch	Rounded Down	$ 8.65	$ 9.030	4.39%
7	1 Inch	Rounded Down	15.00	$ 15.680	4.53%
8	1 1/2 Inch	Rounded Down	25.00	$ 26.150	4.60%
9	2 Inch	Rounded Down	30.00	$ 31.380	4.60%
10	3 Inch	Rounded Down	60.00	$ 62.770	4.62%
11	4 Inch	Rounded Down	90.00	$ 94.170	4.63%
12	6 Inch	Rounded Down	200.00	$ 209.270	4.64%
13	8 Inch	Rounded Down	400.00	$ 418.560	4.64%
14	10 Inch	Rounded Down	N/A	$ 723.200	N/A
15	Multi-unit rates based on multiple of 5/8 Inch minimum				
16					
17	Residential Rio Water				
18	5/8 Inch	Rounded Down	7.75	8.10	4.52%
19	1 Inch	Rounded Down	7.75	8.10	4.52%
20	2 Inch	Rounded Down	7.75	8.10	4.52%
21					
22	Private Fire				
23	2 Inch or smaller	Rounded Down	3.00	3.13	4.33%
24	4 Inch	Rounded Down	6.00	6.27	4.50%
25	6 Inch	Rounded Down	9.00	9.42	4.67%
26	8 Inch	Rounded Down	12.00	12.55	4.58%
27	10 Inch	Rounded Down	15.00	15.69	4.60%
28	12 Inch	Rounded Down	18.00	18.83	4.61%
29	14 Inch	Rounded Down	21.00	21.96	4.57%
30	20 Inch	Rounded Down	30.00	31.38	4.60%
31					
32	Per Sprinkler Head		0.51	0.53	3.92%
33	Per each Private Fire Hydrant		7.64	7.99	4.58%
34					
35	Gallons In Minimum				
36	All (except Rio Water)		1,000	1,000	
37	(Multi-unit rates based on multiple of)				
38	Rio Water		2,000	2,000	
39					
40					
41	**Tier 1:** Gallons upper limit				
42	All (except Rio Water)		999,999,999	999,999,999	
43	(Multi-unit rates based on multiple of 5/8 inch gallons of water in minimum)				
44	Rio Water		999,999,999	999,999,999	
45					
46	(a) Rounded to nearest whole cent				
47					
48					

Arizona / American Mohave Water
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 2
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1					
2					
3	**Tier 2:** (Gallon upper limit, up to, but not exceeding)				
4	All (except Rio Water)		999,999,999	999,999,999	
5	(Multi-unit rates based on multiple of 5/8 Meter Charge)				
6	Rio Water		999,999,999	999,999,999	
7					
8					
9					
10					
11					
12					
13					
14					
15	**Tier 3:** (Gallon over)				
16	All (except Rio Water)		999,999,999	999,999,999	
17	(Multi-unit rates based on multiple of 5/8 Meter Charge)				
18	Rio Water		999,999,999	999,999,999	
19					
20					
21					
22					
23					
24					
25					
26					
27	Commodity Rates (per 1,000 gallons over minimum and per Tier)				
28	All	Tier 1 (a)	$ 1.48	$ 1.55	4.73%
29	All	Tier 2 (a)	1.48	1.55	4.73%
30	All	Tier 3 (a)	1.48	1.55	4.73%
31	All	Tier 4 (a)	1.48	1.55	4.73%
32					
33					
34					
35	Rio Water	Tier1 (a)	$ 1.75	$ 1.83	4.57%
36	Rio Water	Tier 2 (a)	1.75	1.83	4.57%
37	Rio Water	Tier 3 (a)	1.75	1.83	4.57%
38	Rio Water	Tier 4 (a)	1.75	1.83	4.57%
39					
40	(a) Rounded to nearest whole cent				

Arizona / American Mohave Water
Changes in Representative Rate Schedules
Test Year Ended December 31, 2000

Exhibit
Rebuttal Schedule H-3
Page 3
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates	
1	Establishment	$ 25.00	$ 25.00	
2	Re-establishment	$ 20.00	$ 20.00	
3	Reconnection (Deliquent)	$ 25.00	$ 25.00	
4	Reconnection (After Hours)	$ 40.00	$ 40.00	
5	Disconnection	$ 25.00	$ 25.00	
6	Reconnection (After Hours)	$ 40.00	$ 40.00	
7	Meter Test	$ 10.00	$ 10.00	
8	Deposit	**	**	
9	Deposit Interest	**	**	
10	Re-Establishment (With-in 12 Months)	***	***	
11				
12	NSF Check	$ 15.00	$ 15.00	
13	Deferred Payment, Per Month (b)	1.50%	1.50%	
14	Meter Re-Read	$ 15.00	$ 15.00	
15	Charge of Moving Customer Meter -			
16	Customer Requested	Cost	Cost	
17	Late Payment Charge, greater of 1.50% or	$ 5.00	$ 5.00	(1)
18	Damages to Meter Locks, Valves, Seals	Cost	Cost	(2)
19	Sprinklers	See Sch. H-3, Page 1		
20				
21				
22	** PER COMMISSION RULES (R14-2-403.B)			
23	*** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)			
24	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM			
25	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE			
26	TAX. PER COMMISSION RULE (14-2-409.D 5)			
27	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,			
28	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.			
29				
30				
31				

	Meter Size	Present Charges	Proposed Charges
32			
33			
34	5/8 x 3/4 Inch	$275	$500
35	3 / 4 Inch	$295	$575
36	1 Inch	$325	$660
37	1 1/2 Inch	$475	$900
38	2 Inch	$650	$1,525
39	3 Inch	Cost	Cost
40	4 Inch	Cost	Cost
41	6 Inch	Cost	Cost
42	8 Inch	Cost	Cost
43			
44	As meters and service lines are now taxable income for income purposes, The Company		
45	shall collect income taxes on the meter and service line charges.		
46	Any tax collected will be refunded each year that the meter deposit is refunded.		
47			
48	Foothills System / Facility Construction Advance		
49	Per Equivalent Residential Unit $ 350.00		
50			

SUN CITY
WATER DIVISION

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Rates of Return at Present Rates Using ACC Staff Net Plant and Expenses

Exhibit
Rebuttal Schedule G-1
Page 1
Witness: Kozoman

Meter Size->	Totals	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Water Revenues and **(1)**	6,063,298	2,699,560	4,973	115,782	1,735,928	929,375	82,640	77,742	414,880	2,419	-
Revenue Annualizations											
Standby Revenues **(a)**	2,646	2,646									
Misc. Revenue **(a)**	113,419	113,419									
Total Revenues	6,179,363	2,815,625	4,973	115,782	1,735,928	929,375	82,640	77,742	414,880	2,419	-
Operating Expenses **(b)**	5,011,349	3,104,949	5,203	72,904	877,196	500,181	41,584	87,598	289,940	31,793	-
Depreciation and Amortization **(b)**	954,848	574,014	1,031	13,695	161,535	100,101	8,307	26,484	55,846	13,835	-
Property Tax **(c)**	238,638	108,735	192	4,471	67,039	35,891	3,191	3,002	16,022	93	-
Income Tax **(d)**	(237,836)	(496,278)	(789)	5,978	196,750	84,329	8,959	(21,878)	5,112	(20,020)	-
Total Operating Expenses	5,966,999	3,291,420	5,637	97,049	1,302,520	720,503	62,042	95,206	366,920	25,702	-
Operating Income	212,365	(475,795)	(664)	18,733	433,408	208,872	20,598	(17,465)	47,960	(23,283)	-
Interest Expense **(e)**	604,428	342,300	636	8,878	109,074	69,859	5,829	18,600	39,533	9,720	-
Net Income	(392,063)	(818,095)	(1,300)	9,855	324,334	139,014	14,769	(36,064)	8,427	(33,003)	-
Rate Base **(f)**	21,433,625	12,138,297	22,547	314,828	3,867,873	2,477,264	206,698	659,567	1,401,873	344,677	-
Rate of Return **(g)**	0.99%	-3.92%	-2.95%	5.95%	11.21%	8.43%	9.97%	-2.65%	3.42%	-6.75%	

(1) Present Revenues from Company's Bill Counts.
(a) Standby Revenues and Miscellaneous Revenue allocated to 5/8 Inch Customer Class.
(b) Operating Expenses and Depreciation computations are shown on Rebuttal Schedule G-4, Page 1.
(c) Property Taxes allocated based on Revenues
(d) Income Taxes allocated based on taxable income
(e) Interest Expense allocated based on Rate Base, Please see Rebuttal Schedule G-3, Page 1
(f) Rate Base computations are shown on Rebuttal Schedule G-3, Page 1
(g) Operating Income Divided by Rate Base

Income Tax Allocation											
Net Income & Income Tax	(629,899)										
Percent of Taxable Income		208.66%	0.33%	-2.51%	-82.72%	-35.46%	-3.77%	9.20%	-2.15%	8.42%	0.00%
Income Tax		(237,836)	(237,836)	(237,836)	(237,836)	(237,836)	(237,836)	(237,836)	(237,836)	(237,836)	(237,836)
Allocated Income Tax		(496,278)	(789)	5,978	196,750	84,329	8,959	(21,878)	5,112	(20,020)	-
Income Tax											
Property Tax Allocation	238,638	45.56%	0.08%	1.87%	28.09%	15.04%	1.34%	1.26%	6.71%	0.04%	0.00%
Property Tax Allocation	238,638	108,735	192	4,471.34	67,039.03	35,891.13	3,191.42	3,002.27	16,022.05	93.42	-

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Rates of Return at Proposed Rates Using ACC Staff Net Plant and Expenses

Exhibit
Rebuttal Schedule G-2
Page 1
Witness: Kozoman

Meter Size->	Totals	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Water Revenues and **(1)**	8,009,568	3,498,884	6,436	151,074	2,292,035	1,245,919	115,354	114,031	582,590	3,246	
Revenue Annualizations											
Standby Revenues **(a)**	3,490	3,490									
Misc. Revenue **(a)**	113,419	113,419									
Total Revenues	8,126,477	3,615,793	6,436	151,074	2,292,035	1,245,919	115,354	114,031	582,590	3,246	-
Operating Expenses **(b)**	5,011,349	3,104,949	5,203	72,904	877,196	500,181	41,584	87,598	289,940	31,793	-
Depreciation and Amortization **(b)**	954,848	574,014	1,031	13,695	161,535	100,101	8,307	26,484	55,846	13,835	-
Property Tax **(c)**	238,638	106,180	189	4,436	67,307	36,587	3,387	3,349	17,108	95	-
Income Tax **(d)**	506,619	(196,788)	(240)	19,677	414,200	207,380	21,633	(8,461)	69,294	(20,076)	-
Total Operating Expenses	6,711,454	3,588,355	6,183	110,713	1,520,238	844,250	74,912	108,969	432,187	25,648	-
Operating Income	1,415,023	27,438	252	40,362	771,797	401,669	40,442	5,062	150,403	(22,402)	-
Interest Expense **(e)**	604,428	342,300	636	8,878	109,074	69,859	5,829	18,600	39,533	9,720	-
Net Income	810,595	(314,862)	(383)	31,484	662,723	331,810	34,613	(13,538)	110,870	(32,122)	-
Rate Base **(f)**	21,433,625	12,138,297	22,547	314,828	3,867,873	2,477,264	206,698	659,567	1,401,873	344,677	-
Rate of Return **(g)**	6.60%	0.23%	1.12%	12.82%	19.95%	16.21%	19.57%	0.77%	10.73%	-6.50%	
Percent of Total Customers		88.103%	0.127%	1.107%	7.284%	2.666%	0.122%	0.271%	0.271%	0.050%	0.000%

(1) Revenues are from ACC Staff Billl Counts / Proposed Rates.
(a) Standby Revenues and Miscellaneous Revenue allocated to 5/8 Inch Customer Class.
(b) Operating Expenses and Depreciation computations are shown on Rebuttal Schedule G-4, Page 1.
(c) Property Taxes allocated based on Revenues
(d) Income Taxes allocated based on taxable income
(e) Interest Expense allocated based on Rate Base, Please see Rebuttal Schedule G-3, Page 1
(f) Rate Base computations are shown on Rebuttal Schedule G-3, Page 1
(g) Operating Income Divided by Rate Base

Income Tax Allocation											
Net Income & Income Tax	1,317,214										
Percent of Taxable Income		-39%	0%	4%	82%	41%	4%	-2%	14%	-4%	0%
Income Tax		506,619	506,619	506,619	506,619	506,619	506,619	506,619	506,619	506,619	506,619
Allocated Income Tax		(196,788)	(240)	19,677	414,200	207,380	21,633	(8,461)	69,294	(20,076)	-
Percent of Revenues		44.49%	0.08%	1.86%	28.20%	15.33%	1.42%	1.40%	7.17%	0.04%	0.00%
Property Tax Allocation	238,638	106,180	189	4,436	67,307	36,587	3,387	3,349	17,108	95	-

Arizona American - Sun City Water
Test Year Ended December 31, 2000
Cost of Service Study Using Commodity / Demand Method
Allocation of Assets to Customer Classes Using ACC Staff Net Plant

Exhibit
Rebuttal Schedule G-3
Page 1
Witness: Kozoman

Line No.		Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
1	Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid and Meter Deposits (from Schedule G-5, Page 1)											
2	Commodity	1,323,950	543,656	1,073	24,584	376,808	197,263	18,520	19,890	142,146	11	-
3	Demand	13,351,476	6,719,243	14,473	211,064	2,777,429	1,626,485	148,865	516,891	1,033,783	303,243	-
4	Customer	1,896,030	1,670,463	2,399	20,989	138,099	50,545	2,313	5,140	5,140	942	-
5	Service	2,542,885	2,129,697	3,058	30,528	215,740	102,560	6,230	20,121	29,536	5,415	-
6	Meter	2,319,283	1,075,238	1,544	27,664	359,797	500,412	30,770	97,525	191,268	35,066	-
7	Totals	21,433,625	12,138,297	22,547	314,828	3,867,873	2,477,264	206,698	659,567	1,401,873	344,677	-
8												
9												
10	Commodity	-	-	-	-	-	-	-	-	-	-	-
11	Demand	-	-	-	-	-	-	-	-	-	-	-
12	Customer											
13	Service											
14	Meter											
15	Totals	-	-	-	-	-	-	-	-	-	-	-
16												
17												
18				-	-	-	-	-	-	-		
19				-	-	-	-	-	-	-	-	-
20				-	-	-	-	-	-	-		
21				-	-	-	-	-	-	-	-	-
22												
23	Net Rate Base	21,433,625	12,138,297	22,547	314,828	3,867,873	2,477,264	206,698	659,567	1,401,873	344,677	-
24												
		ACC Staff Interest Expense										
	Allocated Interest Expense	604,428	342,300	636	8,878	109,074	69,859	5,829	18,600	39,533	9,720	-
	Ratio of rate bases to total rate base		56.6320%	0.1052%	1.4689%	18.0458%	11.5578%	0.9644%	3.0773%	6.5405%	1.6081%	0.0000%

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Customer Classes Using ACC Staff Expenses

Exhibit
Rebuttal Schedule G-4
Page 1
Witness: Kozoman

	Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Operation and Maintenance Expense (from Rebuttal Schedule G-6, Page 1)											
Commodity	1,564,302	642,352	1,267	29,047	445,214	233,075	21,882	23,501	167,952	13	-
Demand	1,105,559	556,382	1,198	17,477	229,983	134,680	12,327	42,801	85,602	25,110	-
Customer	1,819,761	1,603,267	2,302	20,145	132,544	48,512	2,220	4,933	4,933	904	-
Service	163,333	136,793	196	1,961	13,857	6,588	400	1,292	1,897	348	-
Meter	358,395	166,155	239	4,275	55,599	77,328	4,755	15,070	29,556	5,419	-
Totals	5,011,349	3,104,949	5,203	72,904	877,196	500,181	41,584	87,598	289,940	31,793	-
Depreciaton Expense on Plant (from Rebuttal Schedule G-6, Page 2)											
Commodity	51,128	20,995	41	949	14,551	7,618	715	768	5,489	0	-
Demand	540,431	271,976	586	8,543	112,423	65,836	6,026	20,922	41,845	12,274	-
Customer	163,526	144,072	207	1,810	11,911	4,359	199	443	443	81	-
Service	118,638	99,361	143	1,424	10,065	4,785	291	939	1,378	253	-
Meter	81,124	37,610	54	968	12,585	17,503	1,076	3,411	6,690	1,227	-
Totals	954,848	574,014	1,031	13,695	161,535	100,101	8,307	26,484	55,846	13,835	-
Total Expenses (excluding Income Tax and Property Taxes)	5,966,197	3,678,963	6,234	86,599	1,038,731	600,283	49,891	114,081	345,786	45,629	-

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of Rate Base by Function Using ACC Staff Plant and Accumulated Depreciation

Exhibit
Rebuttal Schedule G-5
Page 1
Witness: Kozoman

	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Rate Base							
Plant minus (Accumulated Depreciation Contributions in Aid of Construction Advances in Aid of Construction and Meter Deposits)	21,433,625	13,351,476	1,323,950	1,896,030	2,319,283	2,542,885	21,433,625
	21,433,625	13,351,476	1,323,950	1,896,030	2,319,283	2,542,885	21,433,625

	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Allocation of Property Taxes to Functions							
Revenue Requirement by Function	8,121,783	2,926,074	1,786,326	2,218,033	666,533	524,818	8,121,783
						-	-
Total Revenue Requirement	8,121,783	2,926,074	1,786,326	2,218,033	666,533	524,818	8,121,783
Property Taxes Allocation	238,638	85,975	52,487	65,171	19,584	15,420	238,638

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Allocation of Net Plant, Advances and Contributions in Aid of
Construction and Meter Deposits Using ACC Staff Plant and Accumulated Depreciation to Functions

Exhibit
Rebuttal Schedule G-5
Page 2
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost Plant with Adjustments	Company's Accumulated Depreciation	ACC Staff Original Cost Accum. Depr. Adjustments. (Adj. 1,3,4,6)	Net Plant Values	Company's Additional Post-Closing Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service	Totals
	Intangible												
301.00	Organization	471			471	-	471	471					471
302.00	Franchises	2,851			2,851	-	2,851	2,851					2,851
303.00	Miscellaneous Intangibles	4,591			4,591	-	4,591	4,591					4,591
Total Intangible Plant		7,913	-		7,913	-	7,913						-
													-
	Source of Supply												-
310.00	Land and Land Rights	180,083	-		180,083	0	180,083	180,083					180,083
311.00	Structures and Improvements	875,244	327,261		547,983	8,269	539,714	539,714					539,714
312.00	Collecting and Impounding Res.	314	49		265	4	262	262					262
313.00	Lakes, Rivers, Other Intakes	-	-		-	-	-	-	-				-
314.00	Wells and Springs	1,891,544	843,819	(288,071)	1,335,796	30,068	1,305,728	1,175,155	130,573				1,305,728
Total Source of Supply Plant		2,947,185	1,171,129	(288,071)	2,064,127	38,340	2,025,787						-
													-
	Pumping												-
320.00	Land and Land Rights	8,456	-		8,456	-	8,456	8,456					8,456
321.00	Structures and Improvements	582,491	243,441		339,050	4,862	334,189	300,770	33,419				334,189
323.00	Other Power Production	9,554	2,035		7,519	211	7,308	6,577	731				7,308
325.00	Electric Pumping Equipment	6,668,796	3,665,585	(49,513)	3,052,725	145,941	2,906,784	2,616,106	290,678				2,906,784
326.00	Diesel Pumping Equipment	25,151	5,751		19,400	628	18,772	16,895	1,877				18,772
328.10	Gas Engine Pumping Equipment	249,781	129,986		119,795	6,254	113,540	102,186	11,354				113,540
Total Pumping Plant		7,544,229	4,046,797	(49,513)	3,546,945	157,896	3,389,049						-
					-								-
	Water Treatment				-								-
330.00	Land and Land Rights	-	-		-	-	-	-					-
331.00	Structures and Improvements	80,580	11,317		69,263	673	68,591	61,732	6,859				68,591
332.00	Water Treatment Equipment	393,190	137,849	(3,653)	258,994	8,145	250,849	225,764	25,085				250,849
Total Water Treatment Plant		473,770	149,166	(3,653)	328,257	8,817	319,440						-
													-
	Transmission and Distribution				-								-
340.00	Land and Land Rights	10,493	-		10,493	-	10,493	10,493					10,493
341.00	Structures and Improvements	28,604	368		28,236	286	27,950	25,155	2,795				27,950
342.00	Distribution, Reservoirs, & ST	1,512,511	527,406	(29,320)	1,014,425	11,469	1,002,956	902,660	100,296				1,002,956
343.00	Transmission and Distribution	14,034,103	3,278,830		10,755,273	94,455	10,660,819	9,594,737	1,066,082				10,660,819
344.00	Fire Mains	-	-		-	-	-						-
345.00	Services	4,783,796	2,180,392		2,603,404	59,294	2,544,110					2,544,110	2,544,110
346.00	Meters	3,232,044	872,216		2,359,828	40,545	2,319,283				2,319,283		2,319,283
348.00	Hydrants	1,814,681	658,097		1,156,584	17,971	1,138,613			1,138,613			1,138,613
349.00	Other Transmission & Distribution	523	235		288	5	282	254	28				282
Total Transmission and Distribution Plant		25,416,755	7,517,543	(29,320)	17,928,532	224,025	17,704,506						

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Allocation of Net Plant, Advances and Contributions in Aid of
Construction and Meter Deposits

Exhibit
Rebuttal Schedule G-5
Page 2a
Witness: Kozoman

		ACC Staff Original Cost Plant with Adjustments	Company's Accumulated Depreciation	ACC Staff Original Cost Accumulated Depr. Adj. (Adj. 1,3,4,6)	Net Plant Values	Company's Additional Post-Closing Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service	Totals
ALLOCATED COMMON PLANT													
Maricopa Common Plant													
389.00	Land and Land Rights	1,163	-		1,163	-	1,163	1,163					1,163
390.00	Structures and Improvements	798,274	74,118		724,156	10,758	713,399	713,399					713,399
391.00	Office Funiture and Equipment	502,391	85,925		416,466	13,869	402,597			402,597			402,597
391.10	Computer Equipment	(219,782)	(103,610)	(40,759)	(75,412)	(25,763)	(49,649)			(49,649)			(49,649)
392.00	Transportation Equipment	579,346	247,444		331,902	100,772	231,130	57,782		173,347			231,130
393.00	Stores Equipment	6,847	1,855		4,992	265	4,727			4,727			4,727
394.00	Tools, Shop and Garage	97,973	4,347		93,626	4,483	89,143			89,143			89,143
395.00	Laboratory Equipment	31,035	5,471		25,564	(823)	26,387			26,387			26,387
396.00	Power Operated Equipment	28,010	10,204	(163)	17,968	2,035	15,933	3,983		11,950			15,933
397.00	Communication Equipment	177,799	79,275		98,524	11,400	87,124	21,781		65,343			87,124
398.00	Miscellaneous Equipment	66,047	30,617		35,430	1,858	33,571			33,571			33,571
Total Common Plant		2,069,103	435,645	(40,922)	1,674,380	118,855	1,555,525						
	Youngtown Plant *	(148,497)	(39,391)		(109,106)		(109,106)	(109,106)					(109,106)
	ADFUC adjustment 3/95 **	-	(111,822)	111,822	(0)		(0)	(0)					(0)
	TOTAL WATER PLANT	38,310,459	13,169,068	(299,657)	25,441,047	547,933	24,893,114	16,463,913	1,669,777	1,896,030	2,319,283	2,544,110	24,893,114
Total Plant		38,310,459			25,441,047								
	Adjustments to Accumulated Depreciation												
Company's additional Accumulated Depreciation Adjustment			547,933		(547,933)								-
			13,717,001										
	Total Net Plant				24,893,114								
	Advances in Aid of Construction				2,331,186		(2,331,186)	(2,098,067)	(233,119)				(2,331,186)
	Contributions in Aid of Construction				1,127,078		(1,127,078)	(1,014,370)	(112,708)				(1,127,078)
	Customer Meter Deposits				1,225		(1,225)					(1,225)	(1,225)
	Total Rate Base				21,433,625		21,433,625	13,351,476	1,323,950	1,896,030	2,319,283	2,542,885	21,433,625

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of ACC Staff Expenses to Functions

Exhibit
Rebuttal Schedule G-6
Page 1
Witness: Kozoman

		ACC Staff Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Salaries and Wages	(a)	1,568,417	480,473	53,386	815,140	219,418	-	1,568,417
Purchased Water		-		-				-
Purchased Power		1,417,171		1,417,171				1,417,171
Chemicals		17,413		17,413				17,413
Repairs and Maintenance	(b)	540,312	325,063	36,118	13,833.73	1,965	163,333	540,312
Office Supplies and Expense		169,519			169,519			169,519
Outside Services		164,564			164,564			164,564
Service Company Charges		-	-	-	-	-	-	-
Water Testing		6,878		6,878				6,878
Rents		28,369			28,369			28,369
Transportation Expenses		22			22			22
Insurance - General Liability		78,437			78,437			78,437
Insurance - Health and Life		-	-		-			-
Regulatory Commission Expense - Rate Case		40,874			40,874			40,874
Miscellaneous Expense		864,693	264,892	29,432	449,400	120,969	-	864,693
Depreciation Expense, Allocated on Rebuttal Schedule G-6, Page 2								-
Taxes Other Than Income		114,680	35,131	3,903	59,602	16,043	-	114,680
Property Taxes, Allocated on Rebuttal Schedules G-1 & G-2				-	-			-
Income Tax, Allocated on Rebuttal Schedules G-1 & G-2								
		5,011,349	1,105,559	1,564,302	1,819,761	358,395	163,333	5,011,349

(a) Labor (Wages and Salaries) factor computations shown on Rebuttal Schedule G-7, Page 2a
(b) Repairs and Maintenance allocation factors computation shown on Rebuttal Schedule G-7, Page 2a

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Allocation of Depreciation Expense Using ACC Plant and Depreciation Rates to Functions

Exhibit
Rebuttal Schedule G-6
Page 2
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost	Depreciation Rate	Depreciatio Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service	Totals
	Intangible										-
301.00	Organization	471		-							-
302.00	Franchises	2,851		-							-
303.00	Miscellaneous Intangibles	4,591		-							-
	Subtotal Intangible	7,913		-							-
											-
	Source of Supply										-
310.00	Land and Land Rights	180,083		-							-
311.00	Structures and Improvements	875,244	2.500%	21,881	21,881	21,881					21,881
312.00	Collecting and Impounding Res.	314	2.500%	8	8	8					8
313.00	Lakes, Rivers, Other Intakes	-		-	-						-
314.00	Wells and Springs	1,891,544	2.520%	47,667	47,667	42,900	4,767				47,667
	Subtotal Source of Supply	2,947,185		69,556							-
											-
	Pumping										-
320.00	Land and Land Rights	8,456		-	-						-
321.00	Structures and Improvements	582,491	1.670%	9,728	9,728	8,755	973				9,728
323.00	Other Power Production	9,554	4.420%	422	422	380	42				422
325.00	Electric Pumping Equipment	6,668,796	4.420%	294,761	294,761	265,285	29,476				294,761
326.00	Diesel Pumping Equipment	25,151	5.000%	1,258	1,258	1,132	126				1,258
328.10	Gas Engine Pumping Equipment	249,781	5.010%	12,514	12,514	11,263	1,251				12,514
	Subtotal Pumping	7,544,229		318,682							-
											-
	Water Treatment										-
330.00	Land and Land Rights			-	-						-
331.00	Structures and Improvements	80,580	1.670%	1,346	1,346	1,211	135				1,346
332.00	Water Treatment Equipment	393,190	4.000%	15,728	15,728	14,155	1,573				15,728
	Subtotal Water Treatment	473,770		17,073							-
											-
	Transmission and Distribution										-
340.00	Land and Land Rights	10,493		-	-						-
341.00	Structures and Improvements	28,604	2.000%	572	572	515	57				572
342.00	Distribution, Reservoirs, & ST	1,512,511	1.670%	25,259	25,259	22,733	2,526				25,259
343.00	Transmission and Distribution	14,034,103	1.530%	214,722	214,722	193,250	21,472				214,722
344.00	Fire Mains	-		-	-						-
345.00	Services	4,783,796	2.480%	118,638	118,638					118,638	118,638
346.00	Meters	3,232,044	2.510%	81,124	81,124				81,124		81,124
348.00	Hydrants	1,814,681	2.000%	36,294	36,294			36,294			36,294
349.00	Other Transmission & Distribution	523	2.000%	10	10	9	1				10
	Subtotal Transmission and Distribution	25,416,755		476,619							

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Allocation of Depreciation Expense Using ACC Plant and Depreciation Rates to Functions

Exhibit
Rebuttal Schedule G-6
Page 2a
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost	Depreciation Rate	Depreciation Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service	Totals
	General										
389.00	Land and Land Rights	1,163		-							-
390.00	Structures and Improvements	798,274	1.670%	13,331	13,331	13,331					13,331
391.00	Office Funiture and Equipment	502,391	4.590%	10,914	10,914			10,914			10,914
391.10	Computer Equipment	(219,782)	4.590%	15,626	15,626			15,626			15,626
392.00	Transportation Equipment	579,346	25.000%	107,102	107,102	26,776		80,327			107,102
393.00	Stores Equipment	6,847	3.910%	268	268			268			268
394.00	Tools, Shop and Garage	97,973	4.020%	3,939	3,939			3,939			3,939
395.00	Laboratory Equipment	31,035	3.710%	1,151	1,151			1,151			1,151
396.00	Power Operated Equipment	28,010	5.200%	1,491	1,491	373		1,118			1,491
397.00	Communication Equipment	177,799	10.300%	14,177	14,177	3,544		10,633			14,177
398.00	Miscellaneous Equipment	66,047	4.930%	3,256	3,256			3,256			3,256
	Subtotal General	2,069,103		171,257				-			
								-			-
Youngtown Plant		(148,497)	2.832%	(4,205)	(4,205)	(4,205)					(4,205)
ADFUC adjustment 3/95		-	2.832%	-							
	Subtotals	38,310,459		1,048,982							-
				-							
				-							
						-					-
						-					-
Amortization of Deferred Regulatory Asset		655,877	2.832%	18,573	18,573	18,573					18,573
Less: Amotization of Contributions		1,127,078	10.00%	(112,708)	(112,708)	(101,437)	(11,271)				(112,708)
Total Depreciation Expense				954,848	954,848	540,431	51,128	163,526	81,124	118,638	954,848

Arizona American - Sun City Water
Test Year Ended December 31, 2001
SUMMARY OF COMMODITY - DEMAND METHOD FUNCTION FACTORS

Exhibit
Rebuttal Schedule G-7
Page 1
Witness: Kozoman

Line No.	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Totals
1												
2	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Totals
3	Commodity	41.063%	0.081%	1.857%	28.461%	14.900%	1.399%	1.502%	10.737%	0.001%	0.00%	100.00%
4	Demand	50.326%	0.108%	1.581%	20.802%	12.182%	1.115%	3.871%	7.743%	2.271%	0.00%	100.00%
5	Customer	88.103%	0.127%	1.107%	7.284%	2.666%	0.122%	0.271%	0.271%	0.050%	0.00%	100.00%
6	Services	83.751%	0.120%	1.201%	8.484%	4.033%	0.245%	0.791%	1.162%	0.213%	0.00%	100.00%
7	Meters	46.361%	0.067%	1.193%	15.513%	21.576%	1.327%	4.205%	8.247%	1.512%	0.00%	100.00%
8												
9												
10												
11												
12												
13												

Arizona American - Sun City Water
Test Year Ended December 31, 2001
COMMODITY - DEMAND METHOD FUNCTION FACTORS
Plant and Depreciation Expense Allocations

Exhibit
Rebuttal Schedule G-7
Page 2
Witness: Kozoman

Line No.	Description	Total	Demand	Commodity	Customer
1					
2	Description	Total	Demand	Commodity	Customer
3	Wells	1.00	0.90	0.10	
4	Pumps & Equipment	1.00	0.90	0.10	
5	Distribution Mains	1.00	0.90	0.10	
6	Customer	1.00			1.00
7	Services	1.00			1.00
8	Meters	1.00			1.00
9	Fire Hydrants	1.00			1.00
10	Transportation Equip.	1.00	0.25		0.75
11	Office Furniture	1.00			1.00
12	Communication Equip.	1.00	0.25		0.75
13					
14					
15	**To Approximately Match ACC Staff Proposed Rates for 5/8 Inch Meter**				
16	Demand and Commodity Allocation to Wells, Pumps and Equipment and				
17	Distribution Mains would need to be changed to approximately match				
18	ACC Staff's proposed monthly minimums and commodity rates. The				
19	match would be ACC Staff's Proposed Rates to Computed Monthly				
20	Minimum and Commodity rate WITHOUT Equity returns and				
21	Income Taxes. Match would be based on cost only.				
22					
23					
24					
25	**Required Allocations:**				
26	Description	Total	Demand	Commodity	Customer
27	Wells	1.00	(0.75)	1.75	
28	Pumps & Equipment	1.00	(0.75)	1.75	
29	Distribution Mains	1.00	(0.75)	1.75	
30					
31					
32					

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
DEVELOPMENT OF ALLOCATION FACTORS

Exhibit
Rebuttal Schedule 7
Page 2a
Witness: Kozoman

Labor Allocation Factors	
Pumping Labor	34.04%
Meter Labor	13.99%
Customer Labor	51.97%
	100.00%

Repairs and Maintenance Allocation Factors	
Repairs and Maintenance Demand	13.54%
Repairs and Maintenance Pumping	42.92%
Repairs and Maintenance Mains	10.38%
Repairs and Maintenance Services	30.23%
Repairs and Maintenance Meters	0.36%
Repairs and Maintenance Customer	2.56%
	100.00%

Computations shown on this work sheet are from page labeled asTrial Balance in this work book. Allocation percentage were computed based on Expenses charged by Citizens Utilities and are then applied to ACC Staff expense amounts.

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
DEVELOPMENT OF CLASS ALLOCATION FACTORS

Exhibit
Rebuttal Schedule 7
Page 3
Witness: Kozoman

COMMODITY ALLOCATION FACTOR

Meter Size	(a) Total Gallons (in 1,000's) In Test Year	Percent of Total
5/8" x 3/4"	1,952,332	41.06%
3/4"	3,852	0.08%
1"	88,283	1.86%
1-1/2"	1,353,160	28.46%
2"	708,395	14.90%
3"	66,508	1.40%
4"	71,427	1.50%
6"	510,464	10.74%
8"	38	0.001%
10"	-	0.000%
Totals	4,754,460	100.00%

DEMAND ALLOCATION FACTOR

Meter Size	(a) Number of Meters and/or Services	Equivalent Weight	Equivalent Number of Meters and/or Services	Percent of Total
5/8" x 3/4	19,499	1.0	19,499	50.33%
3/4"	28	1.5	42	0.11%
1"	245	2.5	613	1.58%
1-1/2"	1,612	5.0	8,060	20.80%
2"	590	8.0	4,720	12.18%
3"	27	16.0	432	1.11%
4"	60	25.0	1,500	3.87%
6"	60	50.0	3,000	7.74%
8"	11	80.0	880	2.27%
10"	-	160.0	0	0.00%
Totals	22,132		38,746	100.00%

CUSTOMER ALLOCATION FACTOR

Meter Size	Number of Meters	Percent of Total
5/8" x 3/4"	19,499	88.10%
3/4"	28	0.13%
1"	245	1.11%
1-1/2"	1,612	7.28%
2"	590	2.67%
3"	27	0.12%
4"	60	0.27%
6"	60	0.27%
8"	11	0.05%
10"	0	0.00%
Totals	22,132	100.00%

SERVICES ALLOCATION FACTOR (b)

Meter Size	Number of Services	Installation Cost	Weighted Number Services	Percent of Total
5/8" x 3/4	19,499	$ 355.00	6,922,145	83.75%
3/4"	28	355.00	9,940	0.12%
1"	245	405.00	99,225	1.20%
1-1/2"	1,612	435.00	701,220	8.48%
2"	590	565.00	333,350	4.03%
3"	27	750.00	20,250	0.25%
4"	60	1,090.00	65,400	0.79%
6"	60	1,600.00	96,000	1.16%
8"	11	1,600.00	17,600	0.21%
10"	0	1,600.00	0	0.00%
Totals	22,132		8,265,130	100.00%

METER ALLOCATION FACTOR (b)

Meter Size	Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8" x 3/4"	19,499	$ 105.00	2,047,395	46.36%
3/4"	28	105.00	2,940	0.07%
1"	245	215.00	52,675	1.19%
1-1/2"	1,612	425.00	685,100	15.51%
2"	590	1,615.00	952,850	21.58%
3"	27	2,170.00	58,590	1.33%
4"	60	3,095.00	185,700	4.20%
6"	60	6,070.00	364,200	8.25%
8"	11	6,070.00	66,770	1.51%
10"	0	6,070.00	0	0.00%
Totals	22,132		4,416,220	100.00%

(a) Includes customer and gallon sold annualization
(b) Meter and Service Line cost from Arizona Corporation Commission Memo of April 23, 2002 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rebuttal Schedule G-8
Page 1
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	1,896,030	2,542,885	2,319,283	6,758,199
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	53,468	71,709	65,404	190,581
4	Rate Bases	1,896,030	2,542,885	2,319,283	6,758,199
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	71,291	95,612	87,205	254,108
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	116,106	155,717	142,025	413,848
9					
10	Revenue Requirement for Debt Component, from Line 3	53,468	71,709	65,404	190,581
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	116,106	155,717	142,025	413,848
13	Total Return Requirement with Income Tax	169,574	227,427	207,429	604,430
14					
15	Property Tax Expense, from Schedule G-5, Page 1	65,171	15,420	19,584	100,176
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	1,819,761	163,333	358,395	2,341,488
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	163,526	118,638	81,124	363,289
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	2,218,033	524,818	666,533	3,409,383
19					
20	**Customer Charge**				
21	Number of Bills = 22,132 times 12	265,584			
22					
23	**Charge per Bill**	$ 8.35			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 38,746 times 12		464,946	464,946	
28					
29	**Charge per Equivalent Meter**		$ 1.13	$ 1.43	
30					
31					
32	CUSTOMER CHARGE:				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge)				
34	Charge per Bill (Customer Charge with Equity Return and Income Tax)	$ 8.35			
35	Charge per Equivalent Meter (For Service Line Charge with Equity Return and Income Tax)	1.13			
36	Charge per Equivalent Meter (For Meter Charge with Equity Return and Income Tax)	1.43			
37	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter	$ 10.91			
39					

Arizona American - Sun City Water
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Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rebuttal Schedule G-8
Page 1a
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	1,896,030	2,542,885	2,319,283	6,758,199
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	53,468	71,709	65,404	190,581
4	Rate Bases	1,896,030	2,542,885	2,319,283	6,758,199
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	0.00%	0.00%	0.00%	0.00%
6	Required Operating Income for Equity	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-
9					
10	Revenue Requirement for Debt Component, from Line 3	53,468	71,709	65,404	190,581
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	-	-	-	-
13	Total Return Requirement with Income Tax	53,468	71,709	65,404	190,581
14					
15	Property Tax Expense, from Schedule G-5, Page 1	65,171	15,420	19,584	100,176
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	1,819,761	163,333	358,395	2,341,488
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	163,526	118,638	81,124	363,289
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	2,101,926	369,101	524,508	2,995,535
19					
20	**Customer Charge**				
21	Number of Bills = 22,132 times 12	265,584			
22					
23	**Charge per Bill**	$ 7.91			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 38,746 times 12		464,946	464,946	
28					
29	**Charge per Equivalent Meter**		$ 0.79	$ 1.13	
30	**Actual Cost (without Equity Returns or Income Taxes)**				
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge, nor recovery of return or income tax)				
34	Charge per Bill (Customer Charge without Equity Return or Income Tax)		$ 7.91		
35	Charge per Equivalent Meter (For Service Line Charge without Equity Return or Income Tax)		0.79		
36	Charge per Equivalent Meter (For Meter Charge without Equity Return or Income Tax)		1.13		
37	(Service and Meter Revenue Requirement divided by Annualized Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter without recovery of Equity Return or Income Tax		$ 9.84		

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Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Schedule G-8
Page 2
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	13,351,476
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	376,512
5	Rate Base	13,351,476
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%
7	Required Operating Income for Equity	502,015
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	817,597
10		
11	Revenue Requirement for Debt Component, from Line 4	376,512
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	817,597
14		
15	Property Tax Expense, from Schedule G-5, Page 1	85,975
16	Demand Expenses, from Schedule G-6, Page 1	1,105,559
17	Depreciation, from Schedule G-6, Page 2	540,431
18	Totals	2,926,074
19	Total Revenue Requirement / Demand Component	
20	Equivalent Number of 5/8 x 3/4 Meters	464,946
21	Demand Charge for 5/8 x 3/4 Inch Meter	$ 6.29
22		

23		5/8" Demand	Meter	Demand
24	Demand Charge Per Equivalent	Charge	Ratio	Charge
25	5/8 x 3/4 Inch Meter	$ 6.29	1.0	$ 6.29
26	3/4 Inch Meter	$ 6.29	1.5	9.44
27	1 Inch Meter	$ 6.29	2.5	15.73
28	1 1/2 Inch Meter	$ 6.29	5.0	31.47
29	2 Inch Meter	$ 6.29	8.0	50.35
30	3 Inch Meter	$ 6.29	15.0	94.40
31	4 Inch Meter	$ 6.29	25.0	157.33
32	6 Inch Meter	$ 6.29	50.0	314.67
33	8 Inch Meter	$ 6.29	80.0	503.47
34	10 Inch Meter	$ 6.29	160.0	1,006.94

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Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Schedule G-8
Page 2a
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	13,351,476
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	376,512
5	Rate Base	13,351,476
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	
7	Required Operating Income for Equity	-
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	-
10		
11	Revenue Requirement for Debt Component, from Line 4	376,512
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	-
14		
15	Property Tax Expense, from Schedule G-5, Page 1	85,975
16	Demand Expenses, from Schedule G-6, Page 1	1,105,559
17	Depreciation, from Schedule G-6, Page 2	540,431
18	Totals	2,108,476
19	Total Revenue Requirement / Demand Component	
20	Equivalent Number of 5/8 x 3/4 Meters	464,946
21	Demand Charge for 5/8 x 3/4 Inch Meter	$ 4.53
22		

		5/8" Demand Charge	Meter Ratio	Demand Charge
23				
24	Demand Charge Per Equivalent			
25	5/8 x 3/4 Inch Meter	$ 4.53	1.0	$ 4.53
26	3/4 Inch Meter	$ 4.53	1.5	6.80
27	1 Inch Meter	$ 4.53	2.5	11.34
28	1 1/2 Inch Meter	$ 4.53	5.0	22.67
29	2 Inch Meter	$ 4.53	8.0	36.28
30	3 Inch Meter	$ 4.53	15.0	68.02
31	4 Inch Meter	$ 4.53	25.0	113.37
32	6 Inch Meter	$ 4.53	50.0	226.74
33	8 Inch Meter	$ 4.53	80.0	362.79
34	10 Inch Meter	$ 4.53	160.0	725.58

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including and Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 3
Witness: Kozoman

Including Equity Return and Income Taxes

Line No.		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Proposed Monthly Minimum to Computed Minimum
1	5/8 x 3/4 Inch Meter	$ 8.35	$ 1.13	$ 1.43	$ 6.29	$ 17.21	6.59	38.30%
2	3/4 Inch Meter	8.35	1.69	2.15	9.44	21.64	6.59	30.46%
3	1 Inch Meter	8.35	2.82	3.58	15.73	30.49	17.15	56.25%
4	1 1/2 Inch Meter	8.35	5.64	7.17	31.47	52.63	36.93	70.17%
5	2 Inch Meter	8.35	9.03	11.47	50.35	79.20	54.07	68.27%
6	3 Inch Meter	8.35	16.93	21.50	94.40	141.19	92.32	65.39%
7	4 Inch Meter	8.35	28.22	35.84	157.33	229.74	135.85	59.13%
8	6 Inch Meter	8.35	56.44	71.68	314.67	451.14	185.97	41.22%
9	8 Inch Meter	8.35	90.30	172.03	503.47	774.15		
10	10 Inch Meter	8.35	270.91	573.43	1,006.94	1,859.62		
11								
12								
13								

Excluding Equity Return and Income Taxes

14								
15								
16								
17								
18								
19		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Proposed Monthly Minimum to Computed Minimum
20								
21	5/8 x 3/4 Inch Meter	$ 7.91	$ 0.79	$ 1.13	$ 4.53	$ 14.37	6.59	45.86%
22	3/4 Inch Meter	7.91	1.19	1.69	6.80	17.60	6.59	37.44%
23	1 Inch Meter	7.91	1.98	2.82	11.34	24.06	17.15	71.29%
24	1 1/2 Inch Meter	7.91	3.97	5.64	22.67	40.20	36.93	91.87%
25	2 Inch Meter	7.91	6.35	9.02	36.28	59.57	54.07	90.77%
26	3 Inch Meter	7.91	11.91	16.92	68.02	104.77	92.32	88.12%
27	4 Inch Meter	7.91	19.85	28.20	113.37	169.34	135.85	80.23%
28	6 Inch Meter	7.91	39.69	56.41	226.74	330.76	185.97	56.23%
29	8 Inch Meter	7.91	63.51	90.25	362.79	524.46		
30	10 Inch Meter	7.91	127.02	180.50	725.58	1,041.01		

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 4
Witness: Kozoman

Line No.		Commodity	Customer	Service	Meter	Demand	Totals
1	Rate Bases from Schedule G-5, Page 1	1,323,950	1,896,030	2,542,885	2,319,283	13,351,476	21,433,625
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.820%	2.820%	2.820%	2.820%	2.820%	2.820%
3	Required Operating Income - for Debt	37,335	53,468	71,709	65,404	376,512	604,428
4	Rate Bases from Schedule G-5, Page 1	1,323,950	1,896,030	2,542,885	2,319,283	13,351,476	21,433,625
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	49,781	71,291	95,612	87,205	502,015	805,904
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	81,074	116,106	155,717	142,025	817,597	1,312,520
9							
10	Revenue Requirement for Debt Component, from Line 3	37,335	53,468	71,709	65,404	376,512	604,428
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	81,074	116,106	155,717	142,025	817,597	1,312,520
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	118,409	169,574	227,427	207,429	1,194,109	1,916,948
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	52,487	65,171	15,420	19,584	85,975	238,638
16	Expenses (From Sch. G-6. Page 1)	1,564,302	1,819,761	163,333	358,395	1,105,559	5,011,349
17	Depreciation and Amortization (From Schedule G-6, Page 2)	51,128	163,526	118,638	81,124	540,431	954,848
18	Total Revenue Requirement by function	1,786,326	2,218,033	524,818	666,533	2,926,074	8,121,783
19							
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	4,754,460	265,584	464,946	464,946	464,946	
21	Computed Commodity Rate, Customer, Meter, Service Line & Demand	$ 0.3757					
22	(Line 18 divided by Line 20)		$ 8.35	$ 1.13	$ 1.43	$ 6.29	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter and Demand Charge on Line 22)					$ 17.21	
24							

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 4a
Witness: Kozoman

Line No.		Commodity	Customer	Service	Meter	Demand	Totals
1	Rate Bases from Schedule G-5, Page 1	1,323,950	1,896,030	2,542,885	2,319,283	13,351,476	21,433,625
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	37,335	53,468	71,709	65,404	376,512	604,428
4	Rate Bases from Schedule G-5, Page 1	1,323,950	1,896,030	2,542,885	2,319,283	13,351,476	21,433,625
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)						
6	Required Operating Income for Equity	-	-	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	-	-	-	-	-	-
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-	-	-
9							
10	Revenue Requirement for Debt Component, from Line 3	37,335	53,468	71,709	65,404	376,512	604,428
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	-	-	-	-	-	-
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	37,335	53,468	71,709	65,404	376,512	604,428
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	52,487	65,171	15,420	19,584	85,975	238,638
16	Expenses (From Sch. G-6. Page 1)	1,564,302	1,819,761	163,333	358,395	1,105,559	5,011,349
17	Depreciation and Amortization (From Schedule G-6, Page 2)	51,128	163,526	118,638	81,124	540,431	954,848
18	Total Revenue Requirement by function	1,705,252	2,101,926	369,101	524,508	2,108,476	6,809,263
19							
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	4,754,460	265,584	464,946	464,946	464,946	
21	Computed Commodity Rate, Customer, Meter, Service Line & Demand	$ 0.3587					
22	(Line 18 divided by Line 20)		$ 7.9144	$ 0.7939	$ 1.1281	$ 4.5349	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter and Demand Charge on Line 22)					$ 14.37	

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **without** Equity Return and Income Taxes

Exhibit
Rebuttal Schedule G-9
Page 1
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rebuttal Schedule G-8, Page 4a	$0.3587
2	Computed Demand Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	$ 4.53
3	Computed Customer Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	7.91
4	Computed Service Line Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	0.79
5	Computed Meter Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	1.13
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rebuttal Schedule G-8, Page 4a	$ 14.37
7		
8	**ACC Staff Proposed Rates**	
9	Proposed Monthly Minimum for 5/8" Meter	$ 6.59
10	Proposed Commodity Rate	
11	0 to 4,000	$ 0.78
12	4,001 to 100,000	$ 1.17
13	Over 100,001	$ 1.39
14		

15	Col. 1	Col. 2	Col. 3	Col. 4		Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
16				(Col. 2+ 3)					(Col. 6 + 7	(Col. 8-4)
17	**Computed Costs, without Equity**									Recovery
18	**Return or Income Taxes**									of Expenses
19		Monthly		Total			Monthly			or,
20		Minimum	Commodity	Cost of			Minimum	Commodity	Total	(Lack of
21	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	Recovery)
22	-	$ 14.37	-	$ 14.37		-	$ 6.59		$ 6.59	$ (7.78)
23	1,000	$ 14.37	$0.3587	$ 14.73		1,000	6.59	$ 0.78	7.37	(7.36)
24	2,000	14.37	0.72	15.09		2,000	6.59	1.56	8.15	(6.94)
25	3,000	14.37	1.08	15.45		3,000	6.59	2.34	8.93	(6.52)
26	4,000	14.37	1.43	15.81		4,000	6.59	3.12	9.71	(6.10)
27	5,000	14.37	1.79	16.16		5,000	6.59	4.29	10.88	(5.28)
28	6,000	14.37	2.15	16.52		6,000	6.59	5.46	12.05	(4.47)
29	7,000	14.37	2.51	16.88		7,000	6.59	6.63	13.22	(3.66)
30	8,000	14.37	2.87	17.24		8,000	6.59	7.80	14.39	(2.85)
31	9,000	14.37	3.23	17.60		9,000	6.59	8.97	15.56	(2.04)
32	10,000	14.37	3.59	17.96		10,000	6.59	10.14	16.73	(1.23)
33	11,000	14.37	3.95	18.32	**Usage**	11,000	6.59	11.31	17.90	(0.42)
34	**11,515**	14.37	4.13	18.50	**<-Level->**	**11,515**	6.59	11.91	18.50	0.00
35	12,000	14.37	4.30	18.68	**When**	12,000	6.59	12.48	19.07	0.39
36	13,000	14.37	4.66	19.03	**Revenues**	13,000	6.59	13.65	20.24	1.21
37	14,000	14.37	5.02	19.39	**Equal**	14,000	6.59	14.82	21.41	2.02
38	15,000	14.37	5.38	19.75	**Expenses**	15,000	6.59	15.99	22.58	2.83
39	16,000	14.37	5.74	20.11		16,000	6.59	17.16	23.75	3.64
40	17,000	14.37	6.10	20.47	**(No Rate**	17,000	6.59	18.33	24.92	4.45
41	18,000	14.37	6.46	20.83	**of Return**	18,000	6.59	19.50	26.09	5.26
42	19,000	14.37	6.81	21.19	**on**	19,000	6.59	20.67	27.26	6.07
43	20,000	14.37	7.17	21.54	**Equity**	20,000	6.59	21.84	28.43	6.89
44	21,000	14.37	7.53	21.90	**or Income**	21,000	6.59	23.01	29.60	7.70
45	22,000	14.37	7.89	22.26	**Taxes**	22,000	6.59	24.18	30.77	8.51
46	23,000	14.37	8.25	22.62	**Included)**	23,000	6.59	25.35	31.94	9.32
47	24,000	14.37	8.61	22.98		24,000	6.59	26.52	33.11	10.13
48	25,000	14.37	8.97	23.34		25,000	6.59	27.69	34.28	10.94
49	26,000	14.37	9.33	23.70		26,000	6.59	28.86	35.45	11.75
50	27,000	14.37	9.68	24.06		27,000	6.59	30.03	36.62	12.56
51	28,000	14.37	10.04	24.41		28,000	6.59	31.20	37.79	13.38
52	29,000	14.37	10.40	24.77		29,000	6.59	32.37	38.96	14.19
53	30,000	14.37	10.76	25.13		30,000	6.59	33.54	40.13	15.00
54	**Average Usage**					**Average Usage**				
55	8,361	14.37	3.00	17.37		8,361	6.59	8.22	14.81	**(2.56)**

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **with** Equity Return and Income Taxes

Exhibit
Rebuttal Schedule G-9
Page 2
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rebuttal Schedule G-8, Page 4	$0.3757
2	Computed Demand Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	$ 6.29
3	Computed Customer Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	8.35
4	Computed Service Line Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	1.43
5	Computed Meter Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	1.13
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rebuttal Schedule G-8, Page 4	$ 17.21

ACC Staff Proposed Rates

Proposed Monthly Minimum for 5/8" Meter			$ 6.59
Proposed Commodity Rate			
0	to	4,000	$ 0.78
4,001	to	100,000	$ 1.17
Over 100,001			$ 1.39

Computed Costs, with Equity Return and Income Taxes

Col. 1	Col. 2	Col. 3	Col. 4 (Col. 2+ 3)		Col. 5	Col. 6	Col. 7	Col. 8 (Col. 6 + 7	Col. 9 (Col. 8-4) Recovery of Expenses Rate of Return & IncomeTax or (Lack of Recovery)
Usage	Monthly Minimum Revenue	Commodity Revenue	Total Cost of Service		Usage	Monthly Minimum Revenue	Commodity Revenue	Total Revenue	
-	$ 17.21	-	$ 17.21		-	$ 6.59		$ 6.59	$ (10.62)
1,000	$ 17.21	$0.3757	$ 17.58		1,000	6.59	$ 0.78	7.37	(10.21)
2,000	17.21	0.75	17.96		2,000	6.59	1.56	8.15	(9.81)
3,000	17.21	1.13	18.33		3,000	6.59	2.34	8.93	(9.40)
4,000	17.21	1.50	18.71		4,000	6.59	3.12	9.71	(9.00)
5,000	17.21	1.88	19.09		5,000	6.59	4.29	10.88	(8.21)
6,000	17.21	2.25	19.46		6,000	6.59	5.46	12.05	(7.41)
7,000	17.21	2.63	19.84		7,000	6.59	6.63	13.22	(6.62)
8,000	17.21	3.01	20.21		8,000	6.59	7.80	14.39	(5.82)
9,000	17.21	3.38	20.59		9,000	6.59	8.97	15.56	(5.03)
10,000	17.21	3.76	20.96		10,000	6.59	10.14	16.73	(4.23)
11,000	17.21	4.13	21.34		11,000	6.59	11.31	17.90	(3.44)
12,000	17.21	4.51	21.72		12,000	6.59	12.48	19.07	(2.65)
13,000	17.21	4.88	22.09		13,000	6.59	13.65	20.24	(1.85)
14,000	17.21	5.26	22.47		14,000	6.59	14.82	21.41	(1.06)
15,000	17.21	5.64	22.84	**Usage**	15,000	6.59	15.99	22.58	(0.26)
15,335	17.21	5.76	22.97	**<-Level->**	**15,335**	6.59	16.38	22.97	0.00
16,000	17.21	6.01	23.22	**When**	16,000	6.59	17.16	23.75	0.53
17,000	17.21	6.39	23.59	**Revenues**	17,000	6.59	18.33	24.92	1.33
18,000	17.21	6.76	23.97	**Equal**	18,000	6.59	19.50	26.09	2.12
19,000	17.21	7.14	24.35	**Expenses**	19,000	6.59	20.67	27.26	2.91
20,000	17.21	7.51	24.72	**and**	20,000	6.59	21.84	28.43	3.71
21,000	17.21	7.89	25.10	**Return**	21,000	6.59	23.01	29.60	4.50
22,000	17.21	8.27	25.47	**on Equity**	22,000	6.59	24.18	30.77	5.30
23,000	17.21	8.64	25.85	**and**	23,000	6.59	25.35	31.94	6.09
24,000	17.21	9.02	26.22	**Income**	24,000	6.59	26.52	33.11	6.89
25,000	17.21	9.39	26.60	**Taxes**	25,000	6.59	27.69	34.28	7.68
26,000	17.21	9.77	26.98		26,000	6.59	28.86	35.45	8.47
27,000	17.21	10.14	27.35		27,000	6.59	30.03	36.62	9.27
28,000	17.21	10.52	27.73		28,000	6.59	31.20	37.79	10.06
Average Usage					**Average Usage**				
8,361	$ 17.21	$ 3.141	$ 20.35		8,361	$ 6.59	8.22	14.81	**(5.54)**

Arizona American - Sun City
Test Year Ended December 31, 2001
Summary of Revenues by Customer Classification - Present and Proposed Rates
With Annualized Revenues to Year End Number of Customers

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Kozoman

Line No.	Meter Size	Customer Classification	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	$2,662,562	$ 4,579,810	$1,917,248	72.01%	43.80%	44.16%
2	3/4 Inch	Residential	1,817	3,124	1,307	71.93%	0.03%	0.03%
3	1 Inch	Residential	66,498	114,318	47,819	71.91%	1.09%	1.10%
4	1.5 Inch	Residential	1,485,121	2,552,475	1,067,353	71.87%	24.43%	24.61%
5	2 Inch	Residential	632,378	1,086,839	454,461	71.87%	10.40%	10.48%
6	3 Inch	Residential	13,103	22,512	9,409	71.80%	0.22%	0.22%
7	6 Inch	Residential	6,383	10,973	4,589	71.89%	0.11%	0.11%
8	5/8 Inch	Commercial	25,941	44,577	18,636	71.84%	0.43%	0.43%
9	3/4 Inch	Commercial	3,226	5,544	2,318	71.84%	0.05%	0.05%
10	1 Inch	Commercial	48,884	84,060	35,176	71.96%	0.80%	0.81%
11	1.5 Inch	Commercial	150,893	259,380	108,487	71.90%	2.48%	2.50%
12	2 Inch	Commercial	280,522	482,054	201,532	71.84%	4.61%	4.65%
13	3 Inch	Commercial	71,578	122,990	51,412	71.83%	1.18%	1.19%
14	4 Inch	Commercial	71,802	123,331	51,529	71.77%	1.18%	1.19%
15	6 Inch	Commercial	203,846	350,119	146,273	71.76%	3.35%	3.38%
16	1 Inch	Irrigation	339	584	244	72.00%	0.01%	0.01%
17	1.5 Inch	Irrigation	98,009	168,756	70,747	72.18%	1.61%	1.63%
18	2 Inch	Irrigation	6,157	10,607	4,450	72.28%	0.10%	0.10%
19	3 Inch	Irrigation	1,142	1,965	823	72.06%	0.02%	0.02%
20	6 Inch	Irrigation	114,183	196,740	82,556	72.30%	1.88%	1.90%
21	3 Inch	Public Interruptible	3,193	5,491	2,299	72.00%	0.05%	0.05%
22	8 Inch	Public Interruptible	19	33	14	72.00%	0.00%	0.00%
23	3 Inch	Fire Protection	72	124	52	72.00%	0.00%	0.00%
24	4 Inch	Fire Protection	5,814	10,000	4,186	72.00%	0.10%	0.10%
25	6 Inch	Fire Protection	7,150	12,298	5,148	72.00%	0.12%	0.12%
26	8 Inch	Fire Protection	2,480	4,266	1,786	72.00%	0.04%	0.04%
27	Standby		2,646	4,551	1,905	72.00%	0.04%	0.04%
28	Miscellaneous Revenues		113,419	113,419	-	0.00%	1.87%	1.09%
29	**Subtotal of Water Revenues**		$6,079,178	$10,370,936	$4,291,758	70.60%	100.00%	100.00%
30								
31								
32				**Revenue Annualization (a)**				
33			**Present**	**Proposed**	**Dollar**	**Percent**	Additional Bills to be	Gallons to be Pumped
34			**Revenues**	**Revenues**	**Change**	**Change**	Issued	(In 1,000's)
35	5/8 Inch	Residential	10,636	18,306	7,669	72.11%	1,004	7,612
36	1 Inch	Residential	404	695	291	71.93%	9	327
37	1.5 Inch	Residential	1,046	1,797	751	71.85%	9	878
38	2 Inch	Residential	5,905	10,148	4,244	71.87%	49	4,522
39	5/8 Inch	Commercial	421	724	303	72.10%	42	293
40	3/4 Inch	Commercial	(70)	(120)	(50)	72.09%	(6)	(53)
41	1 Inch	Commercial	(343)	(590)	(247)	72.01%	(11)	(236)
42	1.5 Inch	Commercial	863	1,484	621	71.94%	14	535
43	2 Inch	Commercial	5,008	8,605	3,597	71.84%	32	4,070
44	3 Inch	Commercial	(3,159)	(5,429)	(2,270)	71.85%	(15)	**(2,317)**
45	1.5 Inch	Irrigation	(4)	(6)	(3)	72.31%	-	(4)
46	2 Inch	Irrigation	(594)	(1,024)	(429)	72.27%	(2)	(788)
47	3 Inch	Irrigation	(97)	(167)	(70)	72.09%	(1)	**(42)**
48	6 Inch	Irrigation	83,116	143,212	60,096	72.30%	8	126,136
49	3 Inch	Public Interruptible	(3,193)	(5,491)	(2,299)	72.00%	(13)	**(6,385)**
50	4 Inch	Fire Protection	126	217	91	72.00%	14	
51	6 Inch	Fire Protection	200	344	144	72.00%	16	
52	8 Inch	Fire Protection	(80)	(138)	(58)	72.00%	(4)	
53	Total Water Annualization		100,185	172,568	72,382	72.25%	1,145	134,549
54	Total Water Revenues with Annualization		6,179,363	10,543,503	4,364,140	70.62%		

55 **(a)** Customer Growth Annualization is calculated by computing the change in the number of customers by month from
56 the beginning of the year to the end of the year, and then multipling the additional customers times the average
57 revenue for that month.

Arizona American - Sun City
Test Year Ended December 31, 2001
Analysis of Revenue by Detailed Class at Average Usage

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Kozoman

Line No.		Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	19,214	8,361	$ 11.17	$ 19.23	8.06	72.13%
2	3/4 Inch	Residential	8	15,869	18.08	31.09	13.01	71.98%
3	1 Inch	Residential	117	38,788	47.17	81.09	33.92	71.92%
4	1.5 Inch	Residential	1,312	73,721	94.30	162.08	67.78	71.87%
5	2 Inch	Residential	425	91,864	123.99	213.10	89.11	71.87%
6	3 Inch	Residential	3	-	-	-	-	0.00%
7	4 Inch	Residential	-	-	-	-	-	0.00%
8	6 Inch	Residential	2	137,292	$ 265.79	$ 456.88	191.09	71.90%
9	5/8 Inch	Commercial	198	7,054	10.15	17.47	7.32	72.11%
10	3/4 Inch	Commercial	21	-	-	-	-	0.00%
11	1 Inch	Commercial	126	22,247	31.95	54.95	23.00	72.00%
12	1.5 Inch	Commercial	181	46,341	69.11	118.82	49.71	71.92%
13	2 Inch	Commercial	155	120,339	150.19	258.09	107.90	71.84%
14	3 Inch	Commercial	23	204,111	256.26	440.34	184.07	71.83%
15	4 Inch	Commercial	5	1,190,450	1,196.69	2,055.51	858.82	71.77%
16	6 Inch	Commercial	7	2,486,155	2,426.74	4,168.08	1,741.34	71.76%
17	1 Inch	Irrigation	2	77	13.05	22.45	9.40	72.00%
18	1.5 Inch	Irrigation	117	64,318	13.05	22.45	9.40	72.00%
19	2 Inch	Irrigation	1	613,500	13.05	22.45	9.40	72.00%
20	3 Inch	Irrigation	1	27,462	13.05	22.45	9.40	72.00%
21	4 Inch	Irrigation	-	-	-	-	-	0.00%
22	6 Inch	Irrigation	1	10,762,250	7,136.46	12,296.24	5,159.78	72.30%
23	3 Inch	Public Interruptible	1	491,154	245.58	422.39	176.82	72.00%
24	8 Inch	Public Interruptible	1	3,167	1.58	2.72	1.14	72.00%
25	3 Inch	Fire Protection	1	-	6.00	10.32	4.32	72.00%
26	4 Inch	Fire Protection	54	-	9.00	15.48	6.48	72.00%
27	6 Inch	Fire Protection	48	-	12.50	21.50	9.00	72.00%
28	8 Inch	Fire Protection	10	-	20.00	34.40	14.40	72.00%
29	10 Inch	Fire Protection	-	-	-	-	-	0.00%
30	Standby		63	-	3.50	6.02	2.52	72.00%
31								
32		Totals	22,098					
33								
34		Actuall Year End Number						
35		of Customers:	22,195					
36								

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

Arizona American - Sun City
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1	Percentage Increase in Monthly Minimums				
2	Percentage Increase in Commodity Rates				
3					
4	**Monthly Usage Charge for:**				
5	Residential,Commercial				
6	5/8 x 3/4 Inch	Rounded Down by $0.02	$ 5.00	$ 8.58	71.60%
7	3/4 Inch	Rounded Down by $0.02	5.00	8.58	71.60%
8	1 Inch		13.00	22.36	72.00%
9	1 1/2 Inch		28.00	48.16	72.00%
10	2 Inch		41.00	70.52	72.00%
11	3 Inch		70.00	120.40	72.00%
12	4 Inch		103.00	177.16	72.00%
13	6 Inch		141.00	242.52	72.00%
14					
15	Private Fire Protection				
16	Flat Rate 3		6.00	10.32	72.00%
17	Flat Rate 4		9.00	15.48	72.00%
18	Flat Rate 6		12.50	21.50	72.00%
19	Flat Rate 8		20.00	34.40	72.00%
20	Flat Rate 10		30.00	51.60	72.00%
21	Standby				
22	Public Interruptible		3.50	6.02	72.00%
23	Irrigation				
24	1 Inch		13.00	22.36	72.00%
25	1 1/2 Inch		28.00	48.16	72.00%
26	2 Inch		41.00	70.52	72.00%
27	3 Inch		70.00	120.40	72.00%
28	4 Inch		103.00	177.16	72.00%
29	6 Inch		141.00	242.52	72.00%
30					
31					
32	Gallons In Minimum				
33	All		-	-	
34					
35					
36					
37					
38	**Tier 1:** Gallons upper limit				
39	All, except construction, irrigation, public interruptible		8,000	8,000	
40	Construction		999,999,999	999,999,999	
41	Irrigation		999,999,999	999,999,999	
42	Public Interruptible		999,999,999	999,999,999	
43					
44	In Addition to above charges, Company shall collect Groundwater Saving Fee Per Commission				
45	Decision 62293				
46					
47	(a) Rounded to nearest whole cent				

Arizona American - Sun City
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 2
Witness: Kozoman

Line No.	Customer Classification and Meter Size	Present Rates	Proposed Rates	Percent Change
1				
2				
3	**Tier 2:** (Gallon upper limit, up to, but not exceeding)			
4	All, except construction, irrigation, public interruptible	999,999,999	999,999,999	
5	Construction	999,999,999	999,999,999	
6	Irrigation	999,999,999	999,999,999	
7	Public Interruptible	999,999,999	999,999,999	
8				
9				
10	**Tier 3:** (Gallon over)			
11	All, except construction, irrigation, public interruptible	999,999,999	999,999,999	
12	Construction	999,999,999	999,999,999	
13	Irrigation	999,999,999	999,999,999	
14	Public Interruptible	999,999,999	999,999,999	
15				
16				
17	Commodity Rates (per 1,000 gallons over minimum and per Tier)			
18	All, except construction, irrigation, public interruptible Tier 1 (a)	$ 0.73	$ 1.26	72.60%
19	All, except construction, irrigation, public interruptible Tier 1 (a)	0.92	1.58	71.74%
20	All, except construction, irrigation, public interruptible Tier 1 (a)	0.92	1.58	71.74%
21	All, except construction, irrigation, public interruptible Tier 1 (a)			
22				
23				
24	Construction / Untreated CAP	$ 0.50	$ 0.86	72.00%
25				
26	Irrigation	$ 0.65	$ 1.12	72.31%
27				
28	Public Interruptible	$ 0.50	$ 0.86	72.00%
29				
30	Groundwater Withdrawal Assessment			
31	Groundwater Withdrawal Fees shall be collected as an assessment, and is subject to annual			
32	revisions as required due to changes in rates charged by the Arizona Department of Water			
33	Resources ("ADWR"). Includes an allowance of 10% lost and unaccounted for water.			
34				
35	(a) Rounded to nearest whole cent			

Arizona American - Sun City
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 3
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	$ 30.00	$ 30.00
2	Establishment (After Hours)	$ 40.00	$ 40.00
3	Reconnection (Deliquent)		
4	Reconnection (After Hours)		
5	Meter Test	$ 10.00	$ 10.00
6	Deposit	**	**
7	Deposit Interest	**	**
8	Re-Establishment (With-in 12 Months)	***	***
9			
10	NSF Check	$ 10.00	$ 10.00
11	Deferred Payment, Per Month (b)	1.50%	1.50%
12	Meter Re-Read	$ 5.00	$ 5.00
13	Charge of Moving Customer Meter -		
14	Customer Requested	Cost	Cost
15	Late Payment Charge, on balance of Acct.	1.50%	1.50%
16	Damages to Meter Locks, Valves, Seals	Cost	Cost (2)
17	Sprinklers		

18 (1) Greater of 1.50% or $5.00 Present Rates or 1.5% or $10.00 Proposed Rates.
19 (2) $40.00 plus actual cost of making repairs.
20 ** PER COMMISSION RULES (R14-2-403.B)
21 *** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)
22 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
23 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
24 TAX. PER COMMISSION RULE (14-2-409.D 5)
25 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
26 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.
27 (a) 1.00% of the monthly minimum for a comparable sized meter connection, but no less than $5 per month
28

	Present Charges		
	Service Charges		
	Installation of		Proposed
Meter Size	Ser. Line	Meter	Charges(*)
5/8 x 3/4 Inch	$ 255.00	$ 65.00	$500
3 / 4 Inch	$ 255.00	$ 105.00	$575
1 Inch	$ 275.00	$ 145.00	$660
1 1/2 Inch	$ 290.00	$ 345.00	$900
2 Inch	$ 315.00	$ 775.00	$2,220
3 Inch	Cost	Cost	Cost
4 Inch	Cost	Cost	Cost
6 Inch	Cost	Cost	Cost
8 Inch	Cost	Cost	Cost
Meters Larger than 8"	Cost	Cost	Cost

43
44 As meters and service lines are now taxable income for income purposes, The Company
45 shall collect income taxes on the meter and service line charges.
46 Any tax collected will be refunded each year that the meter deposit is refunded.
47
48 Company will not accept applications for new 3/4" meters after May 1, 1997. This meter size
49 is obsolute.

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Summary of Revenues by Customer Classification - Present and Proposed Rates
With Annualized Revenues to Year End Number of Customers
Step-One Increase

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Kozoman

Line No.	Meter Size	Customer Classification	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	$2,662,562	$ 3,725,889	$1,063,327	39.94%	43.80%	44.00%
2	3/4 Inch	Residential	1,817	2,544	727	40.03%	0.03%	0.03%
3	1 Inch	Residential	66,498	93,164	26,666	40.10%	1.09%	1.10%
4	1.5 Inch	Residential	1,485,121	2,080,990	595,869	40.12%	24.43%	24.58%
5	2 Inch	Residential	632,378	886,106	253,728	40.12%	10.40%	10.46%
6	3 Inch	Residential	13,103	18,367	5,263	40.17%	0.22%	0.22%
7	6 Inch	Residential	6,383	8,943	2,559	40.09%	0.11%	0.11%
8	5/8 Inch	Commercial	25,941	36,323	10,383	40.02%	0.43%	0.43%
9	3/4 Inch	Commercial	3,226	4,518	1,292	40.05%	0.05%	0.05%
10	1 Inch	Commercial	48,884	68,469	19,585	40.06%	0.80%	0.81%
11	1.5 Inch	Commercial	150,893	211,401	60,508	40.10%	2.48%	2.50%
12	2 Inch	Commercial	280,522	393,124	112,602	40.14%	4.61%	4.64%
13	3 Inch	Commercial	71,578	100,316	28,738	40.15%	1.18%	1.18%
14	4 Inch	Commercial	71,802	100,663	28,862	40.20%	1.18%	1.19%
15	6 Inch	Commercial	203,846	285,800	81,954	40.20%	3.35%	3.38%
16	1 Inch	Irrigation	339	475	136	40.00%	0.01%	0.01%
17	1.5 Inch	Irrigation	98,009	137,213	39,204	40.00%	1.61%	1.62%
18	2 Inch	Irrigation	6,157	8,620	2,463	40.00%	0.10%	0.10%
19	3 Inch	Irrigation	1,142	1,599	457	40.00%	0.02%	0.02%
20	6 Inch	Irrigation	114,183	159,857	45,673	40.00%	1.88%	1.89%
21	3 Inch	Public Interruptible	3,193	4,470	1,277	40.00%	0.05%	0.05%
22	8 Inch	Public Interruptible	19	27	8	40.00%	0.00%	0.00%
23	3 Inch	Fire Protection	72	101	29	40.00%	0.00%	0.00%
24	4 Inch	Fire Protection	5,814	8,140	2,326	40.00%	0.10%	0.10%
25	6 Inch	Fire Protection	7,150	10,010	2,860	40.00%	0.12%	0.12%
26	8 Inch	Fire Protection	2,480	3,472	992	40.00%	0.04%	0.04%
27	Standby		2,646	3,704	1,058	40.00%	0.04%	0.04%
28	Miscellaneous Revenues		113,419	113,419	-	0.00%	1.87%	1.34%
29		**Total Water Revenues**	$6,079,178	$ 8,467,722	$2,388,544	39.29%	98.13%	98.66%
30								
31								

			Revenue Annualization (a)					
32							Additional	Gallons to
33			Present	Proposed	Dollar	Percent	Bills to be	be Pumped
34			Revenues	Revenues	Change	Change	Issued	(In 1,000's)
35	5/8 Inch	Residential	10,636	14,877	4,241	39.87%	1,004	7,612
36	1 Inch	Residential	404	566	162	40.09%	9	327
37	1.5 Inch	Residential	1,046	1,465	420	40.14%	9	878
38	2 Inch	Residential	5,905	8,274	2,369	40.12%	49	4,522
39	5/8 Inch	Commercial	421	589	168	39.86%	42	293
40	3/4 Inch	Commercial	(70)	(98)	(28)	39.89%	(6)	(53)
41	1 Inch	Commercial	(343)	(481)	(137)	40.03%	(11)	(236)
42	1.5 Inch	Commercial	863	1,209	346	40.07%	14	535
43	2 Inch	Commercial	5,008	7,018	2,010	40.14%	32	4,070
44	3 Inch	Commercial	(3,159)	(4,427)	(1,268)	40.13%	(15)	(2,317)
45	1.5 Inch	Irrigation	(4)	(5)	(1)	40.00%	-	(4)
46	2 Inch	Irrigation	(594)	(832)	(238)	40.00%	(2)	(788)
47	3 Inch	Irrigation	(97)	(136)	(39)	40.00%	(1)	(42)
48	6 Inch	Irrigation	83,116	116,363	33,247	40.00%	8	126,136
49	3 Inch	Public Interruptible	(3,193)	(4,470)	(1,277)	40.00%	(13)	(6,385)
50	4 Inch	Fire Protection	126	176	50	40.00%	14	
51	6 Inch	Fire Protection	200	280	80	40.00%	16	
52	8 Inch	Fire Protection	(80)	(112)	(32)	40.00%	(4)	
53		Totals	100,185	140,257	40,072	40.00%	1,145	134,549
54	Total Water Revenues with Annualization		6,179,363	8,607,979	2,428,616	39.30%		

55 **(a)** Customer Growth Annualization is calculated by computing the change in the number of customers by month from
56 the beginning of the year to the end of the year, and then multipling the additional customers times the average
57 revenue for that month.

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Analysis of Revenue by Detailed Class at Average Usage
Step-One Increase

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Kozoman

Line No.		Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	19,214	8,361	$ 11.17	$ 15.63	4.45	39.86%
2	3/4 Inch	Residential	8	15,869	18.08	25.31	7.23	40.00%
3	1 Inch	Residential	117	38,788	47.17	66.08	18.91	40.10%
4	1.5 Inch	Residential	1,312	73,721	94.30	132.14	37.84	40.12%
5	2 Inch	Residential	425	91,864	123.99	173.74	49.75	40.12%
6	3 Inch	Residential	3	-	-	-	-	0.00%
7	4 Inch	Residential	-	-	-	-	-	0.00%
8	6 Inch	Residential	2	137,292	$ 265.79	$ 372.35	106.56	40.09%
9	5/8 Inch	Commercial	198	7,054	10.15	14.20	4.05	39.86%
10	3/4 Inch	Commercial	21	-	-	-	-	0.00%
11	1 Inch	Commercial	126	22,247	31.95	44.74	12.79	40.04%
12	1.5 Inch	Commercial	181	46,341	69.11	96.82	27.71	40.09%
13	2 Inch	Commercial	155	120,339	150.19	210.48	60.29	40.14%
14	3 Inch	Commercial	23	204,111	256.26	359.14	102.88	40.15%
15	4 Inch	Commercial	5	1,190,450	1,196.69	1,677.72	481.03	40.20%
16	6 Inch	Commercial	7	2,486,155	2,426.74	3,402.38	975.64	40.20%
17	1 Inch	Irrigation	2	77	13.05	18.27	5.22	40.00%
18	1.5 Inch	Irrigation	117	64,318	13.05	18.27	5.22	40.00%
19	2 Inch	Irrigation	1	613,500	13.05	18.27	5.22	40.00%
20	3 Inch	Irrigation	1	27,462	13.05	18.27	5.22	40.00%
21	4 Inch	Irrigation	-	-	-	-	-	0.00%
22	6 Inch	Irrigation	1	10,762,250	7,136.46	9,991.05	2,854.59	40.00%
23	3 Inch	Public Interruptible	1	491,154	245.58	343.81	98.23	40.00%
24	8 Inch	Public Interruptible	1	3,167	1.58	2.22	0.63	40.00%
25	3 Inch	Fire Protection	1	-	6.00	8.40	2.40	40.00%
26	4 Inch	Fire Protection	54	-	9.00	12.60	3.60	40.00%
27	6 Inch	Fire Protection	48	-	12.50	17.50	5.00	40.00%
28	8 Inch	Fire Protection	10	-	20.00	28.00	8.00	40.00%
29	10 Inch	Fire Protection	-	-	-	-	-	0.00%
30	Standby		63	-	3.50	4.90	1.40	40.00%
31								
32		Totals	22,098					
33								
34		Actuall Year End Number						
35		of Customers:	22,195					
36								
37		**(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.						

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Changes in Representative Rate Schedules
Step-One Increase

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size	Present Rates	Proposed Rates	Percent Change	Increase Percentage
1	Percentage Increase in Monthly Minimums				
2	Percentage Increase in Commodity Rates				
3					
4	**Monthly Usage Charge for:**				
5	Residential,Commercial				
6	5/8 x 3/4 Inch	$ 5.00	$ 7.00	40.00%	$ 7.0000
7	3/4 Inch	5.00	7.00	40.00%	$ 7.0000
8	1 Inch	13.00	18.20	40.00%	$ 18.2000
9	1 1/2 Inch	28.00	39.20	40.00%	$ 39.2000
10	2 Inch	41.00	57.40	40.00%	$ 57.4000
11	3 Inch	70.00	98.00	40.00%	$ 98.0000
12	4 Inch	103.00	144.20	40.00%	$144.2000
13	6 Inch	141.00	197.40	40.00%	$197.4000
14	8 Inch				
15	Private Fire Protection				
16	Flat Rate 3	6.00	8.40	40.00%	$ 8.4000
17	Flat Rate 4	9.00	12.60	40.00%	$ 12.6000
18	Flat Rate 6	12.50	17.50	40.00%	$ 17.5000
19	Flat Rate 8	20.00	28.00	40.00%	$ 28.0000
20	Flat Rate 10	30.00	42.00	40.00%	$ 42.0000
21	Standby				
22	Public Interruptible	3.50	4.90	40.00%	$ 4.9000
23	Irrigation				
24	1 Inch	13.00	18.20	40.00%	$ 18.2000
25	1 1/2 Inch	28.00	39.20	40.00%	$ 39.2000
26	2 Inch	41.00	57.40	40.00%	$ 57.4000
27	3 Inch	70.00	98.00	40.00%	$ 98.0000
28	4 Inch	103.00	144.20	40.00%	$144.2000
29	6 Inch	141.00	197.40	40.00%	$197.4000
30					
31					
32	Gallons In Minimum				
33	All	-	-		
34					
35					
36					
37					
38	**Tier 1:** Gallons upper limit				
39	All, except construction, irrigation, public interruptible	8,000	8,000		
40	Construction	999,999,999	999,999,999		
41	Irrigation	999,999,999	999,999,999		
42	Public Interruptible	999,999,999	999,999,999		
43					
44	In Addition to above charges, Company shall collect Groundwater Saving Fee Per Commission Decision				
45	62293				
46					
47	(a) Rounded to the nearest whole cent				

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Changes in Representative Rate Schedules
Step-One Increase

Exhibit
Rebuttal Schedule H-3
Page 2
Witness: Kozoman

Line No.	Customer Classification and Meter Size	Present Rates	Proposed Rates	Percent Change
1				
2				
3	**Tier 2:** (Gallon upper limit, up to, but not exceeding)			
4	All, except construction, irrigation, public interruptible	999,999,999	999,999,999	
5	Construction	999,999,999	999,999,999	
6	Irrigation	999,999,999	999,999,999	
7	Public Interruptible	999,999,999	999,999,999	
8				
9				
10	**Tier 3:** (Gallon over)			
11	All, except construction, irrigation, public interruptible	999,999,999	999,999,999	
12	Construction	999,999,999	999,999,999	
13	Irrigation	999,999,999	999,999,999	
14	Public Interruptible	999,999,999	999,999,999	
15				
16				
17	Commodity Rates (per 1,000 gallons over minimum and per Tier)			
18	All, except construction, irrigation, public interruptib Tier 1 (a)	$ 0.73	$ 1.02	39.73% $ 1.0220
19	All, except construction, irrigation, public interruptib Tier 2 (a)	0.92	1.29	40.22% $ 1.2880
20	All, except construction, irrigation, public interruptib Tier 3 (a)	0.92	1.29	40.22% $ 1.2880
21	All, except construction, irrigation, public interruptib Tier 4			
22				
23				
24	Construction / Untreated CAP	$ 0.50	$ 0.7000	40.00% $ 0.7000
25				
26	Irrigation	$ 0.65	$ 0.91	40.00% $ 0.9100
27				
28	Public Interruptible	$ 0.50	$ 0.70	40.00% $ 0.7000
29				
30	Groundwater Withdrawal Assessment			
31	Groundwater Withdrawal Fees shall be collected as an assessment, and is subject to annual			
32	revisions as required due to changes in rates charged by the Arizona Department of Water			
33	Resources ("ADWR"). Includes an allowance of 10% lost and unaccounted for water.			

Arizona American - Sun City Water
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001
Step-One Increase

Exhibit
Rebuttal Schedule H-3
Page 3
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates	
1	Establishment	$ 30.00	$ 30.00	
2	Establishment (After Hours)	$ 40.00	$ 40.00	
3	Reconnection (Deliquent)		$ -	
4	Reconnection (After Hours)		$ -	
5	Meter Test	$ 10.00	$ 10.00	
6	Deposit	**	**	
7	Deposit Interest	**	**	
8	Re-Establishment (With-in 12 Months)	***	***	
9			$ -	
10	NSF Check	$ 10.00	$ 10.00	
11	Deferred Payment, Per Month (b)	1.50%	1.50%	
12	Meter Re-Read	$ 5.00	$ 5.00	
13	Charge of Moving Customer Meter -		$ -	
14	Customer Requested	Cost	Cost	
15	Late Payment Charge, on balance of Acct.	1.50%	1.50%	
16	Damages to Meter Locks, Valves, Seals	Cost	Cost	(2)
17	Sprinklers			

18 (1) Greater of 1.50% or $5.00 Present Rates or 1.5% or $10.00 Proposed Rates.
19 (2) $40.00 plus actual cost of making repairs.
20 ** PER COMMISSION RULES (R14-2-403.B)
21 *** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)
22 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
23 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
24 TAX. PER COMMISSION RULE (14-2-409.D 5)
25 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
26 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.
27 (a) 1.00% of the monthly minimum for a comparable sized meter connection, but no less than $5
28 per month.

	Present Charges		
	Service Charges		
	Installation of		Proposed
Meter Size	Ser. Line	Meter	Charges(*)
5/8 x 3/4 Inch	$ 255.00	$ 65.00	$500
3 / 4 Inch	$ 255.00	$ 105.00	$575
1 Inch	$ 275.00	$ 145.00	$660
1 1/2 Inch	$ 290.00	$ 345.00	$900
2 Inch	$ 315.00	$ 775.00	$2,220
3 Inch	Cost	Cost	Cost
4 Inch	Cost	Cost	Cost
6 Inch	Cost	Cost	Cost
8 Inch	Cost	Cost	Cost
Meters Larger than 8"	Cost	Cost	Cost

43
44 As meters and service lines are now taxable income for income purposes, The Company
45 shall collect income taxes on the meter and service line charges.
46 Any tax collected will be refunded each year that the meter deposit is refunded.
47
48 Company will not accept applications for new 3/4" meters after May 1, 1997. This meter size
49 is obsolete.

SUN CITY
WASTEWATER DIVISION

Arizona American - Sun City Wastewater
Summary of Revenues by Customer Classification - Present and Proposed Rates
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	Residential Units (SSR)	$ 2,920,525	$ 3,102,065	$ 181,540	6.22%	57.78%	57.78%
2	Commercial/Residential Units (SSR)	116	123	7	6.22%	0.00%	0.00%
3	Commercial (SSC)	104,865	111,377	6,512	6.21%	2.07%	2.07%
4	Commercial Large User (SS6)	64,965	69,153	4,188	6.45%	1.29%	1.29%
5	Multi-family Residential Units (AC SSR)	1,793,100	1,904,559	111,459	6.22%	35.47%	35.47%
6	Commercial additional toilets (SS1)	133,438	141,910	8,472	6.35%	2.64%	2.64%
7	Commercial per dishwasher (SS2)	26,568	28,221	1,653	6.22%	0.53%	0.53%
8	Commercial per wash machine (SS3)	5,457	5,790	332	6.09%	0.11%	0.11%
9	Commercial per wash rack (SS4)	2,736	2,907	171	6.25%	0.05%	0.05%
10	Miscellaneous Revenues	2,859	2,859	-	0.00%	0.06%	0.05%
11	**Subtotal of Revenues**	$ 5,054,629	$ 5,368,963	$ 314,334	6.22%	100.00%	100.00%
12							
13							
14		**Present**	**Proposed**	**Dollar**	**Percent**	**Bills to be**	
15	**Revenue Annualization**	**Revenues**	**Revenues**	**Change**	**Change**	**Issued**	
16	Residential Units (SSR)	12,754	13,547	$ 793	6.22%	991	
17	Commercial/Residential Units (SSR)	(116)	(123)	(7)	6.22%	(9)	
18	Commercial (SSC)	1,809	1,921	112	6.21%	117	
19	Commercial Large User (SS6)	-	-	-		-	
20	Multi-family Residential Units (AC SSR)	17,709	18,810	1,101	6.22%	1,376	
21	Commercial additional toilets (SS1)	329	350	21	6.35%	87	
22	Commercial per dishwasher (SS2)	669	711	42	6.22%	23	
23	Commercial per wash machine (SS3)	49	52	3	6.09%	7	
24	Commercial per wash rack (SS4)	29	31	2	6.25%	2	
25	Total Revenue Annualization	33,233	35,299	2,066	6.22%	2,594	
26							
27	**Total of Revenues**	5,087,862	5,404,262	316,400	6.22%		

Arizona American - Sun City Wastewater
Analysis of Revenue by Detailed Class at Average Usage
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	Residential Units (SSR)	18,910	N/A	12.87	13.67	0.80	6.22%
2	Commercial/Residential Units (SSR)	1	N/A	12.87	13.67	0.80	6.22%
3	Commercial Large User (SS6)	4	1,080,156	1,347.39	1,434.25	86.85	6.45%
4	Multi-family Residential Units (AC SSR)	11,610	N/A	12.87	13.67	0.80	6.22%
5	Commercial additional toilets (SS1)	2,942	N/A	3.78	4.02	0.24	6.35%
6	Commercial per dishwasher (SS2)	76	N/A	29.10	30.91	1.81	6.22%
7	Commercial per wash machine (SS3)	64	N/A	7.06	7.49	0.43	6.09%
8	Commercial per wash rack (SS4)	16	N/A	14.40	15.30	0.90	6.25%
9							
10							
11	Totals	33,624					
12							
13	Actual Year End Number						
14	of Customers:	33,830					
15							
16	**(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.						
17							

Arizona American - Sun City Wastewater
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size	Present Rates	Proposed Rates	Percent Change
1				
2				
3				
4	**Monthly Usage Charge for:**			
5	Residential and Commercial			
6	Residential (SSR) (a)	$ 12.87	$ 13.67	6.22%
7	Commercial (SSC) (a)	15.46	16.42	6.21%
8	Commercial Large User (SS6 based on consumption)	32.80	34.84	6.22%
9	SS1 (commercial, additonal toilets) (a)	3.78	4.02	6.35%
10	SS2 (commercial restaurant, per dishwasher or garbage grinder) (a)	29.10	30.91	6.22%
11	SS3 (commercial laundromat, per washing machine) (a)	7.06	7.49	6.09%
12	SS4 (commercial, per wash rack)	14.40	15.30	6.25%
13	Rental Rooms (a)	7.99	8.49	6.26%
14	Paradise Resort Park, Contract Rate	3.94	3.94	0.00%
15				
16	Gallons In Minimum			
17	Commercial SSR6 & Paradise Park Resort	20,000	20,000	
18				
19	Commodity Rates (per 1,000 gallons over minimum)			
20	Commercial SSR6 & Paradise Park Resort (a)	$ 1.24	$ 1.32	6.45%
21				
22	**Annual Fee for Industrial Discharge Service**			
23	For those customers consuming an amount of water less than or equal			
24	50,000 gallons per month through one or more water meters to the			
25	same facility, inclusive of meters used for irrigation:	$ 500.00	$ 500.00	
26				
27				
28	For those customers consuming an amount of water greater than			
29	50,000 gallons per month through one or more water meters to the			
30	same facility, inclusive of meters used for irrigation:	$ 1,000.00	$ 1,000.00	
31				
32	Annual Fee for Industrial Discharge Service charges shall be non-refundable and shall be assessed			
33	in advance each January by the Company by special billing. For new customers receiving this service,			
34	a prorated charge shall be assessed.			
35				
36	(a) Rounded to the nearest whole cent			
37				

Arizona American - Sun City Wastewater
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 2
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment		
2	Establishment (After Hours)		
3	Reconnection (Deliquent)		
4	Reconnection (After Hours)		
5			
6	Deposit	**	**
7	Deposit Interest	**	**
8	Re-Establishment (With-in 12 Months)	***	***
9			
10	NSF Check		
11	Deferred Payment, Per Month		
12			
13			
14			
15	Late Payment Charge	1.50%	1.50%
16			
17	Rates for above charges are listed on Schedule H-3, Page 3 of Sun City Water.		
18			
19			
20	** PER COMMISSION RULES (R14-2-403.B)		
21	*** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)		
22	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
23	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
24	TAX. PER COMMISSION RULE (14-2-409.D 5)		
25	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
26	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.		

SUN CITY WEST
WATER DIVISION

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Rates of Return at Present Rates Using ACC Staff Net Plant and Expenses

Exhibit
Rebuttal Schedule G-1
Page 1
Witness: Kozoman

Meter Size->	Totals	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Water Revenues and Revenue Annualizations	3,327,909	2,088,189	409	73,821	586,696	376,549	47,070	133,331	16,803	5,040	-
Misc. Revenue **(a)**	37,640	37,640									
Total Revenues	3,365,549	2,125,829	409	73,821	586,696	376,549	47,070	133,331	16,803	5,040	-
Operating Expenses **(b)**	1,789,732	1,319,128	175	30,573	195,584	142,312	16,125	45,301	28,939	11,596	-
Depreciation and Amortization **(b)**	758,769	578,396	52	12,813	66,868	51,778	5,305	9,738	23,210	10,608	-
Property Tax **(c)**	142,181	89,808	17	3,119	24,786	15,908	1,989	5,633	710	213	-
Income Tax **(d)**	135,058	(60,146)	58	9,098	113,016	60,497	8,984	28,412	(16,941)	(7,921)	-
Total Operating Expenses	2,825,740	1,927,187	302	55,602	400,253	270,495	32,402	89,084	35,918	14,497	-
Operating Income	539,809	198,643	107	18,219	186,443	106,054	14,668	44,247	(19,115)	(9,457)	-
Interest Expense **(e)**	340,191	287,539	21	4,772	19,404	16,638	1,389	2,253	5,924	2,251	-
Net Income	199,617	(88,896)	86	13,446	167,039	89,416	13,279	41,994	(25,039)	(11,707)	-
Rate Base **(f)**	12,063,369	10,196,286	748	169,235	688,080	589,996	49,241	79,902	210,073	79,808	-
Rate of Return **(g)**	4.47%	1.95%	14.26%	10.77%	27.10%	17.98%	29.79%	55.38%	-9.10%	-11.85%	

(a) Miscellaneous Revenue allocated to 5/8 Inch Customer Class.
(b) Operating Expenses and Depreciation computations are shown on Rebuttal Schedule G-4, Page 1.
(c) Property Taxes allocated based on Revenues
(d) Income Taxes allocated based on taxable income
(e) Interest Expense allocated based on Rate Base, Please see Rebuttal Schedule G-3, Page 1
(f) Rate Base computations are shown on Rebuttal Schedule G-3, Page 1
(g) Operating Income Divided by Rate Base

Income Tax Allocation											
Net Income & Income Tax	334,675										
Percent of Taxable Income		-44.53%	0.04%	6.74%	83.68%	44.79%	6.65%	21.04%	-12.54%	-5.86%	0.00%
Income Tax		135,058	135,058	135,058	135,058	135,058	135,058	135,058	135,058	135,058	135,058
Allocated Income Tax		(60,146)	58	9,098	113,016	60,497	8,984	28,412	(16,941)	(7,921)	-
Income Tax											
Property Tax Allocation	142,181	63.16%	0.01%	2.19%	17.43%	11.19%	1.40%	3.96%	0.50%	0.15%	0.00%
Property Tax Allocation	142,181	89,808	17	3,118.66	24,785.57	15,907.72	1,988.52	5,632.69	709.85	212.92	-

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Rates of Return at Proposed Rates Using ACC Staff Net Plant and Expenses

Exhibit
Rebuttal Schedule G-2
Page 1
Witness: Kozoman

Meter Size->	Totals	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Water Revenues and **(1)**	3,735,016	2,280,793	453	82,970	666,029	441,869	58,990	179,025	19,247	5,639	
Revenue Annualizations											
	-										
Misc. Revenue **(a)**	37,640	37,640									
Total Revenues	3,772,656	2,318,433	453	82,970	666,029	441,869	58,990	179,025	19,247	5,639	-
Operating Expenses **(b)**	1,789,732	1,319,128	175	30,573	195,584	142,312	16,125	45,301	28,939	11,596	-
Depreciation and Amortization **(b)**	758,769	578,396	52	12,813	66,868	51,778	5,305	9,738	23,210	10,608	-
Property Tax **(c)**	142,181	87,375	17	3,127	25,101	16,653	2,223	6,747	725	213	-
Income Tax **(d)**	285,141	17,680	72	12,180	138,028	82,449	13,050	44,201	(15,204)	(7,315)	-
Total Operating Expenses	2,975,824	2,002,580	317	58,693	425,580	293,192	36,703	105,986	37,670	15,102	-
Operating Income	796,832	315,853	137	24,277	240,449	148,677	22,288	73,039	(18,424)	(9,463)	-
Interest Expense **(e)**	340,191	287,539	21	4,772	19,404	16,638	1,389	2,253	5,924	2,251	-
Net Income	456,641	28,314	116	19,505	221,045	132,039	20,899	70,786	(24,348)	(11,714)	-
Rate Base **(f)**	12,063,369	10,196,286	748	169,235	688,080	589,996	49,241	79,902	210,073	79,808	-
Rate of Return **(g)**	6.61%	3.10%	18.29%	14.35%	34.94%	25.20%	45.26%	91.41%	-8.77%	-11.86%	
Percent of Total Customers		93.434%	0.006%	1.155%	3.402%	1.624%	0.090%	0.096%	0.148%	0.045%	0.000%

(1) Revenues are from ACC Staff Proposed Rates Bill Count.
(a) Miscellaneous Revenue allocated to 5/8 Inch Customer Class.
(b) Operating Expenses and Depreciation computations are shown on Rebuttal Schedule G-4, Page 1.
(c) Property Taxes allocated based on Revenues
(d) Income Taxes allocated based on taxable income
(e) Interest Expense allocated based on Rate Base, Please see Rebuttal Schedule G-3, Page 1
(f) Rate Base computations are shown on Rebuttal Schedule G-3, Page 1
(g) Operating Income Divided by Rate Base

Income Tax Allocation											
Net Income & Income Tax	741,783										
Percent of Taxable Income		6%	0%	4%	48%	29%	5%	16%	-5%	-3%	0%
Income Tax		285,141	285,141	285,141	285,141	285,141	285,141	285,141	285,141	285,141	285,141
Allocated Income Tax		17,680	72	12,180	138,028	82,449	13,050	44,201	(15,204)	(7,315)	-
Percent of Revenues		61.45%	0.01%	2.20%	17.65%	11.71%	1.56%	4.75%	0.51%	0.15%	0.00%
Property Tax Allocation	142,181	87,375	17	3,127	25,101	16,653	2,223	6,747	725	213	-

Arizona American - Sun City West Water
Test Year Ended December 31, 2000
Cost of Service Study Using Commodity / Demand Method
Allocation of Assets to Customer Classes Using ACC Staff Net Plant

Exhibit
Rebuttal Schedule G-3
Page 1
Witness: Kozoman

Line No.		Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
1	Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid and Meter Deposits (from Schedule G-5, Page 1)											
2	Commodity	84,860	51,951	14	1,793	15,493	9,497	1,314	4,678	120	-	-
3	Demand	1,666,178	1,102,932	114	34,093	200,767	153,341	16,971	28,410	87,125	42,426	-
4	Customer	2,098,583	1,960,797	135	24,244	71,385	34,076	1,886	2,020	3,098	943	-
5	Service	6,889,111	6,257,555	430	88,268	279,151	173,079	12,713	19,797	44,558	13,561	-
6	Meter	1,324,636	823,051	57	20,838	121,283	220,003	16,358	24,997	75,171	22,878	-
7	Totals	12,063,369	10,196,286	748	169,235	688,080	589,996	49,241	79,902	210,073	79,808	-
8												
9												
10	Commodity	-	-	-	-	-	-	-	-	-	-	-
11	Demand	-	-	-	-	-	-	-	-	-	-	-
12	Customer											
13	Service											
14	Meter											
15	Totals	-	-	-	-	-	-	-	-	-	-	-
16												
17												
18				-	-	-	-	-	-	-		
19				-	-	-	-	-	-	-	-	-
20				-	-	-	-	-	-	-		
21				-	-	-	-	-	-	-	-	-
22												
23	Net Rate Base	12,063,369	10,196,286	748	169,235	688,080	589,996	49,241	79,902	210,073	79,808	-
24												
		ACC Staff Interest Expense										
	Interest Expense Allocation	340,191	287,539	21	4,772	19,404	16,638	1,389	2,253	5,924	2,251	-
	Ratio of rate bases to total rate base		84.5227%	0.0062%	1.4029%	5.7039%	4.8908%	0.4082%	0.6624%	1.7414%	0.6616%	0.0000%

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Customer Classes Using ACC Staff Expenses

Exhibit
Rebuttal Schedule G-4
Page 1
Witness: Kozoman

	Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Operation and Maintenance Expense (from Schedule G-6, Page 1)											
Commodity	648,957	397,288	104	13,715	118,483	72,626	10,049	35,771	921	-	-
Demand	321,416	212,762	22	6,577	38,729	29,580	3,274	5,481	16,807	8,184	-
Customer	577,099	539,208	37	6,667	19,630	9,371	519	556	852	259	-
Service	67,403	61,224	4	864	2,731	1,693	124	194	436	133	-
Meter	174,857	108,646	7	2,751	16,010	29,041	2,159	3,300	9,923	3,020	-
Totals	1,789,732	1,319,128	175	30,573	195,584	142,312	16,125	45,301	28,939	11,596	-
Depreciaton Expense on Plant (from Schedule G-6, Page 2)											
Commodity	35,848	21,946	6	758	6,545	4,012	555	1,976	51	-	-
Demand	372,809	246,782	25	7,628	44,922	34,310	3,797	6,357	19,494	9,493	-
Customer	143,762	134,323	9	1,661	4,890	2,334	129	138	212	65	-
Service	164,230	149,174	10	2,104	6,655	4,126	303	472	1,062	323	-
Meter	42,121	26,172	2	663	3,857	6,996	520	795	2,390	727	-
Totals	758,769	578,396	52	12,813	66,868	51,778	5,305	9,738	23,210	10,608	-
Total Expenses (excluding Income Tax and Property Taxes)	2,548,501	1,897,525	227	43,386	262,452	194,090	21,430	55,039	52,149	22,205	-

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of Rate Base by Function Using ACC Staff Plant and Accumulated Depreciation

Exhibit
Rebuttal Schedule G-5
Page 1
Witness: Kozoman

	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Rate Base							
Plant minus (Accumulated Depreciation Contributions in Aid of Construction Advances in Aid of Construction and Meter Deposits)	12,063,516	1,666,178	84,860	2,098,583	1,324,636	6,889,111	12,063,369
	12,063,516	1,666,178	84,860	2,098,583	1,324,636	6,889,111	12,063,369

	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Allocation of Property Taxes to Functions							
Revenue Requirement by Function	3,769,588	876,294	719,533	944,163	348,597	881,000	3,769,588
						-	-
Total Revenue Requirement	3,769,588	876,294	719,533	944,163	348,597	881,000	3,769,588
Property Taxes Allocation	142,181	33,052	27,139	35,612	13,148	33,230	142,181

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Allocation of Net Plant, Advances and Contributions in Aid of
Construction and Meter Deposits Using ACC Staff Plant and Accumulated Depreciation to Functions

Exhibit
Rebuttal Schedule G-5
Page 2
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost Plant with Adjustments	Company's Accumulated Depreciation	ACC Staff Original Cost Accum. Depr. Adjustments. (Adj. 2,& 5)	Net Plant Values	Company's Additional Post-Closing Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service	Totals
	Intangible												
301.00	Organization	20,086	-		20,086	-	20,086	20,086					20,086
302.00	Franchises	1,588	-		1,588	-	1,588	1,588					1,588
303.00	Miscellaneous Intangibles	-	-		-	-	-	-					-
Total Intangible Plant		21,674	-		21,674	-	21,674						-
													-
	Source of Supply												-
310.00	Land and Land Rights	11,651	-		11,651	0	11,651	11,651					11,651
311.00	Structures and Improvements	366,091	101,401		264,690	4,284	260,406	260,406					260,406
312.00	Collecting and Impounding Res.	-	-		-	-	-	-					-
313.00	Lakes, Rivers, Other Intakes	-	-		-	-	-	-	-				-
314.00	Wells and Springs	1,307,051	297,115		1,009,936	16,462	993,474	894,127	99,347				993,474
Total Source of Supply Plant		1,684,793	398,515	-	1,286,278	20,746	1,265,531						-
													-
	Pumping												-
320.00	Land and Land Rights	44,957	-		44,957	-	44,957	44,957					44,957
321.00	Structures and Improvements	231,439	70,256		161,183	1,932	159,251	143,326	15,925				159,251
323.00	Other Power Production	-	-		-	-	-	-	-				-
325.00	Electric Pumping Equipment	5,016,788	2,031,504	(741)	2,986,025	107,380	2,878,646	2,590,781	287,865				2,878,646
326.00	Diesel Pumping Equipment	4,505	1,428		3,077	100	2,977	2,679	298				2,977
328.10	Gas Engine Pumping Equipment	1,764	512		1,252	39	1,213	1,092	121				1,213
Total Pumping Plant		5,299,453	2,103,700	(741)	3,196,493	109,450	3,087,044						-
					-								-
	Water Treatment				-								-
330.00	Land and Land Rights	-	-		-	-	-	-					-
331.00	Structures and Improvements	38,357	-		38,357	6,456	31,901	28,711	3,190				31,901
332.00	Water Treatment Equipment	150,150	(3,080)		153,230	(3,143)	156,373	140,736	15,637				156,373
Total Water Treatment Plant		188,507	(3,080)	-	191,587	3,312	188,275						-
													-
	Transmission and Distribution				-								-
340.00	Land and Land Rights	-	-		-	-	-	-					-
341.00	Structures and Improvements	-	-		-	-	-	-	-				-
342.00	Distribution, Reservoirs, & ST	769,934	151,245		618,689	5,209	613,479	552,131	61,348				613,479
343.00	Transmission and Distribution	11,750,888	2,527,298	(264)	9,223,854	89,831	9,134,023	8,220,621	913,402				9,134,023
344.00	Fire Mains	169	21		148	1	147						-
345.00	Services	6,620,399	(351,558)	(460)	6,972,417	82,081	6,890,336					6,890,336	6,890,336
346.00	Meters	1,678,135	332,448		1,345,687	21,051	1,324,636				1,324,636		1,324,636
348.00	Hydrants	1,686,428	442,355		1,244,073	16,821	1,227,252			1,227,252			1,227,252
349.00	Other Transmission & Distribution	-	-		-	-	-	-	-				-
Total Transmission and Distribution Plant		22,505,953	3,101,809	(724)	19,404,868	214,995	19,189,874						

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Allocation of Net Plant, Advances and Contributions in Aid of
Construction and Meter Deposits

Exhibit
Rebuttal Schedule G-5
Page 2a
Witness: Kozoman

		ACC Staff Original Cost Plant with Adjustments	Company's Accumulated Depreciation	ACC Staff Original Cost Accumulated Depr. Adj. (Adj. 2,& 5)	Net Plant Values	Company's Additional Post-Closing Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service	Totals
ALLOCATED COMMON PLANT													
Maricopa Common Plant													
389.00	Land and Land Rights	817	-		817	-	817	817					817
390.00	Structures and Improvements	560,392	52,031		508,361	144	508,217	508,217					508,217
391.00	Office Funiture and Equipment	269,034	60,320		208,714	645	208,069			208,069			208,069
391.10	Computer Equipment	317,767	(72,735)		390,502	1,711	388,791			388,791			388,791
392.00	Transportation Equipment	358,257	173,707		184,550	42,174	142,376	35,594		106,782			142,376
393.00	Stores Equipment	4,807	1,302		3,505	10	3,495			3,495			3,495
394.00	Tools, Shop and Garage	68,778	3,051		65,727	394	65,332			65,332			65,332
395.00	Laboratory Equipment	21,787	3,841		17,946	70	17,877			17,877			17,877
396.00	Power Operated Equipment	20,133	7,164		12,969	610	12,360	3,090		9,270			12,360
397.00	Communication Equipment	121,375	55,651		65,724	1,594	64,130	16,032		48,097			64,130
398.00	Miscellaneous Equipment	45,907	21,493	(285)	24,699	1,081	23,618			23,618			23,618
Total Common Plant		1,789,054	305,825	(285)	1,483,514	48,432	1,435,082						
					-		-	-					-
	TOTAL WATER PLANT	31,489,434	5,906,770	(1,750)	25,584,415	396,935	25,187,479	13,476,642	1,397,134	2,098,583	1,324,636	6,890,336	25,187,332
Total Plant		31,489,434			25,584,415								
	Adjustments to Accumulated Depreciation												
Company's additional Accumulated Depreciation Adjustment			396,935		(396,935)								-
			6,303,705										
	Total Net Plant				25,187,479								
	Advances in Aid of Construction				12,151,160		(12,151,160)	(10,936,044)	(1,215,116)				(12,151,160)
	Contributions in Aid of Construction				971,578		(971,578)	(874,420)	(97,158)				(971,578)
	Customer Meter Deposits				1,225		(1,225)					(1,225)	(1,225)
	Total Rate Base				12,063,516		12,063,516	1,666,178	84,860	2,098,583	1,324,636	6,889,111	12,063,369

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of ACC Staff Expenses to Functions

Exhibit
Rebuttal Schedule G-6
Page 1
Witness: Kozoman

		ACC Staff Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Salaries and Wages	(a)	392,024	110,927	12,325	185,638	83,134	-	392,024
Purchased Water		-		-				-
Purchased Power		586,268		586,268				586,268
Chemicals		20,907		20,907				20,907
Repairs and Maintenance	(b)	170,037	88,572	9,841	3,867.12	353	67,403	170,037
Office Supplies and Expense		33,099			33,099			33,099
Outside Services		73,914			73,914			73,914
Service Company Charges		-	-	-	-	-	-	-
Water Testing		6,069		6,069				6,069
Rents		14,134			14,134			14,134
Transportation Expenses		-			-			-
Insurance - General Liability		40,103			40,103			40,103
Insurance - Health and Life		-	-		-			-
Regulatory Commission Expense - Rate Case		22,313			22,313			22,313
Miscellaneous Expense		426,100	120,569	13,397	201,775	90,360	-	426,100
Depreciation Expense, Allocated on Rebuttal Schedule G-6, Page 2								-
Taxes Other Than Income	(a)	4,764	1,348	150	2,256	1,010	-	4,764
Property Taxes, Allocated on Rebuttal Schedules G-1 & G-2				-	-			-
Income Tax, Allocated on Rebuttal Schedules G-1 & G-2								
		1,789,732	321,416	648,957	577,099	174,857	67,403	1,789,732

(a) Labor (Wages and Salaries) factor computations shown on Rebuttal Schedule G-7, Page 2a
(b) Repairs and Maintenance allocation factors computation shown on Rebuttal Schedule G-7, Page 2a

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Allocation of Depreciation Expense Using ACC Plant and Depreciation Rates to Functions

Exhibit
Rebuttal Schedule G-6
Page 2
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost	Depreciation Rate	Depreciatio Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service	Totals
	Intangible										-
301.00	Organization	20,086		-							-
302.00	Franchises	1,588		-							-
303.00	Miscellaneous Intangibles	-		-							-
	Subtotal Intangible	21,674		-							-
											-
	Source of Supply										-
310.00	Land and Land Rights	11,651		-							-
311.00	Structures and Improvements	366,091	2.500%	9,152	9,152	9,152					9,152
312.00	Collecting and Impounding Res.	-	0.000%	-	-	-					-
313.00	Lakes, Rivers, Other Intakes	-	0.000%	-	-						-
314.00	Wells and Springs	1,307,051	2.520%	32,938	32,938	29,644	3,294				32,938
	Subtotal Source of Supply	1,684,793		42,090							-
											-
	Pumping										-
320.00	Land and Land Rights	44,957		-	-						-
321.00	Structures and Improvements	231,439	1.670%	3,865	3,865	3,479	387				3,865
323.00	Other Power Production	-		-	-	-	-				-
325.00	Electric Pumping Equipment	5,016,788	4.420%	221,742	221,742	199,568	22,174				221,742
326.00	Diesel Pumping Equipment	4,505	4.420%	199	199	179	20				199
328.10	Gas Engine Pumping Equipment	1,764	4.420%	78	78	70	8				78
	Subtotal Pumping	5,299,453		225,884							-
											-
	Water Treatment										-
330.00	Land and Land Rights	0		0.00%	-						-
331.00	Structures and Improvements	38,357	1.670%	641	641	577	64				641
332.00	Water Treatment Equipment	150,150	4.000%	6,006	6,006	5,405	601				6,006
	Subtotal Water Treatment	188,507		6,647							-
											-
	Transmission and Distribution										-
340.00	Land and Land Rights	-		-	-						-
341.00	Structures and Improvements	-		-	-	-	-				-
342.00	Distribution, Reservoirs, & ST	769,934	1.670%	10,423	10,423	9,381	1,042				10,423
343.00	Transmission and Distribution	11,750,888	1.530%	179,742	179,742	161,768	17,974				179,742
344.00	**Fire Mains (a)**	169	**0.000%**	-	-						-
345.00	Services	6,620,399	2.480%	164,230	164,230					164,230	164,230
346.00	Meters	1,678,135	2.510%	42,121	42,121				42,121		42,121
348.00	Hydrants	1,686,428	2.000%	33,658	33,658			33,658			33,658
349.00	Other Transmission & Distribution	-		-	-	-	-				-
	Subtotal Transmission and Distribution	22,505,953		430,174							

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Allocation of Depreciation Expense Using ACC Plant and Depreciation Rates to Functions

Exhibit
Rebuttal Schedule G-6
Page 2a
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost	Depreciation Rate	Depreciation Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service	Totals
	General										
389.00	Land and Land Rights	817		-							-
390.00	Structures and Improvements	560,392	1.681%	9,419	9,419	9,419					9,419
391.00	Office Funiture and Equipment	269,034	4.545%	12,228	12,228			12,228			12,228
391.10	Computer Equipment	317,767	4.545%	14,443	14,443			14,443			14,443
392.00	Transportation Equipment	358,257	25.000%	89,564	89,564	22,391		67,173			89,564
393.00	Stores Equipment	4,807	3.921%	188	188			188			188
394.00	Tools, Shop and Garage	68,778	4.135%	2,844	2,844			2,844			2,844
395.00	Laboratory Equipment	21,787	3.710%	808	808			808			808
396.00	Power Operated Equipment	20,133	5.144%	1,036	1,036	259		777			1,036
397.00	Communication Equipment	121,375	10.278%	12,474	12,474	3,119		9,356			12,474
398.00	Miscellaneous Equipment	45,907	4.979%	2,286	2,286			2,286			2,286
	Subtotal General	1,789,054		145,291				-			
								-			-
Amortization of Deferred Regulatory Assets		217,667	2.683%	5,841	5,841	5,841					5,841
				-							
	Subtotals	31,707,101		855,927							-
				-							
				-							
						-					-
						-					-
					-	-					-
Less: Amotization of Contributions		971,578	10.00%	(97,158)	(97,158)	(87,442)	(9,716)				(97,158)
Total Depreciation Expense				758,769	758,769	372,809	35,848	143,762	42,121	164,230	758,769

(a) No Explanation given in testimony why there is not depreciation on fire mains.

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
SUMMARY OF COMMODITY - DEMAND METHOD FUNCTION FACTORS

Exhibit
Rebuttal Schedule G-7
Page 1
Witness: Kozoman

Line No.	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Totals
1												
2	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Totals
3	Commodity	61.219%	0.016%	2.113%	18.257%	11.191%	1.548%	5.512%	0.142%	0.000%	0.00%	100.00%
4	Demand	66.195%	0.007%	2.046%	12.050%	9.203%	1.019%	1.705%	5.229%	2.546%	0.00%	100.00%
5	Customer	93.434%	0.006%	1.155%	3.402%	1.624%	0.090%	0.096%	0.148%	0.045%	0.00%	100.00%
6	Services	90.833%	0.006%	1.281%	4.052%	2.512%	0.185%	0.287%	0.647%	0.197%	0.00%	100.00%
7	Meters	62.134%	0.004%	1.573%	9.156%	16.609%	1.235%	1.887%	5.675%	1.727%	0.00%	100.00%
8												
9												
10												
11												
12												
13												

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
COMMODITY - DEMAND METHOD FUNCTION FACTORS
Plant and Depreciation Expense Allocations

Exhibit
Rebuttal Schedule G-7
Page 2
Witness: Kozoman

Line No.	Description	Total	Demand	Commodity	Customer
1					
2	Description	Total	Demand	Commodity	Customer
3	Wells	1.00	0.90	0.10	
4	Pumps & Equipment	1.00	0.90	0.10	
5	Distribution Mains	1.00	0.90	0.10	
6	Customer	1.00			1.00
7	Services	1.00			1.00
8	Meters	1.00			1.00
9	Fire Hydrants	1.00			1.00
10	Transportation Equip.	1.00	0.25		0.75
11	Office Furniture	1.00			1.00
12	Communication Equip.	1.00	0.25		0.75
13					
14	**To Approximately Match ACC Staff Proposed Rates for 5/8 Inch Meter**				
15	Demand and Commodity Allocation to Wells, Pumps and Equipment and				
16	Distribution Mains would need to be changed to approximately match				
17	ACC Staff's proposed monthly minimums and commodity rates. The				
18	match would be ACC Staff's Proposed Rates to Computed Monthly				
19	Minimum and Commodity rate WITHOUT Equity returns and				
20	Income Taxes. Match would be based on cost only.				
21					
22					
23					
24	**Required Allocations:**				
25	Description	Total	Demand	Commodity	Customer
26	Wells	1.00	(0.60)	1.60	
27	Pumps & Equipment	1.00	(0.60)	1.60	
28	Distribution Mains	1.00	(0.60)	1.60	
29					
30					
31					

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
DEVELOPMENT OF ALLOCATION FACTORS

Exhibit
Rebuttal Schedule 7
Page 2a
Witness: Kozoman

Labor Allocation Factors	
Pumping Labor	31.44%
Meter Labor	21.21%
Customer Labor	47.35%
	100.00%

Repairs and Maintenance Allocation Factors	
Repairs and Maintenance Demand	18.04%
Repairs and Maintenance Pumping	33.23%
Repairs and Maintenance Mains	6.61%
Repairs and Maintenance Services	39.64%
Repairs and Maintenance Meters	0.21%
Repairs and Maintenance Customer	2.27%
	100.00%

Computations shown on this work sheet are from page labeled asTrial Balance in this work book. Allocation percentage were computed based on Expenses charged by Citizens Utilities and are then applied to proforma amounts.

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
DEVELOPMENT OF CLASS ALLOCATION FACTORS

Exhibit
Rebuttal Schedule 7
Page 3
Witness: Kozoman

COMMODITY ALLOCATION FACTOR

Meter Size	(a) Total Gallons (in 1,000's) In Test Year	Percent of Total
5/8" x 3/4"	1,251,596	61.22%
3/4"	328	0.02%
1"	43,207	2.11%
1-1/2"	373,262	18.26%
2"	228,799	11.19%
3"	31,658	1.55%
4"	112,692	5.51%
6"	2,901	0.14%
8"	-	0.000%
10"	-	0.000%
Totals	2,044,442	100.00%

DEMAND ALLOCATION FACTOR

Meter Size	(a) Number of Meters and/or Services	Equiv-alent Weight	Equivalent Number of Meters and/or Services	Percent of Total
5/8" x 3/4	14,558	1.0	14,558	66.20%
3/4"	1	1.5	2	0.01%
1"	180	2.5	450	2.05%
1-1/2"	530	5.0	2,650	12.05%
2"	253	8.0	2,024	9.20%
3"	14	16.0	224	1.02%
4"	15	25.0	375	1.71%
6"	23	50.0	1,150	5.23%
8"	7	80.0	560	2.55%
10"	-	160.0	0	0.00%
Totals	15,581		21,993	100.00%

CUSTOMER ALLOCATION FACTOR

Meter Size	Number of Meters	Percent of Total
5/8" x 3/4"	14,558	93.43%
3/4"	1	0.01%
1"	180	1.16%
1-1/2"	530	3.40%
2"	253	1.62%
3"	14	0.09%
4"	15	0.10%
6"	23	0.15%
8"	7	0.04%
10"	0	0.00%
Totals	15,581	100.00%

SERVICES ALLOCATION FACTOR (b)

Meter Size	Number of Services	Install-ation Cost	Weighted Number Services	Percent of Total
5/8" x 3/4	14,558	$ 355.00	5,168,090	90.83%
3/4"	1	355.00	355	0.01%
1"	180	405.00	72,900	1.28%
1-1/2"	530	435.00	230,550	4.05%
2"	253	565.00	142,945	2.51%
3"	14	750.00	10,500	0.18%
4"	15	1,090.00	16,350	0.29%
6"	23	1,600.00	36,800	0.65%
8"	7	1,600.00	11,200	0.20%
10"	0	1,600.00	0	0.00%
Totals	15,581		5,689,690	100.00%

METER ALLOCATION FACTOR (b)

Meter Size	Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8" x 3/4"	14,558	$ 105.00	1,528,590	62.13%
3/4"	1	105.00	105	0.00%
1"	180	215.00	38,700	1.57%
1-1/2"	530	425.00	225,250	9.16%
2"	253	1,615.00	408,595	16.61%
3"	14	2,170.00	30,380	1.23%
4"	15	3,095.00	46,425	1.89%
6"	23	6,070.00	139,610	5.67%
8"	7	6,070.00	42,490	1.73%
10"	0	6,070.00	0	0.00%
Totals	15,581		2,460,145	100.00%

(a) Includes customer and gallon sold annualization
(b) Meter and Service Line cost from Arizona Corporation Commission Memo of April 23, 2002 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rebuttal Schedule G-8
Page 1
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	2,098,583	6,889,111	1,324,636	10,312,331
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	59,180	194,273	37,355	290,808
4	Rate Bases	2,098,583	6,889,111	1,324,636	10,312,331
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	78,907	259,031	49,806	387,744
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	128,510	421,865	81,116	631,491
9					
10	Revenue Requirement for Debt Component, from Line 3	59,180	194,273	37,355	290,808
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	128,510	421,865	81,116	631,491
13	Total Return Requirement with Income Tax	187,690	616,138	118,471	922,299
14					
15	Property Tax Expense, from Schedule G-5, Page 1	35,612	33,230	13,148	81,990
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	577,099	67,403	174,857	819,359
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	143,762	164,230	42,121	350,113
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	944,163	881,000	348,597	2,173,760
19					
20	**Customer Charge**				
21	Number of Bills = 15,581 times 12	186,972			
22					
23	**Charge per Bill**	$ 5.05			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 21,993 times 12		263,910	263,910	
28					
29	**Charge per Equivalent Meter**		$ 3.34	$ 1.32	
30					
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge)				
34	Charge per Bill (Customer Charge with Equity Return and Income Tax)	$ 5.05			
35	Charge per Equivalent Meter (For Service Line Charge with Equity Return and Income Tax)	3.34			
36	Charge per Equivalent Meter (For Meter Charge with Equity Return and Income Tax)	1.32			
37	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter	$ 9.71			
39					

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rebuttal Schedule G-8
Page 1a
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	2,098,583	6,889,111	1,324,636	10,312,331
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	59,180	194,273	37,355	290,808
4	Rate Bases	2,098,583	6,889,111	1,324,636	10,312,331
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	0.00%	0.00%	0.00%	0.00%
6	Required Operating Income for Equity	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-
9					
10	Revenue Requirement for Debt Component, from Line 3	59,180	194,273	37,355	290,808
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	-	-	-	-
13	Total Return Requirement with Income Tax	59,180	194,273	37,355	290,808
14					
15	Property Tax Expense, from Schedule G-5, Page 1	35,612	33,230	13,148	81,990
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	577,099	67,403	174,857	819,359
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	143,762	164,230	42,121	350,113
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	815,653	459,135	267,481	1,542,270
19					
20	**Customer Charge**				
21	Number of Bills = 15,581 times 12	186,972			
22					
23	**Charge per Bill**	$ 4.36			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 21,993 times 12		263,910	263,910	
28					
29	**Charge per Equivalent Meter**		$ 1.74	$ 1.01	
30	**Actual Cost (without Debt, Equity Returns or Income Taxes)**				
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge, nor recovery of return or income tax)				
34	Charge per Bill (Customer Charge without Equity Return or Income Tax)		$ 4.36		
35	Charge per Equivalent Meter (For Service Line Charge without Equity Return or Income Tax)		1.74		
36	Charge per Equivalent Meter (For Meter Charge without Equity Return or Income Tax)		1.01		
37	(Service and Meter Revenue Requirement divided by Annualized Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter without recovery of Equity Return or Income Tax		$ 7.12		

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Schedule G-8
Page 2
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	1,666,178
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	46,986
5	Rate Base	1,666,178
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%
7	Required Operating Income for Equity	62,648
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	102,031
10		
11	Revenue Requirement for Debt Component, from Line 4	46,986
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	102,031
14		
15	Property Tax Expense, from Schedule G-5, Page 1	33,052
16	Demand Expenses, from Schedule G-6, Page 1	321,416
17	Depreciation, from Schedule G-6, Page 2	372,809
18	Totals	876,294
19	Total Revenue Requirement / Demand Component	
20	Equivalent Number of 5/8 x 3/4 Meters	263,910
21	Demand Charge for 5/8 x 3/4 Inch Meter	$ 3.32
22		

23		5/8" Demand	Meter	Demand
24	Demand Charge Per Equivalent	Charge	Ratio	Charge
25	5/8 x 3/4 Inch Meter	$ 3.32	1.0	$ 3.32
26	3/4 Inch Meter	$ 3.32	1.5	4.98
27	1 Inch Meter	$ 3.32	2.5	8.30
28	1 1/2 Inch Meter	$ 3.32	5.0	16.60
29	2 Inch Meter	$ 3.32	8.0	26.56
30	3 Inch Meter	$ 3.32	15.0	49.81
31	4 Inch Meter	$ 3.32	25.0	83.01
32	6 Inch Meter	$ 3.32	50.0	166.02
33	8 Inch Meter	$ 3.32	80.0	265.63
34	10 Inch Meter	$ 3.32	160.0	531.27

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Schedule G-8
Page 2a
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	1,666,178
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	46,986
5	Rate Base	1,666,178
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	
7	Required Operating Income for Equity	-
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	-
10		
11	Revenue Requirement for Debt Component, from Line 4	46,986
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	-
14		
15	Property Tax Expense, from Schedule G-5, Page 1	33,052
16	Demand Expenses, from Schedule G-6, Page 1	321,416
17	Depreciation, from Schedule G-6, Page 2	372,809
18	Totals	774,263
19	Total Revenue Requirement / Demand Component	
20	Equivalent Number of 5/8 x 3/4 Meters	263,910
21	Demand Charge for 5/8 x 3/4 Inch Meter	$ 2.93
22		

23		5/8" Demand	Meter	Demand
24	Demand Charge Per Equivalent	Charge	Ratio	Charge
25	5/8 x 3/4 Inch Meter	$ 2.93	1.0	$ 2.93
26	3/4 Inch Meter	$ 2.93	1.5	4.40
27	1 Inch Meter	$ 2.93	2.5	7.33
28	1 1/2 Inch Meter	$ 2.93	5.0	14.67
29	2 Inch Meter	$ 2.93	8.0	23.47
30	3 Inch Meter	$ 2.93	15.0	44.01
31	4 Inch Meter	$ 2.93	25.0	73.35
32	6 Inch Meter	$ 2.93	50.0	146.69
33	8 Inch Meter	$ 2.93	80.0	234.71
34	10 Inch Meter	$ 2.93	160.0	469.41

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including and Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 3
Witness: Kozoman

Including Equity Return and Income Taxes

Line No.		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended onthly Mininum to ComputedCost
1	5/8 x 3/4 Inch Meter	$ 5.05	$ 3.34	$ 1.32	$ 3.32	$ 13.03	$ 5.60	42.98%
2	3/4 Inch Meter	5.05	5.01	1.98	4.98	17.02	5.60	32.90%
3	1 Inch Meter	5.05	8.35	3.30	8.30	25.00	14.55	58.20%
4	1 1/2 Inch Meter	5.05	16.69	6.60	16.60	44.95	31.33	69.70%
5	2 Inch Meter	5.05	26.71	10.57	26.56	68.89	45.86	66.57%
6	3 Inch Meter	5.05	50.07	19.81	49.81	124.74	78.32	62.78%
7	4 Inch Meter	5.05	83.46	33.02	83.01	204.54	115.24	56.34%
8	6 Inch Meter	5.05	166.91	66.04	166.02	404.03	157.75	39.04%
9	8 Inch Meter	5.05	267.06	158.51	265.63	696.25		
10	10 Inch Meter	5.05	801.18	528.36	531.27	1,865.86		
11								
12								
13								
14								
15								
16								

Excluding Equity Return and Income Taxes

17								
18						Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended onthly Mininum to ComputedCost
19								
20								
21		Customer Charge	Service Line Charge	Meter Charge	Demand Charge			
22								
23	5/8 x 3/4 Inch Meter	$ 4.36	$ 1.74	$ 1.01	$ 2.93	$ 10.05	$ 5.60	55.72%
24	3/4 Inch Meter	4.36	2.61	1.52	4.40	12.89	5.60	43.43%
25	1 Inch Meter	4.36	4.35	2.53	7.33	18.58	14.55	78.31%
26	1 1/2 Inch Meter	4.36	8.70	5.07	14.67	32.80	31.33	95.52%
27	2 Inch Meter	4.36	13.92	8.11	23.47	49.86	45.86	91.98%
28	3 Inch Meter	4.36	26.10	15.20	44.01	89.67	78.32	87.34%
29	4 Inch Meter	4.36	43.49	25.34	73.35	146.54	115.24	78.64%
30	6 Inch Meter	4.36	86.99	50.68	146.69	288.72	157.75	54.64%
31	8 Inch Meter	4.36	139.18	81.08	234.71	459.33		
32	10 Inch Meter	4.36	278.36	162.17	469.41	914.30		

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 4
Witness: Kozoman

Line No.		Commodity	Customer	Service	Meter	Demand	Totals
1	Rate Bases from Schedule G-5, Page 1	84,860	2,098,583	6,889,111	1,324,636	1,666,178	12,063,369
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.820%	2.820%	2.820%	2.820%	2.820%	2.820%
3	Required Operating Income - for Debt	2,393	59,180	194,273	37,355	46,986	340,187
4	Rate Bases from Schedule G-5, Page 1	84,860	2,098,583	6,889,111	1,324,636	1,666,178	12,063,369
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	3,191	78,907	259,031	49,806	62,648	453,583
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	5,197	128,510	421,865	81,116	102,031	738,718
9							
10	Revenue Requirement for Debt Component, from Line 3	2,393	59,180	194,273	37,355	46,986	340,187
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	5,197	128,510	421,865	81,116	102,031	738,718
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	7,590	187,690	616,138	118,471	149,017	1,078,905
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	27,139	35,612	33,230	13,148	33,052	142,181
16	Expenses (From Sch. G-6. Page 1)	648,957	577,099	67,403	174,857	321,416	1,789,732
17	Depreciation and Amortization (From Schedule G-6, Page 2)	35,848	143,762	164,230	42,121	372,809	758,769
18	Total Revenue Requirement by function	719,533	944,163	881,000	348,597	876,294	3,769,588
19							
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	2,044,442	186,972	263,910	263,910	263,910	
21	Computed Commodity Rate, Customer, Meter, Service Line & Demand	$ 0.3519					
22	(Line 18 divided by Line 20)		$ 5.05	$ 3.34	$ 1.32	$ 3.32	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter and Demand Charge on Line 22)					$ 13.03	
24							

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 4a
Witness: Kozoman

Line No.		Commodity	Customer	Service	Meter	Demand	Totals
1	Rate Bases from Schedule G-5, Page 1	84,860	2,098,583	6,889,111	1,324,636	1,666,178	12,063,369
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	2,393	59,180	194,273	37,355	46,986	340,187
4	Rate Bases from Schedule G-5, Page 1	84,860	2,098,583	6,889,111	1,324,636	1,666,178	12,063,369
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)						
6	Required Operating Income for Equity	-	-	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	-	-	-	-	-	-
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-	-	-
9							
10	Revenue Requirement for Debt Component, from Line 3	2,393	59,180	194,273	37,355	46,986	340,187
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	-	-	-	-	-	-
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	2,393	59,180	194,273	37,355	46,986	340,187
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	27,139	35,612	33,230	13,148	33,052	142,181
16	Expenses (From Sch. G-6. Page 1)	648,957	577,099	67,403	174,857	321,416	1,789,732
17	Depreciation and Amortization (From Schedule G-6, Page 2)	35,848	143,762	164,230	42,121	372,809	758,769
18	Total Revenue Requirement by function	714,337	815,653	459,135	267,481	774,263	3,030,869
19							
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	2,044,442	186,972	263,910	263,910	263,910	
21	Computed Commodity Rate, Customer, Meter, Service Line & Demand	$ 0.3494					
22	(Line 18 divided by Line 20)		$ 4.3624	$ 1.7397	$ 1.0135	$ 2.9338	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter and Demand Charge on Line 22)					$ 10.05	

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **without** Equity Return and Income Taxes

Exhibit
Rebuttal Schedule G-9
Page 1
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rebuttal Schedule G-8, Page 4a	$ 0.3494
2	Computed Demand Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	$ 2.93
3	Computed Customer Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	4.36
4	Computed Service Line Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	1.74
5	Computed Meter Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	1.01
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rebuttal Schedule G-8, Page 4a	$ 10.05
7		
8	**ACC Staff Proposed Rates**	
9	Proposed Monthly Minimum for 5/8" Meter	$ 5.60
10	Proposed Commodity Rate	
11	0 to 4,000	$ 0.84
12	4,001 to 100,000	$ 1.24
13	Over 100,001	$ 1.52
14		

15	Col. 1	Col. 2	Col. 3	Col. 4		Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
16				(Col. 2+ 3)					(Col. 6 + 7	(Col. 8-4)
17	**Computed Costs, without Equity**									Recovery
18	**Return or Income Taxes**									of Expenses
19		Monthly		Total			Monthly			or,
20		Minimum	Commodity	Cost of			Minimum	Commodity	Total	(Lack of
21	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	Recovery)
22	-	$ 10.05	-	$ 10.05		-	$ 5.60		$ 5.60	$ (4.45)
23	1,000	$ 10.05	$ 0.3494	$ 10.40		1,000	5.60	$ 0.84	6.44	(3.96)
24	2,000	10.05	0.70	10.75		2,000	5.60	1.68	7.28	(3.47)
25	3,000	10.05	1.05	11.10		3,000	5.60	2.52	8.12	(2.98)
26	4,000	10.05	1.40	11.45		4,000	5.60	3.36	8.96	(2.49)
27	5,000	10.05	1.75	11.80		5,000	5.60	4.60	10.20	(1.60)
28	6,000	10.05	2.10	12.15	**Usage**	6,000	5.60	5.84	11.44	(0.71)
29	**6,795**	10.05	2.37	12.42	**<-Level->**	**6,795**	5.60	6.83	12.43	0.00
30	7,000	10.05	2.45	12.50	**When**	7,000	5.60	7.08	12.68	0.18
31	8,000	10.05	2.80	12.84	**Revenues**	8,000	5.60	8.32	13.92	1.08
32	9,000	10.05	3.14	13.19	**Equal**	9,000	5.60	9.56	15.16	1.97
33	10,000	10.05	3.49	13.54	**Expenses**	10,000	5.60	10.80	16.40	2.86
34	11,000	10.05	3.84	13.89	**(No Rate**	11,000	5.60	12.04	17.64	3.75
35	12,000	10.05	4.19	14.24	**of Return**	12,000	5.60	13.28	18.88	4.64
36	13,000	10.05	4.54	14.59	**on**	13,000	5.60	14.52	20.12	5.53
37	14,000	10.05	4.89	14.94	**Equity**	14,000	5.60	15.76	21.36	6.42
38	15,000	10.05	5.24	15.29	**or Income**	15,000	5.60	17.00	22.60	7.31
39	16,000	10.05	5.59	15.64	**Taxes**	16,000	5.60	18.24	23.84	8.20
40	17,000	10.05	5.94	15.99	**Included)**	17,000	5.60	19.48	25.08	9.09
41	18,000	10.05	6.29	16.34		18,000	5.60	20.72	26.32	9.98
42	19,000	10.05	6.64	16.69		19,000	5.60	21.96	27.56	10.87
43	20,000	10.05	6.99	17.04		20,000	5.60	23.20	28.80	11.76
44	21,000	10.05	7.34	17.39		21,000	5.60	24.44	30.04	12.65
45	22,000	10.05	7.69	17.74		22,000	5.60	25.68	31.28	13.54
46	23,000	10.05	8.04	18.09		23,000	5.60	26.92	32.52	14.43
47	24,000	10.05	8.39	18.44		24,000	5.60	28.16	33.76	15.32
48	25,000	10.05	8.74	18.78		25,000	5.60	29.40	35.00	16.22
49	26,000	10.05	9.08	19.13		26,000	5.60	30.64	36.24	17.11
50	27,000	10.05	9.43	19.48		27,000	5.60	31.88	37.48	18.00
51	28,000	10.05	9.78	19.83		28,000	5.60	33.12	38.72	18.89
52	29,000	10.05	10.13	20.18		29,000	5.60	34.36	39.96	19.78
53	30,000	10.05	10.48	20.53		30,000	5.60	35.60	41.20	20.67
54	**Average Usage**					**Average Usage**				
55	7,171	10.05	2.51	12.56		7,171	5.60	7.29	12.89	**0.34**

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **with** Equity Return and Income Taxes

Exhibit
Rebuttal Schedule G-9
Page 2
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rebuttal Schedule G-8, Page 4	$ 0.3519
2	Computed Demand Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	$ 3.32
3	Computed Customer Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	5.05
4	Computed Service Line Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	1.32
5	Computed Meter Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	3.34
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rebuttal Schedule G-8, Page 4	$ 13.03
7		
8	**ACC Staff Proposed Rates**	
9	Proposed Monthly Minimum for 5/8" Meter	$ 5.60
10	Proposed Commodity Rate	
11	0 to 4,000	$ 0.84
12	4,001 to 100,000	$ 1.24
13	Over 100,001	$ 1.52
14		

15	Col. 1	Col. 2	Col. 3	Col. 4		Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
16				(Col. 2+ 3)					(Col. 6 + 7	(Col. 8-4)
17										Recovery
18										of Expenses
19	**Computed Costs, with Equity**									Rate of
20	**Return and Income Taxes**									Return
21		Monthly		Total			Monthly			Income Tax
22		Minimum	Commodity	Cost of			Minimum	Commodity	Total	or (Lack of
23	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	Recovery)
24	-	$ 13.03	-	$ 13.03		-	$ 5.60		$ 5.60	$ (7.43)
25	1,000	$ 13.03	$ 0.3519	$ 13.38		1,000	5.60	$ 0.84	6.44	(6.94)
26	2,000	13.03	0.70	13.73		2,000	5.60	1.68	7.28	(6.45)
27	3,000	13.03	1.06	14.09		3,000	5.60	2.52	8.12	(5.97)
28	4,000	13.03	1.41	14.44		4,000	5.60	3.36	8.96	(5.48)
29	5,000	13.03	1.76	14.79		5,000	5.60	4.60	10.20	(4.59)
30	6,000	13.03	2.11	15.14		6,000	5.60	5.84	11.44	(3.70)
31	7,000	13.03	2.46	15.49		7,000	5.60	7.08	12.68	(2.81)
32	8,000	13.03	2.82	15.84		8,000	5.60	8.32	13.92	(1.92)
33	9,000	13.03	3.17	16.20		9,000	5.60	9.56	15.16	(1.04)
34	10,000	13.03	3.52	16.55	**Usage**	10,000	5.60	10.80	16.40	(0.15)
35	**10,170**	13.03	3.58	16.61	**<-Level->**	**10,170**	5.60	11.01	16.61	0.00
36	11,000	13.03	3.87	16.90	**When**	11,000	5.60	12.04	17.64	0.74
37	12,000	13.03	4.22	17.25	**Revenues**	12,000	5.60	13.28	18.88	1.63
38	13,000	13.03	4.58	17.60	**Equal**	13,000	5.60	14.52	20.12	2.52
39	14,000	13.03	4.93	17.96	**Expenses**	14,000	5.60	15.76	21.36	3.40
40	15,000	13.03	5.28	18.31	**and**	15,000	5.60	17.00	22.60	4.29
41	16,000	13.03	5.63	18.66	**Return**	16,000	5.60	18.24	23.84	5.18
42	17,000	13.03	5.98	19.01	**on Equity**	17,000	5.60	19.48	25.08	6.07
43	18,000	13.03	6.34	19.36	**and**	18,000	5.60	20.72	26.32	6.96
44	19,000	13.03	6.69	19.72	**Income**	19,000	5.60	21.96	27.56	7.84
45	20,000	13.03	7.04	20.07	**Taxes**	20,000	5.60	23.20	28.80	8.73
46	21,000	13.03	7.39	20.42		21,000	5.60	24.44	30.04	9.62
47	22,000	13.03	7.74	20.77		22,000	5.60	25.68	31.28	10.51
48	23,000	13.03	8.09	21.12		23,000	5.60	26.92	32.52	11.40
49	24,000	13.03	8.45	21.48		24,000	5.60	28.16	33.76	12.28
50	25,000	13.03	8.80	21.83		25,000	5.60	29.40	35.00	13.17
51	26,000	13.03	9.15	22.18		26,000	5.60	30.64	36.24	14.06
52	27,000	13.03	9.50	22.53		27,000	5.60	31.88	37.48	14.95
53	28,000	13.03	9.85	22.88		28,000	5.60	33.12	38.72	15.84
54	**Average Usage**					**Average Usage**				
55	7,171	$ 13.03	$ 2.524	$ 15.55		7,171	$ 5.60	7.29	12.89	**(2.66)**

Arizona American - Sun City West Water
Summary of Revenues by Customer Classification - Present and Proposed Rates
With Annualized Revenues to Year End Number of Customers
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Kozoman

Line No.	Meter Size	Customer Classification	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	$ 2,075,364	$ 2,832,860	$ 757,496	36.50%	61.76%	61.93%
2	3/4 Inch	Residential	409	559	150	36.57%	0.01%	0.01%
3	1 Inch	Residential	40,107	54,773	14,666	36.57%	1.19%	1.20%
4	1.5 Inch	Residential	511,059	698,068	187,009	36.59%	15.21%	15.26%
5	2 Inch	Residential	162,940	222,568	59,628	36.59%	4.85%	4.87%
6	3 Inch	Residential	-	-	-		0.00%	0.00%
7	4 Inch	Residential	117,032	159,874	42,842	36.61%	3.48%	3.50%
8	5/8 Inch	Commercial	9,572	13,066	3,494	36.50%	0.28%	0.29%
9	3/4 Inch	Commercial	-	-	-		0.00%	0.00%
10	1 Inch	Commercial	34,155	46,648	12,494	36.58%	1.02%	1.02%
11	1.5 Inch	Commercial	74,345	101,550	27,205	36.59%	2.21%	2.22%
12	2 Inch	Commercial	208,910	285,370	76,459	36.60%	6.22%	6.24%
13	3 Inch	Commercial	51,125	69,836	18,710	36.60%	1.52%	1.53%
14	4 Inch	Commercial	11,618	15,871	4,253	36.60%	0.35%	0.35%
15	6 Inch	Commercial	4,923	6,724	1,802	36.60%	0.15%	0.15%
16	4 Inch	Fire Protection	4,140	5,654	1,514	36.57%	0.12%	0.12%
17	6 Inch	Fire Protection	11,745	16,041	4,296	36.58%	0.35%	0.35%
18	8 Inch	Fire Protection	5,040	6,883	1,843	36.57%	0.15%	0.15%
19	Miscellaneous Revenues		37,640	37,640	-	0.00%	1.12%	0.82%
20	Subtotal Water Revenues		$ 3,360,124	$ 4,573,984	$ 1,213,860	36.13%	100.00%	100.00%
21								
22				Revenue Annualization (a)				Additional
23			Present	Proposed	Dollar	Percent	Bills to be	Gallons to be Pumped
24			Revenues	Revenues	Change	Change	Issued	(In 1,000's)
25	5/8 Inch	Residential	$ 3,500	4,777	$ 1,277	36.49%	291	2,217
26	3/4 Inch	Residential	-	-	-			
27	1.5 Inch	Residential	278	380	102	36.59%	3	220
28	2 Inch	Residential	(901)	(1,231)	(330)	36.59%	(9)	(487)
29	3 Inch	Residential			-			
30	4 Inch	Residential	-	-	-			
31	5/8 Inch	Commercial	(246)	(336)	(90)	36.48%	(24)	(136)
32	3/4 Inch	Commercial			-			
33	1 Inch	Commercial	(440)	(601)	(161)	36.58%	(10)	(290)
34	1.5 Inch	Commercial	1,014	1,385	371	36.59%	12	622
35	2 Inch	Commercial	5,600	7,649	2,049	36.60%	40	3,590
36	3 Inch	Commercial	(4,055)	(5,539)	(1,484)	36.60%	(17)	(2,581)
37	4 Inch	Commercial	-	-	-			
38	6 Inch	Commercial	-	-	-			
39	4 Inch	Fire Protection	540	737	197	36.57%	18	
40	6 Inch	Fire Protection	135	184	49	36.58%	3	
41	8 Inch	Fire Protection	-	-	-			
42	Total Revenue Annualization		$ 5,424	$ 7,406	$ 1,982	36.53%	307	3,153
43	Total Revenues		$ 3,365,549	4,581,390	1,215,842	36.13%		

44 **(a)** Customer Growth Annualization is calculated by computing the change in the number of customers by month from
45 the beginning of the year to the end of the year, and then multipling the additional customers times the average
46 revenue for that month.

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Analysis of Revenue by Detailed Class at Average Usage

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Kozoman

Line No.		Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	14,463	7,171	$ 11.67	$ 15.93	4.26	36.49%
2	3/4 Inch	Residential	1	27,333	34.09	46.56	12.47	36.57%
3	1 Inch	Residential	115	15,429	28.76	39.28	10.52	36.56%
4	1.5 Inch	Residential	460	59,042	92.61	126.49	33.89	36.59%
5	2 Inch	Residential	134	55,342	101.46	138.59	37.13	36.59%
6	3 Inch	Residential	-	-	-	-	-	0.00%
7	4 Inch	Residential	1	8,617,167	9,752.71	13,322.86	3,570.15	36.61%
8	5/8 Inch	Commercial	73	5,736	10.33	14.11	3.77	36.48%
9	3/4 Inch	Commercial	-	-	-	-	-	0.00%
10	1 Inch	Commercial	66	28,108	42.96	58.67	15.71	36.58%
11	1.5 Inch	Commercial	69	56,383	89.63	122.43	32.80	36.59%
12	2 Inch	Commercial	117	97,766	148.98	203.50	54.52	36.60%
13	3 Inch	Commercial	15	185,076	275.76	376.69	100.92	36.60%
14	4 Inch	Commercial	1	773,833	968.17	1,322.56	354.38	36.60%
15	6 Inch	Commercial	1	241,750	410.24	560.37	150.13	36.60%
16		Construction						
17	4 Inch	Fire Protection	12	-	8.00	11.94	3.94	49.25%
18	6 Inch	Fire Protection	22	-	30.00	44.78	14.78	49.27%
19	8 Inch	Fire Protection	7	-	45.00	67.18	22.18	49.29%
20	10 Inch	Fire Protection			120.00	179.14	59.14	49.28%
21		Totals	15,555					
22								
23		Actuall Year End Number						
24		of Customers:	15,581					
25								
26		**(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.						
27								

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Changes in Representative Rate Schedules

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1	Percentage Increase in Monthly Minimums				
2	Percentage Increase in Commodity Rates				
3					
4	**Monthly Usage Charge for:**				
5	Residential,Commercial, Irrigation, Resale and Miscellaneous Customers				
6	5/8 x 3/4 Inch	Rounded Down $0.01	$ 5.00	$ 6.82	36.40%
7	3/4 Inch	Rounded Down $0.01	5.00	6.82	36.40%
8	1 Inch		13.00	17.75	36.54%
9	1 1/2 Inch		28.00	38.24	36.57%
10	2 Inch		41.00	56.00	36.59%
11	3 Inch		70.00	95.60	36.57%
12	4 Inch		103.00	140.67	36.57%
13	6 Inch		141.00	192.57	36.57%
14					
15	Construction / Tariff to be canceled, as it is no longer used		8.00		
16	General Fire Sprinkler Rate 4 "		30.00	40.97	36.57%
17	General Fire Sprinkler Rate 6 "		45.00	61.46	36.58%
18	General Fire Sprinkler Rate 8 "		60.00	81.94	36.57%
19	General Fire Sprinkler Rate 10 "		120.00	163.89	36.58%
20					
21					
22					
23					
24					
25	Gallons In Minimum				
26	All		-	-	
27					
28					
29					
30					
31	**Tier 1:** Gallons upper limit				
32	All, except construction		8,000	8,000	
33	Construction / Tariff to be canceled, as it is no longer used		999,999,999	999,999,999	
34					
35	(a) Rounded to nearest whole cent				

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Changes in Representative Rate Schedules

Exhibit
Rebuttal Schedule H-3
Page 2
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1					
2					
3	**Tier 2:** (Gallon upper limit, up to, but not exceeding)				
4	All, except construction		999,999,999	999,999,999	
5	Construction / Tariff to be canceled, as it is no longer used		999,999,999	999,999,999	
6					
7					
8					
9					
10					
11					
12					
13					
14					
15	**Tier 3:** (Gallon over)				
16	All, except construction		999,999,999	999,999,999	
17	Construction / Tariff to be canceled, as it is no longer used		999,999,999	999,999,999	
18					
19					
20					
21					
22					
23					
24					
25					
26					
27	Commodity Rates (per 1,000 gallons over minimum and per Tier)				
28	All, except construction (a)	Tier 1 (a)	$ 0.93	$ 1.27	36.56%
29	All, except construction (a)	Tier 2 (a)	1.12	1.53	36.61%
30	All, except construction (a)	Tier 3 (a)	1.12	1.53	36.61%
31	All, except construction (a)	Tier 4 (a)			
32					
33					
34	Construction / Tariff to be canceled, as it is no longer used		0.60		
35					
36	Effluent Sales, per Acre Foot		150.00	$ 204.86	36.57%
37					
38	Central Arizona Project - Raw Untreated Water - Per 1,000 Gallons		0.50	$ 0.68	36.00%
39					
40	In Addition to above charges, Company shall collect Groundwater Saving Fee Per Commission Decision				
41	62293				
42	(a) Rounded to nearest whole cent				

Arizona American - Sun City West Water
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 3
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	$ 30.00	$ 30.00
2	Establishment (After Hours)	$ 40.00	$ 40.00
3	Reconnection (Deliquent)		$ -
4	Reconnection (After Hours)		$ -
5	Meter Test	$ 10.00	$ 10.00
6	Deposit	**	**
7	Deposit Interest	**	**
8	Re-Establishment (With-in 12 Months)	***	***
9			
10	NSF Check	$ 10.00	$ 10.00
11	Deferred Payment, Per Month (b)		
12	Meter Re-Read	$ 5.00	$ 5.00
13	Charge of Moving Customer Meter -		
14	Customer Requested	Cost	Cost
15	Late Payment Charge	1.50%	1.50%
16	Damages to Meter Locks, Valves, Seals	Cost	Cost
17	Sprinklers See Schedule H-3, Page 1		
18			
19			

20 ** PER COMMISSION RULES (R14-2-403.B)
21 *** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)
22 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
23 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
24 TAX. PER COMMISSION RULE (14-2-409.D 5)
25 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
26 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.
27
28
29

30		Present	Proposed
31	Meter Size	Charges	Charges
32	5/8 x 3/4 Inch	$320	$500
33	3 / 4 Inch	$360	$575
34	1 Inch	$415	$660
35	1 1/2 Inch	$725	$900
36	2 Inch	$1,090	$2,220
37	3 Inch	Cost	Cost
38	4 Inch	Cost	Cost
39	6 Inch	Cost	Cost
40	8 Inch	Cost	Cost

41
42 As meters and service lines are now taxable income for income purposes, The Company
43 shall collect income taxes on the meter and service line charges.
44 Any tax collected will be refunded each year that the meter deposit is refunded.
45
46 Groundwater Withdrawal Fees shall be collected as an assessment, and is subject to annual
47 revisions as required due to changes in rates charged by the Arizona Department of Water
48 Resources ("ADWR"). Includes an allowance of 10% lost and unaccounted for water.

SUN CITY WEST
SEWER DIVISION

Arizona American - Sun City West Sewer
Summary of Revenues by Customer Classification - Present and Proposed Rates
Test Year ended December 31, 2001

Exhibit
Rebuttal Schedule 1
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Sewer Revenues	Percent of Proposed Sewer Revenues
1	Residential Units (WSR)	$ 2,789,886	$ 4,061,139	$ 1,271,253	45.57%	79.25%	79.25%
2	Commercial Units (SSC)	76,035	110,711	34,675	45.60%	2.16%	2.16%
3	Commercial Large User (WS6)	12,683	18,499	5,816	45.86%	0.36%	0.36%
4	Muti-family Residential Units (AC WSRE)	553,264	805,368	252,103	45.57%	15.72%	15.72%
5							
6							
7	Commercial additional toilets (WS1)	70,575	102,800	32,225	45.66%	2.00%	2.01%
8	Commercial per dishwasher (WS2)	11,241	16,368	5,127	45.61%	0.32%	0.32%
9	Commercial per wash machine (WS3)	3,247	4,728	1,481	45.62%	0.09%	0.09%
10	Commercial per wash rack (WS4)	2,497	3,636	1,139	45.60%	0.07%	0.07%
11	Miscellaneous Revenues	1,002	1,002	-	0.00%	0.03%	0.02%
12	**Subtotal of Revenues**	$ 3,520,431	$ 5,124,250	$ 1,603,820	45.56%	100.00%	100.00%
13							
14		**Present**	**Proposed**	**Dollar**	**Percent**	**Bills to be**	
15	**Revenue Annualization**	**Revenues**	**Revenues**	**Change**	**Change**	**Issued**	
16	Residential Units (WSR)	3,134	4,563	1,428	45.57%	193	
17	Commercial Units (SSC)	7,089	10,321	3,233	45.60%	307	
18	Commercial Large User (WS6)	681	992	311	45.62%	15	
19	Muti-family Residential Units (AC WSRE)						
20	Commercial additional toilets (WS1)	(424)	(618)	(194)	45.66%	(80)	
21	Commercial per dishwasher (WS2)			-			
22	Commercial per wash machine (WS3)	566	824	258	45.62%	57	
23	Commercial per wash rack (WS4)						
24	**Total Revenue Annualization**	$ 11,046	$ 16,083	5,036	45.59%	492	
25							
26	Total Revenues	$ 3,531,477	$ 5,140,333	1,608,856	45.56%		

Arizona American - Sun City West Sewer
Analysis of Revenue by Detailed Class at Average Usage
Test Year ended December 31, 2001

Exhibit
Rebuttal Schedule 2
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	Residential Units (WSR)	14,316	N/A	16.24	23.64	7.40	45.57%
2	Commercial Units (SSC)	274	N/A	23.09	33.62	10.53	45.60%
3	Commercial Large User (WS6)	5	187,702	209.77	305.95	96.19	45.85%
4	Muti-family Residential Units (AC WSRE)	2,839	N/A	-	-	-	0.00%
5	Total Actual Year End Customers	17,434					
6							
7	Commercial additional toilets (WS1)	1,110	N/A	5.30	7.72	2.42	45.66%
8	Commercial per dishwasher (WS2)	22	N/A	42.58	62.00	19.42	45.61%
9	Commercial per wash machine (WS3)	27	N/A	9.93	14.46	4.53	45.62%
10	Commercial per wash rack (WS4)	10	N/A	20.81	30.30	9.49	45.60%
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21	Total Other Units	1,169					

Arizona American - Sun City West Sewer
Changes in Representative Rate Schedules
Test Year ended December 31, 2001

Exhibit
Rebuttal Schedule 3
Page 1
Witness: Kozoman

Line No.	Customer Classification and.or Meter Size, If Applicable	Present Rates	Proposed Rates	Percent Change
1	**Monthly Usage Charge for:**			
2	Residential and Commercial			
3	Residential (WSR) Rounded Down	$ 16.24	$ 23.64	45.57%
4	Commercial (SSC)	23.09	33.62	45.60%
5	Commercial Large User (SS6 based on consumption)	45.42	66.14	45.62%
6	WS1 (commercial, additonal toilets)	5.30	7.72	45.66%
7	WS2 (commercial restaurant, per dishwasher or garbage grinder)	42.58	62.00	45.61%
8	WS3 (commercial laundromat, per washing machine)	9.93	14.46	45.62%
9	WS4 (commercial, per wash rack)	20.81	30.30	45.60%
10				
11				
12	**Annual Fee for Industrial Discharge Service**			
13	For those customers consuming an amount of water less than or equal			
14	50,000 gallons per month through one or more water meters to the			
15	same facility, inclusive of meters used for irrigation:	$ 500.00	$ 500.00	
16				
17				
18	For those customers consuming an amount of water greater than			
19	50,000 gallons per month through one or more water meters to the			
20	same facility, inclusive of meters used for irrigation:	$ 1,000.00	$ 1,000.00	
21				
22	Annual Fee for Industrial Discharge Service charges shall be non-refundable and shall be assessed			
23	in advance each January by the Company by special billing. For new customers receiving this service,			
24	a prorated charge shall be assessed.			
25				
26				
27				
28				
29				
30				
31				
32	Gallons In Minimum			
33	Commercial SSR6	20,000	20,000	
34				
35	Commodity Rates (per 1,000 gallons over minimum)			
36	Commercial SSR6	$ 0.98	$ 1.43	45.92%
37				
38	(a) Rounded to nearest whole cent			

Arizona American - Sun City West Sewer
Changes in Representative Rate Schedules
Test Year ended December 31, 2001

Exhibit
Rebuttal Schedule 3
Page 2
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment		
2	Establishment (After Hours)		
3	Reconnection (Deliquent)		
4	Reconnection (After Hours)		
5			
6	Deposit		
7	Deposit Interest		
8	Re-Establishment (With-in 12 Months)		
9			
10	NSF Check		
11	Deferred Payment, Per Month (b)		
12			
13			
14			
15	Late Payment Charge	1.50%	1.50%
16			
17	Rates for above charges are listed on Schedule H-3, Page 3, for Sun City West Water.		
18			
19			
20	** PER COMMISSION RULES (R14-2-403.B)		
21	*** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)		
22	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
23	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
24	TAX. PER COMMISSION RULE (14-2-409.D 5)		
25	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
26	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.		

Arizona American - Sun City West Sewer
Summary of Revenues by Customer Classification - Present and Proposed Rates
Test Year ended December 31, 2001
Step-One Rate Increase

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Sewer Revenues	Percent of Proposed Sewer Revenues
1	Residential Units (WSR)	2,789,886	3,906,527	$ 1,116,642	40.02%	79.25%	79.26%
2	Commercial Units (SSC)	76,035	106,463	30,427	40.02%	2.16%	2.16%
3	Commercial Large User (WS6)	12,683	17,736	5,053	39.84%	0.36%	0.36%
4	Muti-family Residential Units (AC WSRE)	553,264	774,706	221,442	40.02%	15.72%	15.72%
5							
6							
7	Commercial additional toilets (WS1)	70,575	98,805	28,230	40.00%	2.00%	2.00%
8	Commercial per dishwasher (WS2)	11,241	15,737	4,496	40.00%	0.32%	0.32%
9	Commercial per wash machine (WS3)	3,247	4,545	1,298	39.98%	0.09%	0.09%
10	Commercial per wash rack (WS4)	2,497	3,496	998	39.98%	0.07%	0.07%
11	Miscellaneous Revenues	1,002	1,002	-	0.00%	0.03%	0.02%
12	**Subtotal of Revenues**	$ 3,520,431	$ 4,929,017	$ 1,408,586	40.01%	100.00%	100.00%
13							
14							
15	**Revenue Annualization**	**Present Revenues**	**Proposed Revenues**	**Dollar Change**	**Percent Change**	**Bills to be Issued**	
16	Residential Units (WSR)	3,134	4,389	1,255	40.02%	193	
17	Commercial Units (SSC)	7,089	9,925	2,837	40.02%	307	
18	Commercial Large User (WS6)	681	954	273	40.00%	15	
19	Muti-family Residential Units (AC WSRE)						
20	Commercial additional toilets (WS1)	(424)	(594)	(170)	40.00%	(80)	
21	Commercial per dishwasher (WS2)			-			
22	Commercial per wash machine (WS3)	566	792	226	39.98%	57	
23	Commercial per wash rack (WS4)						
24	**Total Revenue Annualization**	$ 11,046	$ 15,467	4,420	40.02%	492	
25							
26	Total Revenues	$ 3,531,477	$ 4,944,483	1,413,006	40.01%		

Arizona American - Sun City West Sewer
Analysis of Revenue by Detailed Class at Average Usage
Test Year ended December 31, 2001
Step-One Rate Increase

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	Residential Units (WSR)	14,316	N/A	16.24	22.74	6.50	40.02%
2	Commercial Units (SSC)	274	N/A	23.09	32.33	9.24	40.02%
3	Commercial Large User (WS6)	5	187,702	209.77	293.34	83.57	39.84%
4	Muti-family Residential Units (AC WSRE)	2,839	N/A	-	-	-	0.00%
5	Total Actual Year End Customers	17,434					
6							
7	Commercial additional toilets (WS1)	1,110	N/A	5.30	7.42	2.12	40.00%
8	Commercial per dishwasher (WS2)	22	N/A	42.58	59.61	17.03	40.00%
9	Commercial per wash machine (WS3)	27	N/A	9.93	13.90	3.97	39.98%
10	Commercial per wash rack (WS4)	10	N/A	20.81	29.13	8.32	39.98%
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21	Total Other Units	1,169					

Arizona American - Sun City West Sewer
Changes in Representative Rate Schedules
Test Year ended December 31, 2001
Step-One Rate Increase

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and.or Meter Size, If Applicable	Present Rates	Proposed Rates	Percent Change
1	**Monthly Usage Charge for:**			
2	Residential and Commercial			
3	Residential (WSR) (a)	$ 16.24	$ 22.74	40.02%
4	Commercial (WSC) (a)	23.09	32.33	40.02%
5	Commercial Large User (SS6 based on consumption) (a)	45.42	63.59	40.00%
6	WS1 (commercial, additonal toilets)	5.30	7.42	40.00%
7	WS2 (commercial restaurant, per dishwasher or garbage grinder) (a)	42.58	59.61	40.00%
8	WS3 (commercial laundromat, per washing machine) (a)	9.93	13.90	39.98%
9	WS4 (commercial, per wash rack) (a)	20.81	29.13	39.98%
10				
11				
12	**Annual Fee for Industrial Discharge Service**			
13	For those customers consuming an amount of water less than or equal			
14	50,000 gallons per month through one or more water meters to the			
15	same facility, inclusive of meters used for irrigation:	$ 500.00		
16				
17				
18	For those customers consuming an amount of water greater than			
19	50,000 gallons per month through one or more water meters to the			
20	same facility, inclusive of meters used for irrigation:	$ 1,000.00		
21				
22	Annual Fee for Industrial Discharge Service charges shall be non-refundable and shall be assessed			
23	in advance each January by the Company by special billing. For new customers receiving this service,			
24	a prorated charge shall be assessed.			
25				
26				
27				
28				
29				
30				
31				
32	Gallons In Minimum			
33	Commercial SSR6	20,000	20,000	
34				
35	Commodity Rates (per 1,000 gallons over minimum)			
36	Commercial SSR6 (a)	$ 0.98	$ 1.3700	39.80%

Arizona American - Sun City West Sewer
Changes in Representative Rate Schedules
Test Year ended December 31, 2001
Step-One Rate Increase

Exhibit
Schedule H-3
Page 2
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment		
2	Establishment (After Hours)		
3	Reconnection (Deliquent)		
4	Reconnection (After Hours)		
5			
6	Deposit		
7	Deposit Interest		
8	Re-Establishment (With-in 12 Months)		
9			
10	NSF Check		
11	Deferred Payment, Per Month (b)		
12			
13			
14			
15	Late Payment Charge	1.50%	1.50%
16			
17			
18			
19			
20	** PER COMMISSION RULES (R14-2-403.B)		
21	*** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)		
22	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
23	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
24	TAX. PER COMMISSION RULE (14-2-409.D 5)		
25	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
26	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.		
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
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40			
41			
42			

TUBAC
WATER DIVISION

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Rates of Return at Present Rates Using ACC Staff Net Plant and Expenses

Exhibit
Rebuttal Schedule G-1
Page 1
Witness: Kozoman

Meter Size->	Totals	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Water Revenues and Revenue Annualizations	251,121	213,560		18,662	4,603	11,433	2,863				
Misc. Revenue **(a)**	2,691	2,691									
Total Revenues	253,812	216,251	-	18,662	4,603	11,433	2,863	-	-	-	-
Operating Expenses **(b)**	185,658	155,749	-	16,287	2,970	5,667	4,985	-	-	-	-
Depreciation and Amortization **(b)**	35,474	28,687	-	3,556	676	1,203	1,352	-	-	-	-
Property Tax **(c)**	20,655	17,598	-	1,519	375	930	233	-	-	-	-
Income Tax **(d)**	(7,404)	(4,224)	-	(2,232)	(20)	932	(1,860)	-	-	-	-
Total Operating Expenses	234,383	197,810	-	19,130	4,001	8,732	4,710	-	-	-	-
Operating Income	19,430	18,441	-	(468)	603	2,700	(1,846)	-	-	-	-
Interest Expense **(e)**	31,882	25,546	-	3,286	636	1,132	1,283	-	-	-	-
Net Income	(12,453)	(7,105)	-	(3,754)	(33)	1,568	(3,129)	-	-	-	-
Rate Base **(f)**	1,130,170	905,553	-	116,486	22,532	40,130	45,469	-	-	-	-
Rate of Return **(g)**	1.72%	2.04%		-0.40%	2.67%	6.73%	-4.06%				

(a) Miscellaneous Revenue allocated to 5/8 Inch Customer Class.
(b) Operating Expenses and Depreciation computations are shown on Rebuttal Schedule G-4, Page 1.
(c) Property Taxes allocated based on Revenues
(d) Income Taxes allocated based on taxable income
(e) Interest Expense allocated based on Rate Base, Please see Rebuttal Schedule G-3, Page 1
(f) Rate Base computations are shown on Rebuttal Schedule G-3, Page 1
(g) Operating Income Divided by Rate Base

Income Tax Allocation											
Net Income & Income Tax	(19,857)										
Percent of Taxable Income		57.05%	0.00%	30.15%	0.26%	-12.59%	25.13%	0.00%	0.00%	0.00%	0.00%
Income Tax		(7,404)	(7,404)	(7,404)	(7,404)	(7,404)	(7,404)	(7,404)	(7,404)	(7,404)	(7,404)
Allocated Income Tax		(4,224)	-	(2,232)	(20)	932	(1,860)	-	-	-	-
Income Tax											
Property Tax Allocation	20,655	85.20%	0.00%	7.35%	1.81%	4.50%	1.13%	0.00%	0.00%	0.00%	0.00%
Property Tax Allocation	20,655	17,598	-	1,518.69	374.62	930.37	233.01	-	-	-	-

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Rates of Return at Proposed Rates Using ACC Staff Net Plant and Expenses

Exhibit
Rebuttal Schedule G-2
Page 1
Witness: Kozoman

Meter Size->	Totals	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Water Revenues and **(1)**	340,112	288,555	-	25,681	5,796	16,638	3,441	-	-		
Revenue Annualizations	-										
Misc. Revenue **(a)**	2,691	2,691									
Total Revenues	342,803	291,246	-	25,681	5,796	16,638	3,441	-	-	-	-
Operating Expenses **(b)**	185,658	155,749	-	16,287	2,970	5,667	4,985	-	-	-	-
Depreciation and Amortization **(b)**	35,474	28,687	-	3,556	676	1,203	1,352	-	-	-	-
Property Tax **(c)**	20,655	17,548	-	1,547	349	1,003	207	-	-	-	-
Income Tax **(d)**	26,724	24,629	-	388	451	2,951	(1,696)	-	-	-	-
Total Operating Expenses	268,510	226,614	-	21,779	4,446	10,823	4,849	-	-	-	-
Operating Income	74,292	64,633	-	3,902	1,351	5,815	(1,408)	-	-	-	-
Interest Expense **(e)**	31,882	25,546	-	3,286	636	1,132	1,283	-	-	-	-
Net Income	42,410	39,087	-	616	715	4,683	(2,691)	-	-	-	-
Rate Base **(f)**	1,130,170	905,553	-	116,486	22,532	40,130	45,469	-	-	-	-
Rate of Return **(g)**	6.57%	7.14%		3.35%	5.99%	14.49%	-3.10%				
Percent of Total Customers		92.510%	0.000%	5.870%	0.607%	0.607%	0.405%	0.000%	0.000%	0.000%	0.000%

(1) Revenues are from ACC Staff Proposed Rates Bill Count.
(a) Miscellaneous Revenue allocated to 5/8 Inch Customer Class.
(b) Operating Expenses and Depreciation computations are shown on Rebuttal Schedule G-4, Page 1.
(c) Property Taxes allocated based on Revenues
(d) Income Taxes allocated based on taxable income
(e) Interest Expense allocated based on Rate Base, Please see Rebuttal Schedule G-3, Page 1
(f) Rate Base computations are shown on Rebuttal Schedule G-3, Page 1
(g) Operating Income Divided by Rate Base

Income Tax Allocation											
Net Income & Income Tax	69,134										
Percent of Taxable Income		92%	0%	1%	2%	11%	-6%	0%	0%	0%	0%
Income Tax		26,724	26,724	26,724	26,724	26,724	26,724	26,724	26,724	26,724	26,724
Allocated Income Tax		24,629	-	388	451	2,951	(1,696)	-	-	-	-
Percent of Revenues		84.96%	0.00%	7.49%	1.69%	4.85%	1.00%	0.00%	0.00%	0.00%	0.00%
Property Tax Allocation	20,655	17,548	-	1,547	349	1,003	207	-	-	-	-

Arizona American - Tubac Water
Test Year Ended December 31, 2000
Cost of Service Study Using Commodity / Demand Method
Allocation of Assets to Customer Classes Using ACC Staff Net Plant

Exhibit
Rebuttal Schedule G-3
Page 1
Witness: Kozoman

Line No.		Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
1	Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid and Meter Deposits (from Schedule G-5, Page 1)											
2	Commodity	73,292	62,697	-	5,316	1,196	3,795	288	-	-	-	-
3	Demand	727,570	553,704	-	87,842	18,174	29,079	38,771	-	-	-	-
4	Customer	49,724	46,000	-	2,919	302	302	201	-	-	-	-
5	Service	213,848	194,384	-	14,072	1,564	2,031	1,797	-	-	-	-
6	Meter	65,736	48,768	-	6,337	1,296	4,924	4,411	-	-	-	-
7	Totals	1,130,170	905,553	-	116,486	22,532	40,130	45,469	-	-	-	-
8												
9												
10	Commodity	-	-	-	-	-	-	-	-	-	-	-
11	Demand	-	-	-	-	-	-	-	-	-	-	-
12	Customer											
13	Service											
14	Meter											
15	Totals	-	-	-	-	-	-	-	-	-	-	-
16												
17												
18				-	-	-	-	-	-	-		
19				-	-	-	-	-	-	-	-	-
20				-	-	-	-	-	-	-		
21				-	-	-	-	-	-	-	-	-
22												
23	Net Rate Base	1,130,170	905,553	-	116,486	22,532	40,130	45,469	-	-	-	-
24												
		ACC Staff Interest Expense										
	Interest Expense Allocation	31,882	25,546	-	3,286	636	1,132	1,283	-	-	-	-
	Ratio of rate bases to total rate base		80.1254%	0.0000%	10.3069%	1.9937%	3.5508%	4.0232%	0.0000%	0.0000%	0.0000%	0.0000%

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Customer Classes Using ACC Staff Expenses

Exhibit
Rebuttal Schedule G-4
Page 1
Witness: Kozoman

	Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Operation and Maintenance Expense (from Schedule G-6, Page 1)											
Commodity	30,451	26,049	-	2,209	497	1,577	120	-	-	-	-
Demand	74,194	56,464	-	8,958	1,853	2,965	3,954	-	-	-	-
Customer	68,468	63,340	-	4,019	416	416	277	-	-	-	-
Service	3,529	3,208	-	232	26	34	30	-	-	-	-
Meter	9,016	6,689	-	869	178	675	605	-	-	-	-
Totals	185,658	155,749	-	16,287	2,970	5,667	4,985	-	-	-	-
Depreciaton Expense on Plant (from Schedule G-6, Page 2)											
Commodity	2,162	1,849	-	157	35	112	9	-	-	-	-
Demand	21,222	16,150	-	2,562	530	848	1,131	-	-	-	-
Customer	3,275	3,030	-	192	20	20	13	-	-	-	-
Service	6,687	6,078	-	440	49	64	56	-	-	-	-
Meter	2,128	1,579	-	205	42	159	143	-	-	-	-
Totals	35,474	28,687	-	3,556	676	1,203	1,352	-	-	-	-
Total Expenses (excluding Income Tax and Property Taxes)	221,132	184,436	-	19,843	3,646	6,870	6,337	-	-	-	-

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of Rate Base by Function Using ACC Staff Plant and Accumulated Depreciation

Exhibit
Rebuttal Schedule G-5
Page 1
Witness: Kozoman

	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Rate Base							
Plant minus (Accumulated Depreciation Contributions in Aid of Construction Advances in Aid of Construction and Meter Deposits)	1,130,170	727,570	73,292	49,724	65,736	213,848	1,130,170
	1,130,170	727,570	73,292	49,724	65,736	213,848	1,130,170

	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Allocation of Property Taxes to Functions							
Revenue Requirement by Function	342,865	170,775	41,679	81,074	18,115	31,223	342,865
						-	-
Total Revenue Requirement	342,865	170,775	41,679	81,074	18,115	31,223	342,865
Property Taxes Allocation	20,655	10,288	2,511	4,884	1,091	1,881	20,655

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Allocation of Net Plant, Advances and Contributions in Aid of
Construction and Meter Deposits Using ACC Staff Plant and Accumulated Depreciation to Functions

Exhibit
Rebuttal Schedule G-5
Page 2
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost Plant with Adjustments	Company's Accumulated Depreciation	ACC Staff Original Cost Accum. Depr. Adjustments. (Adj. 1, 5)	Net Plant Values	Company's Additional Post-Closing Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service	Totals
	Intangible												
301.00	Organization	567	-		567	-	567	567					567
302.00	Franchises	2,030	-		2,030	-	2,030	2,030					2,030
303.00	Miscellaneous Intangibles	-	-		-	-	-	-					-
Total Intangible Plant		2,597	-		2,597	-	2,597						-
						0							-
	Source of Supply					0							-
310.00	Land and Land Rights	20,414	-		20,414	0	20,414	20,414					20,414
311.00	Structures and Improvements	20,492	4,183		16,309	240	16,069	16,069					16,069
312.00	Collecting and Impounding Res.	-	-		-	-	-	-					-
313.00	Lakes, Rivers, Other Intakes	-	-		-	-	-	-	-				-
314.00	Wells and Springs	114,410	76,797	(1,624)	39,237	2,786	36,451	32,806	3,645				36,451
Total Source of Supply Plant		155,316	80,980	(1,624)	75,959	3,026	72,934						-
						0							-
	Pumping					0							-
320.00	Land and Land Rights	50	-		50	-	50	50					50
321.00	Structures and Improvements	14,842	7,906		6,936	142	6,794	6,115	679				6,794
323.00	Other Power Production	-	-		-	-	-	-	-				-
325.00	Electric Pumping Equipment	270,574	102,255		168,319	5,123	163,197	146,877	16,320				163,197
326.00	Diesel Pumping Equipment	879	88		791	-	791	712	79				791
328.10	Gas Engine Pumping Equipment	42,994	10,466		32,528	911	31,617	28,455	3,162				31,617
Total Pumping Plant		329,339	120,714	-	208,625	6,175	202,449						-
					-	0							-
	Water Treatment				-	0							-
330.00	Land and Land Rights	50	-		50	-	50	50					50
331.00	Structures and Improvements	-	-		-	-	-	-	-				-
332.00	Water Treatment Equipment	505	104		401	10	391	352	39				391
Total Water Treatment Plant		555	104	-	451	10	441						-
						0							-
	Transmission and Distribution				-	0							-
340.00	Land and Land Rights	539	-		539	-	539	539					539
341.00	Structures and Improvements	156	70		86	1	85	76	8				85
342.00	Distribution, Reservoirs, & ST	142,420	28,084		114,336	1,153	113,183	101,865	11,318				113,183
343.00	Transmission and Distribution	939,167	236,291		702,876	8,704	694,172	624,755	69,417				694,172
344.00	Fire Mains	-	-		-	-	-						-
345.00	Services	272,942	55,162		217,780	3,342	214,438					214,438	214,438
346.00	Meters	87,950	21,151		66,799	1,063	65,736				65,736		65,736
348.00	Hydrants	24,189	1,366		22,823	238	22,585			22,585			22,585
349.00	Other Transmission & Distribution	-	-		-	-	-	-	-				-
Total Transmission and Distribution Plant		1,467,363	342,124	-	1,125,239	14,502	1,110,737						

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Allocation of Net Plant, Advances and Contributions in Aid of
Construction and Meter Deposits

Exhibit
Rebuttal Schedule G-5
Page 2a
Witness: Kozoman

	ACC Staff Original Cost Plant with Adjustments	Company's Accumulated Depreciation	ACC Staff Original Cost Accumulated Depr. Adj. (Adj. 1, 5)	Net Plant Values	Company's Additional Post-Closing Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service	Totals
ALLOCATED COMMON PLANT												
Maricopa Common Plant												
389.00 Land and Land Rights	26	-		26	-	26	26					26
390.00 Structures and Improvements	17,767	1,650		16,117	7	16,110	16,110					16,110
391.00 Office Funiture and Equipment	8,530	1,912		6,618	188	6,430			6,430			6,430
391.10 Computer Equipment	13,194	(2,306)		15,500	943	14,557			14,557			14,557
392.00 Transportation Equipment	9,535	5,507		4,028	2,145	1,883	471		1,412			1,883
393.00 Stores Equipment	152	41		111	68	42			42			42
394.00 Tools, Shop and Garage	2,181	97		2,084	139	1,945			1,945			1,945
395.00 Laboratory Equipment	691	122		569	-	569			569			569
396.00 Power Operated Equipment	638	227		411	-	411	103		308			411
397.00 Communication Equipment	3,848	1,764		2,084	62	2,021	505		1,516			2,021
398.00 Miscellaneous Equipment	1,470	681	413	376	16	359			359			359
Total Common Plant	58,032	9,696	413	47,923	3,569	44,354						-
ADFUC adjustment 3/95 *				-		-						-
Well not in service				-	(9,330)	9,330	9,330					9,330
Plant 3/95		(1,674)		1,674		1,674	1,674					1,674
TOTAL WATER PLANT	2,013,202	551,945	(1,211)	1,462,468	17,952	1,444,516	1,009,951	104,668	49,724	65,736	214,438	1,444,516
Total Plant	2,013,202			1,462,468								
Adjustments to Accumulated Depreciation												
Company's additional Accumulated Depreciation Adjustment		17,952		(17,952)								-
		569,897										
Total Net Plant				1,444,516								
Advances in Aid of Construction				170,081		(170,081)	(153,073)	(17,008)				(170,081)
Contributions in Aid of Construction				143,675		(143,675)	(129,308)	(14,368)				(143,675)
Customer Meter Deposits				590		(590)					(590)	(590)
Total Rate Base				1,130,170		1,130,170	727,570	73,292	49,724	65,736	213,848	1,130,170

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
Allocation of ACC Staff Expenses to Functions

Exhibit
Rebuttal Schedule G-6
Page 1
Witness: Kozoman

		ACC Staff Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
Salaries and Wages	(a)	60,229	31,985	3,554	20,356	4,334	-	60,229
Purchased Water		-		-				-
Purchased Power		20,771		20,771				20,771
Chemicals		16		16				16
Repairs and Maintenance	(b)	18,029	12,464	1,385	-	651	3,529	18,029
Office Supplies and Expense		9,145			9,145			9,145
Outside Services		12,759			12,759			12,759
Service Company Charges		-	-	-	-	-	-	-
Water Testing		1,420		1,420				1,420
Rents		3,454			3,454			3,454
Transportation Expenses		-			-			-
Insurance - General Liability		2,143			2,143			2,143
Insurance - Health and Life		-	-		-			-
Regulatory Commission Expense - Rate Case		1,680			1,680			1,680
Miscellaneous Expense		29,729	15,787	1,754	10,048	2,139	-	29,729
Depreciation Expense, Allocated on Rebuttal Schedule G-6, Page 2								-
Taxes Other Than Income	(a)	26,283	13,958	1,551	8,883	1,891	-	26,283
Property Taxes, Allocated on Rebuttal Schedules G-1 & G-2				-	-			-
Income Tax, Allocated on Rebuttal Schedules G-1 & G-2								
		185,658	74,194	30,451	68,468	9,016	3,529	185,658

(a) Labor (Wages and Salaries) factor computations shown on Rebuttal Schedule G-7, Page 2a
(b) Repairs and Maintenance allocation factors computation shown on Rebuttal Schedule G-7, Page 2a

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Allocation of Depreciation Expense Using ACC Plant and Depreciation Rates to Functions

Exhibit
Rebuttal Schedule G-6
Page 2
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost	Depreciation Rate	Depreciatio Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service	Totals
	Intangible										-
301.00	Organization	567		-							-
302.00	Franchises	2,030		-							-
303.00	Miscellaneous Intangibles	-		-							-
	Subtotal Intangible	2,597		-							-
											-
	Source of Supply										-
310.00	Land and Land Rights	20,414		-							-
311.00	Structures and Improvements	20,492	2.400%	492	492	492					492
312.00	Collecting and Impounding Res.	-		-	-	-					-
313.00	Lakes, Rivers, Other Intakes	-		-	-						-
314.00	Wells and Springs	114,410	3.080%	3,524	3,524	3,171	352				3,524
	Subtotal Source of Supply	155,316		4,016							-
											-
	Pumping										-
320.00	Land and Land Rights	50		-	-						-
321.00	Structures and Improvements	14,842	1.940%	288	288	259	29				288
323.00	Other Power Production	-		-	-	-	-				-
325.00	Electric Pumping Equipment	270,574	4.240%	11,472	11,472	10,325	1,147				11,472
326.00	Diesel Pumping Equipment	879	5.000%	44	44	40	4				44
328.10	Gas Engine Pumping Equipment	42,994	4.240%	1,823	1,823	1,641	182				1,823
	Subtotal Pumping	329,339		13,627							-
											-
	Water Treatment										-
330.00	Land and Land Rights	50		-	-						-
331.00	Structures and Improvements	-	0.000%	-	-	-	-				-
332.00	Water Treatment Equipment	505	4.001%	20	20	18	2				20
	Subtotal Water Treatment	555		20							-
											-
	Transmission and Distribution										-
340.00	Land and Land Rights	539		-	-						-
341.00	Structures and Improvements	156	1.920%	3	3	3	0				3
342.00	Distribution, Reservoirs, & ST	142,420	1.620%	2,307	2,307	2,076	231				2,307
343.00	Transmission and Distribution	939,167	1.970%	18,502	18,502	16,651	1,850				18,502
344.00	Fire Mains	-		-	-						-
345.00	Services	272,942	2.450%	6,687	6,687					6,687	6,687
346.00	Meters	87,950	2.420%	2,128	2,128				2,128		2,128
348.00	Hydrants	24,189	1.970%	477	477			477			477
349.00	Other Transmission & Distribution	-		-	-	-	-				-
	Subtotal Transmission and Distribution	1,467,363		30,104							

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Allocation of Depreciation Expense Using ACC Plant and Depreciation Rates to Functions

Exhibit
Rebuttal Schedule G-6
Page 2a
Witness: Kozoman

Account No.	Description	ACC Staff Original Cost	Depreciation Rate	Depreciation Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service	Totals
	General										
389.00	Land and Land Rights	26		-							-
390.00	Structures and Improvements	17,767	2.890%	513	513	513					513
391.00	Office Funiture and Equipment	8,530	3.280%	280	280			280			280
391.10	Computer Equipment	13,194	3.280%	433	433			433			433
392.00	Transportation Equipment	9,535	25.000%	2,384	2,384	596		1,788			2,384
393.00	Stores Equipment	152	4.000%	6	6			6			6
394.00	Tools, Shop and Garage	2,181	3.420%	75	75			75			75
395.00	**Laboratory Equipment (a)**	**691**	**0.000%**	-	-			-			-
396.00	**Power Operated Equipment (a)**	**638**	**0.000%**	-	-	-		-			-
397.00	Communication Equipment	3,848	5.030%	194	194	48		145			194
398.00	Miscellaneous Equipment	1,470	4.930%	72	72			72			72
	Subtotal General	58,032		3,956				-			
								-			-
Amortization of Deferred Regulatory Assets		4,596	2.577%	118	118	118					118
Depreciation of well not-in-service		64,945	3.080%	(2,000)	(2,000)	(1,800)	(200)				(2,000)
	Subtotals	2,082,743		49,841							-
				-							
				-							
						-					-
						-					-
					-	-					-
Less: Amotization of Contributions		143,675	10.00%	(14,368)	(14,368)	(12,931)	(1,437)				(14,368)
Total Depreciation Expense				35,474	35,474	21,222	2,162	3,275	2,128	6,687	35,474

(a) No Explanation give in testimony why there is not depreciation on these assets.

Arizona American - Tubac Water
Test Year Ended December 31, 2001
SUMMARY OF COMMODITY - DEMAND METHOD FUNCTION FACTORS

Exhibit
Rebuttal Schedule G-7
Page 1
Witness: Kozoman

Line No.	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Totals
1												
2	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Totals
3	Commodity	85.543%	0.000%	7.253%	1.632%	5.178%	0.394%	0.000%	0.000%	0.000%	0.00%	100.00%
4	Demand	76.103%	0.000%	12.073%	2.498%	3.997%	5.329%	0.000%	0.000%	0.000%	0.00%	100.00%
5	Customer	92.510%	0.000%	5.870%	0.607%	0.607%	0.405%	0.000%	0.000%	0.000%	0.00%	100.00%
6	Services	90.898%	0.000%	6.581%	0.731%	0.950%	0.840%	0.000%	0.000%	0.000%	0.00%	100.00%
7	Meters	74.188%	0.000%	9.640%	1.971%	7.491%	6.710%	0.000%	0.000%	0.000%	0.00%	100.00%
8												
9												
10												
11												
12												
13												

Arizona American - Tubac Water
Test Year Ended December 31, 2001
COMMODITY - DEMAND METHOD FUNCTION FACTORS
Plant and Depreciation Expense Allocations

Exhibit
Rebuttal Schedule G-7
Page 2
Witness: Kozoman

Line No.	Description	Total	Demand	Commodity	Customer
1					
2	Description	Total	Demand	Commodity	Customer
3	Wells	1.00	0.90	0.10	
4	Pumps & Equipment	1.00	0.90	0.10	
5	Distribution Mains	1.00	0.90	0.10	
6	Customer	1.00			1.00
7	Services	1.00			1.00
8	Meters	1.00			1.00
9	Fire Hydrants	1.00			1.00
10	Transportation Equip.	1.00	0.25		0.75
11	Office Furniture	1.00			1.00
12	Communication Equip.	1.00	0.25		0.75
13					
14	**To Approximately Match ACC Staff Proposed Rates for 5/8 Inch Meter**				
15	Demand and Commodity Allocation to Wells, Pumps and Equipment and				
16	Distribution Mains would need to be changed to approximately match				
17	ACC Staff's proposed monthly minimums and commodity rates. The				
18	match would be ACC Staff's Proposed Rates to Computed Monthly				
19	Minimum and Commodity rate WITHOUT Equity returns and				
20	Income Taxes. Match would be based on cost only.				
21					
22					
23					
24	**Required Allocations:**				
25	Description	Total	Demand	Commodity	Customer
26	Wells	1.00	0.13	0.87	
27	Pumps & Equipment	1.00	0.13	0.87	
28	Distribution Mains	1.00	0.13	0.87	
29					
30					
31					
32					
33					
34					
35					

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
DEVELOPMENT OF ALLOCATION FACTORS

Exhibit
Rebuttal Schedule 7
Page 2a
Witness: Kozoman

Labor Allocation Factors	
Pumping Labor	59.01%
Meter Labor	7.20%
Customer Labor	33.80%
	100.00%

Repairs and Maintenance Allocation Factors	
Repairs and Maintenance Demand	0.00%
Repairs and Maintenance Pumping	67.92%
Repairs and Maintenance Mains	8.90%
Repairs and Maintenance Services	19.57%
Repairs and Maintenance Meters	3.61%
Repairs and Maintenance Customer	0.00%
	100.00%

Computations shown on this work sheet are from page labeled asTrial Balance in this work book. Allocation percentage were computed based on Expenses charged by Citizens Utilities and are then applied to proforma amounts.

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method
DEVELOPMENT OF CLASS ALLOCATION FACTORS

Exhibit
Rebuttal Schedule 7
Page 3
Witness: Kozoman

COMMODITY ALLOCATION FACTOR

Meter Size	(a) Total Gallons (in 1,000's) In Test Year	Percent of Total
5/8" x 3/4"	69,554	85.54%
3/4"	-	0.00%
1"	5,897	7.25%
1-1/2"	1,327	1.63%
2"	4,210	5.18%
3"	320	0.39%
4"	-	0.00%
6"	-	0.00%
8"	-	0.000%
10"	-	0.000%
Totals	81,308	100.00%

DEMAND ALLOCATION FACTOR

Meter Size	(a) Number of Meters and/or Services	Equivalent Weight	Equivalent Number of Meters and/or Services	Percent of Total
5/8" x 3/4	457	1.0	457	76.10%
3/4"	-	1.5	0	0.00%
1"	29	2.5	73	12.07%
1-1/2"	3	5.0	15	2.50%
2"	3	8.0	24	4.00%
3"	2	16.0	32	5.33%
4"	-	25.0	0	0.00%
6"	-	50.0	0	0.00%
8"	-	80.0	0	0.00%
10"	-	160.0	0	0.00%
Totals	494		601	100.00%

CUSTOMER ALLOCATION FACTOR

Meter Size	Number of Meters	Percent of Total
5/8" x 3/4"	457	92.51%
3/4"	0	0.00%
1"	29	5.87%
1-1/2"	3	0.61%
2"	3	0.61%
3"	2	0.40%
4"	0	0.00%
6"	0	0.00%
8"	0	0.00%
10"	0	0.00%
Totals	494	100.00%

SERVICES ALLOCATION FACTOR (b)

Meter Size	Number of Services	Installation Cost	Weighted Number Services	Percent of Total
5/8" x 3/4	457	$ 355.00	162,235	90.90%
3/4"	0	355.00	0	0.00%
1"	29	405.00	11,745	6.58%
1-1/2"	3	435.00	1,305	0.73%
2"	3	565.00	1,695	0.95%
3"	2	750.00	1,500	0.84%
4"	0	1,090.00	0	0.00%
6"	0	1,600.00	0	0.00%
8"	0	1,600.00	0	0.00%
10"	0	1,600.00	0	0.00%
Totals	494		178,480	100.00%

METER ALLOCATION FACTOR (b)

Meter Size	Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8" x 3/4"	457	$ 105.00	47,985	74.19%
3/4"	0	105.00	0	0.00%
1"	29	215.00	6,235	9.64%
1-1/2"	3	425.00	1,275	1.97%
2"	3	1,615.00	4,845	7.49%
3"	2	2,170.00	4,340	6.71%
4"	0	3,095.00	0	0.00%
6"	0	6,070.00	0	0.00%
8"	0	6,070.00	0	0.00%
10"	0	6,070.00	0	0.00%
Totals	494		64,680	100.00%

(a) Includes customer and gallon sold annualization
(b) Meter and Service Line cost from Arizona Corporation Commission Memo of April 23, 2002 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rebuttal Schedule G-8
Page 1
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	49,724	213,848	65,736	329,308
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	1,402	6,031	1,854	9,286
4	Rate Bases	49,724	213,848	65,736	329,308
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	1,870	8,041	2,472	12,382
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	3,045	13,095	4,025	20,166
9					
10	Revenue Requirement for Debt Component, from Line 3	1,402	6,031	1,854	9,286
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	3,045	13,095	4,025	20,166
13	Total Return Requirement with Income Tax	4,447	19,126	5,879	29,452
14					
15	Property Tax Expense, from Schedule G-5, Page 1	4,884	1,881	1,091	7,856
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	68,468	3,529	9,016	81,013
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	3,275	6,687	2,128	12,091
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	81,074	31,223	18,115	130,412
19					
20	**Customer Charge**				
21	Number of Bills = 494 times 12	5,928			
22					
23	**Charge per Bill**	$ 13.68			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 601 times 12		7,206	7,206	
28					
29	**Charge per Equivalent Meter**		$ 4.33	$ 2.51	
30					
31					
32	CUSTOMER CHARGE:				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge)				
34	Charge per Bill (Customer Charge with Equity Return and Income Tax)		$ 13.68		
35	Charge per Equivalent Meter (For Service Line Charge with Equity Return and Income Tax)		4.33		
36	Charge per Equivalent Meter (For Meter Charge with Equity Return and Income Tax)		2.51		
37	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter		$ 20.52		
39					

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rebuttal Schedule G-8
Page 1a
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	49,724	213,848	65,736	329,308
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	1,402	6,031	1,854	9,286
4	Rate Bases	49,724	213,848	65,736	329,308
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	0.00%	0.00%	0.00%	0.00%
6	Required Operating Income for Equity	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-
9					
10	Revenue Requirement for Debt Component, from Line 3	1,402	6,031	1,854	9,286
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	-	-	-	-
13	Total Return Requirement with Income Tax	1,402	6,031	1,854	9,286
14					
15	Property Tax Expense, from Schedule G-5, Page 1	4,884	1,881	1,091	7,856
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	68,468	3,529	9,016	81,013
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	3,275	6,687	2,128	12,091
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	78,029	18,127	14,090	110,246
19					
20	**Customer Charge**				
21	Number of Bills = 494 times 12	5,928			
22					
23	**Charge per Bill**	$ 13.16			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 601 times 12		7,206	7,206	
28					
29	**Charge per Equivalent Meter**		$ 2.52	$ 1.96	
30	**Actual Cost (without Equity Return or Income Taxes)**				
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge, nor recovery of return or income tax)				
34	Charge per Bill (Customer Charge without Equity Return or Income Tax)	$ 13.16			
35	Charge per Equivalent Meter (For Service Line Charge without Equity Return or Income Tax)	2.52			
36	Charge per Equivalent Meter (For Meter Charge without Equity Return or Income Tax)	1.96			
37	(Service and Meter Revenue Requirement divided by Annualized Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter without recovery of Equity Return or Income Tax	$ 17.63			

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Schedule G-8
Page 2
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	727,570
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	20,517
5	Rate Base	727,570
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%
7	Required Operating Income for Equity	27,357
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	44,554
10		
11	Revenue Requirement for Debt Component, from Line 4	20,517
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	44,554
14		
15	Property Tax Expense, from Schedule G-5, Page 1	10,288
16	Demand Expenses, from Schedule G-6, Page 1	74,194
17	Depreciation, from Schedule G-6, Page 2	21,222
18	Totals	170,775
19	Total Revenue Requirement / Demand Component	
20	Equivalent Number of 5/8 x 3/4 Meters	7,206
21	Demand Charge for 5/8 x 3/4 Inch Meter	$ 23.70
22		

23		5/8" Demand	Meter	Demand
24	Demand Charge Per Equivalent	Charge	Ratio	Charge
25	5/8 x 3/4 Inch Meter	$ 23.70	1.0	$ 23.70
26	3/4 Inch Meter	$ 23.70	1.5	35.55
27	1 Inch Meter	$ 23.70	2.5	59.25
28	1 1/2 Inch Meter	$ 23.70	5.0	118.49
29	2 Inch Meter	$ 23.70	8.0	189.59
30	3 Inch Meter	$ 23.70	15.0	355.48
31	4 Inch Meter	$ 23.70	25.0	592.47
32	6 Inch Meter	$ 23.70	50.0	1,184.95
33	8 Inch Meter	$ 23.70	80.0	1,895.92
34	10 Inch Meter	$ 23.70	160.0	3,791.83

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Schedule G-8
Page 2a
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	727,570
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	20,517
5	Rate Base	727,570
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	
7	Required Operating Income for Equity	-
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	-
10		
11	Revenue Requirement for Debt Component, from Line 4	20,517
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	-
14		
15	Property Tax Expense, from Schedule G-5, Page 1	10,288
16	Demand Expenses, from Schedule G-6, Page 1	74,194
17	Depreciation, from Schedule G-6, Page 2	21,222
18	Totals	126,221
19	Total Revenue Requirement / Demand Component	
20	Equivalent Number of 5/8 x 3/4 Meters	7,206
21	Demand Charge for 5/8 x 3/4 Inch Meter	$ 17.52
22		

23		5/8" Demand	Meter	Demand
24	Demand Charge Per Equivalent	Charge	Ratio	Charge
25	5/8 x 3/4 Inch Meter	$ 17.52	1.0	$ 17.52
26	3/4 Inch Meter	$ 17.52	1.5	26.27
27	1 Inch Meter	$ 17.52	2.5	43.79
28	1 1/2 Inch Meter	$ 17.52	5.0	87.58
29	2 Inch Meter	$ 17.52	8.0	140.13
30	3 Inch Meter	$ 17.52	15.0	262.74
31	4 Inch Meter	$ 17.52	25.0	437.90
32	6 Inch Meter	$ 17.52	50.0	875.80
33	8 Inch Meter	$ 17.52	80.0	1,401.28
34	10 Inch Meter	$ 17.52	160.0	2,802.57

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including and Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 3
Witness: Kozoman

Including Equity Return and Income Taxes

Line No.		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended onthly Mininum to ComputedCost
1	5/8 x 3/4 Inch Meter	$ 13.68	$ 4.33	$ 2.51	$ 23.70	$ 44.22	$ 20.80	47.04%
2	3/4 Inch Meter	13.68	6.50	3.77	35.55	59.50	20.80	34.96%
3	1 Inch Meter	13.68	10.83	6.28	59.25	90.04	31.17	34.62%
4	1 1/2 Inch Meter	13.68	21.66	12.57	118.49	166.40	62.33	37.46%
5	2 Inch Meter	13.68	34.66	20.11	189.59	258.04	102.98	39.91%
6	3 Inch Meter	13.68	64.99	37.71	355.48	471.86	121.95	25.84%
7	4 Inch Meter	13.68	108.32	62.85	592.47	777.32	178.85	23.01%
8	6 Inch Meter	13.68	216.64	125.69	1,184.95	1,540.96	243.89	15.83%
9	8 Inch Meter	13.68	346.63	301.67	1,895.92	2,557.89	$ 2,079.62	
10	10 Inch Meter	13.68	#####	1,005.56	3,791.83	5,850.95		
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								

Excluding Equity Return and Income Taxes

		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended onthly Mininum to ComputedCost
22	5/8 x 3/4 Inch Meter	$ 13.16	$ 2.52	$ 1.96	$ 17.52	$ 35.15	$ 20.80	59.18%
23	3/4 Inch Meter	13.16	3.77	2.93	26.27	46.14	20.80	45.07%
24	1 Inch Meter	13.16	6.29	4.89	43.79	68.13	31.17	45.75%
25	1 1/2 Inch Meter	13.16	12.58	9.78	87.58	123.10	62.33	50.63%
26	2 Inch Meter	13.16	20.12	15.64	140.13	189.06	102.98	54.47%
27	3 Inch Meter	13.16	37.73	29.33	262.74	342.97	121.95	35.56%
28	4 Inch Meter	13.16	62.89	48.88	437.90	562.84	178.85	31.78%
29	6 Inch Meter	13.16	125.78	97.76	875.80	1,112.51	243.89	21.92%
30	8 Inch Meter	13.16	201.25	156.42	1,401.28	1,772.12		
31	10 Inch Meter	13.16	402.49	312.84	2,802.57	3,531.07		

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 4
Witness: Kozoman

Line No.		Commodity	Customer	Service	Meter	Demand	Totals
1	Rate Bases from Schedule G-5, Page 1	73,292	49,724	213,848	65,736	727,570	1,130,170
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.820%	2.820%	2.820%	2.820%	2.820%	2.820%
3	Required Operating Income - for Debt	2,067	1,402	6,031	1,854	20,517	31,871
4	Rate Bases from Schedule G-5, Page 1	73,292	49,724	213,848	65,736	727,570	1,130,170
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	2,756	1,870	8,041	2,472	27,357	42,494
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	4,488	3,045	13,095	4,025	44,554	69,208
9							
10	Revenue Requirement for Debt Component, from Line 3	2,067	1,402	6,031	1,854	20,517	31,871
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	4,488	3,045	13,095	4,025	44,554	69,208
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	6,555	4,447	19,126	5,879	65,071	101,078
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	2,511	4,884	1,881	1,091	10,288	20,655
16	Expenses (From Sch. G-6. Page 1)	30,451	68,468	3,529	9,016	74,194	185,658
17	Depreciation and Amortization (From Schedule G-6, Page 2)	2,162	3,275	6,687	2,128	21,222	35,474
18	Total Revenue Requirement by function	41,679	81,074	31,223	18,115	170,775	342,865
19							
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	81,308	5,928	7,206	7,206	7,206	
21	Computed Commodity Rate, Customer, Meter, Service Line & Demand	$ 0.5126					
22	(Line 18 divided by Line 20)		$ 13.68	$ 4.33	$ 2.51	$ 23.70	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter and Demand Charge on Line 22)					$ 44.22	
24							

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Schedule G-8
Page 4a
Witness: Kozoman

Line No.		Commodity	Customer	Service	Meter	Demand	Totals
1	Rate Bases from Schedule G-5, Page 1	73,292	49,724	213,848	65,736	727,570	1,130,170
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	2,067	1,402	6,031	1,854	20,517	31,871
4	Rate Bases from Schedule G-5, Page 1	73,292	49,724	213,848	65,736	727,570	1,130,170
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)						
6	Required Operating Income for Equity	-	-	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	-	-	-	-	-	-
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-	-	-
9							
10	Revenue Requirement for Debt Component, from Line 3	2,067	1,402	6,031	1,854	20,517	31,871
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	-	-	-	-	-	-
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	2,067	1,402	6,031	1,854	20,517	31,871
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	2,511	4,884	1,881	1,091	10,288	20,655
16	Expenses (From Sch. G-6. Page 1)	30,451	68,468	3,529	9,016	74,194	185,658
17	Depreciation and Amortization (From Schedule G-6, Page 2)	2,162	3,275	6,687	2,128	21,222	35,474
18	Total Revenue Requirement by function	37,190	78,029	18,127	14,090	126,221	273,657
19							
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	81,308	5,928	7,206	7,206	7,206	
21	Computed Commodity Rate, Customer, Meter, Service Line & Demand	$ 0.4574					
22	(Line 18 divided by Line 20)		$ 13.1628	$ 2.5156	$ 1.9553	$ 17.5161	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter and Demand Charge on Line 22)					$ 35.15	

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **without** Equity Return and Income Taxes

Exhibit
Rebuttal Schedule G-9
Page 1
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rebuttal Schedule G-8, Page 4a	$ 0.4574
2	Computed Demand Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	$ 17.52
3	Computed Customer Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	13.16
4	Computed Service Line Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	2.52
5	Computed Meter Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4a	1.96
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rebuttal Schedule G-8, Page 4a	$ 35.15
7		
8	**ACC Staff Proposed Rates**	
9	Proposed Monthly Minimum for 5/8" Meter	$ 20.80
10	Proposed Commodity Rate	
11	0 to 4,000	$ 1.81
12	4,001 to 100,000	$ 2.72
13	Over 100,001	$ 3.26

14	Col. 1	Col. 2	Col. 3	Col. 4 (Col. 2+ 3)		Col. 5	Col. 6	Col. 7	Col. 8 (Col. 6 + 7	Col. 9 (Col. 8-4)
15										
16										
17	**Computed Costs, without Equity**									Recovery
18	**Return or Income Taxes**									of Expenses
19		Monthly		Total			Monthly			or,
20		Minimum	Commodity	Cost of			Minimum	Commodity	Total	(Lack of
21	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	Recovery)
22	-	$ 35.15	-	$ 35.15		-	$ 20.80		$ 20.80	$ (14.35)
23	1,000	$ 35.15	$ 0.4574	$ 35.61		1,000	20.80	$ 1.81	22.61	(13.00)
24	2,000	35.15	0.91	36.06		2,000	20.80	3.62	24.42	(11.64)
25	3,000	35.15	1.37	36.52		3,000	20.80	5.43	26.23	(10.29)
26	4,000	35.15	1.83	36.98		4,000	20.80	7.24	28.04	(8.94)
27	5,000	35.15	2.29	37.44		5,000	20.80	9.96	30.76	(6.68)
28	6,000	35.15	2.74	37.89		6,000	20.80	12.68	33.48	(4.41)
29	7,000	35.15	3.20	38.35	**Usage**	7,000	20.80	15.40	36.20	(2.15)
30	**7,952**	35.15	3.64	38.79	**<-Level->**	**7,952**	20.80	17.99	38.79	0.00
31	8,000	35.15	3.66	38.81	**When**	8,000	20.80	18.12	38.92	0.11
32	9,000	35.15	4.12	39.27	**Revenues**	9,000	20.80	20.84	41.64	2.37
33	10,000	35.15	4.57	39.72	**Equal**	10,000	20.80	23.56	44.36	4.64
34	11,000	35.15	5.03	40.18	**Expenses**	11,000	20.80	26.28	47.08	6.90
35	12,000	35.15	5.49	40.64	**(No Rate**	12,000	20.80	29.00	49.80	9.16
36	13,000	35.15	5.95	41.10	**of Return**	13,000	20.80	31.72	52.52	11.42
37	14,000	35.15	6.40	41.55	**on**	14,000	20.80	34.44	55.24	13.69
38	15,000	35.15	6.86	42.01	**Equity**	15,000	20.80	37.16	57.96	15.95
39	16,000	35.15	7.32	42.47	**or Income**	16,000	20.80	39.88	60.68	18.21
40	17,000	35.15	7.78	42.93	**Taxes**	17,000	20.80	42.60	63.40	20.47
41	18,000	35.15	8.23	43.38	**Included)**	18,000	20.80	45.32	66.12	22.74
42	19,000	35.15	8.69	43.84		19,000	20.80	48.04	68.84	25.00
43	20,000	35.15	9.15	44.30		20,000	20.80	50.76	71.56	27.26
44	21,000	35.15	9.61	44.76		21,000	20.80	53.48	74.28	29.52
45	22,000	35.15	10.06	45.21		22,000	20.80	56.20	77.00	31.79
46	23,000	35.15	10.52	45.67		23,000	20.80	58.92	79.72	34.05
47	24,000	35.15	10.98	46.13		24,000	20.80	61.64	82.44	36.31
48	25,000	35.15	11.44	46.58		25,000	20.80	64.36	85.16	38.58
49	26,000	35.15	11.89	47.04		26,000	20.80	67.08	87.88	40.84
50	27,000	35.15	12.35	47.50		27,000	20.80	69.80	90.60	43.10
51	28,000	35.15	12.81	47.96		28,000	20.80	72.52	93.32	45.36
52	29,000	35.15	13.26	48.41		29,000	20.80	75.24	96.04	47.63
53	30,000	35.15	13.72	48.87		30,000	20.80	77.96	98.76	49.89
54	**Average Usage**					**Average Usage**				
55	13,177	35.15	6.03	41.18		13,177	20.80	32.20	53.00	**11.82**

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **with** Equity Return and Income Taxes

Exhibit
Rebuttal Schedule G-9
Page 2
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rebuttal Schedule G-8, Page 4	$ 0.5126
2	Computed Demand Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	$ 23.70
3	Computed Customer Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	13.68
4	Computed Service Line Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	2.51
5	Computed Meter Cost for 5/8 Inch Meter from Rebuttal Schedule G-8, Page 4	4.33
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rebuttal Schedule G-8, Page 4	$ 44.22
7		
8	**ACC Staff Proposed Rates**	
9	Proposed Monthly Minimum for 5/8" Meter	$ 20.80
10	Proposed Commodity Rate	
11	0 to 4,000	$ 1.81
12	4,001 to 100,000	$ 2.72
13	Over 100,001	$ 3.26
14		

15	Col. 1	Col. 2	Col. 3	Col. 4 (Col. 2+ 3)		Col. 5	Col. 6	Col. 7	Col. 8 (Col. 6 + 7	Col. 9 (Col. 8-4) Recovery of Expenses Rate of Return & Income Tax or (Lack of Recovery)
19	**Computed Costs, with Equity**									
20	**Return and Income Taxes**									
21		Monthly		Total			Monthly			
22		Minimum	Commodity	Cost of			Minimum	Commodity	Total	
23	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	
24	-	$ 44.22	-	$ 44.22		-	$ 20.80		$ 20.80	$ (23.42)
25	1,000	$ 44.22	$ 0.5126	$ 44.73		1,000	20.80	$ 1.81	22.61	(22.12)
26	2,000	44.22	1.03	45.25		2,000	20.80	3.62	24.42	(20.83)
27	3,000	44.22	1.54	45.76		3,000	20.80	5.43	26.23	(19.53)
28	4,000	44.22	2.05	46.27		4,000	20.80	7.24	28.04	(18.23)
29	5,000	44.22	2.56	46.79		5,000	20.80	9.96	30.76	(16.03)
30	6,000	44.22	3.08	47.30		6,000	20.80	12.68	33.48	(13.82)
31	7,000	44.22	3.59	47.81		7,000	20.80	15.40	36.20	(11.61)
32	8,000	44.22	4.10	48.32		8,000	20.80	18.12	38.92	(9.40)
33	9,000	44.22	4.61	48.84		9,000	20.80	20.84	41.64	(7.20)
34	10,000	44.22	5.13	49.35		10,000	20.80	23.56	44.36	(4.99)
35	11,000	44.22	5.64	49.86		11,000	20.80	26.28	47.08	(2.78)
36	12,000	44.22	6.15	50.37	**Usage**	12,000	20.80	29.00	49.80	(0.57)
37	**12,260**	44.22	6.28	50.51	**<-Level->**	**12,260**	20.80	29.71	50.51	0.00
38	13,000	44.22	6.66	50.89	**When**	13,000	20.80	31.72	52.52	1.63
39	14,000	44.22	7.18	51.40	**Revenues**	14,000	20.80	34.44	55.24	3.84
40	15,000	44.22	7.69	51.91	**Equal**	15,000	20.80	37.16	57.96	6.05
41	16,000	44.22	8.20	52.42	**Expenses**	16,000	20.80	39.88	60.68	8.26
42	17,000	44.22	8.71	52.94	**and**	17,000	20.80	42.60	63.40	10.46
43	18,000	44.22	9.23	53.45	**Return**	18,000	20.80	45.32	66.12	12.67
44	19,000	44.22	9.74	53.96	**on Equity**	19,000	20.80	48.04	68.84	14.88
45	20,000	44.22	10.25	54.47	**and**	20,000	20.80	50.76	71.56	17.09
46	21,000	44.22	10.76	54.99	**Income**	21,000	20.80	53.48	74.28	19.29
47	22,000	44.22	11.28	55.50	**Taxes**	22,000	20.80	56.20	77.00	21.50
48	23,000	44.22	11.79	56.01		23,000	20.80	58.92	79.72	23.71
49	24,000	44.22	12.30	56.52		24,000	20.80	61.64	82.44	25.92
50	25,000	44.22	12.82	57.04		25,000	20.80	64.36	85.16	28.12
51	26,000	44.22	13.33	57.55		26,000	20.80	67.08	87.88	30.33
52	27,000	44.22	13.84	58.06		27,000	20.80	69.80	90.60	32.54
53	28,000	44.22	14.35	58.58		28,000	20.80	72.52	93.32	34.74
54	**Average Usage**					**Average Usage**				
55	13,177	$ 44.22	$ 6.75	$ 50.98		13,177	$ 20.80	$ 32.20	$ 53.00	**$ 2.02**

Arizona American - Tubac
Summary of Revenues by Customer Classification - Present and Proposed Rates
With Annualized Revenues to Year End Number of Customers
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Kozoman

Line No.	Meter Size	Customer Classification	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	$ 192,378	$ 334,948	$ 142,569	74.11%	76.54%	76.89%
2	1 Inch	Residential	11,339	19,744	8,405	74.12%	4.51%	4.53%
3	1.5 Inch	Residential	1,501	2,613	1,112	74.10%	0.60%	0.60%
4	2 Inch	Residential	1,671	2,910	1,239	74.14%	0.66%	0.67%
5	3 Inch	Residential	1,255	2,186	931	74.22%	0.50%	0.50%
6								
7	5/8 Inch	Commercial	20,444	35,598	15,154	74.12%	8.13%	8.17%
8	1 Inch	Commercial	6,953	12,106	5,153	74.11%	2.77%	2.78%
9	1.5 Inch	Commercial	2,753	4,793	2,040	74.11%	1.10%	1.10%
10	2 Inch	Commercial	9,544	16,612	7,068	74.06%	3.80%	3.81%
11	3 Inch	Commercial	807	1,406	599	74.17%	0.32%	0.32%
12	Miscellaneous Revenues		2,691	2,691	-	0.00%	1.07%	0.62%
13								
14	**Subtotal of Water Revenues**		$ 251,336	$ 435,607	$ 184,270	73.32%	100.00%	100.00%
15							Additional	
16								Gallons
17	**Revenue Annualization (a)**						Billings	in 1,000's
18	5/8 Inch	Residential	$ 738	$ 1,284	547	74.13%	22	229
19	1 Inch	Residential	370	644	274	74.15%	9	93
20	5/8 Inch	Commercial	350	609	259	74.15%	12	109
21	1 Inch	Commercial	218	379	161	74.12%	4	229
22	3 Inch	Commercial	801	1,396	594	74.17%	6	137
	Total Revenue Annualization		2,476	4,312	1,836	74.15%		
23	**Total Water Revenues with**							
24	**Revenue Annualization**		$ 253,812	$ 439,919	186,106	73.32%	53	797
25								
26								

27 (a) Customer Growth Annualization is calculated by computing the change in the number of customers by month from the
28 beginning of the year to the end of the year, and them multipling the additional customers times the average revenue
29 revenue for that month.

Arizona American - Tubac
Analysis of Revenue by Detailed Class at Average Usage
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Kozoman

Line No.		Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	401	13,177	$ 39.19	$ 68.24	29.05	74.12%
2	1 Inch	Residential	18	15,301	51.17	89.11	37.94	74.13%
3	1.5 Inch	Residential	1	40,250	125.07	217.75	92.68	74.10%
4	2 Inch	Residential	1	32,500	139.26	242.51	103.25	74.14%
5	3 Inch	Residential	1	-	-	-	-	0.00%
6								
7	5/8 Inch	Commercial	53	9,090	30.85	53.73	22.88	74.14%
8	1 Inch	Commercial	10	19,172	59.07	102.85	43.78	74.11%
9	1.5 Inch	Commercial	2	35,167	114.70	199.70	85.00	74.11%
10	2 Inch	Commercial	2	159,167	397.66	692.17	294.51	74.06%
11	3 Inch	Commercial	1	22,833	133.54	232.59	99.05	74.17%
12								
13		Totals	490					
14								
15		Actuall Year End Number						
16		of Customers:	494					
17								
18		**(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.						

Arizona American - Tubac
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1	Percentage Increase in Monthly Minimums				
2	Percentage Increase in Commodity Rates				
3					
4	**Monthly Usage Charge for:**				
5	Residential,Commercial				
6	5/8 x 3/4 Inch (a)		$ 15.35	$ 26.74	74.20%
7	3/4 Inch (a)		15.35	26.74	74.20%
8	1 Inch		23.00	40.07	74.22%
9	1 1/2 Inch		46.00	80.14	74.22%
10	2 Inch		76.00	132.41	74.22%
11	3 Inch		90.00	156.81	74.23%
12	4 Inch		132.00	229.98	74.23%
13	6 Inch		180.00	313.61	74.23%
14	8 Inch		N/A	2,674.00	
15					
16					
17	Gallons In Minimum				
18	All		-	-	
19					
20	**Tier 1:** Gallons upper limit				
21	All		8,000	8,000	
22	**Tier 2:** (Gallon upper limit, up to, but not exceeding)				
23	All		999,999,999	999,999,999	
24	**Tier 3:** (Gallon over)				
25	All		999,999,999	999,999,999	
26	Commodity Rates (per 1,000 gallons over minimum and/or per Tier)				
27	All (a)	Tier 1	$ 1.66	$ 2.89	74.10%
28	All (a)	Tier 2	2.04	3.55	74.02%
29	All (a)	Tier 3	2.04	3.55	74.02%
30	All (a)	Tier 4			
31					
32	(a) Rounded to nearest whole cent				
33	In addition to above rates, Company will also collect groundwater withdrawal assessment.				

Arizona American - Tubac
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rebuttal Schedule H-3
Page 2
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates	
1	Establishment	$ 30.00	$ 30.00	
2	Establishment (After Hours)	$ 40.00	$ 40.00	
3	Reconnection (Deliquent)			
4	Reconnection (After Hours)			
5	Meter Test	$ 10.00	$ 10.00	
6	Deposit	**	**	
7	Deposit Interest	**	**	
8	Re-Establishment (With-in 12 Months)	***	***	
9				
10	NSF Check	$ 10.00	$ 10.00	
11	Deferred Payment, Per Month **(b)**			
12	Meter Re-Read	$ 5.00	5.00	
13	Charge of Moving Customer Meter -			
14	Customer Requested	Cost	Cost	
15	Late Payment Charge, greater of 1.50% or	$ 5.00	$ 5.00	(1)
16	Damages to Meter Locks, Valves, Seals	Cost	Cost	(2)
17	Sprinklers	(a)	(a)	

18 (1) Greater of 1.50% or $5.00 Present Rates or 1.5% or $10.00 Proposed Rates.
19 (2) $40.00 plus actual cost of making repairs.
20 ** PER COMMISSION RULES (R14-2-403.B)
21 *** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)
22 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
23 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
24 TAX. PER COMMISSION RULE (14-2-409.D 5)
25 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
26 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.
27 (a) 1.00% of the monthly minimum for a comparable sized meter connection, but no less than $5
28 per month.

	Present Charges		
	Service Charges		
	Installation of		Proposed
Meter Size	Ser. Line	Meter	Charges
5/8 x 3/4 Inch	$ 255.00	$ 65.00	$500
3 / 4 Inch	$ 255.00	$ 105.00	$575
1 Inch	$ 275.00	$ 145.00	$600
1 1/2 Inch	$ 290.00	$ 345.00	$900
2 Inch	$ 315.00	$ 775.00	$2,220
3 Inch	Cost	Cost	Cost
4 Inch	Cost	Cost	Cost
6 Inch	Cost	Cost	Cost
8 Inch	Cost	Cost	Cost
Meters Larger than 8"	Cost	Cost	Cost

Company will not accept applications for 3/4" meters after May 1, 1997. Meter Size is obsolete.

As meters and service lines are now taxable income for income purposes, The Company shall collect income taxes on the meter and service line charges.
Any tax collected will be refunded each year that the meter deposit is refunded.

Arizona American - Tubac
Summary of Revenues by Customer Classification - Present and Proposed Rates
With Annualized Revenues to Year End Number of Customers
Test Year Ended December 31, 2001
Step-One Rate Increase

Exhibit
Rebuttal Schedule H-1
Page 1
Witness: Kozoman

Line No.	Meter Size	Customer Classification	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	$ 192,378	$ 269,354	$ 76,975	40.01%	76.54%	76.77%
2	1 Inch	Residential	11,339	15,877	4,538	40.02%	4.51%	4.53%
3	1.5 Inch	Residential	1,501	2,102	602	40.08%	0.60%	0.60%
4	2 Inch	Residential	1,671	2,340	669	40.05%	0.66%	0.67%
5	3 Inch	Residential	1,255	1,757	502	40.00%	0.50%	0.50%
6								
7	5/8 Inch	Commercial	20,444	28,621	8,177	40.00%	8.13%	8.16%
8	1 Inch	Commercial	6,953	9,738	2,785	40.05%	2.77%	2.78%
9	1.5 Inch	Commercial	2,753	3,856	1,103	40.07%	1.10%	1.10%
10	2 Inch	Commercial	9,544	13,375	3,831	40.14%	3.80%	3.81%
11	3 Inch	Commercial	807	1,131	323	40.04%	0.32%	0.32%
12	Miscellaneous Revenues		2,691	2,691	-	0.00%	1.07%	0.77%
13								
14	**Total Water Revenues**		$ 251,336	$ 350,841	$ 99,505	39.59%	100.00%	100.00%
15							Additional	
16								Gallons
17	**Revenue Annualization (a)**						Billings	in 1,000's
18	5/8 Inch	Residential	$ 738	$ 1,032	295	39.93%	22	229
19	1 Inch	Residential	370	518	148	39.95%	9	93
20	5/8 Inch	Commercial	350	489	140	39.90%	12	109
21	1 Inch	Commercial	218	305	87	40.01%	4	229
22	3 Inch	Commercial	801	1,122	321	40.02%	6	137
23	**Total Revenue Annualization**		2,476	3,466	990	39.97%		
24	**Total Water Revenues with**							
25	**Revenue Annualization**		$ 253,812	$ 354,307	100,495	39.59%	53	797
26								
27								

28 (a) Customer Growth Annualization is calculated by computing the change in the number of customers by month from the
29 beginning of the year to the end of the year, and them multipling the additional customers times the average revenue
30 revenue for that month.

Arizona American - Tubac
Analysis of Revenue by Detailed Class at Average Usage
Test Year Ended December 31, 2001
Step-One Rate Increase

Exhibit
Rebuttal Schedule H-2
Page 1
Witness: Kozoman

Line No.		Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	401	13,177	$ 39.19	$ 54.86	15.67	39.97%
2	1 Inch	Residential	18	15,301	51.17	71.64	20.47	39.99%
3	1.5 Inch	Residential	1	40,250	125.07	175.20	50.13	40.08%
4	2 Inch	Residential	1	32,500	139.26	195.03	55.77	40.05%
5	3 Inch	Residential	1	-	-	-	-	0.00%
6								
7	5/8 Inch	Commercial	53	9,090	30.85	43.17	12.31	39.91%
8	1 Inch	Commercial	10	19,172	59.07	82.71	23.64	40.02%
9	1.5 Inch	Commercial	2	35,167	114.70	160.66	45.96	40.07%
10	2 Inch	Commercial	2	159,167	397.66	557.30	159.64	40.14%
11	3 Inch	Commercial	1	22,833	133.54	186.98	53.44	40.02%
12								
13		Totals	490					
14								
15		Actuall Year End Number						
16		of Customers:	494					
17								
18		**(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.						

Arizona American - Tubac
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001
Step-One Rate Increase

Exhibit
Rebuttal Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1	Percentage Increase in Monthly Minimums				
2	Percentage Increase in Commodity Rates				
3					
4	**Monthly Usage Charge for:**				
5	Residential,Commercial				
6	5/8 x 3/4 Inch		$ 15.35	$ 21.49	40.00%
7	3/4 Inch		15.35	21.49	40.00%
8	1 Inch		23.00	32.20	40.00%
9	1 1/2 Inch		46.00	64.40	40.00%
10	2 Inch		76.00	106.40	40.00%
11	3 Inch		90.00	126.00	40.00%
12	4 Inch		132.00	184.80	40.00%
13	6 Inch		180.00	252.00	40.00%
14			N/A	2,149.00	
15					
16					
17	Gallons In Minimum				
18	All		-	-	
19					
20	**Tier 1:** Gallons upper limit				
21	All		8,000	8,000	
22	**Tier 2:** (Gallon upper limit, up to, but not exceeding)				
23	All		999,999,999	999,999,999	
24	**Tier 3:** (Gallon over)				
25	All		999,999,999	999,999,999	
26	Commodity Rates (per 1,000 gallons over minimum and per Tier)				
27	All (a)	Tier 1	$ 1.66	$ 2.32	39.76%
28	All (a)	Tier 2	2.04	2.86	40.20%
29	All (a)	Tier 3	2.04	2.86	40.20%
30	All (a)	Tier 4	2.04	2.86	40.20%
31					
32	(a) Rounded to nearest whole cent				
33	In addition to above rates, Company will also collect groundwater withdrawal assessment.				

Arizona American - Tubac
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001
Step-One Rate Increase

Exhibit
Schedule H-3
Page 2
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates	
1	Establishment	$ 30.00	$ 30.00	
2	Establishment (After Hours)	$ 40.00	$ 40.00	
3	Reconnection (Deliquent)			
4	Reconnection (After Hours)			
5	Meter Test	$ 10.00	$ 10.00	
6	Deposit	**		
7	Deposit Interest	**		
8	Re-Establishment (With-in 12 Months)	***		
9				
10	NSF Check	$ 10.00	$ 10.00	
11	Deferred Payment, Per Month **(b)**			
12	Meter Re-Read	$ 5.00	5.00	
13	Charge of Moving Customer Meter -			
14	Customer Requested	Cost	Cost	
15	Late Payment Charge, greater of 1.50% or	$ 5.00	$ 5.00	(1)
16	Damages to Meter Locks, Valves, Seals	Cost	Cost	(2)
17	Sprinklers	(a)	(a)	

18 (1) Greater of 1.50% or $5.00 Present Rates or 1.5% or $10.00 Proposed Rates.
19 (2) $40.00 plus actual cost of making repairs.
20 ** PER COMMISSION RULES (R14-2-403.B)
21 *** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)
22 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
23 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
24 TAX. PER COMMISSION RULE (14-2-409.D 5)
25 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
26 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.
27 (a) 1.00% of the monthly minimum for a comparable sized meter connection, but no less than $5 per month

	Present Charges		
	Service Charges		
	Installation of		Proposed
Meter Size	Ser. Line	Meter	Charges
5/8 x 3/4 Inch	$255.00	$ 65.00	$500
3 / 4 Inch	$255.00	$105.00	$575
1 Inch	$275.00	$145.00	$600
1 1/2 Inch	$290.00	$345.00	$900
2 Inch	$315.00	$775.00	$2,220
3 Inch	Cost	Cost	Cost
4 Inch	Cost	Cost	Cost
6 Inch	Cost	Cost	Cost
8 Inch	Cost	Cost	Cost
Meters Larger than 8"	Cost	Cost	Cost

Company will not accept applications for 3/4" meters after May 1, 1997. Meter Size is obsolete.

As meters and service lines are now taxable income for income purposes, The Company shall collect income taxes on the meter and service line charges.
Any tax collected will be refunded each year that the meter deposit is refunded.

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WEST WATER AND WASTEWATER DISTRICTS.	**DOCKET NO. WS-01303A-02-0867**
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WATER AND WASTEWATER DISTRICTS.	**DOCKET NO. WS-01303A-02-0868**
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS MOHAVE WATER AND HAVASU WATER DISTRICTS.	**DOCKET NO. W-01303A-02-0869**

EXHIBIT
A-63
Admitted

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM WATER, AGUA FRIA WATER AND ANTHEM/AGUA FRIA WASTEWATER DISTRICTS.	**DOCKET NO. WS-01303A-02-0870**
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS TUBAC WATER DISTRICT.	**DOCKET NO. W-01303A-02-0908**

REJOINDER TESTIMONY OF

RONALD L. KOZOMAN

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND ADDRESS?

A. Ronald L. Kozoman. 1605 W. Mulberry Drive, Phoenix, AZ 85015.

Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT AND REBUTTAL TESTIMONY IN THE INSTANT CASE?

A. Yes, I have.

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. I will provide rejoinder testimony in response to the surrebuttal filings by Staff and RUCO, and the Town of Youngtown.[1] More specifically, my rejoinder testimony relates to rate design and the proposed new rates needed for Arizona-American to recover its revenue requirement.

Q. HAVE YOU PREPARED ANY REJOINDER SCHEDULES?

A. Yes. I have prepared Rejoinder Schedules labeled as H and G. Additionally I have prepared Rejoinder Schedules 1, and 2.

II. SUMMARY OF THE COMPANY'S REJOINDER REVENUES

Q. WHAT IS THE COMPANY'S PROPOSED REVENUE REQUIREMENT AND RATE INCREASE IN THE INSTANT CASE?

A. The currently requested revenue requirement and revenue increase for each water and wastewater district in the instant case are as follows:

	Company's Rejoinder Revenue Requirement	Revenue Increase	Percent Increase
Agua Fria	$ 6,245,839	$ 62,372	1.01%
Anthem Water	$ 3,993,599	$ (12,809)	28.12%

[1] Where appropriate I will use the same abbreviations and conventions that were utilized in my direct testimony.

Anthem/Agua Fria Wastewater	$ 2,174,607	$ 311,419	16.71%
Havasu Water	$ 564,857	$ 123,933	28.11%
Mohave Water	$ 4,536,477	$ 142,344	3.24%
Sun City Water	$ 10,633,139	$4,453,775	72.07%
Sun City Wastewater	$ 5,348,741	$ 260,879	5.13%
Sun City West Water	$ 4,522,479	$1,156,931	34.38%
Sun City West Wastewater	$ 5,096,784	$1,565,307	44.32%
Tubac Water	$ 435,744	$ 181,931	71.68%

Q. HOW ARE THE REQUESTED INCREASES ALLOCATED?

A. The Company continues to maintain that rate increases should be allocated proportionately to all customers according to the same cost-of-service based allocation methodology employed by the Commission when the current rates were established.

Q. DOES THE COMPANY STILL PROPOSE A TWO-YEAR PHASE-IN FOR THOSE DISTRICTS FOR WHICH THE RATE INCREASE IS GREATER THAN 40 PERCENT?

A. Yes, but only where the rate increase is greater than 40 percent. These districts are Sun City Water, Sun City West Wastewater, and Tubac.

III. PROPOSED RATES AND RATE DESIGN

Q. WHAT REVENUES ARE BEING PROPOSED BY EACH OF THE PARTIES?

A. Rejoinder Schedule 1, attached to this testimony, contains the comparable revenue proposals for the Company, Staff and RUCO. On the first page is a summary of the proposed rate increases or decreases. Each of these party's proposed rates are

shown beginning on the second page of the schedule. The rates listed on pages 2 through 11 for the Staff are the rates that Staff testified to in it direct filing. Although Staff revenue requirement changed in its surrebuttal testimony, new rates were not proposed.

Q. HAVE YOU INCLUDED THE COMPANY'S PROPOSED REJOINDER RATES TO BE CHARGED CUSTOMERS IN THE INSTANT CASE ON SEPARATE REJOINDER SCHEDULES FOR EACH DIVISION?

A. Yes, the Company's proposed rejoinder revenues by meter sizes, a bill comparison of present and presently proposed rates based on average usage are labeled, and the monthly minimum rates and commodity rates are contained on Rejoinder Schedules H-1, H-2, and H-3 respectively for each district.

IV. REJOINDER TO RUCO

Q. DOES THE COMPANY AGREE WITH THE RATES PROPOSED BY RUCO?

A. No. The Company does not agree with RUCO's revenue requirement, and therefore does not agree with RUCO's proposed rates. However, in its surrebuttal testimony, RUCO now proposes rate increases and decreases allocated essentially evenly across the meter sizes and customer classes, for all districts. The monthly meter charge and commodity rate are increased or decreased based on the change in the revenue requirement. This is the same method used by the Company to allocate its proposed rate increases. The Company does agree with that methodology. However, Staff does not.

RUCO continues to propose to reduce any gallons included in the monthly minimum to zero for the Havasu and Mohave Water Divisions.

Q. DO RUCO'S PROPOSED RATES FOR THE HAVASU AND MOHAVE WATER DISTRICTS MATCH THE REVENUE REQUIREMENT FOR

THESE DISTRICTS?

A. No. A review of RUCO Surrebuttal Schedule TJC-16 (Proof of Revenues for the Havasu and Mohave districts) discloses the problem. The RUCO witness is multiplying RUCO's proposed monthly minimums by the number of annualized bills for the Residential Multi-Family and Commercial Multi-Unit classes. However, the computation should include a multiplication of the number of units billed for each Residential Multi-Family and Commercial Multi-Unit customer. Thus, if 10 units are served by one meter, you need to multiply the number of bills for this meter by 10 times, and then multiply the result by the monthly minimum. Therefore, RUCO's proposed rates produce more revenue than listed on Surrebuttal Schedule TJC-16.

V. REJOINDER TO STAFF

Q. WOULD YOU PLEASE ADDRESS THE ACC STAFF'S PROPOSED RATE DESIGN?

A. The Staff's proposed rates are premised on a rate design that has numerous risks associated with it and cannot be supported by the cost of service studies submitted with my rebuttal testimony. I discussed these risks at length in my rebuttal testimony and Staff has largely ignored them.

The basic problem with what Staff is proposing is that it is based entirely on speculation, as opposed to being cost justified. Staff continues to recommend the same three-tier inverted block rate structure for all Company water districts, with breakpoints at 4,000 gallons per month and at 100,000 gallons per month. There is no evidence that this generic rate design will promote efficient water use. Instead, all customers using less than 100,000 gallons per month are unaffected by Staff's upper tier, while receiving water at a discount in the lowest tier. The subsidy created by the lowest tier rate – the "lifeline rate" – must be recovered by charging

a premium to the small number of customers (i.e., commercial customers on larger size meters). This is an illogical rate design, which sends the wrong price signal to the vast majority of customers.

Mr. Rogers, in his surrebuttal testimony, fails to provide any evidence to support this radical change in rate design. Instead, he simply argues that "high volume" users should be charged more. (Rogers Surrebuttal at 6.) This is unsupported and is not consistent with basic cost of service principles. Is a hospital, a school or a business that uses 200,000 gallons of water a month a greater "cost causer," to use Mr. Rogers' terminology, than 10 customers on 5/8 inch meters using 20,000 gallons per month? Or that the hospital's water use is less efficient than a residential customer using 40,000 gallons per month? The simple fact is that Staff's rate design is intended to shift the recovery of revenues to larger size meters, in violation of cost of service principles, and not to achieve conservation or any other societal goals.

Q. PLEASE DISCUSS ACC STAFF'S SURREBUTTAL TESTIMONY CONCERNING THE COST OF SERVICE STUDIES YOU SUBMITTED ALONG WITH YOUR REBUTTAL TESTIMONY.

A. Staff witness Marlin Scott states on page 7 that the cost allocations I used appear to be reasonable. He also testifies that the Company's cost of service studies could be considered and used as a guide for rate design in this proceeding, but only as one element that could be considered in addressing rate design issues. He does indicate that he was not able to do a full review of the cost of service studies, and therefore he does not have a complete understanding of how the cost of service studies were "set up" and how they "worked." Scott Surrebuttal at 7. Additionally, he only reviewed Schedules G-1 through G-7, and did not review G-8 and G-9.

Staff witness Dennis Rogers testifies that he performed a "cursory review" of the cost of service studies. (Rogers Surrebuttal at 2.) He testifies that the Schedules G-1 through G-7 are normally part of a cost of service study. However, he considers Schedules G-8 and G-9 to be supplemental information that is not an integral part of a cost of service study. I will first address the issue relating to Schedule G-8 and G-9 being supplemental information and Mr. Rogers' statement that are not an integral part of the cost of service study. I will then address specific issues raised by Mr. Rogers with the cost of service study. Finally I will provide rejoinder to Mr. Rogers' other surrebuttal testimony.

Q. WHY IS SCHEDULE G-8 IMPORTANT TO YOUR COST OF SERVICE STUDIES?

A. Schedule G-8 computes the revenue requirement for each function of the cost of service study, which are customer, meter, service, demand and commodity. The revenue requirement for each function includes the return on the assets assigned to the function's rate base, income taxes and expenses associated with the each function. Without Schedule G-8, the reader of the cost of service study has no guidance concerning the total revenue requirement to assign to each function. In addition to the computations on revenue requirement by function on Schedule G-8, there are computations that break down the revenue requirement into costs per meter size and/or gallons.

If only schedules G-1 through G-7 were included, there would no guidance concerning the monthly minimum charges, and what should be charged as the commodity rates. Schedules G-1 and G-2 contain the rate of return by customer class, in this case, by meter size at present and proposed rates, respectively. Without Schedule G-8, in order to test the reasonableness of the proposed rates, you would have to keep changing the monthly minimums and the commodity rates

and input them into Schedule G-2 to determine if the rates of return are reasonable at proposed rates.

Q. WHY DID YOU INCLUDE SCHEDULE G-9 IN YOUR COST OF SERVICE STUDIES?

A. Schedule G-9 does contain supplemental information. The purpose of this schedule was to determine whether the rates proposed by Staff recovered the costs, the rate of return and income taxes at various usage levels. Given the magnitude of Staff's proposed changes to the rate design for each district, this information is certainly relevant and important to consider.

Q. WHAT DO YOUR G-9 SCHEDULES SHOW REGARDING STAFF'S NEW RATE DESIGN?

A. The G-9 Schedules clearly show that the Staff's monthly minimum and commodity rates for the first 4,000 gallons of usage do <u>not</u> recover the expenses related to providing the first 4,000 gallons of water. Additionally, these schedules show that based on average usage by residential customers, Staff's proposed rates do not recover the costs, the rate of return, and income taxes. For the Company to actually recover its costs, the rate of return and income taxes, residential customers would have to use substantially higher quantities of water.

As an example, for the Havasu water district, residential customers would have to use twice the test year average usage before the Company actually recovered its costs, the rate of return, and income taxes. For the Agua Fria and Sun City water districts, residential customers would have to use 171% and 183% of the test year average usage, respectively, for the Company to recover its costs, the rate of return, and income taxes. Considering that the Company's residential customers represent 88% of the customer base at Sun City, and over 90% of the customer base at the other water districts, it is obvious that Staff's proposed rate

design deviates dramatically from cost-based rates. Put simply, Staff's proposed rate design would create a substantial subsidy, which would be provided to all residential customers that use the average monthly usage or less. Pricing water substantially below cost does not encourage conservation.

Q. MR. ROGERS CLAIMS THAT YOUR RATE DESIGN FAILS TO ALLOCATE COSTS TO CUSTOMERS BASED ON THEIR "CAUSATION."

A. Mr. Rogers makes that claim on page 3 of his surrebuttal testimony. However, it makes no sense, given that Staff has not prepared a cost of service study to support its new rate design and, therefore, Mr. Rogers does not know how costs should be allocated or how revenue should be recovered. He simply assumes, with no supporting evidence, that large water users should pay higher rates.

Q. WOULD YOU PLEASE ADDRESS MR. ROGERS' TESTIMONY THAT INCLUDING DEMAND CHARGES IN THE MONTHLY MINIMUMS TO BE CHARGED CUSTOMERS IS NOT CORRECT?

A. The method I used to compute the cost of service study is commonly known as the commodity-demand method. Mr. Rogers would apparently prefer a cost of service study that assigns all costs (other than customer, meter and service line) to the commodity rate. I re-computed the cost of service study for each of the water districts, and assigned all the demand costs to the commodity cost. These cost of service studies are based on Staff revenues, expenses, plant and rate of return from Staff's direct filing.

Q. WHY DID YOU USE THE INFORMATION FROM STAFF'S DIRECT FILING TO RE-COMPUTE THE COST OF SERVICE STUDIES, AND NOT THE INFORMATION FROM STAFF'S SURREBUTTAL FILING?

A. I used Staff's direct filing amounts because, as I stated, Staff did not propose rates

in their surrebuttal filing. Given the illogical nature of Staff's rate design, I would have had to speculate about what Staff would propose for rates to recover its surrebuttal revenue requirement. Additionally, by using Staff's direct filing, I can better illustrate why Staff's surrebuttal testimony, and Staff proposed rate design from Staff's direct filing, should be disregarded by the Commission.

Q. PLEASE CONTINUE WITH YOUR TESTIMONY ON THE REVISIONS TO THE COST OF SERVICE STUDIES.

A. I did not change the allocations on Schedule G-7, page 2. These allocations have been used by Staff in past cases, and Mr. Scott agrees that they are reasonable. What I changed was how I allocated the function cost on the Rejoinder Schedule G-8. On Rejoinder Schedule G-8, I combined the commodity and demand costs and divided by the gallons sold during the test year. The Rejoinder Schedule G-9 still shows that Staff's proposed monthly minimum and Staff's proposed commodity rate for the first 4,000 gallons of use are <u>not</u> cost based. I am not including all the pages from the rejoinder cost of service studies, only Schedule G-8 and G-9, although these pages are available.

Q. WOULD THE RATES OF RETURN AT PROPOSED RATES CHANGE SIGNIFICANTLY IF YOU CHANGED ALLOCATION FACTORS ON REBUTTAL SCHEDULE G-7, PAGE 2?

A. There is a change in the rates of return at proposed rates, but it is not significant. The rates of return for the 5/8 inch customer class decrease at proposed rates. I only tested this change in the allocation factors for Sun City and Agua Fria water districts. I changed the expense and plant allocation for wells, pumps, distribution mains, transportation and communication equipment to 100% commodity, and 0% demand, as Mr. Rogers suggests. The end result is there are no allocations to the demand function.

Q. PLEASE EXPLAIN THE RESULTS OF THE COST OF SERVICE STUDY IN WHICH YOU ALLOCATED ALL DEMAND CHARGES TO THE COMMODITY FUNCTION, BASED ON MR. ROGERS' SUGGESTION.

A. Rejoinder Schedule 2 summarizes the results of the rebuttal cost of service studies compared to the rejoinder cost of service studies prepared to meet Mr. Rogers' suggested approach. As shown on Rejoinder Schedule 2, the only water districts where Staff's proposed monthly minimum are cost justified are the Anthem water and Tubac water districts. I should add that when I use cost, I'm referring to recovery of expenses, the rate of return, and income taxes. Staff's proposed monthly minimums for the average residential customer for all the other water districts are below cost. Worse yet, Staff proposed rates for the first 4,000 gallons are now cost justified only at the Tubac water district, which is the smallest of the districts. At all the other water districts, Staff proposed rates for the first 4,000 gallons are below cost.

Now, you have the worst of all worlds: the monthly minimum priced below cost and the first 4,000 gallons priced below cost. The major problem with including all demand charges in the commodity rate is that you are including a large amount of fixed expenses (mostly depreciation) which must be recovered by means of the quantity of water sold, which increases the volatility of revenues. If the Company experiences a continuing drought, the Company could overearn due to increased water sales. If the weather is cooler or wetter than normal, the Company could severely underearn. The test year ended December 31, 2001 was a drought year.

The cost of service studies I prepared along with my rebuttal testimony resulted in the Staff's proposed rates for the first 4,000 gallons being above cost, with the monthly minimums priced below cost. With the demand charge allocated

to the commodity function, as proposed by Mr. Rogers, you end up with both the monthly minimums (for the typical residential customer) and the commodity rates based underpriced when compared to Staff proposed rates.

An unintended consequence of assigning all the demand cost to the commodity function is that Staff's proposed rates for larger meters are now priced substantially above cost. This results in a price discrimination. If Staff really wants to allocate all the demand costs to the commodity rate, Staff is underpricing the monthly minimum to residential customers on 5/8 inch meters and overpricing residential and commercial customers on larger meters. (Please see rejoinder schedule G-8, page 3).

Staff's monthly minimums are based on meter flows. Staff's proposed monthly minimum for a 6 inch meter is 50 times the monthly minimum for a 5/8 inch meter. The flow capacity for a 6 inch meter is 1,000 gallons per minute, while the flow capacity for a 5/8 inch meter is 20, hence the 50 to 1 ratio in Staff's proposed rates (1,000 / 20). The allocation of meter and service costs is computed by dividing by equivalent meters. However, the allocation of the customer function is based on is based on number of bills, not equivalent meters. Without the demand costs being included in the monthly minimum, the use of meter flows for determining monthly minimums is no longer valid.

Q. WOULD YOU ADDRESS MR. ROGERS' TESTIMONY THAT YOU MADE AN ERRONEOUS ASSUMPTION THAT ALL COSTS INCLUDED IN THE COMMODITY RATES ARE INCURRED AT AVERAGE COST?

A. Yes, I did make that assumption in the cost of service studies I prepared. This is the way a cost of service study is normally performed. Cost allocations and rates are based on average or embedded costs. This is the way Staff performs cost of service studies, based on my experience.

Q. PLEASE COMMENT ON MR. ROGERS' TESTIMONY ON PAGE 7 THAT YOU DID NOT PROVIDE PROOF THAT PRODUCING 20,000 GALLONS OF WATER HAS THE SAME COST AS PRODUCING 1,000 GALLONS.

A. I am not sure I understand Mr. Rogers' point. The cost to pump water (or to purchase water from a supplier) is uniform. In fact, if the cost to pump water is examined, the electric supplier charges a monthly minimum to the water utility. As more gallons are produced from the well, the lower the cost per gallon because the monthly minimum is spread out over a greater quantity, i.e., the marginal cost is lower.

Q. IS THIS WHAT MR. ROGERS MEANS BY "INCREMENTAL COST" ON PAGE 7 OF HIS SURREBUTTAL TESTIMONY?

A. Yes, I believe so. He is referring to the cost of providing the next increment, or marginal unit, of service to the customer. Viewing water service from this perspective, as more marginal units are sold (e.g., 1,000 gallons of water), the cost of service declines because fixed costs, such as the monthly minimum charged by the electric utility provider, have clearly been recovered. This would lead to lower rates for larger water users, and higher rates for small water users – in other words, a declining block rate structure. This is the opposite of what Staff proposes, however.

Q. DID YOU PERFORM AN INCREMENTAL OR MARGINAL COST STUDY?

A. No. The cost of service studies I prepared to evaluate Staff's rate design proposal apply generally accepted cost of service principles. Incremental or marginal cost pricing in the water utility area is controversial, and to my knowledge, has never been endorsed by the Commission for a water utility. Perhaps it could be used if a water utility needed to develop a new source of supply that is substantially more

expensive than the utility's existing water sources. However, such a study would be of little relevance to designing cost-based rates in this case.

The point that Mr. Rogers ignores is that Staff is the party proposing a radical change in rate design, and has not submitted any kind of study, whether a traditional cost of service study like I performed or a more exotic incremental cost study, to show that Staff's proposed rates are cost justified. Additionally, Mr. Rogers has not addressed that issue that Staff's proposed rate design may not actually generate the income that Staff proposes, nor has Staff made any type of adjustment for conservation, if the Staff's goal really is conservation. Because Staff is proposing to dramatically change the Company's rate design, Staff has the burden of supporting its design. It has failed to do so.

Q. WOULD YOU COMMENT ON MR. ROGERS' TESTIMONY THAT YOUR SCHEDULE G-9 ASSUMES FULL RECOVERY OF ALL COSTS AT EVERY USAGE LEVEL?

A. Mr. Rogers is correct that Schedule G-9, page 2 assumes full recovery of all costs (including profit and income taxes) at every usage level. However, the important point is that there is <u>not</u> full recovery at <u>average</u> usage, due to the combination of the Staff's proposed monthly minimums and proposed first tier rate being priced below the cost to provide the service. Mr. Rogers fails to mention that under his proposed rates, average usage by residential customers does not even recover expenses, let alone allow recovery of a profit. (Please see Rebuttal Schedule G-9, page 1.) This same problem occurs when all demand costs are included in the commodity rates, shown on Rejoinder Schedule G-9, page 1. You can't combine a subsidized monthly minimum charge with a subsidized commodity rate. Rejoinder Schedule G-9 shows that a Havasu water district residential customer must use approximately <u>206,000 gallons</u> to recover all costs, including profit, when the

average monthly usage is only 7,650 gallons. Mr. Rogers avoids this issue with his comments about "average cost," "incremental cost," and so on, but does not acknowledge that Staff's rate design produces below-cost rate for most 5/8 inch customers, creating a subsidy that must be recovered from other customers, regardless of the cost of service.

If Staff's goal is to encourage water conservation while promoting economic efficiency, a better approach would be to design rates that are directed at higher water users in <u>each</u> customer class, which is consistent with the approach used by other municipal providers, including the City of Scottsdale and the Company's Paradise Valley water district.

Q. CAN YOU EXPLAIN MR. ROGERS' SURREBUTTAL TESTIMONY ON PAGE 3, LINE, WHICH READS: "AND THAT THE AVERAGE USE IS LESS THAN THAT CALCULATED LEVEL OF USAGE."?

A. I don't understand that testimony. The Company has issued a data request asking Mr. Rogers to explain it.

Q. WOULD YOU PLEASE ADDRESS MR. ROGERS STATEMENT ON PAGE 4, LINE 1 THAT "ABSENT DEMAND METERS THE BEST CORRELATION IS QUANTITY USED", WHICH DEALT WITH INCLUSION OF DEMAND CHARGES IN THE MONTHLY MINIMUMS?

A. I have already testified that Mr. Rogers' proposed monthly minimums are based on meter size, and include a demand charge based on meter size for meter and service line costs. Additionally, it appears that the customer costs were also set based on a ratio based on meter size, which would be incorrect. This testimony contradicts his preference for demand charges to be included only in the commodity rates.

Q. WOULD YOU PLEASE COMMENT ON WITH MR. ROGERS' SURREBUTTAL TESTIMONY ON PAGE 4, LINES 2 AND 3?

A. The testimony reads as follows: "Therefore rates based on the fixed and variable costs of the Company are incompatible with rates that assign costs to customer based on cost causation." Frankly, this testimony doesn't make sense.

The Company has both fixed and variable expenses. In a cost of service study, the analyst allocates both the fixed and variable expenses to functions, then to customers to determine the cost caused by customer classes to determine the rates of return at present and proposed rates. Finally, the analyst determines the monthly minimum rates and the commodity rates to be charged customers. These costs, both fixed and variable, are included in the rates to be charged customers in the form of a monthly minimum charge and commodity rates. Mr. Rogers proposes that commodity costs include demand charges. However, most of the demand charges are fixed expenses, such as depreciation, which must be recovered regardless of the quantity of water used. Yet Mr. Rogers suggests these fixed expenses be collected as if they were variable expenses.

Q. WOULD YOU COMMENT ON MR. ROGERS TESTIMONY THAT STAFF'S RATE DESIGN CHANGE IS "SIGNIFICANT" BUT NOT "RADICAL"?

A. This is simply semantics. Mr. Rogers has proposed a significant change for many of the water districts by proposing an inverted, three-tier rate structure. In some of the water districts, he proposed a three-tier rate to take the place of a one-tier rate design. In doing so, he has effectively shifted a large portion of the revenue requirement from smaller users to large users. There is no cost of service study to support this significant change in the rate design. A water utility would not be allowed to dramatically change its rate design without supplying a cost of service study.

Q. IS MR. ROGERS CORRECT THAT MOST CUSTOMERS WILL

RECEIVE A RATE INCREASE FOR THE DISTRICTS FOR WHICH STAFF RECOMMENDS A RATE INCREASE?

A. Yes, Mr. Rogers is correct that in the systems where Staff is recommending a rate increase, customers will see an increase in their bill. Apparently, I misspoke in my rebuttal testimony. What I meant to say is that users of larger quantities of water will experience a rate increase greater (as a percentage) than the users of lower quantities of water, due to Staff's inverted tier rates. Larger water users already provide a higher profit on a per 1,000 gallon basis than smaller users.

Q. WOULD YOU PLEASE COMMENT ON THE FACT THAT MR. ROGERS DOES NOT AGREE THAT STAFF'S RATE DESIGN WILL CAUSE INEFFICIENT USE OF WATER, AND THAT THE FIRST TIER IS DESIGNED TO COVER BASIC HEALTH AND SAFETY NECESSITIES?

A. Mr. Rogers has not provided any study or evidence showing that all residential and commercial customers require 4,000 gallons per month for basic health and safety necessities. Nor has he provided any study or evidence showing that all residential and commercial customers will use up to 100,000 gallons of water per month in an efficient manner. Nor has Mr. Rogers provided any study or evidence that all residential and commercial customers need a subsidized rate for the first 4,000 gallons. His proposed lifeline rate is available to all residential and commercial customers. If water is a scare resource, then it must be priced to recover costs. When rates are set below cost, conservation and efficient use of water becomes a goal that cannot be met.

Mr. Rogers also testifies that that there is "discretionary" and "nondiscretionary" usage. However, he has not provided any study or evidence that break points of 4,000 and 100,000 gallons are appropriate. Is water usage of 80,000 per month by a residential customer "nondiscretionary" usage?

Q. WOULD YOU ADDRESS MR. ROGERS' TESTIMONY ON PAGE 7 OF HIS SURREBUTTAL TESTIMONY CONCERNING THE DIFFERENCE BETWEEN BILL COUNT REVENUES AND GENERAL LEDGER REVENUES?

A. Mr. Rogers left the difference between the bill count revenues and general ledger revenues of $6,311 (present rates) at $6,311, even though Staff recommends a decrease at Staff's proposed rates. If rates are to be decreased, then the $6,311 should also be decreased. If that were done, then Staff's proposed rates would have to be slightly higher to account for the reduction in the $6,311.

Q. WOULD YOU PLEASE COMMENT ON MR. ROGERS SURREBUTTAL TESTIMONY ON PAGE 8 CONCERNING THE RATES CHARGED MULTI-FAMILY AND MULTI-UNIT COMMERCIAL CUSTOMERS?

A. I testified that the Staff recommended keeping the existing rate design, when Citizens proposed changing it in the prior rate cases for the Mohave and Havasu water districts, and the Commission in that case agreed with Staff. Staff now wishes to change the rates for multi-unit customers. The Company is not opposed to changing the rate design in the next rate case, and will quantify the change in the revenues at present and proposed rates.

Q. DO YOU HAVE OTHER COMMENTS ON STAFF'S SURREBUTTAL TESTIMONY?

A. Staff did <u>not</u> provide any surrebuttal testimony to the following issues I raised in my rebuttal testimony:

Lifeline rates should be offered only to residential customers and then only to residential customers who meet certain income eligibility requirements.

Lifeline rates and similar types of discounted rates should not be considered unless the local cost of water is high relative to other similar water utilities.

Lifeline rates and similar types of discounted rates should not be used in areas where water use (e.g., conservation) is a concern.

Additionally, Staff did not address the issue of its rate design's impact on the rate of return by meter size at present and Staff's proposed rates. Staff proposed rates in most instances that lowered the rate of return for customers on the smaller meters, while increasing the rate of return for customers on larger meters. That is a clear sign that the rates charged to larger meter sizes, and larger water users, are subsidizing the small meters and smaller water users. Staff has attempted to respond to this issue by stating that the Company did not submit a cost of service study on an incremental basis. However, Staff did not submit <u>any</u> cost of service study or any type of study or data to support its rate design.

VI. REJOINDER TO YOUNGTOWN

Q. WOULD YOU PLEASE ADDRESS MR. BURHAM'S SURREBUTTAL TESTIMONY IN WHICH HE PROPOSES THAT HIS RECOMMENDED RATE INCREASE FOR SUN CITY WATER OF APPPROXIMATELY 33% BE PHASED IN OVER A TWO YEAR PERIOD, WHILE HIS PROPOSED RATE DECREASE FOR SUN CITY WASTEWATER OF APPROXIMATELY 14%?

A. The Company has proposed a phase in only if the rate increase exceeded 40% to ameliorate the impact on customers. Mr. Burham's proposal, in contrast, makes no sense. The following chart shows the impact of his proposals (assuming an across the board increase and decrease, as he has not proposed specific rate design):

	Present Rate	Proposed Rate	Dollar Change	Percent Change
Water	$11.17	$14.86	$3.69	33%
Wastewater	12.87	11.07	(1.80)	-19%

Totals	$24.04	$25.93	$1.88	8%

Thus, if the Commission were to adopt Mr. Burham's recommendations, the end result would be a monthly water bill of $14.86 (33% rate increase) a monthly wastewater bill of $11.07 (14% decrease), and a total monthly bill of $25.93. The difference in the bills would be $1.88 per month, or approximately $0.06 per day. A phase-in is not necessary.

Q. DOES THIS CONCLUDE YOUR REJOINDER TESTIMONY?

A. Yes, it does.

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KOZOMAN REJOINDER SCHEDULES

Arizona American
Test Year Ended December 31, 2001
Index of Rejoinder Schedules for
Ronald L. Kozoman, CPA

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2	1 & 2	Summary of Computed Cost of Service Study Monthly Minimums and Commodity Rates in Rebuttal and Rejoinder Filings Compared to ACC Staff Recommended Rates in Staff's Direct Filing

Cost of Service Study Using ACC Staff Proposed Plant, Expenses, and Rates of Return for Each Water Division
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All Wastewater and Water Districts

H-1	Revenue Summary at Present and Proposed Rates for Each Divison
H-2	Analysis of Revenue by Detailed Class at Present and Proposed Rates, at Average Water Usage for Each Division
H-3	Present and Rebuttal Proposed Rates for Each Division
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Arizona American
Test Year Ended December 31, 2001
Index of Rejoinder Schedules for
Ronald L. Kozoman, CPA

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		Development of Monthly Minimums based on Cost of Service Study Computation
	3	With ACC Staff Recommended Rate of Return for Equity and Income Taxes
	3	Without ACC Staff Recommended Rate of Return for Equity and Income Taxes
		Development of Commodity Rate & Monthly Minimum Charges
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H-1	Revenue Summary at Present and Proposed Rates for Each Divison
H-2	Analysis of Revenue by Detailed Class at Present and Proposed Rates, at Average Water Usage for Each Division
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KOZOMAN REJOINDER
SCHEDULE 1

Arizona American
Test Year Ended December 31, 2001
Comparison of Present and Company Proposed Rejoinder Revenues, ACC Staff Direct Filing Proposed Revenues and RUCO Proposed Surrebuttal Revenues

Exhibit
Kozoman Rejoinder Schedule 1
Page 1
Witness: Kozoman

Line No.	Division	Present Revenues	Company Proposed Rejoinder Revenues	Company Dollar Increase (Decrease) From Present Revenues	Company Percent Increase (Decrease) From Present Revenues	ACC Staff Surrebuttal Proposed Revenues	ACC Staff Dollar Increase (Decrease) From Present Revenues	ACC Staff Percent Increase (Decrease) From Present Revenues	RUCO Staff Surrebuttal Proposed Revenues	RUCO Staff Dollar Increase (Decrease) From Present Revenues	RUCO Staff Percent Increase (Decrease) From Present Revenues
1											
2	Agua Fria Water	6,183,467	6,245,839	62,372	1.01%	5,364,018	(822,019)	-13.29%	5,944,926	(241,111)	-3.90%
3											
4	Anthem Water	4,006,408	3,993,599	(12,809)	-0.32%	3,409,191	(601,614)	-15.00%	3,705,749	(305,056)	-7.61%
5											
6	Antherm / Agua Fria										
7	Wastewater	1,863,188	2,174,607	311,419	16.71%	1,784,624	(81,922)	-4.39%	2,025,673	159,127	8.53%
8											
9	Havasu Water	440,924	564,857	123,933	28.11%	407,824	(33,100)	-7.51%	466,892	25,968	5.89%
10											
11	Mohave Water	4,394,133	4,536,477	142,344	3.24%	3,679,180	(715,595)	-16.28%	3,696,526	(698,249)	-15.89%
12											
13	Sun City Water	6,179,363	10,633,139	4,453,775	72.07%	8,109,612	1,916,522	30.95%	7,765,111	1,572,021	25.38%
14											
15	Sun City Wastewater	5,087,862	5,348,741	260,879	5.13%	4,243,751	(844,589)	-16.60%	4,231,519	(856,821)	-16.84%
16											
17	Sun City West Water	3,365,549	4,522,479	1,156,931	34.38%	3,729,120	348,346	10.30%	3,926,566	545,792	16.14%
18											
19	Sun City West										
20	Wastewater	3,531,477	5,096,784	1,565,307	44.32%	4,630,878	1,095,198	30.98%	4,615,530	1,079,850	30.54%
21											
22	Tubac Water	253,812	435,744	181,931	71.68%	339,906	85,420	33.56%	304,839	50,353	19.79%
23											
24	Total Revenues	35,306,183	43,552,266	8,246,082	23.36%	35,698,104	346,647	0.98%	36,683,331	1,331,874	3.77%

Arizona American / Agua Fria Water Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rejoinder Rates, ACC Staff
Proposed Rates in Direct Filing, RUCO Staff Surrebuttal Proposed Rates

Exhibit
Kozoman Rejoinder Schedule 1
Page 2
Witness: Kozoman

Line No.	Monthly Minimums		Present Rates	Company Proposed Rejoinder Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Direct Filing Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Surrebuttal Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	5/8 x 3/4 Inch		$ 10.00	$ 10.09	$ 0.09	0.90%	$ 8.52	$ (1.48)	-14.80%	$ 9.30	$ (0.70)	-7.00%
2	3/4 Inch		15.00	15.15	0.15	1.00%	12.78	(2.22)	-14.80%	14.00	(1.00)	-6.67%
3	1 Inch		25.00	25.25	0.25	1.00%	21.30	(3.70)	-14.80%	23.50	(1.50)	-6.00%
4	1 1/2 Inch		53.00	53.55	0.55	1.04%	45.15	(7.85)	-14.81%	50.00	(3.00)	-5.66%
5	2 Inch		80.00	80.80	0.80	1.00%	68.16	(11.84)	-14.80%	76.10	(3.90)	-4.88%
6	3 Inch		155.00	156.55	1.55	1.00%	132.06	(22.94)	-14.80%	144.80	(10.20)	-6.58%
7	4 Inch		200.00	202.00	2.00	1.00%	170.41	(29.59)	-14.80%	186.00	(14.00)	-7.00%
8	6 Inch		400.00	404.00	4.00	1.00%	340.82	(59.18)	-14.80%	372.40	(27.60)	-6.90%
9	8 Inch		800.00	808.00	8.00	1.00%	681.64	(118.36)	-14.80%	744.00	(56.00)	-7.00%
10	Prison, 4 Inch Meter Rate		200.00	202.00	2.00	1.00%	170.41	(29.59)	-14.80%	200.00	-	0.00%
11	4 Inch Private Fire		30.00	30.30	0.30	1.00%	25.56	(4.44)	-14.80%	27.90	(2.10)	-7.00%
12	6 Inch Private Fire		45.00	45.45	0.45	1.00%	38.34	(6.66)	-14.80%	42.72	(2.28)	-5.07%
13	8 Inch Private Fire		60.00	60.60	0.60	1.00%	51.12	(8.88)	-14.80%	55.80	(4.20)	-7.00%
14	10 Inch Private Fire		120.00	121.20	1.20	1.00%	102.25	(17.75)	-14.79%	111.60	(8.40)	-7.00%
15	12 Inch Private Fire		180.00	181.80	1.80	1.00%	153.37	(26.63)	-14.79%	167.40	(12.60)	-7.00%
16	Gallons In Minimum											
17	All (except construction, prison, public interruptible)		-	-			-			-		
18	Construction		-	-			-			-		
19	Prison		200	202	2.00	1.00%	170.41			200.00		
20	Public Interruptible		-	-			-			-		
21	**Tier 1:** Gallons / upper limit											
22	All (except construction, prison, public interruptible)		8,000	8,000	N/A	N/A	4,000	(4,000)	-50.00%	8,000	-	N/A
23	Construction		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
24	Prison		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
25	Public Interruptible		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
26	**Tier 2:** (Gallon upper limit, up to, but not exceeding)											
27	All (except construction, prison, public interruptible)		Infinite	Infinite	N/A	N/A	100,000			Infinite	Infinite	N/A
28	Construction		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
29	Prison		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
30	Public Interruptible		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
31	**Tier 3:** (Gallon over)											
32	All (except construction, prison, public interruptible)		Infinite	Infinite	N/A	N/A	Infinite			Infinite	Infinite	N/A
33	Construction		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
34	Prison		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
35	Public Interruptible		Infinite	Infinite	N/A	N/A	Infinite	N/A	N/A	Infinite	Infinite	N/A
36	Commodity Rates (per 1,000 gallons over minimum and per Tier)											
37	All (except construction, prison)	Tier 1	$ 1.78	$ 1.80	0.02	1.12%	$ 1.20	$ (0.58)	-32.58%	$ 1.70	$ (0.08)	-4.49%
38	All (except construction, prison)	Tier 2	$ 2.24	$ 2.27	0.03	1.34%	1.80	$ (0.44)	-19.64%	1.96	(0.28)	-12.50%
39	All (except construction, prison)	Tier 3	$ 2.24	$ 2.27	0.03	1.34%	2.15	$ (0.09)	-4.02%	1.86	(0.38)	-16.96%
40	Construction, Contract Rate		$ 1.00	$ 1.00	-	0.00%	1.00	$ -	0.00%		(1.00)	-100.00%
41	Prison		$ 2.02	$ 2.04	0.02	0.99%	1.72	$ (0.30)	-14.85%	1.96	(0.06)	-2.97%
42	Public Interruptible, Contract Rate		$ 1.00	$ 1.00	-	0.00%	1.00	$ -	0.00%	0.90	(0.10)	-10.00%

Arizona American / Anthem Water Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rejoinder Rates, ACC Staff Proposed Rates in Direct Filing, RUCO Staff Surrebuttal Proposed Rates

Exhibit
Kozoman Rejoinder Schedule 1
Page 3
Witness: Kozoman

Line No.	Monthly Minimums	Present Rates	Company Proposed Rejoinder Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Direct Filing Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Surrebuttal Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	5/8 x 3/4 Inch (a)	$ 16.00	$ 15.90	$ (0.10)	-0.62%	$ 11.45	$ (4.55)	-28.44%	$ 12.95	$ (3.05)	-19.06%
2	3/4 Inch (a)	16.00	15.90	(0.10)	-0.62%	11.45	(4.55)	-28.44%	12.95	(3.05)	-19.06%
3	1 Inch (a)	32.00	31.88	(0.12)	-0.38%	22.91	(9.09)	-28.41%	26.00	(6.00)	-18.75%
4	1 1/2 Inch (a)	64.00	63.80	(0.20)	-0.31%	45.81	(18.19)	-28.42%	52.00	(12.00)	-18.75%
5	2 Inch	80.00	79.75	(0.25)	-0.31%	57.27	(22.73)	-28.41%	65.00	(15.00)	-18.75%
6	3 Inch	160.00	159.40	(0.60)	-0.37%	114.54	(45.46)	-28.41%	132.00	(28.00)	-17.50%
7	4 Inch	200.00	199.40	(0.60)	-0.30%	143.17	(56.83)	-28.42%	164.00	(36.00)	-18.00%
8	6 Inch	250.00	248.75	(1.25)	-0.50%	178.96	(71.04)	-28.42%	204.00	(46.00)	-18.40%
9	8 Inch	-	1,272.00		N/A	1070.91			1,000.00	1,000.00	
10	Private Fire Protection (Flat Rates)						-			-	
11	3 Inch	70.00	69.80	(0.20)	-0.29%	50.11	(19.89)	-28.41%	60.00	(10.00)	-14.29%
12	4 Inch	90.00	89.75	(0.25)	-0.28%	64.43	(25.57)	-28.41%	74.00	(16.00)	-17.78%
13	6 Inch (a)	135.00	134.00	(1.00)	-0.74%	96.64	(38.36)	-28.41%	106.00	(29.00)	-21.48%
14	8 Inch	180.00	178.59	(1.41)	-0.78%	128.85	(51.15)	-28.42%	154.00	(26.00)	-14.44%
15	10 Inch	360.00	357.50	(2.50)	-0.69%	257.71	(102.29)	-28.41%	308.00	(52.00)	-14.44%
16	Gallons In Minimum										
17	All	-	-			-			-		
18	Tier 1: Gallons / upper limit										
19	All (except wholesale	Infinite	Infinite			4,000			Infinite		
20	Irrigation	Infinite	Infinite			Infinite			Infinite		
21	Wholesale	Infinite	Infinite			Infinite			Infinite		
22	Tier 2: (Gallon upper limit, up to, but not exceeding)										
23	All (except wholesale	Infinite	Infinite			100,000			Infinite		
24	Irrigation	Infinite	Infinite			Infinite			Infinite		
25	Wholesale	Infinite	Infinite			Infinite			Infinite		
26	Tier 3: (Gallon over)										
27	All (except wholesale	Infinite	Infinite			Infinite			Infinite		
28	Irrigation	Infinite	Infinite			Infinite			Infinite		
29	Wholesale	Infinite	Infinite			Infinite			Infinite		
30	Commodity Rates (per 1,000 gallons over minimum and per Tier)										
31	All, except wholesale, Irrigation	$ 2.00	$ 1.98	(0.02)	-1.00%	$ 0.88	$ (1.12)	-56.00%	$ 1.78	(0.22)	-11.00%
32	All, except wholesale, Irrigation	2.00	1.98	(0.02)	-1.00%	$ 1.32	(0.68)	-34.00%	1.78	(0.22)	-11.00%
33	All, except wholesale, Irrigation	2.00	1.98	(0.02)	-1.00%	$ 1.57	(0.43)	-21.50%	1.78	(0.22)	-11.00%
34	Irrigation	0.62	0.62			$ 0.62	-	0.00%			
35	Wholesale	2.16	2.16	-	0.00%	$ 2.16	-	0.00%	1.88	(0.28)	-12.96%

Arizona American / Anthem / Agua Wastewater Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rejoinder Rates, ACC Staff
Proposed Rates in Direct Filing, RUCO Staff Surrebuttal Proposed Rates

Exhibit
Kozoman Rejoinder Schedule 1
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Witness: Kozoman

Line No.		Present Rates	Company Proposed Rejoinder Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Direct Filing Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Surrebuttal Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	Monthly Minimums										
2	Residential	$ 16.00	$ 21.85	$ 5.85	36.56%	$ 14.68	$ (1.32)	-8.25%	$ 21.25	$ 5.25	32.81%
3	Small Commercial 5/8 Inch Meter	16.00	21.85	5.85	36.56%	14.68	(1.32)	-8.25%	21.25	5.25	32.81%
4	Small Commercial 3/4 Inch Meter	24.00	32.80	8.80	36.67%	22.03	(1.97)	-8.21%	31.88	7.88	32.83%
5	Small Commercial 1 Inch Meter	32.00	43.75	11.75	36.72%	29.37	(2.63)	-8.22%	42.50	10.50	32.81%
6	Large Commercial	64.00	87.30	23.30	36.41%	58.73	(5.27)	-8.23%	85.20	21.20	33.13%
7	Usage (per 1,000 gallons, up to)										
8	Residential	7,000	7,000			7,000			7,000		
9	Small Commercial 5/8 Inch Meter	10,000	10,000			10,000			10,000		
10	Small Commercial 3/4 Inch Meter	15,000	15,000			15,000			15,000		
11	Small Commercial 1 Inch Meter	25,000	25,000			25,000			25,000		
12	*	Infinite	Infinite			Infinite			Infinite		
13	Treatco	Infinite	Infinite			Infinite			Infinite		
14	Usage Rates (per 1,000 gallons up to limit)										
15	Residential										
16	Small Commercial 5/8 Inch Meter	$ 2.00	$ 2.73	$ 0.73	36.50%	$ 1.84	$ (0.16)	-8.00%	$ 2.50	$ 0.50	25.00%
17	Small Commercial 3/4 Inch Meter	$ 2.00	2.73	0.73	36.50%	1.84	(0.16)	-8.00%	2.50	0.50	25.00%
18	Small Commercial 1 Inch Meter	$ 2.00	2.73	0.73	36.50%	1.84	(0.16)	-8.00%	2.50	0.50	25.00%
19	Large Commercial	$ 2.00	2.73	0.73	36.50%	1.84	(0.16)	-8.00%	2.50	0.50	25.00%
20	Treatco	$ 2.32	2.73	0.73	36.50%	1.84	(0.16)	-8.00%	2.50	0.50	25.00%
21	**Capacity Reservation Charge**	$ 765.00	2.32	-	0.00%	2.32	(0.16)	0.00%	2.85	0.53	22.84%
22			765.00	-	0.00%	$ 765.00	-	0.00%	$ 765.00	-	0.00%
23	**Annual Fee for Industrial Discharge Service**										
24	For those customers consuming an amount of water less than or equal										
25	50,000 gallons per month through one or more water meters to the										
26	same facility, inclusive of meters used for irrigation:	$ 500.00	500.00	-	0.00%	$ 500.00	-	0.00%	$ 500.00	-	0.00%
27											
28											
29	For those customers consuming an amount of water greater than										
30	50,000 gallons per month through one or more water meters to the										
31	same facility, inclusive of meters used for irrigation:	$ 1,000.00	1,000.00	-	0.00%	$ 1,000.00	-	0.00%	$ 1,000.00	-	0.00%

Arizona American / Havasu Water Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rejoinder Rates, ACC Staff Proposed Rates in Direct Filing, RUCO Staff Surrebuttal Proposed Rates

Exhibit
Kozoman Rejoinder Schedule 1
Page 5
Witness: Kozoman

Line No.	Monthly Minimums	Units Served	Present Rates	Company Proposed Rejoinder Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Direct Filing Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Surrebuttal Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	5/8 x 3/4 Inch		$ 10.00	$ 12.90	$ 2.90	29.00%	$ 9.24	$ (0.76)	-7.60%	$ 12.00	$ 2.00	20.00%
2	1 Inch		17.10	22.06	4.96	29.01%	15.80	(1.30)	-7.60%	20.75	3.65	21.35%
3	1 1/2 Inch		24.00	30.96	6.96	29.00%				29.50	5.50	22.92%
4	2 Inch		33.60	43.34	9.74	28.99%	31.04	(2.56)	-7.62%	41.00	7.40	22.02%
5	3 Inch		45.60	58.82	13.22	28.99%	42.13	(3.47)	-7.61%	55.00	9.40	20.61%
6	4 Inch		57.60	74.30	16.70	28.99%	53.21	(4.39)	-7.62%	70.50	12.90	22.40%
7	6 Inch		200.00	258.00	58.00	29.00%				240.00	40.00	20.00%
8	8 Inch		400.00	516.00	116.00	29.00%				430.00	30.00	7.50%
9	Multi-Family 1"Meter	44	440.00	567.60	127.60	29.00%	406.49	(33.51)	-7.62%	528.00	88.00	20.00%
10	Multi-Family 2" Meter	56	560.00	722.40	162.40	29.00%	517.35	(42.65)	-7.62%	672.00	112.00	20.00%
11	Multi-Family 4" Meter	64	640.00	825.60	185.60	29.00%	591.26	(48.74)	-7.62%	768.00	128.00	20.00%
12	Multi-Family 2" Meter	65	650.00	838.50	188.50	29.00%	600.50	(49.50)	-7.62%	780.00	130.00	20.00%
13	Multi-Family 4" Meter	67	670.00	864.30	194.30	29.00%	618.98	(51.02)	-7.61%	804.00	134.00	20.00%
14	Multi-Family 1"Meter	89	890.00	1,148.10	258.10	29.00%	822.22	(67.78)	-7.62%	1,068.00	178.00	20.00%
15	Multi-Family 2" Meter	102	1,020.00	1,315.80	295.80	29.00%	942.32	(77.68)	-7.62%	1,224.00	204.00	20.00%
16	Multi-Family 4" Meter	129	1,290.00	1,664.10	374.10	29.00%	1,191.76	(98.24)	-7.62%	1,548.00	258.00	20.00%
17	Multi-Family 4" Meter	153	1,530.00	1,973.70	443.70	29.00%	1,413.48	(116.52)	-7.62%	1,836.00	306.00	20.00%
18	Gallons In Minimum, All Except		1,000	1,000	-	0.00%	-	(1,000)	-100.00%	-	(1,000)	-100.00%
19	Multi-Family											
20	Multi-Family 1"Meter	44	44,000	44,000			-	(44,000)	-100.00%	-	(44,000)	-100.00%
21	Multi-Family 2" Meter	56	56,000	56,000			-	(56,000)	-100.00%	-	(56,000)	-100.00%
22	Multi-Family 4" Meter	64	64,000	64,000			-	(64,000)	-100.00%	-	(64,000)	-100.00%
23	Multi-Family 2" Meter	65	65,000	65,000			-	(65,000)	-100.00%	-	(65,000)	-100.00%
24	Multi-Family 4" Meter	67	67,000	67,000			-	(67,000)	-100.00%	-	(67,000)	-100.00%
25	Multi-Family 1"Meter	89	89,000	89,000			-	(89,000)	-100.00%	-	(89,000)	-100.00%
26	Multi-Family 2" Meter	102	102,000	102,000			-	(102,000)	-100.00%	-	(102,000)	-100.00%
27	Multi-Family 4" Meter	129	129,000	129,000			-	(129,000)	-100.00%	-	(129,000)	-100.00%
28	Multi-Family 4" Meter	153	153,000	153,000			-	(153,000)	-100.00%	-	(153,000)	-100.00%
29	Gallons in Tiers											
30	Tier 1: Gallons upper limit		Infinite	Infinite			4,000			Infinite		
31	Tier 2: Gallons upper limit		Infinite	Infinite			100,000			Infinite		
32	Tier 3: Gallons upper limit		Infinite	Infinite			Infinite			Infinite		
33	Commodity Rates (per 1,000 gallons over minimum and per Tier)											
34	All, summer rate	Tier 1	$ 1.42	$ 1.83	0.41	28.87%	0.81	(0.61)	-42.96%	1.75	0.33	**23.24%**
35	All, summer rate	Tier 2	1.42	1.83	0.41	28.87%	1.21	(0.21)	-14.79%	1.75	0.33	**23.24%**
36	All, summer rate	Tier 3	1.42	1.83	0.41	28.87%	1.45	0.03	2.11%	1.75	0.33	**23.24%**
37	All, winter rate	Tier 1	$ 1.31	$ 1.69	0.38	29.01%	0.81	(0.50)	-38.17%	1.75	0.44	**33.59%**
38	All, winter rate	Tier 2	1.31	1.69	0.38	29.01%	1.21	(0.10)	-7.63%	1.75	0.44	**33.59%**
39	All, winter rate	Tier 3	1.31	1.69	0.38	29.01%	1.45	0.14	10.69%	1.75	0.44	**33.59%**

Arizona American / Mohave Water Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rejoinder Rates, ACC Staff Proposed Rates in Direct Filing, RUCO Staff Surrebuttal Proposed Rates

Exhibit
Kozoman Rejoinder Schedule 1
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Witness: Kozoman

Line No.	Monthly Minimums	Units Served	Present Rates	Company Proposed Rejoinder Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Direct Filing Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Surrebuttal Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	Residential,Commercial, Irrigation, Resale and Miscellaneous Customers											
2	5/8 x 3/4 Inch		$ 8.65	$ 8.93	$ 0.28	3.24%	$ 7.27	$ (1.38)	-15.93%	$ 7.75	$ (0.90)	-10.40%
3	3/4 Inch						7.27					
4	1 Inch		$ 15.00	$ 15.50	0.50	3.33%	12.61	(2.39)		15.50	0.50	3.33%
5	1 1/2 Inch		$ 25.00	$ 25.83	0.83	3.32%	21.01	(3.99)	-15.98%	22.50	(2.50)	-10.00%
6	2 Inch		$ 30.00	$ 31.02	1.02	3.40%	25.21	(4.79)	-15.97%	27.00	(3.00)	-10.00%
7	3 Inch		$ 60.00	$ 61.99	1.99	3.32%	50.41	(9.59)	-15.98%	53.00	(7.00)	-11.67%
8	4 Inch		$ 90.00	$ 92.99	2.99	3.32%	75.62	(14.38)	-15.98%	80.00	(10.00)	-11.11%
9	6 Inch		$ 200.00	$ 206.65	6.65	3.33%	168.05	(31.95)	-15.98%	179.00	(21.00)	-10.50%
10	8 Inch		$ 400.00	$ 413.39	13.39	3.35%	336.10	(63.90)	-15.98%	344.50	(55.50)	-13.88%
11	10 Inch		N/A	$ 715.20			581.23			596.00		
12	Residential Rio Water										-	
13	5/8 Inch (a)		7.75	8.01	0.26	3.35%	6.51	(1.24)	-16.00%	6.95	(0.80)	-10.32%
14	1 Inch (a)		7.75	8.01	0.26	3.35%	6.51	(1.24)	-16.00%	11.9	4.15	53.55%
15	2 Inch (a)		7.75	8.01	0.26	3.35%	6.51	(1.24)	-16.00%	22	14.25	183.87%
16	Private Fire										-	
17	2 Inch or smaller (a)		3.00	3.10	0.10	3.33%	2.52	(0.48)	-16.00%	2.80	(0.20)	-6.67%
18	4 Inch (a)		6.00	6.20	0.20	3.33%	5.04	(0.96)	-16.00%	5.50	(0.50)	-8.33%
19	6 Inch (a)		9.00	9.30	0.30	3.33%	7.56	(1.44)	-16.00%	8.00	(1.00)	-11.11%
20	8 Inch (a)		12.00	12.40	0.40	3.33%	10.08	(1.92)	-16.00%	10.75	(1.25)	-10.42%
21	10 Inch		15.00	15.50	0.50	3.33%	12.60	(2.40)	-16.00%	13.50	(1.50)	-10.00%
22	12 Inch (a)		18.00	18.60	0.60	3.33%	15.12	(2.88)	-15.98%	15.50	(2.50)	-13.89%
23	14 Inch (a)		21.00	21.70	0.70	3.33%	17.65	(3.35)	-15.98%	18.10	(2.90)	-13.81%
24	20 Inch		30.00	31.02	1.02	3.40%	25.21	(4.79)	-15.98%	25.85	(4.15)	-13.83%
25	Per Sprinkler Head (a)		0.51	0.53	0.02	3.92%				0.44	(0.07)	-13.73%
26	Per each Private Fire Hydrant (a)		7.64	7.89	0.25	3.27%	6.42	(1.22)	-15.97%	6.55	(1.09)	-14.27%
27	Gallons In Minimum											
28	All (except Rio Water & Multi-Units		1,000	1,000	-	0.00%	0	(1,000)	-100.00%	0	(1,000)	-100.00%
29	Rio Water		2,000	2,000	-	0.00%	0	(2,000)	-100.00%	0	(2,000)	-100.00%
30	Multi-Unit & Multi-Family (a)											
31	Residential MF 5/8" Meter	573	4,956.45	5,116.89	160.44	3.24%	4,165.71	(790.74)	-15.95%	4,440.75	(515.70)	-10.40%
32	Residential MF 1" Meter	262	2,266.30	2,339.66	73.36	3.24%	1,904.74	(361.56)	-15.95%	2,030.50	(235.80)	-10.40%
33	Residential MF 1.5" Meter	130	1,124.50	1,160.90	36.40	3.24%	945.10	(179.40)	-15.95%	1,007.50	(117.00)	-10.40%
34	Residential MF 2" Meter	1525	13,191.25	13,618.25	427.00	3.24%	11,086.76	(2,104.49)	-15.95%	11,818.75	(1,372.50)	-10.40%
35	Residential MF 4" Meter	107	925.55	955.51	29.96	3.24%	777.89	(147.66)	-15.95%	829.25	(96.30)	-10.40%
36	Residential MF 6" Meter	1054	9,117.10	9,412.22	295.12	3.24%	7,662.58	(1,454.52)	-15.95%	8,168.50	(948.60)	-10.40%
37	Commercial 5/8"Meter	94	813.10	839.42	26.32	3.24%	683.38	(129.72)	-15.95%	728.50	(84.60)	-10.40%
38	Commmerical 1 "Meter	22	190.30	196.46	6.16	3.24%	159.94	(30.36)	-15.95%	170.50	(19.80)	-10.40%
39	Commercial 1.5" Meter	5	43.25	44.65	1.40	3.24%	36.35	(6.90)	-15.95%	38.75	(4.50)	-10.40%
40	Commercial 2" Meter	18	155.70	160.74	5.04	3.24%	130.86	(24.84)	-15.95%	139.50	(16.20)	-10.40%
41	Commodity Rates (per 1,000 gallons over minimum and per Tier, All Except Rio Water)											
42	Tier 1		$ 1.48	$ 1.53	0.05	3.38%	0.81	$ (0.67)	-45.27%	1.26	$ (0.22)	-14.86%
43	Tier 2		1.48	1.53	0.05	3.38%	1.23	(0.25)	-16.89%	1.26	(0.22)	-14.86%
44	Tier 3		1.48	1.53	0.05	3.38%	1.47	(0.01)	-0.68%	1.26	(0.22)	-14.86%
45	Commodity Rates: Rio Water											
46	Tier 1		$ 1.75	$ 1.81	0.06	3.43%	0.81	(0.94)	-53.71%	1.43	(0.32)	-18.29%
47	Tier 2		1.75	1.81	0.06	3.43%	1.23	(0.52)	-29.71%	1.43	(0.32)	-18.29%
48	Tier 3		1.75	1.81	0.06	3.43%	1.47	(0.28)	-16.00%	1.43	(0.32)	-18.29%
49	Gallons in Tiers											
50	Tier 1: Gallons upper limit		Infinite				4,000			Infinite		
51	Tier 2: Gallons upper limit		Infinite				100,000			Infinite		
52	Tier 3: Gallons upper limit		Infinite				Infinite			Infinite		
53	ACC Staff Public Authority Private Fire: Infinite Quantity						$ 1.25					
54	(a) Monthly Minimum times Units											

Arizona American / Sun City Water Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rejoinder Rates, ACC Staff
Proposed Rates in Direct Filing, RUCO Staff Surrebuttal Proposed Rates

Exhibit
Kozoman Rejoinder Schedule 1
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Witness: Kozoman

Line No.	Monthly Minimums	Present Rates	Company Proposed Rejoinder Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Direct Filing Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Surrebuttal Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	5/8 x 3/4 Inch	$ 5.00	$ 8.69	$ 3.69	73.80%	$ 6.59	$ 1.59	31.89%	$ 6.30	$ 1.30	26.00%
2	3/4 Inch	5.00	8.69	3.69	73.80%	6.59	1.59	31.89%	6.30	1.30	26.00%
3	1 Inch	13.00	22.59	9.59	73.77%	17.15	4.15	31.89%	16.37	3.37	25.92%
4	1 1/2 Inch	28.00	48.65	20.65	73.75%	36.93	8.93	31.89%	35.06	7.06	25.21%
5	2 Inch	41.00	71.23	30.23	73.73%	54.07	13.07	31.89%	51.61	10.61	25.88%
6	3 Inch	70.00	121.62	51.62	73.74%	92.32	22.32	31.89%	88.11	18.11	25.87%
7	4 Inch	103.00	178.95	75.95	73.74%	135.85	32.85	31.89%	129.65	26.65	25.87%
8	6 Inch	141.00	244.97	103.97	73.74%	185.97	44.97	31.89%	177.48	36.48	25.87%
9	Private Fire Protection										
10	Flat Rate 3	6.00	10.42	4.42	73.67%	7.91	1.91	31.89%	7.56	1.56	26.00%
11	Flat Rate 4	9.00	15.64	6.64	73.78%	11.87	2.87	31.89%	11.34	2.34	26.00%
12	Flat Rate 6	12.50	21.72	9.22	73.76%	16.49	3.99	31.89%	15.74	3.24	25.92%
13	Flat Rate 8	20.00	34.75	14.75	73.75%	26.38	6.38	31.89%	25.19	5.19	25.95%
14	Flat Rate 10	30.00	52.12	22.12	73.73%	39.57	9.57	31.89%	37.78	7.78	25.93%
15	Standby									-	
16	Public Interruptible	3.50	6.08	2.58	73.71%	4.62	1.12	31.89%	4.41	0.91	26.00%
17	Irrigation										
18	1 Inch	13.00	22.59	9.59	73.77%	17.15	4.15	31.89%	16.37	3.37	25.92%
19	1 1/2 Inch	28.00	48.65	20.65	73.75%	36.93	8.93	31.89%	35.26	7.26	25.93%
20	2 Inch	41.00	71.23	30.23	73.73%	54.07	13.07	31.89%	51.63	10.63	25.93%
21	3 Inch	70.00	121.62	51.62	73.74%	92.32	22.32	31.89%	88.14	18.14	25.91%
22	4 Inch	103.00	178.95	75.95	73.74%	135.85	32.85	31.89%	129.69	26.69	25.91%
23	6 Inch	141.00	244.97	103.97	73.74%	185.97	44.97	31.89%	177.33	36.33	25.77%
24	Gallons In Minimum										
25	All customer classes	-	-								
26	Gallons in Tiers										
27	*All, except construction, irrigation, public interruptible*										
28	Tier 1: Gallons upper limit	8,000	8,000	-	0.00%	4,000			8,000	-	0.00%
29	Tier 2: Gallons upper limit	Infinite	Infinite			100,000			Infinite		
30	Tier 3: Gallons upper limit	Infinite	Infinite			Infinite			Infinite		
31	Commodity Rates										
32	All, except construction, irrigation, public interruptible										
33	Tier 1	$ 0.73	$ 1.27	0.54	73.97%	$ 0.78	$ 0.05	6.85%	$ 0.92	$ 0.19	26.03%
34	Tier 2	0.92	1.59	0.67	72.83%	1.17	0.25	27.17%	1.16	0.24	26.09%
35	Tier 3	0.92	1.59	0.67	72.83%	1.39	0.47	51.09%	1.16	0.24	26.09%
36	Construction / Untreated CAP	0.50	0.87	0.37	74.00%	0.66	0.16	31.89%	0.63	0.13	26.00%
37	Irrigation	0.65	1.13	0.48	73.85%	0.86	0.21	31.89%	0.82	0.17	26.15%
38	Public Interruptible	0.50	0.87	0.37	74.00%	0.66	0.16	31.89%	0.63	0.13	26.00%
39	Private Fire Protection					0.78					
40	In Addition to above charges, Company shall collect Groundwater Savings Fee per Decisin 62293										

Arizona American / Sun City Wastewater Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rejoinder Rates, ACC Staff Proposed Rates in Direct Filing, RUCO Staff Surrebuttal Proposed Rates

Exhibit
Kozoman Rejoinder Schedule 1
Page 8
Witness: Kozoman

Line No.	Monthly Minimums	Present Rates	Company Proposed Rejoinder Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Direct Filing Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Surrebuttal Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	Residential and Commercial										
2	Residential (SSR) (a)	$ 12.87	$ 13.53	$ 0.66	5.13%	$ 10.82	$ (2.05)	-15.93%	$ 10.70	$ (2.17)	-16.86%
3	Commercial (SSC) (a)	15.46	16.26	0.80	5.17%	12.99	(2.47)	-15.98%	12.85	(2.61)	-16.88%
4	Commercial Large User (SS6 based on consumption)	32.80	34.50	1.70	5.18%	27.56	(5.24)	-15.98%	27.27	(5.53)	-16.86%
5	SS1 (commercial, additonal toilets) (a)	3.78	3.98	0.20	5.29%	3.18	(0.60)	-15.87%	3.14	(0.64)	-16.93%
6	SS2 (commercial restaurant,										
7	per dishwasher or garbage grinder)	29.10	30.61	1.51	5.19%	24.45	(4.65)	-15.98%	24.20	(4.90)	-16.84%
8	SS3 (commercial laundromat, per washing machine)	7.06	7.43	0.37	5.24%	5.93	(1.13)	-16.01%	5.87	(1.19)	-16.86%
9	SS4 (commercial, per wash rack)	14.40	15.15	0.75	5.21%	12.10	(2.30)	-15.97%	11.97	(2.43)	-16.88%
10	Rental Rooms	7.99	8.40	0.41	5.13%			0.00%	6.64	(1.35)	-16.90%
11	Paradise Resort Park, Contract Rate	3.94	3.94	-	0.00%			0.00%	3.28	(0.66)	-16.75%
12											
13	Gallons In Minimum										
14	Commercial SSR6 & Paradise Park Resort	20,000	20,000	-	0.00%	20,000	-	0.00%	20,000	-	0.00%
15											
16	Commodity Rates (per 1,000 gallons over minimum)										
17	Commercial SSR6 & Paradise Park Resort (a)	$ 1.24	$ 1.30	0.06	4.84%	$ 1.04	(0.20)	-16.13%	$ 1.03	(0.21)	-16.94%
18											
19	**Annual Fee for Industrial Discharge Service**										
20	For those customers consuming an amount of water less than or equal										
21	50,000 gallons per month through one or more water meters to the										
22	same facility, inclusive of meters used for irrigation:	$ 500.00	$ 500.00	-	0.00%	$ 500.00	-	0.00%	$ 500.00	-	0.00%
23											
24											
25	For those customers consuming an amount of water greater than										
26	50,000 gallons per month through one or more water meters to the										
27	same facility, inclusive of meters used for irrigation:	$ 1,000.00	$ 1,000.00	-	0.00%	$ 1,000.00	-	0.00%	$ 1,000.00	-	0.00%
28											
29	Annual Fee for Industrial Discharge Service charges shall be non-refundable and shall be assessed										
30	in advance each January by the Company by special billing. For new customers receiving this service,										
31	a prorated charge shall be assessed.										

Arizona American / Sun City West Water Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rejoinder Rates, ACC Staff Proposed Rates in Direct Filing, RUCO Staff Surrebuttal Proposed Rates

Exhibit
Kozoman Rejoinder Schedule 1
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Witness: Kozoman

Line No.	Monthly Minimums	Present Rates	Company Proposed Rejoinder Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Direct Filing Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Surrebuttal Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	5/8 x 3/4 Inch	$ 5.00	$ 6.75	$ 1.75	35.00%	$ 5.60	$ 0.60	12.00%	$ 5.82	$ 0.82	16.40%
2	3/4 Inch	5.00	6.75	1.75	35.00%	5.60	0.60	12.00%	5.82	0.82	16.40%
3	1 Inch (a)	13.00	17.55	4.55	35.00%	14.55	1.55	11.92%	15.13	2.13	16.38%
4	1 1/2 Inch (a)	28.00	37.80	9.80	35.00%	31.33	3.33	11.89%	32.59	4.59	16.39%
5	2 Inch (a)	41.00	55.35	14.35	35.00%	45.86	4.86	11.85%	47.73	6.73	16.41%
6	3 Inch	70.00	94.50	24.50	35.00%	78.32	8.32	11.89%	81.48	11.48	16.40%
7	4 Inch (a)	103.00	139.05	36.05	35.00%	115.24	12.24	11.88%	119.89	16.89	16.40%
8	6 Inch (a)	141.00	190.35	49.35	35.00%	157.75	16.75	11.88%	164.13	23.13	16.40%
9	Construction / Tariff to be canceled, as it is									-	
10	no longer used	8.00	-								
11	General Fire Sprinkler Rate 4 "	30.00	40.50	10.50	35.00%	33.57	3.57	11.90%	34.92	4.92	16.40%
12	General Fire Sprinkler Rate 6 "	45.00	60.75	15.75	35.00%	50.35	5.35	11.89%	52.38	7.38	16.40%
13	General Fire Sprinkler Rate 8 "	60.00	81.00	21.00	35.00%	67.13	7.13	11.88%	69.84	9.84	16.40%
14	General Fire Sprinkler Rate 10 "	120.00	162.00	42.00	35.00%				139.68	19.68	16.40%
15											
16	Gallons included in Monthly Minimum	0	0	-							
17	Gallons included in Tiers										
18	All, except construction										
19	Tier 1: Gallons upper limit	8,000	8,000	-	0.00%	4,000	(4,000)	-50.00%	8,000	-	0.00%
20	Tier 2: Gallons upper limit	Infinite	Infinite			100,000			Infinite		
21	Tier 3: Gallons upper limit	Infinite	Infinite			Infinite			Infinite		
22	Construction	Infinite	Infinite						Infinite		
23	All except general fire sprinkler										
24	Tier 1	$ 0.93	$ 1.25	0.32	34.41%	$ 0.84	$ (0.09)	-9.68%	$ 1.08	$ 0.15	16.13%
25	Tier 2	$ 1.12	$ 1.51	0.39	34.82%	1.24	0.12	10.71%	1.30	0.18	16.07%
26	Tier 3	$ 1.12	$ 1.51	0.39	34.82%	1.52	0.40	35.71%	1.30	0.18	16.07%
27	General fire sprinkler					0.60					
28	Effluent Sales, per Acre Foot	150.00	202.27	52.27	34.85%	167.82	17.82	11.88%	174.60	24.60	16.40%
29	Central Arizona Project - Raw Untreated Water - Per 1,000 Gallons										
30		0.50	0.67	0.17	34.00%	0.56	0.06	12.00%	0.58	0.08	16.00%
31	In Addition to above charges, Company shall collect Groundwater Savings Fee per Decisin 62293										

Arizona American / Sun City West Wastewater Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rejoinder Rates, ACC Staff
Proposed Rates in Direct Filing, RUCO Staff Surrebuttal Proposed Rates

Exhibit
Kozoman Rejoinder Schedule 1
Page 10
Witness: Kozoman

Line No.	Monthly Minimums	Present Rates	Company Proposed Rejoinder Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff **Direct Filing** Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Surrebuttal Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	Residential and Commercial										
2	Residential (WSR)	$ 16.24	$ 23.44	$ 7.20	44.33%	$ 21.45	$ 5.21	32.08%	$ 21.20	$ 4.96	30.54%
3	Commercial (SSC)	$ 23.09	$ 33.33	10.24	44.35%	30.50	7.41	32.09%	30.15	7.06	30.58%
4	Commercial Large User (SS6 based										
5	on consumption)	$ 45.42	$ 65.56	20.14	44.34%	59.99	14.57	32.08%	59.30	13.88	30.56%
6	WS1 (commercial, additonal toilets)	$ 5.30	$ 7.65	2.35	44.34%	7.00	1.70	32.08%	6.92	1.62	30.57%
7	WS2 (commercial restaurant, per dishwasher or										
8	or garbage grinder)	$ 42.58	$ 61.46	18.88	44.34%	56.24	13.66	32.08%	55.59	13.01	30.55%
9	WS3 (commercial laundromat, per washing machine)	$ 9.93	$ 14.33	4.40	44.31%	13.11	3.18	32.02%	12.96	3.03	30.51%
10	WS4 (commercial, per wash rack)	$ 20.81	$ 30.04	9.23	44.35%	27.48	6.67	32.05%	27.17	6.36	30.56%
11											
12	**Annual Fee for Industrial Discharge Service**										
13	For those customers consuming an amount of water less than or equal										
14	50,000 gallons per month through one or more water meters to the										
15	same facility, inclusive of meters used for irrigation:	$ 500.00	$ 500.00	-	0.00%	$ 500.00	-	0.00%	$ 500.00	-	0.00%
16											
17	For those customers consuming an amount of water greater than										
18	50,000 gallons per month through one or more water meters to the										
19	same facility, inclusive of meters used for irrigation:	$ 1,000.00	$ 1,000.00	-	0.00%	$ 1,000.00	-	0.00%	$ 1,000.00	-	0.00%
20											
21	Annual Fee for Industrial Discharge Service charges shall be non-refundable and shall be assessed										
22	in advance each January by the Company by special billing. For new customers receiving this service,										
23	a prorated charge shall be assessed.										
24											
25	Gallons In Minimum										
26	Commercial SSR6	20,000	20,000	-	0.00%	20,000	-	0.00%	20,000	-	0.00%
27											
28	Commodity Rates (per 1,000 gallons over minimum)										
29	Commercial SSR6 (a)	$ 0.98	$ 1.42	0.44	44.90%	$ 1.29	0.31	31.63%	$ 1.28	$ 0.30	30.61%

Arizona American / Tubac Water Division
Test Year Ended December 31, 2001
Comparison of Present, Company Proposed Rejoinder Rates, ACC Staff Proposed Rates in Direct Filing, RUCO Staff Surrebuttal Proposed Rates

Exhibit
Kozoman Rejoinder Schedule 1
Page 11
Witness: Kozoman

Line No.	Monthly Minimums	Present Rates	Company Proposed Rejoinder Rates	Company Dollar Increase (Decrease) Over Present Rates	Company Percent Increase (Decrease) Over Present Rates	ACC Staff Direct Filing Proposed Rates	ACC Staff Dollar Increase (Decrease) Over Present Rates	ACC Staff Percent Increase (Decrease) Over Present Rates	RUCO Staff Surrebuttal Proposed Rates	RUCO Staff Dollar Increase (Decrease) Over Present Rates	RUCO Staff Percent Increase (Decrease) Over Present Rates
1	5/8 x 3/4 Inch	$ 15.35	$ 26.47	$ 11.12	72.44%	$ 20.80	$ 5.45	35.50%	$ 18.43	$ 3.08	20.07%
2	3/4 Inch	15.35	26.47	11.12	72.44%	20.80	5.45	35.50%	18.43	3.08	20.07%
3	1 Inch	23.00	39.66	16.66	72.43%	31.17	8.17	35.52%	27.62	4.62	20.09%
4	1 1/2 Inch	46.00	79.33	33.33	72.46%	62.23	16.23	35.28%	55.23	9.23	20.07%
5	2 Inch	76.00	131.07	55.07	72.46%	102.98	26.98	35.50%	91.25	15.25	20.07%
6	3 Inch	90.00	155.21	65.21	72.46%	121.95	31.95	35.50%	108.06	18.06	20.07%
7	4 Inch	132.00	227.64	95.64	72.45%	178.85	46.85	35.49%	158.48	26.48	20.06%
8	6 Inch	180.00	310.42	130.42	72.46%	243.89	63.89	35.49%	216.11	36.11	20.06%
9	8 Inch	N/A	2,674.00			2,079.62			1,842.75		
10	Gallons In Minimum	0	0								
11	All										
12	Tier 1: Gallons upper limit	8,000	8,000	-	0.00%	4,000	(4,000)	-50.00%	8,000	-	0.00%
13	Tier 2: Gallons upper limit	Infinite	Infinite			10,000					
14	Tier 3: Gallons upper limit	Infinite	Infinite			Infinite					
15	Commodity Rates (per 1,000 gallons over minimum and/or per Tier)										
16	Tier 1	$ 1.66	$ 2.86	1.20	72.29%	1.81	0.15	9.04%	1.99	0.33	19.88%
17	Tier 2	$ 2.04	$ 3.52	1.48	72.55%	2.72	0.68	33.33%	2.45	0.41	20.10%
18	Tier 3	$ 2.04	$ 3.52	1.48	72.55%	3.26	1.22	59.80%	2.45	0.41	20.10%

KOZOMAN REJOINDER
SCHEDULE 2

Arizona American

Summary of Cost of Service Results based on Arizona Corporation Commission Staff Proposed Rates
in Direct Filing Compared with Demand Costs Charged to Monthly Minimum vs. Demand Cost Charged to Commodity Rates
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule 2
Page 1
Witness: Kozoman

(Rates are from ACC Staff's Direct Rate Filing, as No Surrebutal Rates were Provided)

Line No.		Based on Rebuttal Cost of Service Study (Demand Costs were Allocated to Monthly Monthly Minimums)				Based Rejoinder Cost of Service Study (Demand Costs are Allocated to Commodity Rates)			
			Commodity Rates				Commodity Rates		
		Monthly Minimums	Zero to 4,000 Tier 1	4001 to 100,000 Tier 2	Over 100,001 Tier 3	Monthly Minimums	Zero to 4,000 Tier 1	4001 to 100,000 Tier 2	Over 100,001 Tier 3
1	**Agua Fria**								
2	Cost of Service Study Computed Rates	$ 21.17	$0.5499	$ 0.5499	$ 0.5499	$ 11.25	$ 1.5987	$ 1.5987	$ 1.5987
3	ACC Staff Proposed Rates	$ 8.52	$ 1.20	$ 1.80	$ 2.15	$ 8.52	$ 1.20	$ 1.80	$ 2.15
4	Do ACC Staff Rates Recover Costs, Return & Income Taxes?	No	Yes	Yes	Yes	No	No	Yes	Yes
5	Gallons that must be sold to Residential Customer on 5/8								
6	Inch Meter to recover costs, return and Income Taxes			12,040					25,470
7	Average Usage Residential User on 5/8' Meter			7,002					7,002
8	Usage required to just recover costs, no profit or taxes			8,066					5,750
9	**Anthem Water**								
10	Cost of Service Study Computed Rates	$ 35.58	$1.5806	$ 1.5806	$ 1.5806	$ 10.76	$ 6.4174	$ 6.4174	$ 6.4174
11	ACC Staff Proposed Rates	$ 11.45	$ 0.88	$ 1.32	$ 1.57	$ 11.45	$ 0.88	$ 1.32	$ 1.57
12	Do ACC Staff Rates Recover Costs, Return & Income Taxes?	No	No	No	No	Yes	No	No	No
13	Gallons that must be sold to Residential Customer on 5/8								
14	Inch Meter to recover costs, return and Income Taxes	(a) (b) Can't be computed, as revenue from water sales do not recover costs, rate of return and income taxes							
15	Average Usage Residential User on 5/8' Meter			10,212				10,212	
16	Usage required to just recover costs, no profit or taxes	(a) (b) Can't be computed, as revenue from water sales do not recover costs, rate of return and income taxes							
17	**Havasu Water**								
18	Cost of Service Study Computed Rates	$ 22.03	$0.3916	$ 0.3916	$ 0.3916	$ 13.28	$ 1.3059	$ 1.3059	$ 1.3059
19	ACC Staff Proposed Rates	$ 9.24	$ 0.81	$ 1.21	$ 1.45	$ 9.24	$ 0.81	$ 1.21	$ 1.45
20	Do ACC Staff Rates Recover Costs, Return & Income Taxes?	No	Yes	Yes	Yes	No	No	No	Yes
21	Gallons that must be sold to Residential Customer on 5/8								
22	Inch Meter to recover costs, return and Income Taxes			17,585					205,800
23	Average Usage Residential User on 5/8' Meter			7,650					7,650
24	Usage required to just recover costs, no profit or taxes			13,805					52,350
25	**Mohave Water**								
26	Cost of Service Study Computed Rates	$ 16.38	$0.2270	$ 0.2270	$ 0.2270	$ 11.36	$ 0.8985	$ 0.8985	$ 0.8985
27	ACC Staff Proposed Rates	$ 7.27	$ 0.81	$ 1.23	$ 1.47	$ 7.27	$ 0.81	$ 1.23	$ 1.47
28	Do ACC Staff Rates Recover Costs, Return & Income Taxes?	No	Yes	Yes	Yes	No	No	Yes	Yes
29	Gallons that must be sold to Residential Customer on 5/8								
30	Inch Meter to recover costs, return and Income Taxes			10,760				17,425	
31	Average Usage Residential User on 5/8' Meter			8,787				8,787	
32	Usage required to just recover costs, no profit or taxes			8,145				8,730	

Arizona American

Summary of Cost of Service Results based on Arizona Corporation Commission Staff Proposed Rates in Direct Filing Compared with Demand Costs Charged to Monthly Minimum vs. Charged to Commodity

Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule 2
Page 2
Witness: Kozoman

(Rates are from ACC Staff's Direct Rate Filing, as No Surrebutal Rates were Provided)

Line No.		Based on Rebuttal Cost of Service Study (Demand Costs Allocated to Monthly Monthly Minimums)				Based Rejoinder Cost of Service Study (Demand Costs Allocated to Commodity Rates)			
			Commodity Rates				Commodity Rates		
		Monthly Minimums	Zero to 4,000 Tier 1	4001 to 100,000 Tier 2	Over 100,001 Tier 3	Monthly Minimums	Zero to 4,000 Tier 1	4001 to 100,000 Tier 2	Over 100,001 Tier 3
1	**Sun City Water**								
2	Cost of Service Study Computed Rates	$ 17.21	$0.3757	$ 0.3757	$ 0.3757	$ 10.91	$ 0.9912	$ 0.9912	$ 0.9912
3	ACC Staff Proposed Rates	$ 6.59	$ 0.78	$ 1.17	$ 1.39	$ 6.59	$ 0.78	$ 1.17	$ 1.39
4	Do ACC Staff Rates Recover Costs, Return & Income Taxes?	**No**	**Yes**	**Yes**	**Yes**	**No**	**No**	**Yes**	**Yes**
5	Gallons that must be sold to Residential Customer on 5/8								
6	Inch Meter to recover costs, return and Income Taxes			15,335				32,900	
7	Average Usage Residential User on 5/8' Meter			8,361				8,361	
8	Usage required to just recover costs, no profit or taxes			11,515				13,070	
9	**Sun City West Water**								
10	Cost of Service Study Computed Rates	$ 13.03	$0.3519	$ 0.3519	$ 0.3519	$ 9.71	0.8137652	0.8137652	0.81376517
11	ACC Staff Proposed Rates	$ 5.60	$ 0.84	$ 1.24	$ 1.52	$ 5.60	$ 0.84	$ 1.24	$ 1.52
12	Do ACC Staff Rates Recover Costs, Return & Income Taxes?	**No**	**Yes**	**Yes**	**Yes**	**No**	**Yes**	**Yes**	**Yes**
13	Gallons that must be sold to Residential Customer on 5/8								
14	Inch Meter to recover costs, return and Income Taxes			10,170			13,400		
15	Average Usage Residential User on 5/8' Meter			7,171			7,171		
16	Usage required to just recover costs, no profit or taxes			6,795			6,090		
17	**Tubac**								
18	Cost of Service Study Computed Rates	$ 44.22	$0.5126	$ 0.5126	$ 0.5126	$ 20.52	$ 2.613	$ 2.613	$ 2.613
19	ACC Staff Proposed Rates	$ 20.80	$ 1.81	$ 2.72	$ 3.26	$ 20.80	$ 1.81	$ 2.72	$ 3.26
20	Do ACC Staff Rates Recover Costs, Return & Income Taxes?	**No**	**Yes**	**Yes**	**Yes**	**Yes**	**No**	**Yes**	**Yes**
21	Gallons that must be sold to Residential Customer on 5/8							**(a)**	**(b)**
22	Inch Meter to recover costs, return and Income Taxes			12,260				31,450	0
23	Average Usage Residential User on 5/8' Meter			13,177				13,177	13,177
24	Usage required to just recover costs, no profit or taxes			7,952				0	0

25 **(a)** *If customer uses water.*

26 **(b)** At zero usage, ACC Staff's monthly minimum exceeds computed cost of service monthly minimum.

AGUA FRIA WATER

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With all Demand Charged to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Debt, Equity, and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return
In ACC Staff's Direct Filing

Exhibit
Rejoinder Schedule G-8
Page 1
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	3,283,188	2,385,157	1,595,709	7,264,053
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	92,586	67,261	44,999	204,846
4	Rate Bases	3,283,188	2,385,157	1,595,709	7,264,053
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	123,448	89,682	59,999	273,128
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	201,051	146,059	97,716	444,825
9					
10	Revenue Requirement for Debt Component, from Line 3	92,586	67,261	44,999	204,846
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	201,051	146,059	97,716	444,825
13	Total Return Requirement with Income Tax	293,637	213,320	142,715	649,671
14					
15	Property Tax Expense, from Schedule G-5, Page 1	71,670	19,286	16,911	107,868
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	789,158	49,252	102,319	940,730
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	141,251	66,815	43,782	251,848
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	1,295,716	348,674	305,726	1,950,117
19					
20	**Customer Charge**				
21	Number of Bills = 13,004 times 12	156,048			
22					
23	**Charge per Bill**	$ 8.30			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 18,534 times 12		222,408	222,408	
28					
29	**Charge per Equivalent Meter**		$ 1.57	$ 1.37	
30					
31					
32	CUSTOMER CHARGE:				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge)				
34	Charge per Bill (Customer Charge with Equity and Income Tax)	$ 8.30			
35	Charge per Equivalent Meter (For Service Line Charge with Equity Return and Income Tax)	1.57			
36	Charge per Equivalent Meter (For Meter Charge with Equity Return and Income Tax)	1.37			
37	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter	$ 11.25			
39					

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With all Demand Charged to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity, and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return
In ACC Staff's Direct Filing

Exhibit
Rejoinder Schedule G-8
Page 1a
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	3,283,188	2,385,157	1,595,709	7,264,053
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	92,586	67,261	44,999	204,846
4	Rate Bases	3,283,188	2,385,157	1,595,709	7,264,053
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	0.00%	0.00%	0.00%	0.00%
6	Required Operating Income for Equity	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-
9					
10	Revenue Requirement for Debt Component, from Line 3	92,586	67,261	44,999	204,846
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	-	-	-	-
13	Total Return Requirement with Income Tax	92,586	67,261	44,999	204,846
14					
15	Property Tax Expense, from Schedule G-5, Page 1	71,670	19,286	16,911	107,868
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	789,158	49,252	102,319	940,730
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	141,251	66,815	43,782	251,848
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	1,094,665	202,616	208,011	1,505,292
19					
20	**Customer Charge**				
21	Number of Bills = 13,004 times 12	156,048			
22					
23	**Charge per Bill**	$ 7.01			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 18,534 times 12		222,408	222,408	
28					
29	**Charge per Equivalent Meter**		$ 0.91	$ 0.94	
30	**Actual Cost (without Equity Returns or Income Taxes)**				
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge, nor recovery of return or income tax)				
34	Charge per Bill (Customer Charge without Equity Return or Income Tax)	$ 7.01			
35	Charge per Equivalent Meter (For Service Line Charge without Equity Return or Income Tax)	0.91			
36	Charge per Equivalent Meter (For Meter Charge without Equity Return or Income Tax)	0.94			
37	(Service and Meter Revenue Requirement divided by Annualized Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter without recovery of Equity Return or Income Tax	$ 8.86			

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With all Demand Charged to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 2
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	8,735,844
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	246,351
5	Rate Base	8,735,844
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%
7	Required Operating Income for Equity	328,468
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	534,952
10		
11	Revenue Requirement for Debt Component, from Line 4	246,351
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	534,952
14		
15	Property Tax Expense, from Schedule G-5, Page 1	122,055
16	Demand Expenses, from Schedule G-6, Page 1	372,213
17	Depreciation, from Schedule G-6, Page 2	931,034
18	Total Revenue Requirement / Demand Component	2,206,605
19	Allocated on Rejoinder Schedule G-8, Page 4	

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With all Demand Charged to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 2a
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	8,735,844
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	246,351
5	Rate Base	8,735,844
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	
7	Required Operating Income for Equity	-
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	-
10		
11	Revenue Requirement for Debt Component, from Line 4	246,351
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	-
14		
15	Property Tax Expense, from Schedule G-5, Page 1	122,055
16	Demand Expenses, from Schedule G-6, Page 1	372,213
17	Depreciation, from Schedule G-6, Page 2	931,034
18	Total Revenue Requirement / Demand Component	1,671,653
19	Allocated on Rejoinder Schedule G-8, Page 4a	

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With all Demand Charged to Commodity
Computation Demand Charge and Commodity
Function Costs, Including and Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 3
Witness: Kozoman

Including Equity Return and Income Taxes

Line No.		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended Monthly Minimum to Computed Minimum
1	5/8 x 3/4 Inch Meter	$ 8.30	$ 1.57	$ 1.37	$ -	$ 11.25	$ 8.52	75.76%
2	3/4 Inch Meter	8.30	2.35	2.06	-	12.72	12.78	100.50%
3	1 Inch Meter	8.30	3.92	3.44	-	15.66	21.30	136.02%
4	1 1/2 Inch Meter	8.30	7.84	6.87	-	23.02	45.15	196.18%
5	2 Inch Meter	8.30	12.54	11.00	-	31.84	68.16	214.06%
6	3 Inch Meter	8.30	25.08	21.99	-	55.38	132.06	238.46%
7	4 Inch Meter	8.30	39.19	34.37	-	81.86	170.41	208.17%
8	6 Inch Meter	8.30	78.39	68.73	-	155.42	340.82	219.29%
9	8 Inch Meter	8.30	125.42	109.97	-	243.69	681.64	279.71%
10	10 Inch Meter	8.30	250.84	219.94	-	479.08		
11								
12	**Excluding Equity Return and Income Taxes**							
13								
14								
15								
16								
17								
18								
19		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended Monthly Minimum to Computed Minimum
20								
21	5/8 x 3/4 Inch Meter	$ 7.01	$ 0.91	$ 0.94	$ -	$ 8.86	$ 8.52	96.15%
22	3/4 Inch Meter	7.01	1.37	1.40	-	9.78	12.78	130.62%
23	1 Inch Meter	7.01	2.28	2.34	-	11.63	21.30	183.14%
24	1 1/2 Inch Meter	7.01	4.56	4.68	-	16.25	45.15	277.91%
25	2 Inch Meter	7.01	7.29	7.48	-	21.79	68.16	312.87%
26	3 Inch Meter	7.01	14.58	14.96	-	36.56	132.06	361.26%
27	4 Inch Meter	7.01	22.78	23.38	-	53.17	170.41	320.49%
28	6 Inch Meter	7.01	45.55	46.76	-	99.33	340.82	343.12%
29	8 Inch Meter	7.01	72.88	74.82	-	154.72	681.64	440.57%
30	10 Inch Meter	7.01	145.76	149.64	-	302.42		

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With all Demand Charged to Commodity
Computation Demand Charge and Commodity
Function Costs, Including Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 4
Witness: Kozoman

Line No.		Commodity	Demand	Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	742,267	8,735,844	3,283,188	2,385,157	1,595,709	16,742,163
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.820%	2.820%	2.820%	2.820%	2.820%	2.820%
3	Required Operating Income - for Debt	20,932	246,351	92,586	67,261	44,999	472,129
4	Rate Bases from Schedule G-5, Page 1	742,267	8,735,844	3,283,188	2,385,157	1,595,709	16,742,163
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	27,909	328,468	123,448	89,682	59,999	629,505
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	45,454	534,952	201,051	146,059	97,716	1,025,231
9							
10	Revenue Requirement for Debt Component, from Line 3	20,932	246,351	92,586	67,261	44,999	472,129
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	45,454	534,952	201,051	146,059	97,716	1,025,231
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	66,386	781,303	293,637	213,320	142,715	1,497,360
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	63,997	122,055	71,670	19,286	16,911	293,920
16	Expenses (From Sch. G-6. Page 1)	929,778	372,213	789,158	49,252	102,319	2,242,721
17	Depreciation and Amortization (From Schedule G-6, Page 2)	96,829	931,034	141,251	66,815	43,782	1,279,712
18	Total Revenue Requirement by function	1,156,991	2,206,605	1,295,716	348,674	305,726	5,313,712
19	Totals of Commodity and Demand Amounts		3,363,596				
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Services		2,103,901	156,048	222,408	222,408	-
21	Computed Commodity Rate, Customer, Meter, Service Line (Line 19 / Line 20)		1.5987426				
22	(Line 18 divided by Line 20)			$ 8.30	$ 1.57	$ 1.37	
23	Total Monthly Minimum Charge (Sum of Customer, Service, and Meter Charge on Line 22)						$ 11.25
24							
25	Commodity Rate with all demand charged to Commodity	1.5987426					

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With all Demand Charged to Commodity
Computation Demand Charge and Commodity
Function Costs, Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 4a
Witness: Kozoman

Line No.		Commodity	Demand	Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	742,267	8,735,844	3,283,188	2,385,157	1,595,709	16,742,163
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	20,932	246,351	92,586	67,261	44,999	472,129
4	Rate Bases from Schedule G-5, Page 1	742,267	8,735,844	3,283,188	2,385,157	1,595,709	16,742,163
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)						
6	Required Operating Income for Equity	-	-	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	-	-	-	-	-	-
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-	-	-
9							
10	Revenue Requirement for Debt Component, from Line 3	20,932	246,351	92,586	67,261	44,999	472,129
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	-	-	-	-	-	-
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	20,932	246,351	92,586	67,261	44,999	472,129
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	63,997	122,055	71,670	19,286	16,911	293,920
16	Expenses (From Sch. G-6. Page 1)	929,778	372,213	789,158	49,252	102,319	2,242,721
17	Depreciation and Amortization (From Schedule G-6, Page 2)	96,829	931,034	141,251	66,815	43,782	1,279,712
18	Total Revenue Requirement by function	1,111,537	1,671,653	1,094,665	202,616	208,011	4,288,481
19	Totals of Commodity and Demand Amounts	2,783,189	2,783,189				
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Services		2,103,901	156,048	222,408	222,408	
21	Computed Commodity Rate, Customer, Meter, Service Line		1.32287113				
22	(Line 18 divided by Line 20)			$ 7.0149	$ 0.9110	$ 0.9353	
23	Total Monthly Minimum Charge (Sum of Customer, Service, and Meter Charge on Line 22)						$ 8.86
24							
25	Commodity Rate with all demand charged to Commodity	1.32287113					

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **without** Equity Return and Income Taxes
ACC Staff Rates based on Staff Proposed in Staff's Direct Filing

Exhibit
Rejoinderl Schedule G-9
Page 1
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rejoinder Schedule G-8, Page 4a	$ 1.3229
2		
3	Computed Customer Cost for Meter from Rejoinder Schedule G-8, Page 4a	7.01
4	Computed Service Line Cost for Meter from Rejoinder Schedule G-8, Page 4a	0.91
5	Computed Meter Cost for Meter from Rejoindel Schedule G-8, Page 4a	0.94
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rejoinder Schedule G-8, Page 4a	$ 8.86
7		
8	**ACC Staff Proposed Rates**	
9	Proposed Monthly Minimum for 5/8" Meter	$ 8.52
10	Proposed Commodity Rate	
11	0 to 4,000	$ 1.20
12	4,001 to 100,000	$ 1.80
13	Over 100,001	$ 2.15

14	Col. 1	Col. 2	Col. 3	Col. 4		Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
15				(Col. 2+ 3)					(Col. 6 + 7)	(Col. 8-4)
16										
17	**Computed Costs, without Equity**									Recovery
18	**Return and Income Taxes**									of Expenses
19		Monthly		Total			Monthly			or,
20		Minimum	Commodity	Cost of			Minimum	Commodity	Total	(Lack of
21	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	Recovery)
22	-	$ 8.86	-	$ 8.86		-	$ 8.52		$ 8.52	$ (0.34)
23	1,000	8.86	$ 1.32	10.18		1,000	8.52	$ 1.20	9.72	(0.46)
24	2,000	8.86	2.65	11.51		2,000	8.52	2.40	10.92	(0.59)
25	3,000	8.86	3.97	12.83		3,000	8.52	3.60	12.12	(0.71)
26	4,000	8.86	5.29	14.15		4,000	8.52	4.80	13.32	(0.83)
27	5,000	8.86	6.61	15.48	**Usage**	5,000	8.52	6.60	15.12	(0.36)
28	**5,750**	8.86	7.61	16.47	**<-Level->**	**5,750**	8.52	7.95	16.47	0.00
29	6,000	8.86	7.94	16.80	**When**	6,000	8.52	8.40	16.92	0.12
30	7,000	8.86	9.26	18.12	**Revenues**	7,000	8.52	10.20	18.72	0.60
31	7,000	8.86	9.26	18.12	**Equal**	7,000	8.52	10.20	18.72	0.60
32	8,000	8.86	10.58	19.44	**Expenses**	8,000	8.52	12.00	20.52	1.08
33	8,000	8.86	10.58	19.44		8,000	8.52	12.00	20.52	1.08
34	9,000	8.86	11.91	20.77	**(No Rate**	9,000	8.52	13.80	22.32	1.55
35	9,000	8.86	11.91	20.77	**of Return**	9,000	8.52	13.80	22.32	1.55
36	10,000	8.86	13.23	22.09	**on**	10,000	8.52	15.60	24.12	2.03
37	10,000	8.86	13.23	22.09	**Equity**	10,000	8.52	15.60	24.12	2.03
38	11,000	8.86	14.55	23.41	**or Income**	11,000	8.52	17.40	25.92	2.51
39	11,000	8.86	14.55	23.41	**Taxes**	11,000	8.52	17.40	25.92	2.51
40	12,000	8.86	15.87	24.74	**Included)**	12,000	8.52	19.20	27.72	2.98
41	12,000	8.86	15.87	24.74		12,000	8.52	19.20	27.72	2.98
42	13,000	8.86	17.20	26.06		13,000	8.52	21.00	29.52	3.46
43	13,000	8.86	17.20	26.06		13,000	8.52	21.00	29.52	3.46
44	14,000	8.86	18.52	27.38		14,000	8.52	22.80	31.32	3.94
45	14,000	8.86	18.52	27.38		14,000	8.52	22.80	31.32	3.94
46	15,000	8.86	19.84	28.70		15,000	8.52	24.60	33.12	4.42
47	15,000	8.86	19.84	28.70		15,000	8.52	24.60	33.12	4.42
48	16,000	8.86	21.17	30.03		16,000	8.52	26.40	34.92	4.89
49	16,000	8.86	21.17	30.03		16,000	8.52	26.40	34.92	4.89
50	17,000	8.86	22.49	31.35		17,000	8.52	28.20	36.72	5.37
51	17,000	8.86	22.49	31.35		17,000	8.52	28.20	36.72	5.37
52	18,000	8.86	23.81	32.67		18,000	8.52	30.00	38.52	5.85
53	18,000	8.86	23.81	32.67		18,000	8.52	30.00	38.52	5.85
54	**Average Usage**					**Average Usage**				
55	7,002	8.86	9.26	18.12		7,002	8.52	10.20	18.72	**0.60**

Arizona American - Agua Fria Water Division
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **with** Equity Return & Income Taxes
ACC Staff Rates based on Staff Proposed in Staff's Direct Filing

Exhibit
Rejoinderl Schedule G-9
Page 2
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rebuttal Schedule G-8, Page 4	$ 1.5987
2		
3	Computed Customer Cost for Meter from Rejoinder Schedule G-8, Page 4	8.30
4	Computed Service Line Cost for Meter from Rejoinder Schedule G-8, Page 4	1.37
5	Computed Meter Cost for Meter from Rejoinder Schedule G-8, Page 4	1.57
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rejoinder Schedule G-8, Page 4	$ 11.25

ACC Staff Proposed Rates

Proposed Monthly Minimum for 5/8" Meter			$ 8.52
Proposed Commodity Rate			
0	to	4,000	$ 1.20
4,001	to	100,000	$ 1.80
Over 100,001			$ 2.15

	Col. 1	Col. 2	Col. 3	Col. 4 (Col. 2+ 3)		Col. 5	Col. 6	Col. 7	Col. 8 (Col. 6 + 7)	Col. 9 (Col. 8-4) Recovery of Expenses Rate of Return & Income Tax or (Lack of Recovery)
18	**Computed Costs, with Equity**									
19	**Return and Income Taxes**									
20		Monthly		Total			Monthly			
21		Minimum	Commodity	Cost of			Minimum	Commodity	Total	
22	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	
23	-	$ 11.25	-	$ 11.25		-	$ 8.52		$ 8.52	$ (2.73)
24	1,000	11.25	$ 1.60	12.84		1,000	8.52	$ 1.20	9.72	(3.12)
25	2,000	11.25	3.20	14.44		2,000	8.52	2.40	10.92	(3.52)
26	3,000	11.25	4.80	16.04		3,000	8.52	3.60	12.12	(3.92)
27	4,000	11.25	6.39	17.64		4,000	8.52	4.80	13.32	(4.32)
28	5,000	11.25	7.99	19.24		5,000	8.52	6.60	15.12	(4.12)
29	6,000	11.25	9.59	20.84		6,000	8.52	8.40	16.92	(3.92)
30	7,000	11.25	11.19	22.44		7,000	8.52	10.20	18.72	(3.72)
31	8,000	11.25	12.79	24.04		8,000	8.52	12.00	20.52	(3.52)
32	9,000	11.25	14.39	25.63		9,000	8.52	13.80	22.32	(3.31)
33	10,000	11.25	15.99	27.23		10,000	8.52	15.60	24.12	(3.11)
34	11,000	11.25	17.59	28.83		11,000	8.52	17.40	25.92	(2.91)
35	12,000	11.25	19.18	30.43		12,000	8.52	19.20	27.72	(2.71)
36	13,000	11.25	20.78	32.03		13,000	8.52	21.00	29.52	(2.51)
37	14,000	11.25	22.38	33.63		13,000	8.52	21.00	29.52	(4.11)
38	15,000	11.25	23.98	35.23		14,000	8.52	22.80	31.32	(3.91)
39	16,000	11.25	25.58	36.83		15,000	8.52	24.60	33.12	(3.71)
40	17,000	11.25	27.18	38.42		16,000	8.52	26.40	34.92	(3.50)
41	18,000	11.25	28.78	40.02		17,000	8.52	28.20	36.72	(3.30)
42	19,000	11.25	30.38	41.62		18,000	8.52	30.00	38.52	(3.10)
43	20,000	11.25	31.97	43.22		19,000	8.52	31.80	40.32	(2.90)
44	21,000	11.25	33.57	44.82		20,000	8.52	33.60	42.12	(2.70)
45	22,000	11.25	35.17	46.42		21,000	8.52	35.40	43.92	(2.50)
46	23,000	11.25	36.77	48.02		22,000	8.52	37.20	45.72	(2.30)
47	24,000	11.25	38.37	49.62		23,000	8.52	39.00	47.52	(2.10)
48	25,000	11.25	39.97	51.21		24,000	8.52	40.80	49.32	(1.89)
49	26,000	11.25	41.57	52.81		26,000	8.52	44.40	52.92	0.11
50	**25,470**	11.25	40.72	51.97	<- **(a)** ->	**25,470**	8.52	43.45	51.97	0.00
51	26,000	11.25	41.57	52.81		26,000	8.52	44.40	52.92	0.11
52	27,000	11.25	43.17	54.41		27,000	8.52	46.20	54.72	0.31
53	**Average Usage**					**Average Usage**				
54	7,002	$ 11.25	$ 11.194	$ 22.44		7,002	8.52	10.20	18.72	**(3.72)**

55 **(a)** Usage Level when revenues equal expenses and rate of return and income taxes

Arizona American - Agua Fria Water Division
Summary of Revenues by Customer Classification - Present and Proposed Rates
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Kozoman

in No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch Residential	$3,127,076	$3,160,350	$ 33,274	1.06%	52.62%	52.66%
2	3/4 Inch Residential	36,220	36,628	407	1.13%	0.61%	0.61%
3	1 Inch Residential	399,199	403,825	4,625	1.16%	6.72%	6.73%
4	1.5 Inch Residential	78,797	79,800	1,003	1.27%	1.33%	1.33%
5	2 Inch Residential	328,284	332,473	4,189	1.28%	5.52%	5.54%
6	3 Inch Residential	563	569	6	1.05%	0.01%	0.01%
7	5/8 Inch Commercial	4,629	4,679	50	1.08%	0.08%	0.08%
8	3/4 Inch Commercial	4,437	4,491	54	1.21%	0.07%	0.07%
9	1 Inch Commercial	31,984	32,367	383	1.20%	0.54%	0.54%
10	1.5 Inch Commercial	91,467	92,624	1,156	1.26%	1.54%	1.54%
11	2 Inch Commercial	359,785	364,305	4,520	1.26%	6.05%	6.07%
12	3 Inch Commercial	359,249	363,719	4,470	1.24%	6.05%	6.06%
13	6 Inch Commercial	147,370	149,298	1,928	1.31%	2.48%	2.49%
14	2 Inch Public Interruptible						
15	3 Inch Public Interruptible	4,838	4,838	-	0.00%	0.08%	0.08%
16	6 Inch Public Interruptible	282,872	282,872	-	0.00%	4.76%	4.71%
17	8 Inch Public Interruptible	71,829	71,829	-	0.00%	1.21%	1.20%
18	10 Inch Public Interruptible	7,554	7,554	-	0.00%	0.13%	0.13%
19	4 Inch Prison	248,933	251,398	2,465	0.99%	4.19%	4.19%
20	4 Inch Private Fire	2,520	2,545	25	1.00%	0.04%	0.04%
21	6 Inch Private Fire	10,890	10,999	109	1.00%	0.18%	0.18%
22	8 Inch Private Fire	4,020	4,060	40	1.00%	0.07%	0.07%
23	Miscellaneous Revenues	339,961	339,961	-	0.00%	5.72%	5.66%
24	**Subtotal Water Revenues**	$5,942,478	$6,001,182	58,704	0.99%	100.00%	100.00%
25							
26							
27			**Revenue Annualization (a)**				
28		**Present**	**Proposed**	**Dollar**	**Percent**	Additioinal	Additional Gallons to
29		**Revenues**	**Revenues**	**Change**	**Change**	Bills to be Issued	be Pumped in 1,000's
30	5/8 Inch Residential	202,538	204,614	2,075	1.02%	9,245	100,718
31	3/4 Inch Residential	1,584	1,602	17	1.10%	47	470
32	1 Inch Residential	10,260	10,377	117	1.14%	180	2,867
33	1.5 Inch Residential	5,170	5,236	66	1.27%	19	1,890
34	2 Inch Residential	44,120	44,679	559	1.27%	104	16,153
35	3 Inch Residential	(563)	(569)	(6)	1.05%	(3)	(47)
36	5/8 Inch Commercial	201	203	2	0.98%	13	40
37	3/4 Inch Commercial	(492)	(498)	(6)	1.19%	(10)	(165)
38	1 Inch Commercial	2,266	2,293	26	1.17%	34	688
39	1.5 Inch Commercial	14,983	15,172	188	1.26%	66	5,236
40	2 Inch Commercial	31,582	31,976	394	1.25%	97	10,794
41	3 Inch Commercial	(1,330)	(1,347)	(17)	1.30%	(1)	(526)
42	6 Inch Commercial	16,136	16,348	212	1.31%	3	6,673
43	6 Inch Public Interruptible	(81,903)	(81,903)	-	0.00%	(10)	(84,017)
44	10 Inch Public Interruptible	(7,554)	(7,554)	-	0.00%	(10)	(7,554)
45	4 Inch Private Fire	1,440	1,454	14	1.00%	48	
46	6 Inch Private Fire	1,530	1,545	15	1.00%	34	
47	8 Inch Private Fire	1,020	1,030	10	1.00%	17	
48	Totals	240,990	244,657	3,667	1.52%	9,873	53,220
49	Total Revenues	6,183,467	6,245,839	62,372	1.01%		

50 **(a)** Customer Growth Annualization is calculated by computing the change in the number of customers by month from the
51 beginning of the year to the end of the year, and then multipling the additional customers times the average revenue
52 for that month

Arizona American - Agua Fria Water Division
Analysis of Revenue by Detailed Class, at Average Usage
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch Residential	11,197	7,002	$ 22.46	$ 22.69	0.23	1.02%
2	3/4 Inch Residential	87	10,027	33.78	34.15	0.37	1.10%
3	1 Inch Residential	542	17,634	60.82	61.52		
4	1.5 Inch Residential	23	102,940	279.90	283.46	3.56	1.27%
5	2 Inch Residential	58	175,037	468.40	474.37	5.97	1.27%
6	3 Inch Residential	0	15,667	186.41	188.35	1.94	1.04%
7	4 Inch Residential	-	-	-	-	-	0.00%
8	6 Inch Residential	-	-	-	-	-	0.00%
9	5/8 Inch Commercial	20	4,561	18.12	18.30	0.18	1.00%
10	3/4 Inch Commercial	8	14,989	44.90	45.42	0.52	1.16%
11	1 Inch Commercial	36	22,823	72.44	73.30	0.85	1.18%
12	1.5 Inch Commercial	31	89,393	249.56	252.71	3.15	1.26%
13	2 Inch Commercial	84	125,151	356.66	361.13	4.47	1.25%
14	3 Inch Commercial	52	188,454	573.46	580.58	7.12	1.24%
15	4 Inch Commercial	-	-	-	-	-	0.00%
16	6 Inch Commercial	3	1,816,455	4,465.18	4,523.59	58.41	1.31%
17	8 Inch Commercial	-	-	-	-	-	0.00%
18	2 Inch Public Interruptible	0	-	-	-	-	0.00%
19	3 Inch Public Interruptible	0	1,612,667	1,612.67	1,612.67	-	0.00%
20	4 Inch Public Interruptible	-	-	-	-	-	0.00%
21	6 Inch Public Interruptible	3	8,319,765	8,319.76	8,319.76	-	0.00%
22	8 Inch Public Interruptible	3	1,995,250	1,995.25	1,995.25	-	0.00%
23	10 Inch Public Interruptible	1	755,400	755.40	755.40	-	0.00%
24	4 Inch Prison	1	10,170,500	20,744.41	20,949.82	205.41	0.99%
25	Construction	-	-	-	-	-	0.00%
26	4 Inch Private Fire	7	-	30.00	30.30	0.30	1.00%
27	6 Inch Private Fire	20	-	45.00	45.45	0.45	1.00%
28	8 Inch Private Fire	6	-	60.00	60.60	0.60	1.00%
29							
30							
31	Totals	12,182					
32							
33	Actuall Year End Number						
34	of Customers:	13,004					
35							

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

Arizona American - Agua Fria Water Division
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size	Present Rates	Proposed Rates	Percent Change
1				
2				
3				
4	**Monthly Usage Charge for:**			
5	Residential,Commercial, Irrigation, Resale and Miscellaneous Customers (a)			
6	5/8 x 3/4 Inch	$ 10.00	$ 10.09	0.90%
7	3/4 Inch	15.00	15.15	1.00%
8	1 Inch	25.00	25.25	1.00%
9	1 1/2 Inch	53.00	53.55	1.04%
10	2 Inch	80.00	80.80	1.00%
11	3 Inch	155.00	156.55	1.00%
12	4 Inch	200.00	202.00	1.00%
13	6 Inch	400.00	404.00	1.00%
14	8 Inch	800.00	808.00	1.00%
15	Fire Hydrant			
16				
17	Prison, 4 Inch Meter Rate	200.00	202.00	1.00%
18				
19	4 Inch Private Fire	30.00	30.30	1.00%
20	6 Inch Private Fire	45.00	45.45	1.00%
21	8 Inch Private Fire	60.00	60.60	1.00%
22	10 Inch Private Fire	120.00	121.20	1.00%
23	12 Inch Private Fire	180.00	181.80	1.00%
24				
25				
26				
27				
28				
29				
30				
31				
32	Gallons In Minimum			
33	All (except construction, prison, public interruptible)	-	-	
34	Construction	-	-	
35	Prison	-	-	
36	Public Interruptible	-	-	
37				
38	**Tier 1:** Gallons / upper limit			
39	All (except construction, prison, public interruptible)	8,000	8,000	
40	Construction	99,999,999	99,999,999	
41	Prison	99,999,999	99,999,999	
42	Public Interruptible	99,999,999	99,999,999	
43				
44				
45	(a) = Rounded up or down to nearest whole cent			
46				
47				
48				
49				

Arizona American - Agua Fria Water Division
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Sc H-3
Page 2
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1					
2					
3	**Tier 2:** (Gallon upper limit, up to, but not exceeding)				
4	All (except construction, prison, public interruptible)		99,999,999	99,999,999	
5	Construction		99,999,999	99,999,999	
6	Prison		99,999,999	99,999,999	
7	Public Interruptible		99,999,999	99,999,999	
8					
9					
10					
11					
12					
13					
14					
15	**Tier 3:** (Gallon over)				
16	All (except construction, prison, public interruptible)		99,999,999	99,999,999	
17	Construction		99,999,999	99,999,999	
18	Prison		99,999,999	99,999,999	
19	Public Interruptible		99,999,999	99,999,999	
20					
21					
22					
23					
24					
25					
26					
27	Commodity Rates (per 1,000 gallons over minimum and per Tier) (a)				
28	All (except construction, prison)	Tier 1	$ 1.78	1.80	1.12%
29	All (except construction, prison)	Tier 2	2.24	2.27	1.34%
30	All (except construction, prison)	Tier 3	2.24	2.27	1.34%
31	All (except construction, prison)	Tier 4	2.24	2.27	1.34%
32					
33					
34	Construction , Contract Rate		$ 1.00	1.00	0.00%
35					
36	Prison		$ 2.02	2.04	0.99%
37					
38	Public Interruptible , Contract Rate		$ 1.00	1.00	0.00%
39					
40	Raw CAP Water, charge plus additions for cost increases		$ 0.50	Tariff To Be Canceled	
41	(Available to golf courses and other irrigation or turf facilities)				
42					
43	Non Potable Water		N/A	$ 0.62	
44	(a) = Rounded up or down to nearest whole cent				
45	N/A = Not applicable, as there is no existing tariff for Agua Fria, but tariff exists for Anthem Wastewater				

Arizona American - Agua Fria Water Division
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 3
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	$ 30.00	$ 30.00
2	Establishment (After Hours)	$ 40.00	$ 40.00
3	Reconnection	$ 30.00	$ 30.00
4	Reconnection (After Hours)	$ 40.00	$ 40.00
5	Meter Test, if less than 3.00% variance	$ 10.00	$ 10.00
6	Deposit	**	**
7	Deposit Interest	**	**
8	Re-Establishment	30.00	30.00
9	Re-Establishment (After Hours)	$ 40.00	$ 40.00
10	NSF Check	$ 10.00	$ 10.00
11	Deferred Payment, Per Month	(a)	(a)
12	Meter Re-Read	$ 5.00	5.00
13	**Charge of Moving Customer Meter -**		
14	**Customer Requested**	Cost	Cost
15	Late Payment Charge	1.50%	1.50%
16			
17	**Sprinklers**	(b)	(b)
18			
19			

20 ** PER COMMISSION RULES (R14-2-403.B), with interest rates as filed by the Company
21 or at 6.00%.
22 (a) May include a finance charge as approved by the Commission in a tariff proceeding.
23 Groundwater Withdrawal Fees shall be collected as an assessment, and is subject to annual
24 revisions as required due to changes in rates charged by the Arizona Department of Water
25 Resources ("ADWR"). Includes an allowance of 10% lost and unaccounted for water.
26 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
27 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
28 TAX. PER COMMISSION RULE (14-2-409.D 5)
29 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
30 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES,
31 DEPENDING ON WHETHER THE COMPANY CHOOSES RATE BASE OR GROSS- UP TREATMENT.
32 (b) 1.00% of the monthly minimum for a comparable sized meter connection, but no less than $5 per month
33
34
35
36
37
38
39
40
41
42
43

Arizona American - Agua Fria Water Division
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Schedule H-3
Page 4
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates		
1		Service Line		Meter Installation	
2		Present	Proposed	Present	Proposed
3	Meter Size	Charges	Charges	Charges	Charges
4	5/8 x 3/4 Inch	$255	$370	$ 65	$ 130
5	3 / 4 Inch, will no longer be installed	$255	$370	$ 105	$ 205
6	1 Inch	$275	$420	$ 145	$ 240
7	1 1/2 Inch	$290	$450	$ 345	$ 450
8	2 Inch	$315	$580	$ 775	$ 1,640
9	3 Inch	Cost	$765	Cost	$ 2,195
10	4 Inch	Cost	$1,120	Cost	$ 3,145
11	6 Inch	Cost	$6,020	Cost	$ 6,120
12	8 Inch	Cost	Cost	Cost	Cost
13					
14	As meters and service lines are now taxable income for income purposes, The Company				
15	shall collect income taxes on the meter and service line charges.				
16	Any tax collected will be refunded each year that the meter deposit is refunded.				
17					
18	**Water Facililties Hook-up Fee (a)**				
19	Meter Size:	Factor			
20	5/8 x 3/4 Inch	1	$ 1,150	$ 1,150	
21	3 / 4 Inch	1.5	1,725	1,725	
22	1 Inch	2.5	2,875	2,875	
23	1 1/2 Inch	5	5,750	5,750	
24	2 Inch	8	9,200	9,200	
25	3 Inch	16	18,400	18,400	
26	4 Inch	25	28,750	28,750	
27	6 Inch	50	57,500	57,500	
28	8 Inch	100	115,000	115,000	
29	**(a)** Accounted for as a Contribution in Aid of Construction				
30					
31	**Central Arizona Project Hook-up Fee**				
32	Meter Size:	**ERU**			
33	5/8 x 3/4 Inch	1	$ 150	$ 150	
34	3 / 4 Inch	1.5	225	225	
35	1 Inch	2.5	375	375	
36	1 1/2 Inch	5	750	750	
37	2 Inch	8	1,200	1,200	
38	3 Inch	16	2,400	2,400	
39	4 Inch	25	3,750	3,750	
40	6 Inch	50	7,500	7,500	
41	8 Inch	100	15,000	15,000	
42	**ERU** = Equivalent Residential Unit				
43					

ANTHEM WATER

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Charged to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Debt, Equity, and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 1
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	207,299	384,020	607,225	1,198,544
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	5,846	10,829	17,124	33,799
4	Rate Bases	207,299	384,020	607,225	1,198,544
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	7,794	14,439	22,832	45,065
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	12,694	23,516	37,184	73,395
9					
10	Revenue Requirement for Debt Component, from Line 3	5,846	10,829	17,124	33,799
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	12,694	23,516	37,184	73,395
13	Total Return Requirement with Income Tax	18,540	34,345	54,308	107,194
14					
15	Property Tax Expense, from Schedule G-5, Page 1	17,734	2,917	4,745	25,396
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	286,385	10,107	19,045	315,537
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	27,274	10,199	15,529	53,002
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	349,933	57,569	93,628	501,129
19					
20	**Customer Charge**				
21	Number of Bills = 3,222 times 12 Months	38,664			
22					
23	**Charge per Bill**	$ 9.05			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Inch Meters 7,392 times 12		88,704	88,704	
28					
29	**Charge per Equivalent 5/8 x 3/4 Inch Meter**		$ 0.65	$ 1.06	
30					
31					
32	CUSTOMER CHARGE:				
33	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)				
34	Charge per Bill (Customer Charge with Equity Return and Income Tax)	$ 9.05			
35	Charge per Equivalent Meter (For Service Line Charge with Equity Return and Income Tax)	0.65			
36	Charge per Equivalent Meter (For Meter Charge with Equity Return and Income Tax)	1.06			
37	(Service and Meter Revenue Requirement divided by Annualized Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter	$ 10.76			
39					

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Charged to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return, and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 1a
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	207,299	384,020	607,225	1,198,544
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	5,846	10,829	17,124	33,799
4	Rate Bases	207,299	384,020	607,225	1,198,544
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	0.00%	0.00%	0.00%	0.00%
6	Required Operating Income for Equity	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	*Equity Return plus Income tax component* (Line 6 x Line 7)	-	-	-	-
9					
10	Revenue Requirement for Debt Component, from Line 3	5,846	10,829	17,124	33,799
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	-	-	-	-
13	Total Return Requirement with Income Tax	5,846	10,829	17,124	33,799
14					
15	Property Tax Expense, from Schedule G-5, Page 1	17,734	2,917	4,745	25,396
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	286,385	10,107	19,045	315,537
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	27,274	10,199	15,529	53,002
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	337,238	34,053	56,443	427,734
19					
20	**Customer Charge**				
21	Number of Bills = 3,222 times 12	38,664			
22					
23	**Charge per Bill**	$ 8.72			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Inch Meters 7,392 times 12		88,704	88,704	
28					
29	**Charge per Equivalent 5/8 x 3/4 Inch Meter**		$ 0.38	$ 0.64	
30	**Actual Cost (without Equity Returns or Income Taxes)**				
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge, nor recovery of equity return or income tax)				
34	Charge per Bill (Customer Charge without Equity Return or Income Tax)	$ 8.72			
35	Charge per Equivalent Meter (For Service Line Charge without Equity Return or Income Tax)	0.38			
36	Charge per Equivalent Meter (For Meter Charge without Equity Return or Income Tax)	0.64			
37	(Service and Meter Revenue Requirement divided by Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter without recovery of Equity Return or Income Tax	$ 9.74			

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Charged to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 2
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	7,813,833
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	220,350
5	Rate Base	7,813,833
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%
7	Required Operating Income for Equity	293,800
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	478,492
10		
11	Revenue Requirement for Debt Component, from Line 4	220,350
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	478,492
14		
15	Property Tax Expense, from Schedule G-5, Page 1	111,575
16	Demand Expenses, from Schedule G-6, Page 1	650,846
17	Depreciation, from Schedule G-6, Page 2	740,402
18	Total Revenue Requirement / Demand Component	2,201,665
19		

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Charged to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 2a
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	7,813,833
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	220,350
5	Rate Base	7,813,833
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	
7	Required Operating Income for Equity	-
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	-
10		
11	Revenue Requirement for Debt Component, from Line 4	220,350
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	-
14		
15	Property Tax Expense, from Schedule G-5, Page 1	111,575
16	Demand Expenses, from Schedule G-6, Page 1	650,846
17	Depreciation, from Schedule G-6, Page 2	740,402
18	Total Revenue Requirement / Demand Component	1,723,173

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Charged to Commodity
Computation Demand Charge and Commodity
Function Costs, Including and Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 3
Witness: Kozoman

Including Equity Return and Income Taxes

Line No.		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended Monthly Minimum to Computed Minimum
1	5/8 x 3/4 Inch Meter	$ 9.05	$ 0.65	$ 1.06	$ -	$ 10.76	$ 11.45	106.46%
2	3/4 Inch Meter	9.05	0.97	1.58	-	11.61	$ 11.45	98.64%
3	1 Inch Meter	9.05	1.62	2.64	-	13.31	$ 22.91	172.10%
4	1 1/2 Inch Meter	9.05	3.24	5.28	-	17.57	$ 45.81	260.68%
5	2 Inch Meter	9.05	5.19	8.44	-	22.69	$ 57.27	252.44%
6	3 Inch Meter	9.05	10.38	16.89	-	36.32	$ 114.54	315.34%
7	4 Inch Meter	9.05	16.22	26.39	-	51.66	$ 143.17	277.12%
8	6 Inch Meter	9.05	32.45	52.78	-	94.28	$ 178.96	189.83%
9	8 Inch Meter	9.05	51.92	84.44	-	145.41	$ 1,070.91	736.47%
10	10 Inch Meter	9.05	103.84	168.88	-	281.77		
11								
12								
13	Excluding Equity Return and Income Taxes							
14								
15								
16								
17								
18								
19								
20								
21		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended Monthly Minimum to Computed Minimum
22								
23	5/8 x 3/4 Inch Meter	$ 8.72	$ 0.38	$ 0.64	$ -	$ 9.74	$ 11.45	117.53%
24	3/4 Inch Meter	8.72	0.58	0.95	-	10.25	$ 11.45	111.68%
25	1 Inch Meter	8.72	0.96	1.59	-	11.27	$ 22.91	203.23%
26	1 1/2 Inch Meter	8.72	1.92	3.18	-	13.82	$ 45.81	331.39%
27	2 Inch Meter	8.72	3.07	5.09	-	16.88	$ 57.27	339.20%
28	3 Inch Meter	8.72	6.14	10.18	-	25.05	$ 114.54	457.32%
29	4 Inch Meter	8.72	9.60	15.91	-	34.23	$ 143.17	418.29%
30	6 Inch Meter	8.72	19.19	31.82	-	59.73	$ 178.96	299.61%
31	8 Inch Meter	8.72	30.71	50.90	-	90.34	$ 1,070.91	1185.44%
32	10 Inch Meter	8.72	61.42	101.81	-	171.95		

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Charged to Commodity
Computation Demand Charge and Commodity
Function Costs, Including Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 4
Witness: Kozoman

Line No.		Commodity	Demand	Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	276,069	7,813,833	207,299	384,020	607,225	9,288,445
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.820%	2.820%	2.820%	2.820%	2.820%	2.820%
3	Required Operating Income - for Debt	7,785	220,350	5,846	10,829	17,124	261,934
4	Rate Bases from Schedule G-5, Page 1	276,069	7,813,833	207,299	384,020	607,225	9,288,445
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	10,380	293,800	7,794	14,439	22,832	349,246
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	16,905	478,492	12,694	23,516	37,184	568,792
9							
10	Revenue Requirement for Debt Component, from Line 3	7,785	220,350	5,846	10,829	17,124	261,934
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	16,905	478,492	12,694	23,516	37,184	568,792
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	24,691	698,842	18,540	34,345	54,308	830,726
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	36,462	111,575	17,734	2,917	4,745	173,433
16	Expenses (From Sch. G-6. Page 1)	577,611	650,846	286,385	10,107	19,045	1,543,994
17	Depreciation and Amortization (From Schedule G-6, Page 2)	80,732	740,402	27,274	10,199	15,529	874,137
18	Total Revenue Requirement by function	719,496	2,201,665	349,933	57,569	93,628	3,422,290
19	Combined Commodity and Demand Costs	2,921,161					
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	455,190		38,664	88,704	88,704	
21	Computed Commodity Rate, Customer, Meter, and Service Line Charge	$ 6.4174					
22	(Line 18 divided by Line 20)			$ 9.05	$ 0.65	$ 1.06	
23	Total Monthly Minimum Charge (Sum of Customer, Service, and Meter Charge on Line 22)					$ 10.76	
24							

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **without** Equity Return or Income Taxes

Exhibit
Rejoinder Schedule G-9
Page 1
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rejoinder Schedule G-8, Page 4a	$ 5.3291
2	Computed Customer Cost for Meter from Rejoinder Schedule G-8, Page 4a	8.72
3	Computed Service Line Cost for Meter from Rejoinder Schedule G-8, Page 4a	0.38
4	Computed Meter Cost for Meter from Rejoinder Schedule G-8, Page 4a	0.64
5	Computed Monthly Minimum Charge with zero gallons in minimum from Rejoinder Schedule G-8, Page 4a	$ 9.74
6		
7	**ACC Staff Proposed Rates**	
8	Proposed Monthly Minimum for 5/8" Meter	$ 11.45
9	Proposed Commodity Rate	
10	0 to 4,000	$ 0.88
11	4,001 to 100,000	$ 1.32
12	Over 100,001	$ 1.57
13		

14	Col. 1	Col. 2	Col. 3	Col. 4		Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
15				(Col. 2+ 3)					(Col. 6 + 7)	(Col. 8-4)
16	**Computed Costs, without Equity**									Recovery
17	**Return or Income Taxes**									of Expenses
18		Monthly		Total			Monthly			or,
19		Minimum	Commodity	Cost of			Minimum	Commodity	Total	(Lack of
20	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	Recovery)
21	-	$ 9.74	-	$ 9.74	<-(a)->	-	$ 11.45		$ 11.45	$ 1.71
22	1,000	$ 9.74	$ 5.3291	$ 15.07	**Usage**	1,000	11.45	$ 0.88	12.33	(2.74)
23	2,000	9.74	10.66	20.40	**Level**	2,000	11.45	1.76	13.21	(7.19)
24	3,000	9.74	15.99	25.73	**When**	3,000	11.45	2.64	14.09	(11.64)
25	4,000	9.74	21.32	31.06	**Revenues**	4,000	11.45	3.52	14.97	(16.09)
26	5,000	9.74	26.65	36.39	**Equal**	5,000	11.45	4.84	16.29	(20.10)
27	6,000	9.74	31.97	41.72	**Expenses**	6,000	11.45	6.16	17.61	(24.11)
28	7,000	9.74	37.30	47.05	**Can Not**	7,000	11.45	7.48	18.93	(28.12)
29	8,000	9.74	42.63	52.38	**be**	8,000	11.45	8.80	20.25	(32.13)
30	9,000	9.74	47.96	57.70	**Achieved**	9,000	11.45	10.12	21.57	(36.13)
31	10,000	9.74	53.29	63.03	**As**	10,000	11.45	11.44	22.89	(40.14)
32	11,000	9.74	58.62	68.36	**Proposed**	11,000	11.45	12.76	24.21	(44.15)
33	12,000	9.74	63.95	73.69	**Commodity**	12,000	11.45	14.08	25.53	(48.16)
34	13,000	9.74	69.28	79.02	**Rates &**	13,000	11.45	15.40	26.85	(52.17)
35	14,000	9.74	74.61	84.35	**Proposed**	14,000	11.45	16.72	28.17	(56.18)
36	15,000	9.74	79.94	89.68	**Monthly**	15,000	11.45	18.04	29.49	(60.19)
37	16,000	9.74	85.27	95.01	**Minimum**	16,000	11.45	19.36	30.81	(64.20)
38	17,000	9.74	90.60	100.34	**Rates**	17,000	11.45	20.68	32.13	(68.21)
39	18,000	9.74	95.92	105.67	**are Below**	18,000	11.45	22.00	33.45	(72.22)
40	19,000	9.74	101.25	111.00	**Actual**	19,000	11.45	23.32	34.77	(76.23)
41	20,000	9.74	106.58	116.32	**Cost to**	20,000	11.45	24.64	36.09	(80.23)
42	25,000	9.74	133.23	142.97	**Service**	25,000	11.45	31.24	42.69	(100.28)
43	30,000	9.74	159.87	169.62	**Computed**	30,000	11.45	37.84	49.29	(120.33)
44	35,000	9.74	186.52	196.26	**Cost of**	35,000	11.45	44.44	55.89	(140.37)
45	40,000	9.74	213.16	222.91	**Service**	40,000	11.45	51.04	62.49	(160.42)
46	45,000	9.74	239.81	249.55	**Rates**	45,000	11.45	57.64	69.09	(180.46)
47	50,000	9.74	266.46	276.20	**Do Not**	50,000	11.45	64.24	75.69	(200.51)
48	55,000	9.74	293.10	302.84	**Include**	55,000	11.45	70.84	82.29	(220.55)
49	60,000	9.74	319.75	329.49	**Rate**	60,000	11.45	77.44	88.89	(240.60)
50	65,000	9.74	346.39	356.14	**of Return**	65,000	11.45	84.04	95.49	(260.65)
51	70,000	9.74	373.04	382.78	**on Equity**	70,000	11.45	90.64	102.09	(280.69)
52	150,000	9.74	799.37	809.11	**or Income**	150,000	11.45	215.02	226.47	(582.64)
53	**Average Usage**				**Taxes**	**Average Usage**				
54	10,212	9.74	54.42	64.16		10,212	11.45	11.72	23.17	**(40.99)**

54 **(a) Revenues equal Expenses at zero usage**

Arizona American - Anthem Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **with** Equity Return and Income Taxes

Exhibit
Rejoinder Schedule G-9
Page 2
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rejoinder Schedule G-8, Page 4	$ 6.4174
2	Computed Customer Cost for Meter from Rejoinder Schedule G-8, Page 4	9.05
3	Computed Service Line Cost for Meter from Rejoinder Schedule G-8, Page 4	1.06
4	Computed Meter Cost for Meter from Rejoinder Schedule G-8, Page 4	0.65
5	Computed Monthly Minimum Charge with zero gallons in minimum from Rejoinder Schedule G-8, Page 4	$ 10.76

ACC Staff Proposed Rates

Proposed Monthly Minimum for 5/8" Meter			$ 11.45
Proposed Commodity Rate			
0	to	4,000	$ 0.88
4,001	to	100,000	$ 1.32
Over 100,001			$ 1.57

Computed Costs, with Equity Return and Income Taxes

Col. 1 Usage	Col. 2 Monthly Minimum Revenue	Col. 3 Commodity Revenue	Col. 4 (Col. 2+ 3) Total Cost of Service		Col. 5 Usage	Col. 6 Monthly Minimum Revenue	Col. 7 Commodity Revenue	Col. 8 (Col. 6 + 7) Total Revenue	Col. 9 (Col. 8-4) Recovery of Expenses Rate of Return & Tax or (Lack of Recovery)
-	$ 10.76	-	$ 10.76	<-(a)->	-	$ 11.45		$ 11.45	$ 0.69
1,000	$ 10.76	$ 6.4174	$ 17.17	**Usage**	1,000	11.45	$ 0.88	12.33	(4.84)
2,000	10.76	12.83	23.59	**Level**	2,000	11.45	1.76	13.21	(10.38)
3,000	10.76	19.25	30.01	**When**	3,000	11.45	2.64	14.09	(15.92)
4,000	10.76	25.67	36.42	**Revenues**	4,000	11.45	3.52	14.97	(21.45)
5,000	10.76	32.09	42.84	**Equals**	5,000	11.45	4.84	16.29	(26.55)
6,000	10.76	38.50	49.26	**Expenses**	6,000	11.45	6.16	17.61	(31.65)
7,000	10.76	44.92	55.68	**and Return**	7,000	11.45	7.48	18.93	(36.75)
8,000	10.76	51.34	62.09	**cannot be**	8,000	11.45	8.80	20.25	(41.84)
9,000	10.76	57.76	68.51	**Achieved**	9,000	11.45	10.12	21.57	(46.94)
10,000	10.76	64.17	74.93	**As Proposed**	10,000	11.45	11.44	22.89	(52.04)
11,000	10.76	70.59	81.35	**Commodity**	11,000	11.45	12.76	24.21	(57.14)
12,000	10.76	77.01	87.76	**Rates &**	12,000	11.45	14.08	25.53	(62.23)
13,000	10.76	83.43	94.18	**Proposed**	13,000	11.45	15.40	26.85	(67.33)
14,000	10.76	89.84	100.60	**Monthly**	14,000	11.45	16.72	28.17	(72.43)
15,000	10.76	96.26	107.02	**Minimum**	15,000	11.45	18.04	29.49	(77.53)
16,000	10.76	102.68	113.43	**Rates**	16,000	11.45	19.36	30.81	(82.62)
17,000	10.76	109.10	119.85	**are Below**	17,000	11.45	20.68	32.13	(87.72)
20,000	10.76	128.35	139.10	**Actual**	20,000	11.45	24.64	36.09	(103.01)
25,000	10.76	160.44	171.19	**Cost**	25,000	11.45	31.24	42.69	(128.50)
30,000	10.76	192.52	203.28	**to Service**	30,000	11.45	37.84	49.29	(153.99)
35,000	10.76	224.61	235.37	**Computed**	35,000	11.45	44.44	55.89	(179.48)
40,000	10.76	256.70	267.45		40,000	11.45	51.04	62.49	(204.96)
45,000	10.76	288.79	299.54	**Cost of**	45,000	11.45	57.64	69.09	(230.45)
50,000	10.76	320.87	331.63	**Service**	50,000	11.45	64.24	75.69	(255.94)
55,000	10.76	352.96	363.71	**Rates**	55,000	11.45	70.84	82.29	(281.42)
60,000	10.76	385.05	395.80	**Includes**	60,000	11.45	77.44	88.89	(306.91)
65,000	10.76	417.13	427.89	**Rate**	65,000	11.45	84.04	95.49	(332.40)
70,000	10.76	449.22	459.98	**of Return**	70,000	11.45	90.64	102.09	(357.89)
150,000	10.76	962.62	973.37	**on Equity**	150,000	11.45	215.02	226.47	(746.90)
Average Usage				**and Income**	**Average Usage**				
10,212	$ 10.76	$ 65.535	$ 76.29	**Taxes**	10,212	11.45	11.72	23.17	**(53.12)**

(a) Revenues equal Expenses, Return and Income Taxes at zero usage

Arizona American - Anthem Water
(Formerly Known as Citizens Water Services / Water)
Summary of Revenues by Customer Classification - Present and Proposed Rates
With Annualized Revenues to Year End Number of Customers
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Kozoman

Line No.	Meter Size	Customer Classification	Adjusted Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	$ 3,606	$ 3,576	$ (30)	-0.84%	0.09%	0.09%
2	3/4 Inch	Residential	620,738	615,713	(5,025)	-0.81%	16.29%	16.21%
3	1 Inch	Residential	650,122	646,251	(3,871)	-0.60%	17.07%	17.02%
4	1.5 Inch	Residential	2,834	2,822	(13)	-0.44%	0.07%	0.07%
5	2 Inch	Residential	65,116	64,551	(565)	-0.87%	1.71%	1.70%
6	3 Inch	Residential	-	-	-			
7	4 Inch	Residential		-	-			
8	3/4 Inch	Commercial	2,064	2,049	(15)	-0.74%	0.05%	0.05%
9	1 Inch	Commercial	50,820	50,353	(467)	-0.92%	1.33%	1.33%
10	1.5 Inch	Commercial	19,528	19,347	(181)	-0.93%	0.51%	0.51%
11	2 Inch	Commercial	100,690	99,846	(844)	-0.84%	2.64%	2.63%
12	3 Inch	Commercial	63,160	62,640	(520)	-0.82%	1.66%	1.65%
13	2 Inch	Wholesale	-	-	-			
14	3 Inch	Wholesale	11,915	11,915	-	0.00%	0.31%	0.31%
15	6 Inch	Wholesale	56	56	-	0.00%	0.00%	0.00%
16	10 Inch	Wholesale	18,457	18,457	-	0.00%	0.48%	0.49%
17	4 Inch	Fire Protection	3,330	3,321	(9)	-0.28%	0.09%	0.09%
18	6 Inch	Fire Protection	19,845	19,698	(147)	-0.74%	0.52%	0.52%
19	Miscellaneous Revenues		1,950,387	1,950,387	-	0.00%	51.20%	51.35%
20	Citizens Water Resouces (Treatco)		226,872	226,872	-	0.00%	5.96%	5.97%
21	**Subtotal Water Revenues**		$3,809,540	$3,797,852	$ (11,688)	-0.31%	100.00%	100.00%
22								
23							Additional	
24								Gallons
25	**Revenue Annualization**						Bills	in 1,000's
26	Citizens Water Resouces (Treatco)		$ (18,289)	$ (18,289)	$ -	0.00%	(8)	(29,498)
27	3/4 Inch	Residential	67,152	66,618	(533)	-0.79%	2,306	15,163
28	1 Inch	Residential	98,822	98,254	(568)	-0.57%	2,102	15,859
29	2 Inch	Residential	(3,894)	(3,861)	32	-0.83%	(12)	(1,467)
30	3/4 Inch	Commercial	1,642	1,630	(12)	-0.75%	68	277
31	1 Inch	Commercial	2,646	2,631	(15)	-0.55%	59	379
32	1.5 Inch	Commercial	12,807	12,690	(116)	-0.91%	27	5,539
33	2 Inch	Commercial	13,560	13,446	(114)	-0.84%	40	5,180
34	3 Inch	Commercial	(24,131)	(23,929)	201	-0.83%	(40)	(8,865)
35	3 Inch	Wholesale	45,275	45,275	-	0.00%	19	20,961
36	6 Inch	Wholesale	5	5	-	0.00%	1	2
37	10 Inch	Wholesale	1,678	1,678	-	0.00%	1	777
38	6 Inch	Fire Protection	(405)	(402)	3	-0.74%	(3)	
39	Total Revenues Annualziations		$ 196,868	$ 195,747	$ (1,121)	-0.57%		
40	**Total Water Revenues with**							
41	**Revenue Annualizaiton**		$4,006,408	$3,993,599	$ (12,809)	-0.32%	4,560	24,306
42								
43								
44								
45								
46								
47								

48 **(A)** Customer Growth Annualization is calculated by computing the change in the number of customers by month from the
49 beginning of the year t the end of the year, and then multipling the additional customers times the average revenue for
50 that month.

Arizona American - Anthem Water
(Formerly Known as Citizens Water Services / Water)
Analysis of Revenue by Detailed Class at Average Usage
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Kozoman

Line No.		Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	8	10,212	$ 36.42	$ 36.12	(0.30)	-0.84%
2	3/4 Inch	Residential	1,642	7,753	31.51	31.25	(0.26)	-0.81%
3	1 Inch	Residential	1,096	8,719	49.44	49.14	(0.29)	-0.60%
4	1.5 Inch	Residential	3	7,361	78.72	78.38	(0.35)	-0.44%
5	2 Inch	Residential	13	168,705	417.41	413.79	(3.62)	-0.87%
6	3 Inch	Residential						
7	4 Inch	Residential						
8								
9	3/4 Inch	Commercial	7	3,727	23.45	23.28	(0.17)	-0.74%
10	1 Inch	Commercial	17	107,951	247.90	245.62	(2.28)	-0.92%
11	1.5 Inch	Commercial	3	263,879	591.76	586.28	(5.48)	-0.93%
12	2 Inch	Commercial	25	130,084	340.17	337.32	(2.85)	-0.84%
13	3 Inch	Commercial	9	201,964	563.93	559.29	(4.64)	-0.82%
14								
15								
16	2 Inch	Wholesale						
17	3 Inch	Wholesale	0	1,103,200	2,382.91	2,382.91	-	0.00%
18	6 Inch	Wholesale	1	2,364	5.11	5.11	-	0.00%
19	10 Inch	Wholesale	1	776,818	1,677.93	1,677.93	-	0.00%
20								
21	4 Inch	Fire Protection	3	-	90.00	89.75	(0.25)	-0.28%
22	6 Inch	Fire Protection	12	-	135.00	134.00	(1.00)	-0.74%
23								
24								
25								
26								
27		Totals	2,841					
28								
29		Actuall Year End Number						
30		of Customers:	3,222					
31								

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

Arizona American - Anthem Water
(Formerly Known as Citizens Water Services / Water)
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1	Percentage Increase in Monthly Minimums				
2	Percentage Increase in Commodity Rates				
3					
4	**Monthly Usage Charge for:**				
5	Residential,Commercial				
6	5/8 x 3/4 Inch	(a)	$ 16.00	$ 15.90	-0.62%
7	3/4 Inch	(a)	16.00	15.90	-0.62%
8	1 Inch	(a)	32.00	31.88	-0.38%
9	1 1/2 Inch	(a)	64.00	63.80	-0.31%
10	2 Inch	(a)	80.00	79.75	-0.31%
11	3 Inch	(a)	160.00	159.40	-0.37%
12	4 Inch	(a)	200.00	199.40	-0.30%
13	6 Inch	(a)	250.00	248.75	-0.50%
14	8 Inch	(a)	-	1,272.00	0.00%
15	Private Fire Protection (Flat Rates)				
16	3 Inch	(a)	70.00	69.80	-0.29%
17	4 Inch	(a)	90.00	89.75	-0.28%
18	6 Inch	(a)	135.00	134.00	-0.74%
19	8 Inch	(a)	180.00	178.59	-0.78%
20	10 Inch	(a)	360.00	357.50	-0.69%
21					
22	Wholesale		-	-	0.00%
23					
24					
25	Gallons In Minimum				
26	All		-	-	
27					
28					
29					
30					
31	**Tier 1:** Gallons upper limit				
32	All, except wholesale		999,999,999	999,999,999	
33	Wholesale		999,999,999	999,999,999	
34					
35					
36	(a) Rounded				
37					
38					
39					
40					

Arizona American - Anthem Water
(Formerly Known as Citizens Water Services / Water)
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 2
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1					
2					
3	**Tier 2:** (Gallon upper limit, up to, but not exceeding)				
4	All, except wholesale		999,999,999	999,999,999	
5	Wholesale		999,999,999	999,999,999	
6					
7					
8					
9					
10					
11					
12					
13					
14					
15	**Tier 3:** (Gallon over)				
16	All, except wholesale		999,999,999	999,999,999	
17	Wholesale		999,999,999	999,999,999	
18					
19					
20					
21					
22					
23					
24					
25					
26					
27	Commodity Rates (per 1,000 gallons over minimum and per Tier)				
28	All, except wholesale	Tier 1 (a)	$ 2.00	$ 1.98	-1.00%
29	All, except wholesale	Tier 2 (a)	2.00	1.98	-1.00%
30	All, except wholesale	Tier 3 (a)	2.00	1.98	-1.00%
31	All, except wholesale	Tier 4 (a)		1.98	
32					
33					
34					
35	Wholesale		$ 2.16	2.16	0.00%
36	Contract Rate				
37	(a) Rounded				
38					

Arizona American - Anthem Water
(Formerly Known as Citizens Water Services / Water)
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 3
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	$ 60.00	$ 60.00
2	Establishment (After Hours)	$ 90.00	$ 90.00
3	Reconnection (Deliquent)	$ 30.00	$ 40.00
4	Reconnection (After Hours)	$ 45.00	$ 55.00
5	Meter Test	$ 30.00	$ 30.00
6	Deposit	**	**
7	Deposit Interest	**	**
8	Re-Establishment (With-in 12 Months)	***	***
9			
10	NSF Check	$ 20.00	$ 20.00
11	Deferred Payment, Per Month (b)	1.50%	1.50%
12	Meter Re-Read	$ 10.00	10.00
13	Charge of Moving Customer Meter -		
14	Customer Requested	Cost	Cost
15	Late Payment Charge, greater of 1.50% or	1.50%	1.50%
16	Damages to Meter Locks, Valves, Seals	Cost	Cost
17	Sprinklers		
18			
19			

20 ** PER COMMISSION RULES (R14-2-403.B)
21 *** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)
22 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
23 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
24 TAX. PER COMMISSION RULE (14-2-409.D 5)
25 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
26 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.
27 (a) 1.00% of the monthly minimum for a comparable sized meter connection, but no less than $5 per month
28
29

30		Present	Proposed
31	Meter Size	Charges	Charges
32	5/8 x 3/4 Inch	$320	$500
33	3 / 4 Inch	$320	$575
34	1 Inch	$420	$660
35	1 1/2 Inch	$635	$900
36	2 Inch	$1,090	$1,525
37	3 Inch	Cost	Cost
38	4 Inch	Cost	Cost
39	6 Inch	Cost	Cost
40	8 Inch	Cost	Cost

41
42 As meters and service lines are now taxable income for income purposes, The Company
43 shall collect income taxes on the meter and service line charges.
44 Any tax collected will be refunded each year that the meter deposit is refunded.

ANTHEM/ AGUA FRIA WASTEWATER

Arizona American - Anthem / Agua Fria Wastewater
(Formerly Citizens Water Services / Wastewater)
Summary of Revenues by Customer Classification - Present and Proposed Rates
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	Adjusted Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	Residential	650,824	888,618	237,795	36.54%	38.76%	46.09%
2	Small Commercial 5/8 Inch Meter	1,501	2,050	549	36.55%	0.09%	0.11%
3	Small Commercial 3/4 Inch Meter	-	-	-			
4	Small Commercial 1 Inch Meter	-	-	-			
5	Large Commercial	29,477	40,227	10,750	36.47%	1.76%	2.09%
6	Revenues from Treatco excluding Annualization	11,231	11,231	-	0.00%		
7	Miscellaneous Revenues	986,072	986,072	-	0.00%	58.73%	51.14%
8	**Subtotal of Revenues**	$1,679,105	$1,928,198	$ 249,093	14.83%	100.00%	100.00%
9							
10							
11						Additional Billings	Additional Gallons In 1,000's
12	**Revenue Annualization**						
13	Treatco Revenue Annualization	13,480	13,480	-	0.00%	14	5,810
14	Residential	167,515	228,715	61,200	36.53%	5,758	10,354
15	Small Commercial 5/8 Inch Meter	(841)	(1,148)	(307)	36.54%	(30)	(0.21)
16	Small Commercial 3/4 Inch Meter						
17	Small Commercial 1 Inch Meter						
18	Large Commercial	3,930	5,363	1,433	36.47%	21	0.27
19	Total Revenue Annualization	184,083	246,409	62,326	33.86%		
20	Total Revenues with Revenue Annualization	1,863,188	2,174,607	311,419	16.71%	5,763	16,164
21							

Arizona American - Anthem / Agua Fria Wastewater
(Formerly Citizens Water Services / Wastewater)
Analysis of Revenue by Detailed Class at Average Usage
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Usage	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	Residential	2,033	8,854	30.00	40.96	10.96	36.53%
2	Small Commercial 5/8 Inch Meter	7	8,205	32.41	44.25	11.84	36.53%
3	Small Commercial 3/4 Inch Meter	-		-	-	-	0.00%
4	Small Commercial 1 Inch Meter	-		-	-	-	0.00%
5	Large Commercial	13	60,695	185.39	253.00	67.61	36.47%

Arizona American - Anthem / Agua Fria Wastewater
(Formerly Citizens Water Services / Wastewater)
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1					
2					
3					
4	**Monthly Usage Charge for:**				
5	Residential and Commercial				
6	Residential	(a)	$ 16.00	$ 21.85	36.56%
7	Small Commercial 5/8 Inch Meter	(a)	16.00	$ 21.85	36.56%
8	Small Commercial 3/4 Inch Meter	(a)	24.00	$ 32.80	36.67%
9	Small Commercial 1 Inch Meter	(a)	32.00	$ 43.75	36.72%
10	Large Commercial	(a)	64.00	$ 87.30	36.41%
11					
12					
13	In Addition to the above charges, customers will also pay for commodity treated, which is listed below.				
14	There are no commodity charges, once the gallons listed below is discharged.				
15					
16					
17	Usage (per 1,000 gallons, up to)				
18	Residential		7,000	7,000	
19	Small Commercial 5/8 Inch Meter		10,000	10,000	
20	Small Commercial 3/4 Inch Meter		15,000	15,000	
21	Small Commercial 1 Inch Meter		25,000	25,000	
22	Large Commercial		999,999,999	999,999,999	
23					
24					
25	Usage Rates (per 1,000 gallons up to limit)				
26	Residential	(a)	$ 2.00	$ 2.73	36.50%
27	Small Commercial 5/8 Inch Meter	(a)	2.00	2.73	36.50%
28	Small Commercial 3/4 Inch Meter	(a)	2.00	2.73	36.50%
29	Small Commercial 1 Inch Meter	(a)	2.00	2.73	36.50%
30	Large Commercial	(a)	2.00	2.73	36.50%
31					
32	**Capacity Reservation Charge**		$ 765.00	$ 765.00	
33	(a) Rounded to nearest whole cent				
34	**Annual Fee for Industrial Discharge Service**				
35	For those customers consuming an amount of water less than or equal				
36	50,000 gallons per month through one or more water meters to the				
37	same facility, inclusive of meters used for irrigation:		$ 500.00	$ 500.00	
38					
39					
40	For those customers consuming an amount of water greater than				
41	50,000 gallons per month through one or more water meters to the				
42	same facility, inclusive of meters used for irrigation:		$ 1,000.00	$ 1,000.00	
43					
44	Annual Fee for Industrial Discharge Service charges shall be non-refundable and shall be assessed				
45	in advance each January by the Company by special billing. For new customers receiving this service,				
46	a prorated charge shall be assessed.				
47	(a) Rounded				

Arizona American - Anthem / Agua Fria Wastewater
(Formerly Citizens Water Services / Wastewater)
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 2
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	$ 30.00	$ 30.00
2	Establishment (After Hours)	$ 45.00	$ 45.00
3	Reconnection (Deliquent)	$ 30.00	$ 40.00
4	Reconnection (After Hours)	$ 45.00	$ 55.00
5			
6	Deposit	**	**
7	Deposit Interest	**	**
8	Re-Establishment (With-in 12 Months)	***	***
9			
10	NSF Check	$ 15.00	$ 15.00
11	Deferred Payment, Per Month (b)	1.50%	1.50%
12			
13			
14			
15	Late Payment Charge	1.50%	1.50%
16			
17			
18			
19			

20 ** PER COMMISSION RULES (R14-2-403.B)
21 *** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)
22 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
23 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
24 TAX. PER COMMISSION RULE (14-2-409.D 5)
25 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
26 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.
27 (a) 1.00% of the monthly minimum for a comparable sized meter connection, but no less than $5 per month
28
29 **Annual Fee for Industrial Discharge Service**
30 For those customers consuming an amount of water less than or equal
31 50,000 gallons per month through one or more water meters to the
32 same facility, inclusive of meters used for irr $ 500.00 $ 500.00
33
34
35 For those customers consuming an amount of water greater than
36 50,000 gallons per month through one or more water meters to the
37 same facility, inclusive of meters used for irr $ 1,000.00 $ 1,000.00
38
39 Annual Fee for Industrial Discharge Service charges shall be non-refundable and shall be assessed
40 in advance each January by the Company by special billing. For new customers receiving this service,
41 a prorated charge shall be assessed.
42
43
44

HAVASU WATER

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, Demand Charged to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Debt, Equity, and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 1
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	83,365	140,834	130,899	355,098
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	2,351	3,972	3,691	10,014
4	Rate Bases	83,365	140,834	130,899	355,098
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	3,135	5,295	4,922	13,352
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	5,105	8,624	8,016	21,745
9					
10	Revenue Requirement for Debt Component, from Line 3	2,351	3,972	3,691	10,014
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	5,105	8,624	8,016	21,745
13	Total Return Requirement with Income Tax	7,456	12,596	11,707	31,759
14					
15	Property Tax Expense, from Schedule G-5, Page 1	7,833	2,051	2,111	11,995
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	103,863	14,281	15,163	133,306
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	11,425	5,268	6,209	22,902
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	130,577	34,195	35,189	199,961
19					
20	**Customer Charge**				
21	Number of Bills = 1,189 times 12	14,268			
22					
23	**Charge per Bill**	$ 9.15			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 1,400 times 12		16,794	16,794	
28					
29	**Charge per Equivalent Meter**		$ 2.04	$ 2.10	
30					
31					
32	CUSTOMER CHARGE:				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge)				
34	Charge per Bill (Customer Charge with Equity Return and Income Tax)		$ 9.15		
35	Charge per Equivalent Meter (For Service Line Charge with Equity Return and Income Tax)		2.04		
36	Charge per Equivalent Meter (For Meter Charge with Equity Return and Income Tax)		2.10		
37	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter		$ 13.28		
39					

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, Demand Charged to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 1a
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	83,365	140,834	130,899	355,098
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	2,351	3,972	3,691	10,014
4	Rate Bases	83,365	140,834	130,899	355,098
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	0.00%	0.00%	0.00%	0.00%
6	Required Operating Income for Equity	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-
9					
10	Revenue Requirement for Debt Component, from Line 3	2,351	3,972	3,691	10,014
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	-	-	-	-
13	Total Return Requirement with Income Tax	2,351	3,972	3,691	10,014
14					
15	Property Tax Expense, from Schedule G-5, Page 1	7,833	2,051	2,111	11,995
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	103,863	14,281	15,163	133,306
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	11,425	5,268	6,209	22,902
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	125,472	25,571	27,174	178,216
19					
20	**Customer Charge**				
21	Number of Bills = 1,189 times 12	14,268			
22					
23	**Charge per Bill**	$ 8.79			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 1,400 times 12		16,794	16,794	
28					
29	**Charge per Equivalent Meter**		$ 1.52	$ 1.62	
30	**Actual Cost (without Equity Return or Income Taxes)**				
31					
32	CUSTOMER CHARGE:				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge, nor recovery of return or income tax)				
34	Charge per Bill (Customer Charge without Equity Return or Income Tax)	$ 8.79			
35	Charge per Equivalent Meter (For Service Line Charge without Equity Return or Income Tax)	1.52			
36	Charge per Equivalent Meter (For Meter Charge without Equity Return or Income Tax)	1.62			
37	(Service and Meter Revenue Requirement divided by Annualized Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter without recovery of Equity Return or Income Tax	$ 11.93			

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, Demand Charged to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 2
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	441,449
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	12,449
5	Rate Base	441,449
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%
7	Required Operating Income for Equity	16,598
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	27,033
10		
11	Revenue Requirement for Debt Component, from Line 4	12,449
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	27,033
14		
15	Property Tax Expense, from Schedule G-5, Page 1	8,810
16	Demand Expenses, from Schedule G-6, Page 1	83,721
17	Depreciation, from Schedule G-6, Page 2	14,848
18	Total Revenue Requirement / Demand Component	146,861

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, Demand Charged to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 2a
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	441,449
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	12,449
5	Rate Base	441,449
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	
7	Required Operating Income for Equity	-
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	-
10		
11	Revenue Requirement for Debt Component, from Line 4	12,449
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	-
14		
15	Property Tax Expense, from Schedule G-5, Page 1	8,810
16	Demand Expenses, from Schedule G-6, Page 1	83,721
17	Depreciation, from Schedule G-6, Page 2	14,848
18	Total Revenue Requirement / Demand Component	119,828

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, Demand Charged to Commodity
Computation Demand Charge and Commodity
Function Costs, Including and Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 3
Witness: Kozoman

Including Equity Return and Income Taxes

Line No.		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Proposed Monthly Minimum to Computed Minimum
1	5/8 x 3/4 Inch Meter	$ 9.15	$ 2.04	$ 2.10	$ -	$ 13.28	$ 9.24	69.56%
2	3/4 Inch Meter	9.15	3.05	3.14	-	15.35		
3	1 Inch Meter	9.15	5.09	5.24	-	19.48	$ 15.80	81.11%
4	1 1/2 Inch Meter	9.15	10.18	10.48	-	29.81		
5	2 Inch Meter	9.15	16.29	16.76	-	42.20	$ 31.04	73.55%
6	3 Inch Meter	9.15	32.58	33.53	-	75.26		
7	4 Inch Meter	9.15	25.00	52.38	-	86.54	$ 53.21	61.49%
8	6 Inch Meter	9.15	101.81	104.77	-	215.73		
9	8 Inch Meter	9.15	162.89	167.63	-	339.67		
10	10 Inch Meter	9.15	325.79	335.26	-	670.20		
11								
12	**Excluding Equity Return and Income Taxes**							
13								
14								
15								
16								
17								
18		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Proposed Monthly Minimum to Computed Minimum
19								
20	5/8 x 3/4 Inch Meter	$ 8.79	$ 1.52	$ 1.62	$ -	$ 11.93	$ 9.24	77.42%
21	3/4 Inch Meter	8.79	2.28	2.43	-	13.50	$ -	
22	1 Inch Meter	8.79	3.81	4.05	-	16.65	$ 15.80	94.92%
23	1 1/2 Inch Meter	8.79	7.61	8.09	-	24.50	$ -	
24	2 Inch Meter	8.79	12.18	12.94	-	33.92	$ 31.04	91.51%
25	3 Inch Meter	8.79	24.36	25.89	-	59.04	$ -	
26	4 Inch Meter	8.79	25.00	40.45	-	74.25	$ 53.21	71.67%
27	6 Inch Meter	8.79	76.13	80.90	-	165.83	$ -	
28	8 Inch Meter	8.79	121.81	129.44	-	260.05	$ -	
29	10 Inch Meter	8.79	243.62	258.89	-	511.30	$ -	
30								

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, Demand Charged to Commodity
Computation Demand Charge and Commodity
Function Costs, Including Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 4
Witness: Kozoman

Line No.		Commodity	Demand	Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	25,571	441,449	83,365	140,834	130,899	822,118
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.820%	2.820%	2.820%	2.820%	2.820%	2.820%
3	Required Operating Income - for Debt	721	12,449	2,351	3,972	3,691	23,184
4	Rate Bases from Schedule G-5, Page 1	25,571	441,449	83,365	140,834	130,899	822,118
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	961	16,598	3,135	5,295	4,922	30,912
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	1,566	27,033	5,105	8,624	8,016	50,344
9							
10	Revenue Requirement for Debt Component, from Line 3	721	12,449	2,351	3,972	3,691	23,184
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	1,566	27,033	5,105	8,624	8,016	50,344
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	2,287	39,482	7,456	12,596	11,707	73,527
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	3,773	8,810	7,833	2,051	2,111	24,578
16	Expenses (From Sch. G-6. Page 1)	56,147	83,721	103,863	14,281	15,163	273,174
17	Depreciation and Amortization (From Schedule G-6, Page 2)	697	14,848	11,425	5,268	6,209	38,447
18	Total Revenue Requirement by function	62,905	146,861	130,577	34,195	35,189	409,726
19	Total Commodity & Demand Costs	209,765					
20	Gallons Sold (With Zero Gallons in Minimum)	160,624		14,268	16,794	16,794	
21	Computed Commodity Rate, Customer, Meter, and Service Line	$ 1.3059					
22	(Line 18 divided by Line 20)			$ 9.15	$ 2.04	$ 2.10	
23	Total Monthly Minimum Charge (Sum of Customer, Service, and Meter Charge on Line 22)					$ 13.28	
24							

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, Demand Charged to Commodity
Computation Demand Charge and Commodity
Function Costs, Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 4a
Witness: Kozoman

Line No.		Commodity	Demand	Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	25,571	441,449	83,365	140,834	130,899	822,118
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	721	12,449	2,351	3,972	3,691	23,184
4	Rate Bases from Schedule G-5, Page 1	25,571	441,449	83,365	140,834	130,899	822,118
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)						
6	Required Operating Income for Equity	-	-	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	-	-	-	-	-	-
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-	-	-
9							
10	Revenue Requirement for Debt Component, from Line 3	721	12,449	2,351	3,972	3,691	23,184
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	-	-	-	-	-	-
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	721	12,449	2,351	3,972	3,691	23,184
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	3,773	8,810	7,833	2,051	2,111	24,578
16	Expenses (From Sch. G-6. Page 1)	56,147	83,721	103,863	14,281	15,163	273,174
17	Depreciation and Amortization (From Schedule G-6, Page 2)	697	14,848	11,425	5,268	6,209	38,447
18	Total Revenue Requirement by function	61,339	119,828	125,472	25,571	27,174	359,383
19	Total Commodity & Demand Costs	181,167					
20	Gallons Sold (With Zero Gallons in Minimum)	160,624		14,268	16,794	16,794	
21	Computed Commodity Rate, Customer, Meter, and Service Line	$ 1.1279					
22	(Line 18 divided by Line 20)			$ 8.7939	$ 1.5226	$ 1.6181	
23	Total Monthly Minimum Charge (Sum of Customer, Service, and Meter Charge on Line 22)					$ 11.93	

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **without** Equity Return or Income Taxes

Exhibit
Rejoinder Schedule G-9
Page 1
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rejoinder Schedule G-8, Page 4a	$ 1.1279
2	Computed Customer Cost for Meter from Rejoinder Schedule G-8, Page 4a	8.79
3	Computed Service Line Cost for Meter from Rejoinder Schedule G-8, Page 4a	1.52
4	Computed Meter Cost for Meter from Rejoinder Schedule G-8, Page 4a	1.62
5	Computed Monthly Minimum Charge with zero gallons in minimum from Rejoinder Schedule G-8, Page 4a	$ 11.93
6		
7	**ACC Staff Proposed Rates**	
8	Proposed Monthly Minimum for 5/8" Meter	$ 9.24
9	Proposed Commodity Rate	
10	0 to 4,000	$ 0.81
11	4,001 to 100,000	$ 1.21
12	Over 100,001	$ 1.45
13		

14	Col. 1	Col. 2	Col. 3	Col. 4 (Col. 2+ 3)		Col. 5	Col. 6	Col. 7	Col. 8 (Col. 6 + 7	Col. 9 (Col, 8-4)
15										
16	**Computed Costs, without Equity**									
17	**Return or Income Taxes**									Recovery of Expenses or,
18		Monthly		Total			Monthly			
19		Minimum	Commodity	Cost of			Minimum	Commodity	Total	(Lack of
20	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	Recovery)
21	-	$ 11.93	-	$ 11.93		-	$ 9.24		$ 9.24	$ (2.69)
22	1,000	$ 11.93	$ 1.1279	$ 13.06		1,000	9.24	$ 0.81	10.05	(3.01)
23	2,000	11.93	2.26	14.19		2,000	9.24	1.62	10.86	(3.33)
24	3,000	11.93	3.38	15.32		3,000	9.24	2.43	11.67	(3.65)
25	4,000	11.93	4.51	16.45		4,000	9.24	3.24	12.48	(3.97)
26	5,000	11.93	5.64	17.57		5,000	9.24	4.45	13.69	(3.88)
27	6,000	11.93	6.77	18.70		6,000	9.24	5.66	14.90	(3.80)
28	7,000	11.93	7.90	19.83		7,000	9.24	6.87	16.11	(3.72)
29	8,000	11.93	9.02	20.96		8,000	9.24	8.08	17.32	(3.64)
30	9,000	11.93	10.15	22.09		9,000	9.24	9.29	18.53	(3.56)
31	10,000	11.93	11.28	23.21		10,000	9.24	10.50	19.74	(3.47)
32	11,000	11.93	12.41	24.34		11,000	9.24	11.71	20.95	(3.39)
33	12,000	11.93	13.53	25.47		12,000	9.24	12.92	22.16	(3.31)
34	13,000	11.93	14.66	26.60		13,000	9.24	14.13	23.37	(3.23)
35	14,000	11.93	15.79	27.73		14,000	9.24	15.34	24.58	(3.15)
36	15,000	11.93	16.92	28.85		15,000	9.24	16.55	25.79	(3.06)
37	16,000	11.93	18.05	29.98		16,000	9.24	17.76	27.00	(2.98)
38	17,000	11.93	19.17	31.11		17,000	9.24	18.97	28.21	(2.90)
39	18,000	11.93	20.30	32.24		18,000	9.24	20.18	29.42	(2.82)
40	19,000	11.93	21.43	33.36		19,000	9.24	21.39	30.63	(2.73)
41	20,000	11.93	22.56	34.49		20,000	9.24	22.60	31.84	(2.65)
42	21,000	11.93	23.69	35.62		21,000	9.24	23.81	33.05	(2.57)
43	22,000	11.93	24.81	36.75		22,000	9.24	25.02	34.26	(2.49)
44	23,000	11.93	25.94	37.88		23,000	9.24	26.23	35.47	(2.41)
45	24,000	11.93	27.07	39.00		24,000	9.24	27.44	36.68	(2.32)
46	25,000	11.93	28.20	40.13		25,000	9.24	28.65	37.89	(2.24)
47	26,000	11.93	29.33	41.26		26,000	9.24	29.86	39.10	(2.16)
48	27,000	11.93	30.45	42.39		27,000	9.24	31.07	40.31	(2.08)
49	28,000	11.93	31.58	43.52		28,000	9.24	32.28	41.52	(2.00)
50	29,000	11.93	32.71	44.64		29,000	9.24	33.49	42.73	(1.91)
51	**52,350**	11.93	59.05	70.98	**<-(a)->**	**52,350**	9.24	61.74	70.98	0.00
52	**Average Usage**					**Average Usage**				
53	7,650	11.93	8.63	20.56		7,650	9.24	7.66	16.90	**(3.67)**

54 **(a) Usage level where revenues equal expenses, no recovery of return or income taxes**

Arizona American - Havasu Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **with** Equity Return and Income Taxes

Exhibit
Rejoinder Schedule G-9
Page 2
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rebuttal Schedule G-8, Page 4	$ 1.3059
2		
3	Computed Customer Cost for Meter from Rejoinder Schedule G-8, Page 4	9.15
4	Computed Service Line Cost for Meter from Rejoinder Schedule G-8, Page 4	2.10
5	Computed Meter Cost for Meter from Rejoinder Schedule G-8, Page 4	2.04
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rejoinder Schedule G-8, Page 4	$ 13.28
7		

ACC Staff Proposed Rates

Proposed Monthly Minimum for 5/8" Meter				$ 9.24
Proposed Commodity Rate				
0	to	4,000		$ 0.81
4,001	to	100,000		$ 1.21
Over 100,001				$ 1.45

Computed Costs, with Equity Return and Income Taxes

Col. 1	Col. 2	Col. 3	Col. 4 (Col. 2+ 3)		Col. 5	Col. 6	Col. 7	Col. 8 (Col. 6 + 7	Col. 9 (Col, 8-4) Recovery of Expenses Rate of Return & IncomeTax or (Lack of Recovery)
Usage	Monthly Minimum Revenue	Commodity Revenue	Total Cost of Service		Usage	Monthly Minimum Revenue	Commodity Revenue	Total Revenue	
-	$ 13.28	-	$ 13.28		-	$ 9.24		$ 9.24	$ (4.04)
1,000	$ 13.28	$ 1.3059	$ 14.59		1,000	9.24	$ 0.81	10.05	(4.54)
2,000	13.28	2.61	15.90		2,000	9.24	1.62	10.86	(5.04)
3,000	13.28	3.92	17.20		3,000	9.24	2.43	11.67	(5.53)
4,000	13.28	5.22	18.51		4,000	9.24	3.24	12.48	(6.03)
5,000	13.28	6.53	19.81		5,000	9.24	4.45	13.69	(6.12)
6,000	13.28	7.84	21.12		6,000	9.24	5.66	14.90	(6.22)
7,000	13.28	9.14	22.42		7,000	9.24	6.87	16.11	(6.31)
8,000	13.28	10.45	23.73		8,000	9.24	8.08	17.32	(6.41)
9,000	13.28	11.75	25.04		9,000	9.24	9.29	18.53	(6.51)
10,000	13.28	13.06	26.34		10,000	9.24	10.50	19.74	(6.60)
11,000	13.28	14.37	27.65		11,000	9.24	11.71	20.95	(6.70)
12,000	13.28	15.67	28.95		12,000	9.24	12.92	22.16	(6.79)
13,000	13.28	16.98	30.26		13,000	9.24	14.13	23.37	(6.89)
14,000	13.28	18.28	31.57		14,000	9.24	15.34	24.58	(6.99)
15,000	13.28	19.59	32.87		15,000	9.24	16.55	25.79	(7.08)
16,000	13.28	20.90	34.18		16,000	9.24	17.76	27.00	(7.18)
17,000	13.28	22.20	35.48		17,000	9.24	18.97	28.21	(7.27)
18,000	13.28	23.51	36.79		18,000	9.24	20.18	29.42	(7.37)
19,000	13.28	24.81	38.10		19,000	9.24	21.39	30.63	(7.47)
20,000	13.28	26.12	39.40		20,000	9.24	22.60	31.84	(7.56)
21,000	13.28	27.42	40.71		21,000	9.24	23.81	33.05	(7.66)
22,000	13.28	28.73	42.01		22,000	9.24	25.02	34.26	(7.75)
23,000	13.28	30.04	43.32		23,000	9.24	26.23	35.47	(7.85)
24,000	13.28	31.34	44.63		24,000	9.24	27.44	36.68	(7.95)
25,000	13.28	32.65	45.93		25,000	9.24	28.65	37.89	(8.04)
26,000	13.28	33.95	47.24		26,000	9.24	29.86	39.10	(8.14)
27,000	13.28	35.26	48.54		27,000	9.24	31.07	40.31	(8.23)
205,800	13.28	268.76	282.05	**<-(a)->**	**205,800**	9.24	272.81	282.05	0.00
Average Usage					**Average Usage**				
7,650	$ 13.28	$ 9.990	$ 23.27		7,650	$ 9.24	7.66	16.90	**(6.38)**

Arizona American - Havasu Water
Summary of Revenues by Customer Classification - Present and Proposed Rates
With Annualized Revenues to Year End Number of Customers
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch Residential		249,903	322,282	72,379	28.96%	56.31%	56.68%
2	1 Inch Residential		3,296	4,248	952	28.88%	0.74%	0.75%
3	1.5 Inch Residential		-	-	-		0.00%	0.00%
4	2 Inch Residential		1,580	2,037	457	28.92%	0.36%	0.36%
5	3 Inch Residential		-	-	-		0.00%	0.00%
6	4 Inch Residential		3,730	4,807	1,078	28.90%	0.84%	0.85%
7	6 Inch Residential		-	-	-		0.00%	0.00%
8	5/8 Inch Commercial		15,714	20,262	4,549	28.95%	3.54%	3.56%
9	1 Inch Commercial		7,007	9,036	2,028	28.95%	1.58%	1.59%
10	2 Inch Commercial		3,958	5,104	1,146	28.96%	0.89%	0.90%
11	3 Inch Commercial		30,088	38,793	8,706	28.93%	6.78%	6.82%
12	4 Inch Commercial		3,820	4,926	1,106	28.95%	0.86%	0.87%
13	6 inch Commercial		-	-	-		0.00%	0.00%
14	Multi-Family 44	1"	7,203	9,291	2,087	28.98%	1.62%	1.63%
15	Multi-Family 56	2"	7,741	9,985	2,244	28.99%	1.74%	1.76%
16	Multi-Family 64	4"	10,065	12,982	2,917	28.98%	2.27%	2.28%
17	Multi-Family 65	2"	9,406	12,132	2,726	28.98%	2.12%	2.13%
18	Multi-Family 67	4"	11,990	15,464	3,474	28.97%	2.70%	2.72%
19	Multi-Family 89	1"	13,438	16,576	3,137	23.35%	3.03%	2.92%
20	Multi-Family 102	2"	12,850	16,576	3,726	29.00%	2.90%	2.92%
21	Multi-Family 129	4"	16,174	20,882	4,708	29.11%	3.64%	3.67%
22	Multi-Family 153	4"	18,998	24,507	5,509	29.00%	4.28%	4.31%
23	Miscellaneous Revenues		10,532	10,532	-	0.00%	2.37%	1.85%
24	Difference between Bill Count Revenues							
25	and General Ledger Revenues		6,311	8,141	1,830	29.00%	1.42%	1.43%
26	**Subtotal Revenues**		$ 443,802	$ 568,563	124,760	28.11%	100.00%	100.00%
27								
28								
29				**Revenue Annualization**				
30			**Present**	**Proposed**	**Dollar**	**Percent**	Bills to be	Additional Gallons to be Pumped
31			**Revenues**	**Revenues**	**Change**	**Change**	Issued	(In 1,000's)
32	5/8 Inch Residential		11,725	15,121	3,395	28.96%	620	4,686
33	1 Inch Residential		(3,296)	(4,248)	(952)	28.88%	(4)	(365)
34	2 Inch Residential		(1,428)	(1,840)	(413)	28.91%	(6)	(1,001)
35	4 Inch Residential		(4,464)	(5,755)	(1,291)	28.92%	(8)	(2,915)
36	5/8 Inch Commercial		783	1,009	226	28.94%	22	429
37	1 Inch Commercial		(541)	(698)	(157)	29.01%	(4)	(365)
38	2 Inch Commercial		(764)	(985)	(221)	29.00%	(5)	(460)
39	3 Inch Commercial		(4,894)	(6,309)	(1,415)	28.92%	(6)	(3,349)
40	Total Revenue Annualizations		(2,878)	(3,706)	(827)	28.74%	609	(3,339)
41	**Total Revenues**		440,924	564,857	123,933	28.11%		

Arizona American - Havasu Water
Analysis of Revenue by Detailed Class at Average Usage
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/01	Average Consumption	Summer Revenues Present Rates	Summer Revenues Proposed Rates	Summer Proposed Increase Dollar Amount	Summer Proposed Increase Percent Amount	Winter Revenues Present Rates	Winter Revenues Proposed Rates	Winter Proposed Increase Dollar Amount	Winter Proposed Increase Percent Amount
1	5/8 Inch Residential		1,082	7,659	$ 19.46	$ 25.09	5.63	28.94%	$ 18.72	$ 24.15	5.43	29.00%
2	1 Inch Residential		0	569,250	824.02	1,061.96	237.94	28.88%	761.51	982.40	220.90	29.01%
3	1.5 Inch Residential											
4	2 Inch Residential		1	166,833	269.08	346.82	77.73	28.89%	250.84	323.60	72.76	29.01%
5	3 Inch Residential		-	-	45.60	58.82	13.22	28.99%	45.60	58.82	13.22	28.99%
6	4 Inch Residential		1	291,500	470.11	605.92	135.81	28.89%	438.16	565.25	127.09	29.01%
7	6 Inch Residential											
8	5/8 Inch Commercial		33	22,384	40.37	52.03	11.67	28.90%	38.01	49.04	11.03	29.01%
9	1 Inch Commercial		5	68,625	113.13	145.81	32.69	28.89%	105.69	136.35	30.66	29.01%
10	2 Inch Commercial		2	76,793	141.23	182.04	40.82	28.90%	132.89	171.43	38.54	29.00%
11	3 Inch Commercial		4	489,810	739.71	953.34	213.63	28.88%	685.94	884.91	198.97	29.01%
12	4 Inch Commercial		1	192,833	330.00	425.36	95.35	28.89%	308.90	398.50	89.60	29.00%
13	6 inch Commercial											
14	Multi-Family 44	1"	1	160,250	605.08	780.34	175.26	28.97%	592.29	764.06	171.78	29.00%
15	Multi-Family 56	2"	1	117,917	647.92	835.71	187.79	28.98%	641.11	827.04	185.93	29.00%
16	Multi-Family 64	4"	1	208,583	845.31	1,090.19	244.88	28.97%	829.40	1,069.95	240.54	29.00%
17	Multi-Family 65	2"	1	161,083	786.44	1,014.33	227.89	28.98%	775.87	1,000.88	225.01	29.00%
18	Multi-Family 67	4"	1	305,250	1,008.32	1,300.30	291.98	28.96%	982.11	1,266.94	284.84	29.00%
19	Multi-Family 89	1"	1	256,000	1,127.14	1,453.71	326.57	28.97%	1,108.77	1,430.33	321.56	29.00%
20	Multi-Family 102	2"	1	134,167	1,065.68	1,374.67	308.99	28.99%	1,062.14	1,370.16	308.02	29.00%
21	Multi-Family 129	4"	1	170,500	1,348.93	1,740.05	391.12	28.99%	1,344.37	1,734.24	389.87	29.00%
22	Multi-Family 153	4"	1	192,000	1,585.38	2,045.07	459.69	29.00%	1,581.09	2,039.61	458.52	29.00%
23												
24												
25	Totals		1,138									
26												
27	Actuall Year End Number											
28	of Customers:		1,189									
29												

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

Arizona American - Havasu Water
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1	Percentage Increase in Monthly Minimums				
2	Percentage Increase in Commodity Rates				
3					
4	**Monthly Usage Charge for:**				
5	Residential,Commercial, Irrigation, Resale and Miscellaneous Customers				
6	5/8 x 3/4 Inch	(a)	$ 10.00	$ 12.90	29.00%
7	1 Inch	(a)	17.10	22.06	29.01%
8	1 1/2 Inch	(a)	24.00	30.96	29.00%
9	2 Inch	(a)	33.60	43.34	28.99%
10	3 Inch	(a)	45.60	58.82	28.99%
11	4 Inch	(a)	57.60	74.30	28.99%
12	6 Inch	(a)	200.00	258.00	29.00%
13	8 Inch	(a)	400.00	516.00	29.00%
14					
15					
16	Multi-unit properties - multiple of 5/8 inch minimum charge.				
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31	Gallons In Minimum				
32	All, except Multi-unit		1,000	1,000	
33	Multi- unit - multiple of minimum				
34					
35					
36					
37	**Tier 1:** Gallons upper limit				
38	All, except Multi-unit		99,999,999	99,999,999	
39	Multi- unit - mutiple of tier				
40					
41					
42	(a) Rounded				
43					
44					
45					
46					
47					
48					

Arizona American - Havasu Water
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 2
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1					
2					
3	**Tier 2:** (Gallon upper limit, up to, but not exceeding)				
4	All, except Multi-unit		99,999,999	99,999,999	
5	Multi- unit - mutiple of tier				
6					
7					
8					
9					
10					
11					
12					
13					
14					
15	**Tier 3:** (Gallon over)				
16	All, except Multi-unit		99,999,999	99,999,999	
17	Multi- unit - mutiple of tier				
18					
19					
20					
21					
22					
23					
24					
25					
26					
27	Commodity Rates (per 1,000 gallons over minimum and per Tier)				
28	All, summer rate	Tier 1 (a)	$ 1.42	$ 1.83	28.87%
29	All, summer rate	Tier 2 (a)	1.42	1.83	28.87%
30	All, summer rate	Tier 3 (a)	1.42	1.83	28.87%
31	All, summer rate	Tier 4 (a)	1.42	1.83	28.87%
32					
33	All, winter rate	Tier 1 (a)	$ 1.31	$ 1.69	29.01%
34	All, winter rate	Tier 2 (a)	1.31	1.69	29.01%
35	All, winter rate	Tier 3 (a)	1.31	1.69	29.01%
36	All, winter rate	Tier 4 (a)	1.31	1.69	29.01%
37					
38	(a) Rounded				

Arizona American - Havasu Water
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 3
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment & Reestablishment	$ 25.00	$ 25.00
2	Establishment (After Hours)	$ 35.00	$ 35.00
3	Reconnection (Deliquent)		
4	Reconnection (After Hours)		
5	Meter Test		
6	Deposit	**	**
7	Deposit Interest	**	**
8	Re-Establishment (With-in 12 Months)	***	***
9	Service Calls, Minimum Service Charge	$ 25.00	$ 25.00
10	Service Calls, Minimum Service Charge, After Hours	$ 35.00	$ 35.00
10	NSF Check	$ 10.00	$ 10.00
11	Deferred Payment, Per Month	(b)	(b)
12	Meter Re-Read	$ 5.00	5.00
13	Charge of Moving Customer Meter -		
14	Customer Requested	Cost	Cost
15	Late Payment Charge, 1.50% of balance		
16	Damages to Meter Locks, Valves, Seals	Cost	Cost (2)
17	Sprinklers	(a)	

18 (1) Greater of 1.50% or $5.00 Present Rates or 1.5% or $10.00 Proposed Rates.
19 (2) $40.00 plus actual cost of making repairs.
20 ** PER COMMISSION RULES (R14-2-403.B)
21 *** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)
22 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
23 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
24 TAX. PER COMMISSION RULE (14-2-409.D 5)
25 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
26 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES,
OR, THE COMPANY MAY ELECT TO PAY THE INCOME TAXES, IF APPLICABLE.
27 (b) May include a service charge

	Present Charges		
	Service Charges		
	Installation of		Proposed
Meter Size	Ser. Line	Meter	Charges
5/8 x 3/4 Inch	$ 210.00	$ 65.00	$500
3 / 4 Inch	$ 210.00	$ 85.00	$575
1 Inch	$ 215.00	$ 110.00	$660
1 1/2 Inch	$ 225.00	$ 250.00	$900
2 Inch	$ 275.00	$ 375.00	$2,220
3 Inch	Cost	Cost	Cost
4 Inch	Cost	Cost	Cost
6 Inch	Cost	Cost	Cost
8 Inch	Cost	Cost	Cost
Meters Larger than 8"	Cost	Cost	Cost

43 As meters and service lines are now taxable income for income purposes, The Company
44 shall collect income taxes on the meter and service line charges.
45 Any tax collected will be refunded each year that the meter deposit is refunded.

MOHAVE WATER

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Charged to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return
Based on ACC Staff Direct Filing, as Staff has not proposed Surrebuttal Rates

Exhibit
Rejoinder Schedule G-8
Page 1
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	1,004,378	1,338,116	1,224,378	3,566,872
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	28,323	37,735	34,527	100,586
4	Rate Bases	1,004,378	1,338,116	1,224,378	3,566,872
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	37,765	50,313	46,037	134,114
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	61,505	81,942	74,977	218,423
9					
10	Revenue Requirement for Debt Component, from Line 3	28,323	37,735	34,527	100,586
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	61,505	81,942	74,977	218,423
13	Total Return Requirement with Income Tax	89,828	119,676	109,504	319,009
14					
15	Property Tax Expense, from Schedule G-5, Page 1	82,063	25,333	30,092	137,488
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	947,455	91,204	205,813	1,244,472
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	147,696	154,933	119,209	421,837
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	1,267,042	391,146	464,618	2,122,806
19					
20	**Customer Charge**				
21	Number of Bills = 13,638 times 12	163,656			
22					
23	**Charge per Bill**	$ 7.74			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 19,700 times 12		236,394	236,394	
28					
29	**Charge per Equivalent Meter**		$ 1.65	$ 1.97	
30					
31					
32	CUSTOMER CHARGE:				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge)				
34	Charge per Bill (Customer Charge with Equity Return and Income Tax)	$ 7.74			
35	Charge per Equivalent Meter (For Service Line Charge with Equity Return and Income Tax)	1.65			
36	Charge per Equivalent Meter (For Meter Charge with Equity Return and Income Tax)	1.97			
37	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter	$ 11.36			

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Charged to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return
Based on ACC Staff Direct Filing, as Staff has not proposed Surrebuttal Rates

Exhibit
Rejoinder Schedule G-8
Page 1a
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	1,004,378	1,338,116	1,224,378	3,566,872
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	28,323	37,735	34,527	100,586
4	Rate Bases	1,004,378	1,338,116	1,224,378	3,566,872
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	0.00%	0.00%	0.00%	0.00%
6	Required Operating Income for Equity	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-
9					
10	Revenue Requirement for Debt Component, from Line 3	28,323	37,735	34,527	100,586
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	-	-	-	-
13	Total Return Requirement with Income Tax	28,323	37,735	34,527	100,586
14					
15	Property Tax Expense, from Schedule G-5, Page 1	82,063	25,333	30,092	137,488
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	947,455	91,204	205,813	1,244,472
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	147,696	154,933	119,209	421,837
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	1,205,537	309,205	389,641	1,904,383
19					
20	**Customer Charge**				
21	Number of Bills = 13,638 times 12	163,656			
22					
23	**Charge per Bill**	$ 7.37			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 19,700 times 12		236,394	236,394	
28					
29	**Charge per Equivalent Meter**		$ 1.31	$ 1.65	
30	**Actual Cost (without Equity Return or Income Taxes)**				
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge, nor recovery of return or income tax)				
34	Charge per Bill (Customer Charge without Equity Return or Income Tax)	$ 7.37			
35	Charge per Equivalent Meter (For Service Line Charge without Equity Return or Income Tax)	1.31			
36	Charge per Equivalent Meter (For Meter Charge without Equity Return or Income Tax)	1.65			
37	(Service and Meter Revenue Requirement divided by Annualized Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter without recovery of Equity Return or Income Tax	$ 10.32			

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Charged to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 2
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	5,677,904
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	160,117
5	Rate Base	5,677,904
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%
7	Required Operating Income for Equity	213,489
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	347,695
10		
11	Revenue Requirement for Debt Component, from Line 4	160,117
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	347,695
14		
15	Property Tax Expense, from Schedule G-5, Page 1	76,824
16	Demand Expenses, from Schedule G-6, Page 1	368,778
17	Depreciation, from Schedule G-6, Page 2	232,746
18	Total Revenue Requirement / Demand Component	1,186,160
19		

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Charged to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 2a
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	5,677,904
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	160,117
5	Rate Base	5,677,904
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	
7	Required Operating Income for Equity	-
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	-
10		
11	Revenue Requirement for Debt Component, from Line 4	160,117
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	-
14		
15	Property Tax Expense, from Schedule G-5, Page 1	76,824
16	Demand Expenses, from Schedule G-6, Page 1	368,778
17	Depreciation, from Schedule G-6, Page 2	232,746
18	Total Revenue Requirement / Demand Component	838,465
19		

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including and Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 3
Witness: Kozoman

Including Equity Return and Income Taxes

Line No.		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended onthly Mininum to ComputedCost
1	5/8 x 3/4 Inch Meter	$ 7.74	$ 1.65	$ 1.97	$ -	$ 11.36	$ 7.27	63.98%
2	3/4 Inch Meter	7.74	2.48	2.95	-	13.17	$ 7.27	55.19%
3	1 Inch Meter	7.74	4.14	4.91	-	16.79	$ 12.61	75.09%
4	1 1/2 Inch Meter	7.74	8.27	9.83	-	25.84	$ 21.01	81.29%
5	2 Inch Meter	7.74	13.24	15.72	-	36.70	$ 25.21	68.69%
6	3 Inch Meter	7.74	24.82	29.48	-	62.04	$ 50.41	81.26%
7	4 Inch Meter	7.74	41.37	49.14	-	98.24	$ 75.62	76.97%
8	6 Inch Meter	7.74	82.73	98.27	-	188.75	$ 168.05	89.03%
9	8 Inch Meter	7.74	132.37	235.85	-	375.97	$ 336.10	89.40%
10	10 Inch Meter	7.74	397.11	786.18	-	1,191.03	$ 581.23	48.80%
11								
12								
13								
14	**Excluding Equity Return and Income Taxes**							
15								
16								
17								
18						Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended onthly Mininum to ComputedCost
19								
20								
21		Customer Charge	Service Line Charge	Meter Charge	Demand Charge			
22								
23	5/8 x 3/4 Inch Meter	$ 7.37	$ 1.31	$ 1.65	$ -	$ 10.32	$ 7.27	70.43%
24	3/4 Inch Meter	7.37	1.96	2.47	-	11.80	7.27	61.61%
25	1 Inch Meter	7.37	3.27	4.12	-	14.76	12.61	85.45%
26	1 1/2 Inch Meter	7.37	6.54	8.24	-	22.15	21.01	94.85%
27	2 Inch Meter	7.37	10.46	13.19	-	31.02	25.21	81.28%
28	3 Inch Meter	7.37	19.62	24.72	-	51.71	50.41	97.49%
29	4 Inch Meter	7.37	32.70	41.21	-	81.27	75.62	93.05%
30	6 Inch Meter	7.37	65.40	82.41	-	155.18	168.05	108.29%
31	8 Inch Meter	7.37	104.64	131.86	-	243.87	336.10	137.82%
32	10 Inch Meter	7.37	209.28	263.72	-	480.37	581.23	121.00%

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 4
Witness: Kozoman

Line No.		Commodity	Demand	Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	404,684	5,677,904	1,004,378	1,338,116	1,224,378	9,649,461
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.820%	2.820%	2.820%	2.820%	2.820%	2.820%
3	Required Operating Income - for Debt	11,412	160,117	28,323	37,735	34,527	272,115
4	Rate Bases from Schedule G-5, Page 1	404,684	5,677,904	1,004,378	1,338,116	1,224,378	9,649,461
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	15,216	213,489	37,765	50,313	46,037	362,820
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	24,781	347,695	61,505	81,942	74,977	590,899
9							
10	Revenue Requirement for Debt Component, from Line 3	11,412	160,117	28,323	37,735	34,527	272,115
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	24,781	347,695	61,505	81,942	74,977	590,899
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	36,194	507,812	89,828	119,676	109,504	863,014
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	25,977	76,824	82,063	25,333	30,092	240,289
16	Expenses (From Sch. G-6. Page 1)	322,558	368,778	947,455	91,204	205,813	1,935,809
17	Depreciation and Amortization (From Schedule G-6, Page 2)	16,350	232,746	147,696	154,933	119,209	670,933
18	Total Revenue Requirement by function	401,079	1,186,160	1,267,042	391,146	464,618	3,710,045
19	Total Commodity and Demand Costs	1,587,239					
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	1,766,520		163,656	236,394	236,394	-
21	Computed Commodity Rate, Customer, Meter, and Service Line	$ 0.8985					
22	(Line 18 divided by Line 20)			$ 7.74	$ 1.65	$ 1.97	
23	Total Monthly Minimum Charge (Sum of Customer, Service, and Meter Charge on Line 22)					$ 11.36	
24							

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Charged to Commodity
Computation Demand Charge and Commodity
Function Costs, Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 4a
Witness: Kozoman

Line No.		Commodity	Demand	Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	404,684	5,677,904	1,004,378	1,338,116	1,224,378	9,649,461
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	11,412	160,117	28,323	37,735	34,527	272,115
4	Rate Bases from Schedule G-5, Page 1	404,684	5,677,904	1,004,378	1,338,116	1,224,378	9,649,461
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)						
6	Required Operating Income for Equity	-	-	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	-	-	-	-	-	-
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-	-	-
9							
10	Revenue Requirement for Debt Component, from Line 3	11,412	160,117	28,323	37,735	34,527	272,115
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	-	-	-	-	-	-
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	11,412	160,117	28,323	37,735	34,527	272,115
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	25,977	76,824	82,063	25,333	30,092	240,289
16	Expenses (From Sch. G-6. Page 1)	322,558	368,778	947,455	91,204	205,813	1,935,809
17	Depreciation and Amortization (From Schedule G-6, Page 2)	16,350	232,746	147,696	154,933	119,209	670,933
18	Total Revenue Requirement by function	376,298	838,465	1,205,537	309,205	389,641	3,119,146
19	Total Commodity and Demand Costs	1,214,763					
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	1,766,520		163,656	236,394	236,394	-
21	Computed Commodity Rate, Customer, Meter, and Service Line Charge	$ 0.6877					
22	(Line 18 divided by Line 20)			$ 7.3663	$ 1.3080	$ 1.6483	
23	Total Monthly Minimum Charge (Sum of Customer, Service, and Meter Charge on Line 22)					$ 10.32	

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Charged to Commodity
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **without** Equity Return and Income Taxes
Based on ACC Staff Direct Filing, as Staff has not proposed Surrebuttal Rates

Exhibit
Rejoinder Schedule G-9
Page 1
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rejoinder Schedule G-8, Page 4a	$ 0.6877
2		
3	Computed Customer Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4a	7.37
4	Computed Service Line Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4a	1.31
5	Computed Meter Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4a	1.65
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rejoinder Schedule G-8, Page 4a	$ 10.32
7		
8	**ACC Staff Proposed Rates**	
9	Proposed Monthly Minimum for 5/8" Meter	$ 7.27
10	Proposed Commodity Rate	
11	0 to 4,000	$ 0.81
12	4,001 to 100,000	$ 1.23
13	Over 100,001	$ 1.47
14		

15	Col. 1	Col. 2	Col. 3	Col. 4 (Col. 2+ 3)		Col. 5	Col. 6	Col. 7	Col. 8 (Col. 6 + 7	Col. 9 (Col, 8-4)
16										Recovery
17	**Computed Costs, without Equity**									of Expenses
18	**Return or Income Taxes**									or,
19		Monthly		Total			Monthly			(Lack of
20		Minimum	Commodity	Cost of			Minimum	Commodity	Total	
21	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	Recovery)
22	-	$ 10.32	-	$ 10.32		-	$ 7.27		$ 7.27	$ (3.05)
23	1,000	$ 10.32	$ 0.6877	$ 11.01		1,000	7.27	$ 0.81	8.08	(2.93)
24	2,000	10.32	1.38	11.70		2,000	7.27	1.62	8.89	(2.81)
25	3,000	10.32	2.06	12.39		3,000	7.27	2.43	9.70	(2.69)
26	4,000	10.32	2.75	13.07		4,000	7.27	3.24	10.51	(2.56)
27	5,000	10.32	3.44	13.76		5,000	7.27	4.47	11.74	(2.02)
28	6,000	10.32	4.13	14.45		6,000	7.27	5.70	12.97	(1.48)
29	7,000	10.32	4.81	15.14		7,000	7.27	6.93	14.20	(0.94)
30	8,000	10.32	5.50	15.82	**Usage**	8,000	7.27	8.16	15.43	(0.39)
31	**8,730**	10.32	6.00	16.33	**<-Level->**	**8,730**	7.27	9.06	16.33	0.00
32	9,000	10.32	6.19	16.51	**When**	9,000	7.27	9.39	16.66	0.15
33	10,000	10.32	6.88	17.20	**Revenues**	10,000	7.27	10.62	17.89	0.69
34	11,000	10.32	7.56	17.89	**Equal**	11,000	7.27	11.85	19.12	1.23
35	12,000	10.32	8.25	18.57	**Expenses**	12,000	7.27	13.08	20.35	1.78
36	13,000	10.32	8.94	19.26	**(No Rate**	13,000	7.27	14.31	21.58	2.32
37	14,000	10.32	9.63	19.95	**of Return**	14,000	7.27	15.54	22.81	2.86
38	15,000	10.32	10.31	20.64	**on**	15,000	7.27	16.77	24.04	3.40
39	16,000	10.32	11.00	21.33	**Equity**	16,000	7.27	18.00	25.27	3.94
40	17,000	10.32	11.69	22.01	**or Income**	17,000	7.27	19.23	26.50	4.49
41	18,000	10.32	12.38	22.70	**Taxes**	18,000	7.27	20.46	27.73	5.03
42	19,000	10.32	13.07	23.39	**Included)**	19,000	7.27	21.69	28.96	5.57
43	20,000	10.32	13.75	24.08		20,000	7.27	22.92	30.19	6.11
44	21,000	10.32	14.44	24.76		21,000	7.27	24.15	31.42	6.66
45	22,000	10.32	15.13	25.45		22,000	7.27	25.38	32.65	7.20
46	23,000	10.32	15.82	26.14		23,000	7.27	26.61	33.88	7.74
47	24,000	10.32	16.50	26.83		24,000	7.27	27.84	35.11	8.28
48	25,000	10.32	17.19	27.51		25,000	7.27	29.07	36.34	8.83
49	26,000	10.32	17.88	28.20		26,000	7.27	30.30	37.57	9.37
50	27,000	10.32	18.57	28.89		27,000	7.27	31.53	38.80	9.91
51	28,000	10.32	19.25	29.58		28,000	7.27	32.76	40.03	10.45
52	**Average Usage**					**Average Usage**				
53	8,787	10.32	6.04	16.37		8,787	7.27	9.13	16.40	**0.03**

Arizona American - Mohave Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Charged to Commodity
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **with** Equity Return and Income Taxes
Based on ACC Staff Direct Filing, as Staff has not proposed Surrebuttal Rates

Exhibit
Rejoinder Schedule G-9
Page 2
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rejoinder Schedule G-8, Page 4	$ 0.8985
2	Computed Customer Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4	7.74
3	Computed Service Line Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4	1.65
4	Computed Meter Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4	1.97
5	Computed Monthly Minimum Charge with zero gallons in minimum from Rejoinder Schedule G-8, Page 4	$ 11.36
6		
7	**ACC Staff Proposed Rates**	
8	Proposed Monthly Minimum for 5/8" Meter	$ 7.27
9	Proposed Commodity Rate	
10	0 to 4,000	$ 0.81
11	4,001 to 100,000	$ 1.23
12	Over 100,001	$ 1.47
13		

14	Col. 1	Col. 2	Col. 3	Col. 4 (Col. 2+ 3)		Col. 5	Col. 6	Col. 7	Col. 8 (Col. 6 + 7	Col. 9 (Col. 8-4) Recovery of Expenses Rate of Return & Income Tax or (Lack of Recovery)
18	**Computed Costs, with Equity**									
19	**Return and Income Taxes**									
20		Monthly		Total			Monthly			
21		Minimum	Commodity	Cost of			Minimum	Commodity	Total	
22	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	
23	-	$ 11.36	-	$ 11.36		-	$ 7.27		$ 7.27	$ (4.09)
24	1,000	$ 11.36	$ 0.8985	$ 12.26		1,000	7.27	$ 0.81	8.08	(4.18)
25	2,000	11.36	1.80	13.16		2,000	7.27	1.62	8.89	(4.27)
26	3,000	11.36	2.70	14.06		3,000	7.27	2.43	9.70	(4.36)
27	4,000	11.36	3.59	14.96		4,000	7.27	3.24	10.51	(4.45)
28	5,000	11.36	4.49	15.85		5,000	7.27	4.47	11.74	(4.11)
29	6,000	11.36	5.39	16.75		6,000	7.27	5.70	12.97	(3.78)
30	7,000	11.36	6.29	17.65		7,000	7.27	6.93	14.20	(3.45)
31	8,000	11.36	7.19	18.55		8,000	7.27	8.16	15.43	(3.12)
32	9,000	11.36	8.09	19.45		9,000	7.27	9.39	16.66	(2.79)
33	10,000	11.36	8.99	20.35		10,000	7.27	10.62	17.89	(2.46)
34	11,000	11.36	9.88	21.25		11,000	7.27	11.85	19.12	(2.13)
35	12,000	11.36	10.78	22.14		12,000	7.27	13.08	20.35	(1.79)
36	13,000	11.36	11.68	23.04		13,000	7.27	14.31	21.58	(1.46)
37	14,000	11.36	12.58	23.94		14,000	7.27	15.54	22.81	(1.13)
38	15,000	11.36	13.48	24.84		15,000	7.27	16.77	24.04	(0.80)
39	16,000	11.36	14.38	25.74		16,000	7.27	18.00	25.27	(0.47)
40	17,000	11.36	15.27	26.64	**Usage**	17,000	7.27	19.23	26.50	(0.14)
41	**17,425**	11.36	15.66	27.02	**<-Level->**	**17,425**	7.27	19.75	27.02	0.00
42	18,000	11.36	16.17	27.54	**When**	18,000	7.27	20.46	27.73	0.19
43	19,000	11.36	17.07	28.43	**Revenues**	19,000	7.27	21.69	28.96	0.53
44	20,000	11.36	17.97	29.33	**Equal**	20,000	7.27	22.92	30.19	0.86
45	21,000	11.36	18.87	30.23	**Expenses**	21,000	7.27	24.15	31.42	1.19
46	22,000	11.36	19.77	31.13	**and**	22,000	7.27	25.38	32.65	1.52
47	23,000	11.36	20.67	32.03	**Return**	23,000	7.27	26.61	33.88	1.85
48	24,000	11.36	21.56	32.93	**on Equity**	24,000	7.27	27.84	35.11	2.18
49	25,000	11.36	22.46	33.82	**and**	25,000	7.27	29.07	36.34	2.52
50	26,000	11.36	23.36	34.72	**Income**	26,000	7.27	30.30	37.57	2.85
51	27,000	11.36	24.26	35.62	**Taxes**	27,000	7.27	31.53	38.80	3.18
52	**Average Usage**					**Average Usage**				
53	8,787	$ 11.36	$ 7.895	$ 19.26		8,787	$ 7.27	9.13	16.40	**(2.86)**

Arizona / American Mohave Water
Summary of Revenues by Customer Classification - Present and Proposed Rates
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1							
2							
3	Residential 5/8 Inch	$2,648,370	$2,736,091	87,721	3.31%	60.90%	60.94%
4	Residential 1 Inch	15,626	16,151	526	3.36%	0.36%	0.36%
5	Residential 1.5 Inch	-	-	-			
6	Residential 2 Inch	14,500	14,991	491	3.38%	0.33%	0.33%
7							
8	Residential Muti-family 5/8 Inch	94,231	97,330	3,099	3.29%	2.17%	2.17%
9	Residential Muti-family 1 Inch	44,888	46,366	1,478	3.29%	1.03%	1.03%
10	Residential Muti-family 1.5 Inch	16,223	16,752	529	3.26%	0.37%	0.37%
11	Residential Muti-family 2 Inch	248,296	256,444	8,148	3.28%	5.71%	5.71%
12	Residential Muti-family 4 Inch	17,645	18,226	580	3.29%	0.41%	0.41%
13	Residential Muti-family 6 Inch	162,922	168,254	5,332	3.27%	3.75%	3.75%
14							
15	Rio Water Residential 5/8 Inch	80,529	83,272	2,743	3.41%	1.85%	1.85%
16	Rio Water Residential 1 Inch	26	27	1	3.41%	0.00%	0.00%
17	Rio Water Residential 2 Inch	74	77	3	3.41%	0.00%	0.00%
18							
19	Commercial 5/8 Inch	125,418	129,600	4,182	3.33%	2.88%	2.89%
20	Commercial 1 Inch	90,568	93,617	3,049	3.37%	2.08%	2.09%
21	Commercial 1.5 Inch	28,828	29,799	971	3.37%	0.66%	0.66%
22	Commercial 2 Inch	355,657	367,686	12,028	3.38%	8.18%	8.19%
23	Commercial 3 Inch	51,990	53,740	1,750	3.37%	1.20%	1.20%
24							
25	Commercial Multi-Unit 5/8 Inch	16,427	16,970	542	3.30%	0.38%	0.38%
26	Commercial Multi-Unit 1 Inch	3,014	3,113	99	3.27%	0.07%	0.07%
27	Commercial Multi-Unit 1.5 Inch	2,619	2,707	88	3.35%	0.06%	0.06%
28	Commercial Multi-Unit 2 Inch	9,383	9,695	312	3.32%	0.22%	0.22%
29							
30	Public Authority 58 Inch	4,450	4,596	146	3.29%	0.10%	0.10%
31	Public Authority 1 Inch	5,109	5,281	172	3.37%	0.12%	0.12%
32	Public Authority 1.5 Inch	3,877	4,007	130	3.36%	0.09%	0.09%
33	Public Authority 2 Inch	61,130	63,199	2,068	3.38%	1.41%	1.41%
34	Public Authority 3 Inch	15,446	15,967	521	3.38%	0.36%	0.36%
35	Public Authority 4 Inch	19,712	20,377	665	3.38%	0.45%	0.45%
36	Public Authority 6 Inch	33,295	34,419	1,124	3.37%	0.77%	0.77%
37							
38	Private Fire 2 Inch	264	273	9	3.33%	0.01%	0.01%
39	Private Fire 4 Inch	4,554	4,706	152	3.33%	0.10%	0.10%
40	Private Fire 6 Inch	1,539	1,590	51	3.33%	0.04%	0.04%
41	Private Fire 8 Inch	588	608	20	3.33%	0.01%	0.01%
42	Private Fire 10 Inch	180	186	6	3.33%	0.00%	0.00%
43	Private Fire Hydrant	14,489	14,963	474	3.27%	0.33%	0.33%
44	Miscellaneous Revenues	108,705	108,705		0.00%	2.50%	2.42%
45	Difference Between Bill Count Rev. & G/L Rev.	48,141	49,741	1,600	3.32%	1.11%	1.11%
46	**Subtotal of Water Revenues**	$4,348,715	$4,489,522	$ 140,807	3.24%	100.00%	100.00%
47							

Arizona / American Mohave Water
Summary of Revenues by Customer Classification - Present and Proposed Rates
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-1
Page 2
Witness: Kozoman

Line No.		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Bills to be Issued	Additional Gallons to be Produced in 1,000's
1	Residential 5/8 Inch	49,762	51,411	1,649	3.31%	2,662	19,964
2	Residential 1 Inch	1,073	1,109	36	3.36%	24	507
3	Residential 1.5 Inch						
4	Residential 2 Inch	(1,244)	(1,286)	(42)	3.38%	(12)	(748)
5							
6	Residential Muti-family 5/8 Inch	(1,693)	(1,749)	(57)	3.34%	(9)	(515)
7	Residential Muti-family 1 Inch	57	59	2	3.31%	1	5
8	Residential Muti-family 1.5 Inch	(277)	(286)	(9)	3.24%	(8)	-
9	Residential Muti-family 2 Inch	(13,893)	(14,345)	(452)	3.26%	15	(1,854)
10	Residential Muti-family 4 Inch	-	-			-	-
11	Residential Muti-family 6 Inch	(10,652)	(10,994)	(343)	3.22%	(9)	493
12							
13	Rio Water Residential 5/8 Inch	2,721	2,813	93	3.41%	111	1,326
14	Rio Water Residential 1 Inch	287	297	10	3.41%	11	138
15	Rio Water Residential 2 Inch	212	219	7	3.40%	9	99
16							
17	Commercial 5/8 Inch	2,096	2,166	70	3.33%	78	1,038
18	Commercial 1 Inch	3,184	3,291	107	3.37%	60	1,603
19	Commercial 1.5 Inch	-	-			-	-
20	Commercial 2 Inch	10,608	10,967	359	3.38%	62	5,973
21	Commercial 3 Inch	2,711	2,802	91	3.36%	10	1,436
22							
23	Commercial Multi-Unit 5/8 Inch	3,966	4,098	133	3.35%	6	2,185
24	Commercial Multi-Unit 1 Inch	42	43	1	3.26%	1	9
25	Commercial Multi-Unit 1.5 Inch	-	-			-	-
26	Commercial Multi-Unit 2 Inch	(2,842)	(2,936)	(93)	3.28%	(8)	(688)
27							
28	Public Authority 58 Inch						
29	Public Authority 1 Inch	45	46	2	3.36%	1	21
30	Public Authority 1.5 Inch						
31	Public Authority 2 Inch	(977)	(1,010)	(33)	3.38%	(6)	(0.23)
32	Public Authority 3 Inch						
33	Public Authority 4 Inch	(18)	(19)	(1)	3.33%	(3)	-
34	Public Authority 6 Inch						
35							
36	Private Fire 2 Inch	132	136	4	3.33%	44	-
37	Private Fire 4 Inch						
38	Private Fire 6 Inch	81	84	3	3.33%	9	-
39	Private Fire 8 Inch	132	136	4	3.33%	11	-
40	Private Fire 10 Inch						
41	Private Fire Hydrant	(95)	(98)	(3)	3.27%	(12)	
42	Total Revenue Annualization	45,417	46,955	1,538	3.39%	3,048	30,993
43	Revenues from Page 1	4,348,715	4,489,522	140,807	3.24%		
44	Totals	4,394,133	4,536,477	142,344	3.24%	3,048	30,993

Arizona / American Mohave Water
Analysis of Revenue by Detailed Class at Average Usage
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Number of Units at 12/31/01	Average Consumption Per Customer	Revenues Per Customer Present Rates	Revenues Per Customer Proposed Rates	Revenues Per Unit Present Rates	Revenues Per Unit Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1									-	
2									-	
3	Residential 5/8 Inch	11,933	11,933	7,500	18.27	18.87	18.27	18.87	0.60	3.31%
4	Residential 1 Inch	29	29	21,141	88.42	91.40	88.42	91.40	2.97	3.36%
5	Residential 1.5 Inch									
6	Residential 2 Inch	10	10	62,308	120.74	124.82	120.74	124.82	4.09	3.38%
7									-	
8	Residential Muti-family 5/8 Inch	178	578	13,801	43.76	45.20	13.45	13.89	1.44	3.29%
9	Residential Muti-family 1 Inch	38	262	33,048	98.49	101.74	14.27	14.74	3.24	3.29%
10	Residential Muti-family 1.5 Inch	4	133	71,750	366.69	378.64	10.13	10.46	11.95	3.26%
11	Residential Muti-family 2 Inch	108	1,641	53,220	189.71	195.94	12.46	12.87	6.22	3.28%
12	Residential Muti-family 4 Inch	2	107	216,583	731.83	755.90	13.68	14.13	24.07	3.29%
13	Residential Muti-family 6 Inch	1	757	1,920,929	7,008.36	7,237.78	11.78	12.17	229.41	3.27%
14										
15	Rio Water Residential 5/8 Inch	264	264	11,942	25.15	26.01	25.15	26.01	0.86	3.41%
16	Rio Water Residential 1 Inch	0	0	12,501	26.13	27.02	26.13	27.02	0.89	3.41%
17	Rio Water Residential 2 Inch	0	0	11,000	23.50	24.30	23.50	24.30	0.80	3.40%
18										
19	Commercial 5/8 Inch	378	378	13,691	27.43	28.35	27.43	28.35	0.91	3.33%
20	Commercial 1 Inch	135	135	28,529	55.74	57.62	55.74	57.62	1.88	3.37%
21	Commercial 1.5 Inch	16	16	85,344	149.83	154.88	149.83	154.88	5.05	3.37%
22	Commercial 2 Inch	163	163	103,576	181.81	187.96	181.81	187.96	6.15	3.38%
23	Commercial 3 Inch	15	15	153,110	285.12	294.72	285.12	294.72	9.60	3.37%
24										
25	Commercial Multi-Unit 5/8 Inch	20	86	25,526	69.33	71.62	15.81	16.33	2.29	3.30%
26	Commercial Multi-Unit 1 Inch	5	22	12,339	49.86	51.49	11.31	11.68	1.63	3.27%
27	Commercial Multi-Unit 1.5 Inch	1	5	123,250	218.26	225.57	43.65	45.11	7.31	3.35%
28	Commercial Multi-Unit 2 Inch	3	37	126,781	293.04	302.77	21.41	22.12	9.73	3.32%
29										
30	Public Authority 58 Inch	27	27	3,731	12.69	13.11	12.69	13.11	0.42	3.28%
31	Public Authority 1 Inch	8	8	27,158	53.71	55.52	53.71	55.52	1.81	3.37%
32	Public Authority 1.5 Inch	5	5	27,767	64.61	66.78	64.61	66.78	2.17	3.36%
33	Public Authority 2 Inch	37	37	74,826	139.26	143.97	139.26	143.97	4.71	3.38%
34	Public Authority 3 Inch	1	1	830,167	1,287.17	1,330.62	1,287.17	1,330.62	43.45	3.38%
35	Public Authority 4 Inch	1	1	1,050,083	1,642.64	1,698.09	1,642.64	1,698.09	55.44	3.38%
36	Public Authority 6 Inch	1	1	1,740,583	2,774.58	2,868.21	2,774.58	2,868.21	93.63	3.37%
37										
38	Private Fire 2 Inch	7	7	-	-	-	-	-	-	0.00%
39	Private Fire 4 Inch	63	63	-	-	-	-	-	-	0.00%
40	Private Fire 6 Inch	14	14	-	-	-	-	-	-	0.00%
41	Private Fire 8 Inch	4	4	-	-	-	-	-	-	0.00%
42	Private Fire 10 Inch	1	1	-	-	-	-	-	-	0.00%
43	Private Fire Hydrant	158	158	-	-	-	-	-	-	0.00%
44										
45										
46										
47	Subtotal	13,628	16,896							
48										
49	Actual Year End Number									
50	of Customers:	13,795	17,315							
51										

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

Arizona / American Mohave Water
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1	Percentage Increase in Monthly Minimums				
2	Percentage Increase in Commodity Rates				
3					
4	**Monthly Usage Charge for:**				
5	Residential,Commercial, Irrigation, Resale and Miscellaneous Customers				
6	5/8 x 3/4 Inch	(a)	$ 8.65	$ 8.930	3.24%
7	1 Inch	(a)	15.00	$ 15.500	3.33%
8	1 1/2 Inch	(a)	25.00	$ 25.830	3.32%
9	2 Inch	(a)	30.00	$ 31.020	3.40%
10	3 Inch	(a)	60.00	$ 61.990	3.32%
11	4 Inch	(a)	90.00	$ 92.990	3.32%
12	6 Inch	(a)	200.00	$ 206.650	3.33%
13	8 Inch	(a)	400.00	$ 413.390	3.35%
14	10 Inch	(a)	N/A	$ 715.200	N/A
15	Multi-unit rates based on multiple of 5/8 Inch minimum				
16					
17	Residential Rio Water				
18	5/8 Inch	(a)	7.75	8.01	3.35%
19	1 Inch	(a)	7.75	8.01	3.35%
20	2 Inch	(a)	7.75	8.01	3.35%
21					
22	Private Fire				
23	2 Inch or smaller	(a)	3.00	3.10	3.33%
24	4 Inch	(a)	6.00	6.20	3.33%
25	6 Inch	(a)	9.00	9.30	3.33%
26	8 Inch	(a)	12.00	12.40	3.33%
27	10 Inch	(a)	15.00	15.50	3.33%
28	12 Inch	(a)	18.00	18.60	3.33%
29	14 Inch	(a)	21.00	21.70	3.33%
30	20 Inch	(a)	30.00	31.02	3.40%
31					
32	Per Sprinkler Head		0.51	0.53	3.92%
33	Per each Private Fire Hydrant		7.64	7.89	3.27%
34					
35	Gallons In Minimum				
36	All (except Rio Water)		1,000	1,000	
37	(Multi-unit rates based on multiple of)				
38	Rio Water		2,000	2,000	
39					
40					
41	**Tier 1:** Gallons upper limit				
42	All (except Rio Water)		999,999,999	999,999,999	
43	(Multi-unit rates based on multiple of 5/8 inch gallons of water in minimum)				
44	Rio Water		999,999,999	999,999,999	
45					
46	(a) Rounded as needed				
47					
48					

Arizona / American Mohave Water
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 2
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1					
2					
3	**Tier 2:** (Gallon upper limit, up to, but not exceeding)				
4	All (except Rio Water)		999,999,999	999,999,999	
5	(Multi-unit rates based on multiple of 5/8 Meter Charge)				
6	Rio Water		999,999,999	999,999,999	
7					
8					
9					
10					
11					
12					
13					
14					
15	**Tier 3:** (Gallon over)				
16	All (except Rio Water)		999,999,999	999,999,999	
17	(Multi-unit rates based on multiple of 5/8 Meter Charge)				
18	Rio Water		999,999,999	999,999,999	
19					
20					
21					
22					
23					
24					
25					
26					
27	Commodity Rates (per 1,000 gallons over minimum and per Tier)				
28	All	Tier 1 (a)	$ 1.48	$ 1.53	3.38%
29	All	Tier 2 (a)	1.48	1.53	3.38%
30	All	Tier 3 (a)	1.48	1.53	3.38%
31	All	Tier 4 (a)	1.48	1.53	3.38%
32					
33					
34					
35	Rio Water	Tier1 (a)	$ 1.75	$ 1.81	3.43%
36	Rio Water	Tier 2 (a)	1.75	1.81	3.43%
37	Rio Water	Tier 3 (a)	1.75	1.81	3.43%
38	Rio Water	Tier 4 (a)	1.75	1.81	3.43%
39					
40	(a) Rounded as needed				

Arizona / American Mohave Water
Changes in Representative Rate Schedules
Test Year Ended December 31, 2000

Exhibit
Rejoinder Schedule H-3
Page 3
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates	
1	Establishment	$ 25.00	$ 25.00	
2	Re-establishment	$ 20.00	$ 20.00	
3	Reconnection (Deliquent)	$ 25.00	$ 25.00	
4	Reconnection (After Hours)	$ 40.00	$ 40.00	
5	Disconnection	$ 25.00	$ 25.00	
6	Reconnection (After Hours)	$ 40.00	$ 40.00	
7	Meter Test	$ 10.00	$ 10.00	
8	Deposit	**	**	
9	Deposit Interest	**	**	
10	Re-Establishment (With-in 12 Months)	***	***	
11				
12	NSF Check	$ 15.00	$ 15.00	
13	Deferred Payment, Per Month (b)	1.50%	1.50%	
14	Meter Re-Read	$ 15.00	$ 15.00	
15	Charge of Moving Customer Meter -			
16	Customer Requested	Cost	Cost	
17	Late Payment Charge, greater of 1.50% or	$ 5.00	$ 5.00	(1)
18	Damages to Meter Locks, Valves, Seals	Cost	Cost	(2)
19	Sprinklers	See Sch. H-3, Page 1		
20				
21				
22	** PER COMMISSION RULES (R14-2-403.B)			
23	*** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)			
24	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM			
25	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE			
26	TAX. PER COMMISSION RULE (14-2-409.D 5)			
27	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,			
28	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.			
29				
30				
31				

32	Meter Size	Present Charges	Proposed Charges
33			
34	5/8 x 3/4 Inch	$275	$500
35	3 / 4 Inch	$295	$575
36	1 Inch	$325	$660
37	1 1/2 Inch	$475	$900
38	2 Inch	$650	$1,525
39	3 Inch	Cost	Cost
40	4 Inch	Cost	Cost
41	6 Inch	Cost	Cost
42	8 Inch	Cost	Cost

43

44 As meters and service lines are now taxable income for income purposes, The Company
45 shall collect income taxes on the meter and service line charges.
46 Any tax collected will be refunded each year that the meter deposit is refunded.
47
48 Foothills System / Facility Construction Advance
49 Per Equivalent Residential Unit $ 350.00
50

SUN CITY WATER

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 1
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	1,896,030	2,542,885	2,319,283	6,758,199
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	53,468	71,709	65,404	190,581
4	Rate Bases	1,896,030	2,542,885	2,319,283	6,758,199
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	71,291	95,612	87,205	254,108
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	*Equity Return plus Income tax component* (Line 6 x Line 7)	116,106	155,717	142,025	413,848
9					
10	Revenue Requirement for Debt Component, from Line 3	53,468	71,709	65,404	190,581
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	116,106	155,717	142,025	413,848
13	Total Return Requirement with Income Tax	169,574	227,427	207,429	604,430
14					
15	Property Tax Expense, from Schedule G-5, Page 1	65,171	15,420	19,584	100,176
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	1,819,761	163,333	358,395	2,341,488
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	163,526	118,638	81,124	363,289
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	2,218,033	524,818	666,533	3,409,383
19					
20	**Customer Charge**				
21	Number of Bills = 22,132 times 12	265,584			
22					
23	**Charge per Bill**	$ 8.35			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 38,746 times 12		464,946	464,946	
28					
29	**Charge per Equivalent Meter**		$ 1.13	$ 1.43	
30					
31					
32	CUSTOMER CHARGE:				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge)				
34	Charge per Bill (Customer Charge with Equity Return and Income Tax)	$ 8.35			
35	Charge per Equivalent Meter (For Service Line Charge with Equity Return and Income Tax)	1.13			
36	Charge per Equivalent Meter (For Meter Charge with Equity Return and Income Tax)	1.43			
37	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter	$ 10.91			
39					

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 1a
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	1,896,030	2,542,885	2,319,283	6,758,199
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	53,468	71,709	65,404	190,581
4	Rate Bases	1,896,030	2,542,885	2,319,283	6,758,199
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	0.00%	0.00%	0.00%	0.00%
6	Required Operating Income for Equity	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-
9					
10	Revenue Requirement for Debt Component, from Line 3	53,468	71,709	65,404	190,581
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	-	-	-	-
13	Total Return Requirement with Income Tax	53,468	71,709	65,404	190,581
14					
15	Property Tax Expense, from Schedule G-5, Page 1	65,171	15,420	19,584	100,176
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	1,819,761	163,333	358,395	2,341,488
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	163,526	118,638	81,124	363,289
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	2,101,926	369,101	524,508	2,995,535
19					
20	**Customer Charge**				
21	Number of Bills = 22,132 times 12	265,584			
22					
23	**Charge per Bill**	$ 7.91			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 38,746 times 12		464,946	464,946	
28					
29	**Charge per Equivalent Meter**		$ 0.79	$ 1.13	
30	**Actual Cost (without Equity Returns or Income Taxes)**				
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge, nor recovery of return or income tax)				
34	Charge per Bill (Customer Charge without Equity Return or Income Tax)		$ 7.91		
35	Charge per Equivalent Meter (For Service Line Charge without Equity Return or Income Tax)		0.79		
36	Charge per Equivalent Meter (For Meter Charge without Equity Return or Income Tax)		1.13		
37	(Service and Meter Revenue Requirement divided by Annualized Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter without recovery of Equity Return or Income Tax		$ 9.84		

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 2
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	13,351,476
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	376,512
5	Rate Base	13,351,476
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%
7	Required Operating Income for Equity	502,015
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	817,597
10		
11	Revenue Requirement for Debt Component, from Line 4	376,512
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	817,597
14		
15	Property Tax Expense, from Schedule G-5, Page 1	85,975
16	Demand Expenses, from Schedule G-6, Page 1	1,105,559
17	Depreciation, from Schedule G-6, Page 2	540,431
18	Total Revenue Requirement / Demand Component	2,926,074
19		

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 2a
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	13,351,476
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	376,512
5	Rate Base	13,351,476
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	
7	Required Operating Income for Equity	-
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	-
10		
11	Revenue Requirement for Debt Component, from Line 4	376,512
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	-
14		
15	Property Tax Expense, from Schedule G-5, Page 1	85,975
16	Demand Expenses, from Schedule G-6, Page 1	1,105,559
17	Depreciation, from Schedule G-6, Page 2	540,431
18	Total Revenue Requirement / Demand Component	2,108,476
19		

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including and Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 3
Witness: Kozoman

Including Equity Return and Income Taxes

Line No.		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Proposed Monthly Minimum to Computed Minimum
1	5/8 x 3/4 Inch Meter	$ 8.35	$ 1.13	$ 1.43		$ 10.91	6.59	60.38%
2	3/4 Inch Meter	8.35	1.69	2.15		12.20	6.59	54.04%
3	1 Inch Meter	8.35	2.82	3.58		14.76	17.15	116.21%
4	1 1/2 Inch Meter	8.35	5.64	7.17		21.16	36.93	174.50%
5	2 Inch Meter	8.35	9.03	11.47		28.85	54.07	187.42%
6	3 Inch Meter	8.35	16.93	21.50		46.79	92.32	197.32%
7	4 Inch Meter	8.35	28.22	35.84		72.41	135.85	187.61%
8	6 Inch Meter	8.35	56.44	71.68		136.47	185.97	136.27%
9	8 Inch Meter	8.35	90.30	172.03		270.68		
10	10 Inch Meter	8.35	270.91	573.43		852.68		
11								
12								
13	**Excluding Equity Return and Income Taxes**							
14								
15								
16								
17								
18								
19								
20		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Proposed Monthly Minimum to Computed Minimum
21	5/8 x 3/4 Inch Meter	$ 7.91	$ 0.79	$ 1.13	$ -	$ 9.84	6.59	67.00%
22	3/4 Inch Meter	7.91	1.19	1.69	-	10.80	6.59	61.03%
23	1 Inch Meter	7.91	1.98	2.82	-	12.72	17.15	134.83%
24	1 1/2 Inch Meter	7.91	3.97	5.64	-	17.52	36.93	210.74%
25	2 Inch Meter	7.91	6.35	9.02	-	23.29	54.07	232.16%
26	3 Inch Meter	7.91	11.91	16.92	-	36.74	92.32	251.25%
27	4 Inch Meter	7.91	19.85	28.20	-	55.96	135.85	242.75%
28	6 Inch Meter	7.91	39.69	56.41	-	104.01	185.97	178.80%
29	8 Inch Meter	7.91	63.51	90.25	-	161.67		
30	10 Inch Meter	7.91	127.02	180.50	-	315.43		

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 4
Witness: Kozoman

Line No.		Commodity	Demand	Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	1,323,950	13,351,476	1,896,030	2,542,885	2,319,283	21,433,625
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.820%	2.820%	2.820%	2.820%	2.820%	2.820%
3	Required Operating Income - for Debt	37,335	376,512	53,468	71,709	65,404	604,428
4	Rate Bases from Schedule G-5, Page 1	1,323,950	13,351,476	1,896,030	2,542,885	2,319,283	21,433,625
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	49,781	502,015	71,291	95,612	87,205	805,904
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	81,074	817,597	116,106	155,717	142,025	1,312,520
9							
10	Revenue Requirement for Debt Component, from Line 3	37,335	376,512	53,468	71,709	65,404	604,428
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	81,074	817,597	116,106	155,717	142,025	1,312,520
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	118,409	1,194,109	169,574	227,427	207,429	1,916,948
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	52,487	85,975	65,171	15,420	19,584	238,638
16	Expenses (From Sch. G-6. Page 1)	1,564,302	1,105,559	1,819,761	163,333	358,395	5,011,349
17	Depreciation and Amortization (From Schedule G-6, Page 2)	51,128	540,431	163,526	118,638	81,124	954,848
18	Total Revenue Requirement by function	1,786,326	2,926,074	2,218,033	524,818	666,533	8,121,783
19	Total Commodity and Demand Costs	4,712,400					
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	4,754,460		265,584	464,946	464,946	
21	Computed Commodity Rate, Customer, Meter, and Service Line Charge	$ 0.9912					
22	(Line 18 divided by Line 20)			$ 8.35	$ 1.13	$ 1.43	
23	Total Monthly Minimum Charge (Sum of Customer, Service, and Meter Charge on Line 22)					$ 10.91	
24							

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 4a
Witness: Kozoman

Line No.		Commodity	Demand	Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	1,323,950	13,351,476	1,896,030	2,542,885	2,319,283	21,433,625
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	37,335	376,512	53,468	71,709	65,404	604,428
4	Rate Bases from Schedule G-5, Page 1	1,323,950	13,351,476	1,896,030	2,542,885	2,319,283	21,433,625
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)						
6	Required Operating Income for Equity	-	-	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	-	-	-	-	-	-
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-	-	-
9							
10	Revenue Requirement for Debt Component, from Line 3	37,335	376,512	53,468	71,709	65,404	604,428
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	-	-	-	-	-	-
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	37,335	376,512	53,468	71,709	65,404	604,428
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	52,487	85,975	65,171	15,420	19,584	238,638
16	Expenses (From Sch. G-6. Page 1)	1,564,302	1,105,559	1,819,761	163,333	358,395	5,011,349
17	Depreciation and Amortization (From Schedule G-6, Page 2)	51,128	540,431	163,526	118,638	81,124	954,848
18	Total Revenue Requirement by function	1,705,252	2,108,476	2,101,926	369,101	524,508	6,809,263
19	Total Commodity and Demand Costs	3,813,728					
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	4,754,460		265,584	464,946	464,946	
21	Computed Commodity Rate, Customer, Meter, and Service Line	$ 0.8021					
22	(Line 18 divided by Line 20)			$ 7.9144	$ 0.7939	$ 1.1281	
23	Total Monthly Minimum Charge (Sum of Customer, Service, and Meter Charge on Line 22)						$ 9.84

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **without** Equity Return and Income Taxes

Exhibit
Rebuttal Schedule G-9
Page 1
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rejoinder Schedule G-8, Page 4a	$0.8021
2		
3	Computed Customer Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4a	$ 7.91
4	Computed Service Line Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4a	0.79
5	Computed Meter Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4a	1.13
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rejoinder Schedule G-8, Page 4a	$ 9.84
7		
8	**ACC Staff Proposed Rates**	
9	Proposed Monthly Minimum for 5/8" Meter	$ 6.59
10	Proposed Commodity Rate	
11	0 to 4,000	$ 0.78
12	4,001 to 100,000	$ 1.17
13	Over 100,001	$ 1.39
14		

Line No.	Col. 1	Col. 2	Col. 3	Col. 4 (Col. 2+ 3)		Col. 5	Col. 6	Col. 7	Col. 8 (Col. 6 + 7	Col. 9 (Col. 8-4)
17	**Computed Costs, without Equity**									
18	**Return or Income Taxes**									Recovery of Expenses or,
19		Monthly		Total			Monthly			
20		Minimum	Commodity	Cost of			Minimum	Commodity	Total	(Lack of
21	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	Recovery)
22	-	$ 9.84	-	$ 9.84		-	$ 6.59		$ 6.59	$ (3.25)
23	1,000	$ 9.84	$0.8021	$ 10.64		1,000	6.59	$ 0.78	7.37	(3.27)
24	2,000	9.84	1.60	11.44		2,000	6.59	1.56	8.15	(3.29)
25	3,000	9.84	2.41	12.24		3,000	6.59	2.34	8.93	(3.31)
26	4,000	9.84	3.21	13.04		4,000	6.59	3.12	9.71	(3.33)
27	5,000	9.84	4.01	13.85		5,000	6.59	4.29	10.88	(2.97)
28	6,000	9.84	4.81	14.65		6,000	6.59	5.46	12.05	(2.60)
29	7,000	9.84	5.61	15.45		7,000	6.59	6.63	13.22	(2.23)
30	8,000	9.84	6.42	16.25		8,000	6.59	7.80	14.39	(1.86)
31	9,000	9.84	7.22	17.06		9,000	6.59	8.97	15.56	(1.50)
32	10,000	9.84	8.02	17.86		10,000	6.59	10.14	16.73	(1.13)
33	11,000	9.84	8.82	18.66		11,000	6.59	11.31	17.90	(0.76)
34	12,000	9.84	9.63	19.46		12,000	6.59	12.48	19.07	(0.39)
35	13,000	9.84	10.43	20.26	**Usage**	13,000	6.59	13.65	20.24	(0.02)
36	**13,070**	9.84	10.48	20.32	**<-Level->**	**13,070**	6.59	13.73	20.32	0.00
37	14,000	9.84	11.23	21.07	**When**	14,000	6.59	14.82	21.41	0.34
38	15,000	9.84	12.03	21.87	**Revenues**	15,000	6.59	15.99	22.58	0.71
39	16,000	9.84	12.83	22.67	**Equal**	16,000	6.59	17.16	23.75	1.08
40	17,000	9.84	13.64	23.47	**Expenses**	17,000	6.59	18.33	24.92	1.45
41	18,000	9.84	14.44	24.27		18,000	6.59	19.50	26.09	1.82
42	19,000	9.84	15.24	25.08	**(No Rate**	19,000	6.59	20.67	27.26	2.18
43	20,000	9.84	16.04	25.88	**of Return**	20,000	6.59	21.84	28.43	2.55
44	21,000	9.84	16.84	26.68	**on**	21,000	6.59	23.01	29.60	2.92
45	22,000	9.84	17.65	27.48	**Equity**	22,000	6.59	24.18	30.77	3.29
46	23,000	9.84	18.45	28.29	**or Income**	23,000	6.59	25.35	31.94	3.65
47	24,000	9.84	19.25	29.09	**Taxes**	24,000	6.59	26.52	33.11	4.02
48	25,000	9.84	20.05	29.89	**Included)**	25,000	6.59	27.69	34.28	4.39
49	26,000	9.84	20.86	30.69		26,000	6.59	28.86	35.45	4.76
50	27,000	9.84	21.66	31.49		27,000	6.59	30.03	36.62	5.13
51	28,000	9.84	22.46	32.30		28,000	6.59	31.20	37.79	5.49
52	29,000	9.84	23.26	33.10		29,000	6.59	32.37	38.96	5.86
53	30,000	9.84	24.06	33.90		30,000	6.59	33.54	40.13	6.23
54	**Average Usage**					**Average Usage**				
55	8,361	9.84	6.71	16.54		8,361	6.59	8.22	14.81	**(1.73)**

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **with** Equity Return and Income Taxes

Exhibit
Rebuttal Schedule G-9
Page 2
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rejoinder Schedule G-8, Page 4	$0.9912
2	Computed Customer Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4	8.35
3	Computed Service Line Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4	1.13
4	Computed Meter Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4	1.43
5	Computed Monthly Minimum Charge with zero gallons in minimum from Rejoinder Schedule G-8, Page 4	$ 10.91
6		
7	**ACC Staff Proposed Rates**	
8	Proposed Monthly Minimum for 5/8" Meter	$ 6.59
9	Proposed Commodity Rate	
10	0 to 4,000	$ 0.78
11	4,001 to 100,000	$ 1.17
12	Over 100,001	$ 1.39
13		

14	Col. 1	Col. 2	Col. 3	Col. 4 (Col. 2+ 3)		Col. 5	Col. 6	Col. 7	Col. 8 (Col. 6 + 7	Col. 9 (Col, 8-4)
15										Recovery of Expenses Rate of Return & IncomeTax or (Lack of Recovery)
16										
17										
18	**Computed Costs, with Equity**									
19	**Return and Income Taxes**									
20		Monthly		Total			Monthly			
21		Minimum	Commodity	Cost of			Minimum	Commodity	Total	
22	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	
23	-	$ 10.91	-	$ 10.91		-	$ 6.59		$ 6.59	$ (4.32)
24	1,000	$ 10.91	$0.9912	$ 11.91		1,000	6.59	$ 0.78	7.37	(4.54)
25	2,000	10.91	1.98	12.90		2,000	6.59	1.56	8.15	(4.75)
26	3,000	10.91	2.97	13.89		3,000	6.59	2.34	8.93	(4.96)
27	4,000	10.91	3.96	14.88		4,000	6.59	3.12	9.71	(5.17)
28	5,000	10.91	4.96	15.87		5,000	6.59	4.29	10.88	(4.99)
29	6,000	10.91	5.95	16.86		6,000	6.59	5.46	12.05	(4.81)
30	7,000	10.91	6.94	17.85		7,000	6.59	6.63	13.22	(4.63)
31	8,000	10.91	7.93	18.84		8,000	6.59	7.80	14.39	(4.45)
32	9,000	10.91	8.92	19.83		9,000	6.59	8.97	15.56	(4.27)
33	10,000	10.91	9.91	20.83		10,000	6.59	10.14	16.73	(4.10)
34	11,000	10.91	10.90	21.82		11,000	6.59	11.31	17.90	(3.92)
35	12,000	10.91	11.89	22.81		12,000	6.59	12.48	19.07	(3.74)
36	13,000	10.91	12.88	23.80		13,000	6.59	13.65	20.24	(3.56)
37	14,000	10.91	13.88	24.79		14,000	6.59	14.82	21.41	(3.38)
38	15,000	10.91	14.87	25.78		15,000	6.59	15.99	22.58	(3.20)
39	16,000	10.91	15.86	26.77		16,000	6.59	17.16	23.75	(3.02)
40	17,000	10.91	16.85	27.76		17,000	6.59	18.33	24.92	(2.84)
41	18,000	10.91	17.84	28.75		18,000	6.59	19.50	26.09	(2.66)
42	19,000	10.91	18.83	29.75		19,000	6.59	20.67	27.26	(2.49)
43	20,000	10.91	19.82	30.74		20,000	6.59	21.84	28.43	(2.31)
44	21,000	10.91	20.81	31.73		21,000	6.59	23.01	29.60	(2.13)
45	22,000	10.91	21.81	32.72		22,000	6.59	24.18	30.77	(1.95)
46	23,000	10.91	22.80	33.71		23,000	6.59	25.35	31.94	(1.77)
47	24,000	10.91	23.79	34.70		24,000	6.59	26.52	33.11	(1.59)
48	25,000	10.91	24.78	35.69		25,000	6.59	27.69	34.28	(1.41)
49	26,000	10.91	25.77	36.68		26,000	6.59	28.86	35.45	(1.23)
50	27,000	10.91	26.76	37.68		27,000	6.59	30.03	36.62	(1.06)
51	28,000	10.91	27.75	38.67		28,000	6.59	31.20	37.79	(0.88)
52	**32,900**	10.91	32.61	43.52	<-(a)->	**32,900**	6.59	36.93	43.52	0.00
53	**Average Usage**					**Average Usage**				
54	8,361	$ 10.91	$ 8.287	$ 19.20		8,361	$ 6.59	8.22	14.81	**(4.39)**
55	**(a)** Usage when revenues equals costs and rate of return and income taxes									

Arizona American - Sun City
Test Year Ended December 31, 2001
Summary of Revenues by Customer Classification - Present and Proposed Rates
With Annualized Revenues to Year End Number of Customers

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Kozoman

Line No.	Meter Size	Customer Classification	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	$2,662,562	$ 4,624,450	$1,961,888	73.68%	43.80%	44.21%
2	3/4 Inch	Residential	1,817	3,150	1,333	73.39%	0.03%	0.03%
3	1 Inch	Residential	66,498	115,187	48,689	73.22%	1.09%	1.10%
4	1.5 Inch	Residential	1,485,121	2,571,799	1,086,678	73.17%	24.43%	24.59%
5	2 Inch	Residential	632,378	1,095,144	462,765	73.18%	10.40%	10.47%
6	3 Inch	Residential	13,103	22,671	9,568	73.02%	0.22%	0.22%
7	6 Inch	Residential	6,383	11,065	4,681	73.33%	0.11%	0.11%
8	5/8 Inch	Commercial	25,941	45,004	19,064	73.49%	0.43%	0.43%
9	3/4 Inch	Commercial	3,226	5,594	2,368	73.40%	0.05%	0.05%
10	1 Inch	Commercial	48,884	84,743	35,860	73.36%	0.80%	0.81%
11	1.5 Inch	Commercial	150,893	261,448	110,556	73.27%	2.48%	2.50%
12	2 Inch	Commercial	280,522	485,631	205,108	73.12%	4.61%	4.64%
13	3 Inch	Commercial	71,578	123,900	52,322	73.10%	1.18%	1.18%
14	4 Inch	Commercial	71,802	124,152	52,351	72.91%	1.18%	1.19%
15	6 Inch	Commercial	203,846	352,413	148,567	72.88%	3.35%	3.37%
16	1 Inch	Irrigation	339	590	250	73.77%	0.01%	0.01%
17	1.5 Inch	Irrigation	98,009	170,347	72,338	73.81%	1.61%	1.63%
18	2 Inch	Irrigation	6,157	10,703	4,546	73.84%	0.10%	0.10%
19	3 Inch	Irrigation	1,142	1,984	842	73.76%	0.02%	0.02%
20	6 Inch	Irrigation	114,183	198,501	84,318	73.84%	1.88%	1.90%
21	3 Inch	Public Interruptible	3,193	5,555	2,362	74.00%	0.05%	0.05%
22	8 Inch	Public Interruptible	19	33	14	74.00%	0.00%	0.00%
23	3 Inch	Fire Protection	72	125	53	73.67%	0.00%	0.00%
24	4 Inch	Fire Protection	5,814	10,103	4,289	73.78%	0.10%	0.10%
25	6 Inch	Fire Protection	7,150	12,424	5,274	73.76%	0.12%	0.12%
26	8 Inch	Fire Protection	2,480	4,309	1,829	73.75%	0.04%	0.04%
27	Standby		2,646	4,596	1,950	73.71%	0.04%	0.04%
28	Miscellaneous Revenues		113,419	113,419	-	0.00%	1.87%	1.08%
29	**Subtotal of Water Revenues**		$6,079,178	$10,459,042	$4,379,864	72.05%	100.00%	100.00%
30								
31								
32				**Revenue Annualization (a)**				
33			**Present**	**Proposed**	**Dollar**	**Percent**	Additional	Gallons to
34			**Revenues**	**Revenues**	**Change**	**Change**	Bills to be Issued	be Pumped (In 1,000's)
35	5/8 Inch	Residential	10,636	18,492	7,856	73.86%	1,004	7,612
36	1 Inch	Residential	404	700	296	73.25%	9	327
37	1.5 Inch	Residential	1,046	1,810	764	73.11%	9	878
38	2 Inch	Residential	5,905	10,226	4,322	73.19%	49	4,522
39	5/8 Inch	Commercial	421	732	311	73.88%	42	293
40	3/4 Inch	Commercial	(70)	(122)	(52)	73.80%	(6)	(53)
41	1 Inch	Commercial	(343)	(595)	(252)	73.43%	(11)	(236)
42	1.5 Inch	Commercial	863	1,496	633	73.35%	14	535
43	2 Inch	Commercial	5,008	8,668	3,661	73.11%	32	4,070
44	3 Inch	Commercial	(3,159)	(5,470)	(2,311)	73.16%	(15)	**(2,317)**
45	1.5 Inch	Irrigation	(4)	(6)	(3)	73.85%	-	(4)
46	2 Inch	Irrigation	(594)	(1,033)	(439)	73.83%	(2)	(788)
47	3 Inch	Irrigation	(97)	(169)	(72)	73.77%	(1)	**(42)**
48	6 Inch	Irrigation	83,116	144,493	61,377	73.84%	8	126,136
49	3 Inch	Public Interruptible	(3,193)	(5,555)	(2,362)	74.00%	(13)	**(6,385)**
50	4 Inch	Fire Protection	126	219	93	73.78%	14	
51	6 Inch	Fire Protection	200	348	148	73.76%	16	
52	8 Inch	Fire Protection	(80)	(139)	(59)	73.75%	(4)	
53	Total Water Annualization		100,185	174,097	73,911	73.77%	1,145	134,549
54	Total Water Revenues with Annualization		6,179,363	10,633,139	4,453,775	72.07%		

55 **(a)** Customer Growth Annualization is calculated by computing the change in the number of customers by month from
56 the beginning of the year to the end of the year, and then multipling the additional customers times the average
57 revenue for that month.

Arizona American - Sun City
Test Year Ended December 31, 2001
Analysis of Revenue by Detailed Class at Average Usage

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Kozoman

Line No.		Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	19,214	8,361	$ 11.17	$ 19.42	8.25	73.86%
2	3/4 Inch	Residential	8	15,869	18.08	31.36	13.28	73.47%
3	1 Inch	Residential	117	38,788	47.17	81.70	34.54	73.23%
4	1.5 Inch	Residential	1,312	73,721	94.30	163.31	69.00	73.17%
5	2 Inch	Residential	425	91,864	123.99	214.73	90.74	73.18%
6	3 Inch	Residential	3	-	-	-	-	0.00%
7	4 Inch	Residential	-	-	-	-	-	0.00%
8	6 Inch	Residential	2	137,292	$ 265.79	$ 460.70	194.92	73.33%
9	5/8 Inch	Commercial	198	7,054	10.15	17.65	7.50	73.89%
10	3/4 Inch	Commercial	21	-	-	-	-	0.00%
11	1 Inch	Commercial	126	22,247	31.95	55.40	23.46	73.42%
12	1.5 Inch	Commercial	181	46,341	69.11	119.77	50.66	73.30%
13	2 Inch	Commercial	155	120,339	150.19	260.01	109.82	73.12%
14	3 Inch	Commercial	23	204,111	256.26	443.60	187.33	73.10%
15	4 Inch	Commercial	5	1,190,450	1,196.69	2,069.21	872.51	72.91%
16	6 Inch	Commercial	7	2,486,155	2,426.74	4,195.40	1,768.65	72.88%
17	1 Inch	Irrigation	2	77	13.05	22.68	9.63	73.77%
18	1.5 Inch	Irrigation	117	64,318	13.05	22.68	9.63	73.77%
19	2 Inch	Irrigation	1	613,500	13.05	22.68	9.63	73.77%
20	3 Inch	Irrigation	1	27,462	13.05	22.68	9.63	73.77%
21	4 Inch	Irrigation	-	-	-	-	-	0.00%
22	6 Inch	Irrigation	1	10,762,250	7,136.46	12,406.31	5,269.85	73.84%
23	3 Inch	Public Interruptible	1	491,154	245.58	427.30	181.73	74.00%
24	8 Inch	Public Interruptible	1	3,167	1.58	2.76	1.17	74.00%
25	3 Inch	Fire Protection	1	-	6.00	10.42	4.42	73.67%
26	4 Inch	Fire Protection	54	-	9.00	15.64	6.64	73.78%
27	6 Inch	Fire Protection	48	-	12.50	21.72	9.22	73.76%
28	8 Inch	Fire Protection	10	-	20.00	34.75	14.75	73.75%
29	10 Inch	Fire Protection	-	-	-	-	-	0.00%
30	Standby		63	-	3.50	6.08	2.58	73.71%
31								
32		Totals	22,098					
33								
34		Actuall Year End Number						
35		of Customers:	22,195					
36								
37		**(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.						

Arizona American - Sun City
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1	Percentage Increase in Monthly Minimums				
2	Percentage Increase in Commodity Rates				
3					
4	**Monthly Usage Charge for:**				
5	Residential,Commercial				
6	5/8 x 3/4 Inch	(a)	$ 5.00	$ 8.69	73.80%
7	3/4 Inch	(a)	5.00	8.69	73.80%
8	1 Inch	(a)	13.00	22.59	73.77%
9	1 1/2 Inch	(a)	28.00	48.65	73.75%
10	2 Inch	(a)	41.00	71.23	73.73%
11	3 Inch	(a)	70.00	121.62	73.74%
12	4 Inch	(a)	103.00	178.95	73.74%
13	6 Inch	(a)	141.00	244.97	73.74%
14					
15	Private Fire Protection				
16	Flat Rate 3	(a)	6.00	10.42	73.67%
17	Flat Rate 4	(a)	9.00	15.64	73.78%
18	Flat Rate 6	(a)	12.50	21.72	73.76%
19	Flat Rate 8	(a)	20.00	34.75	73.75%
20	Flat Rate 10	(a)	30.00	52.12	73.73%
21	Standby				
22	Public Interruptible	(a)	3.50	6.08	73.71%
23	Irrigation				
24	1 Inch	(a)	13.00	22.59	73.77%
25	1 1/2 Inch	(a)	28.00	48.65	73.75%
26	2 Inch	(a)	41.00	71.23	73.73%
27	3 Inch	(a)	70.00	121.62	73.74%
28	4 Inch	(a)	103.00	178.95	73.74%
29	6 Inch	(a)	141.00	244.97	73.74%
30					
31					
32	Gallons In Minimum				
33	All		-	-	
34					
35					
36					
37					
38	**Tier 1:** Gallons upper limit				
39	All, except construction, irrigation, public interruptible		8,000	8,000	
40	Construction		999,999,999	999,999,999	
41	Irrigation		999,999,999	999,999,999	
42	Public Interruptible		999,999,999	999,999,999	
43					
44	In Addition to above charges, Company shall collect Groundwater Saving Fee Per Commission				
45	Decision 62293				
46					
47	(a) Rounded				

Arizona American - Sun City
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 2
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1					
2					
3	**Tier 2:** (Gallon upper limit, up to, but not exceeding)				
4	All, except construction, irrigation, public interruptible		999,999,999	999,999,999	
5	Construction		999,999,999	999,999,999	
6	Irrigation		999,999,999	999,999,999	
7	Public Interruptible		999,999,999	999,999,999	
8					
9					
10	**Tier 3:** (Gallon over)				
11	All, except construction, irrigation, public interruptible		999,999,999	999,999,999	
12	Construction		999,999,999	999,999,999	
13	Irrigation		999,999,999	999,999,999	
14	Public Interruptible		999,999,999	999,999,999	
15					
16					
17	Commodity Rates (per 1,000 gallons over minimum and per Tier)				
18	All, except construction, irrigation, public interruptible Tier 1	(a)	$ 0.73	$ 1.27	73.97%
19	All, except construction, irrigation, public interruptible Tier 1	(a)	0.92	1.59	72.83%
20	All, except construction, irrigation, public interruptible Tier 1	(a)	0.92	1.59	72.83%
21	All, except construction, irrigation, public interruptible Tier 1	(a)			
22					
23					
24	Construction / Untreated CAP	(a)	$ 0.50	$ 0.87	74.00%
25					
26	Irrigation	(a)	$ 0.65	$ 1.13	73.85%
27					
28	Public Interruptible	(a)	$ 0.50	$ 0.87	74.00%
29					
30	Groundwater Withdrawal Assessment				
31	Groundwater Withdrawal Fees shall be collected as an assessment, and is subject to annual				
32	revisions as required due to changes in rates charged by the Arizona Department of Water				
33	Resources ("ADWR"). Includes an allowance of 10% lost and unaccounted for water.				
34					
35	(a) Rounded				

Arizona American - Sun City
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 3
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates	
1	Establishment	$ 30.00	$ 30.00	
2	Establishment (After Hours)	$ 40.00	$ 40.00	
3	Reconnection (Deliquent)			
4	Reconnection (After Hours)			
5	Meter Test	$ 10.00	$ 10.00	
6	Deposit	**	**	
7	Deposit Interest	**	**	
8	Re-Establishment (With-in 12 Months)	***	***	
9				
10	NSF Check	$ 10.00	$ 10.00	
11	Deferred Payment, Per Month (b)	1.50%	1.50%	
12	Meter Re-Read	$ 5.00	$ 5.00	
13	Charge of Moving Customer Meter -			
14	Customer Requested	Cost	Cost	
15	Late Payment Charge, on balance of Acct.	1.50%	1.50%	
16	Damages to Meter Locks, Valves, Seals	Cost	Cost	(2)
17	Sprinklers			

18 (1) Greater of 1.50% or $5.00 Present Rates or 1.5% or $10.00 Proposed Rates.
19 (2) $40.00 plus actual cost of making repairs.
20 ** PER COMMISSION RULES (R14-2-403.B)
21 *** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)
22 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
23 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
24 TAX. PER COMMISSION RULE (14-2-409.D 5)
25 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
26 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.
27 (a) 1.00% of the monthly minimum for a comparable sized meter connection, but no less than $5 per month
28
29 Present Charges
30 Service Charges
31 Installation of Proposed
32

Meter Size	Ser. Line	Meter	Charges(*)
5/8 x 3/4 Inch	$ 255.00	$ 65.00	$500
3 / 4 Inch	$ 255.00	$ 105.00	$575
1 Inch	$ 275.00	$ 145.00	$660
1 1/2 Inch	$ 290.00	$ 345.00	$900
2 Inch	$ 315.00	$ 775.00	$2,220
3 Inch	Cost	Cost	Cost
4 Inch	Cost	Cost	Cost
6 Inch	Cost	Cost	Cost
8 Inch	Cost	Cost	Cost
Meters Larger than 8"	Cost	Cost	Cost

43
44 As meters and service lines are now taxable income for income purposes, The Company
45 shall collect income taxes on the meter and service line charges.
46 Any tax collected will be refunded each year that the meter deposit is refunded.
47
48 Company will not accept applications for new 3/4" meters after May 1, 1997. This meter size
49 is obsolute.

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Summary of Revenues by Customer Classification - Present and Proposed Rates
With Annualized Revenues to Year End Number of Customers
Step-One Increase

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Kozoman

Line No.	Meter Size	Customer Classification	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	$2,662,562	$ 3,725,889	$1,063,327	39.94%	43.80%	44.00%
2	3/4 Inch	Residential	1,817	2,544	727	40.03%	0.03%	0.03%
3	1 Inch	Residential	66,498	93,164	26,666	40.10%	1.09%	1.10%
4	1.5 Inch	Residential	1,485,121	2,080,990	595,869	40.12%	24.43%	24.58%
5	2 Inch	Residential	632,378	886,106	253,728	40.12%	10.40%	10.46%
6	3 Inch	Residential	13,103	18,367	5,263	40.17%	0.22%	0.22%
7	6 Inch	Residential	6,383	8,943	2,559	40.09%	0.11%	0.11%
8	5/8 Inch	Commercial	25,941	36,323	10,383	40.02%	0.43%	0.43%
9	3/4 Inch	Commercial	3,226	4,518	1,292	40.05%	0.05%	0.05%
10	1 Inch	Commercial	48,884	68,469	19,585	40.06%	0.80%	0.81%
11	1.5 Inch	Commercial	150,893	211,401	60,508	40.10%	2.48%	2.50%
12	2 Inch	Commercial	280,522	393,124	112,602	40.14%	4.61%	4.64%
13	3 Inch	Commercial	71,578	100,316	28,738	40.15%	1.18%	1.18%
14	4 Inch	Commercial	71,802	100,663	28,862	40.20%	1.18%	1.19%
15	6 Inch	Commercial	203,846	285,800	81,954	40.20%	3.35%	3.38%
16	1 Inch	Irrigation	339	475	136	40.00%	0.01%	0.01%
17	1.5 Inch	Irrigation	98,009	137,213	39,204	40.00%	1.61%	1.62%
18	2 Inch	Irrigation	6,157	8,620	2,463	40.00%	0.10%	0.10%
19	3 Inch	Irrigation	1,142	1,599	457	40.00%	0.02%	0.02%
20	6 Inch	Irrigation	114,183	159,857	45,673	40.00%	1.88%	1.89%
21	3 Inch	Public Interruptible	3,193	4,470	1,277	40.00%	0.05%	0.05%
22	8 Inch	Public Interruptible	19	27	8	40.00%	0.00%	0.00%
23	3 Inch	Fire Protection	72	101	29	40.00%	0.00%	0.00%
24	4 Inch	Fire Protection	5,814	8,140	2,326	40.00%	0.10%	0.10%
25	6 Inch	Fire Protection	7,150	10,010	2,860	40.00%	0.12%	0.12%
26	8 Inch	Fire Protection	2,480	3,472	992	40.00%	0.04%	0.04%
27	Standby		2,646	3,704	1,058	40.00%	0.04%	0.04%
28	Miscellaneous Revenues		113,419	113,419	-	0.00%	1.87%	1.34%
29		**Total Water Revenues**	$6,079,178	$ 8,467,722	$2,388,544	39.29%	98.13%	98.66%
30								
31								
32				**Revenue Annualization (a)**				
33							Additional	Gallons to
34			Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Bills to be Issued	be Pumped (In 1,000's)
35	5/8 Inch	Residential	10,636	14,877	4,241	39.87%	1,004	7,612
36	1 Inch	Residential	404	566	162	40.09%	9	327
37	1.5 Inch	Residential	1,046	1,465	420	40.14%	9	878
38	2 Inch	Residential	5,905	8,274	2,369	40.12%	49	4,522
39	5/8 Inch	Commercial	421	589	168	39.86%	42	293
40	3/4 Inch	Commercial	(70)	(98)	(28)	39.89%	(6)	(53)
41	1 Inch	Commercial	(343)	(481)	(137)	40.03%	(11)	(236)
42	1.5 Inch	Commercial	863	1,209	346	40.07%	14	535
43	2 Inch	Commercial	5,008	7,018	2,010	40.14%	32	4,070
44	3 Inch	Commercial	(3,159)	(4,427)	(1,268)	40.13%	(15)	(2,317)
45	1.5 Inch	Irrigation	(4)	(5)	(1)	40.00%	-	(4)
46	2 Inch	Irrigation	(594)	(832)	(238)	40.00%	(2)	(788)
47	3 Inch	Irrigation	(97)	(136)	(39)	40.00%	(1)	(42)
48	6 Inch	Irrigation	83,116	116,363	33,247	40.00%	8	126,136
49	3 Inch	Public Interruptible	(3,193)	(4,470)	(1,277)	40.00%	(13)	(6,385)
50	4 Inch	Fire Protection	126	176	50	40.00%	14	
51	6 Inch	Fire Protection	200	280	80	40.00%	16	
52	8 Inch	Fire Protection	(80)	(112)	(32)	40.00%	(4)	
53		Totals	100,185	140,257	40,072	40.00%	1,145	134,549
54	Total Water Revenues with Annualization		6,179,363	8,607,979	2,428,616	39.30%		
55	**(a)** Customer Growth Annualization is calculated by computing the change in the number of customers by month from							
56	the beginning of the year to the end of the year, and then multipling the additional customers times the average							
57	revenue for that month.							

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Analysis of Revenue by Detailed Class at Average Usage
Step-One Increase

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Kozoman

Line No.		Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	19,214	8,361	$ 11.17	$ 15.63	4.45	39.86%
2	3/4 Inch	Residential	8	15,869	18.08	25.31	7.23	40.00%
3	1 Inch	Residential	117	38,788	47.17	66.08	18.91	40.10%
4	1.5 Inch	Residential	1,312	73,721	94.30	132.14	37.84	40.12%
5	2 Inch	Residential	425	91,864	123.99	173.74	49.75	40.12%
6	3 Inch	Residential	3	-	-	-	-	0.00%
7	4 Inch	Residential	-	-	-	-	-	0.00%
8	6 Inch	Residential	2	137,292	$ 265.79	$ 372.35	106.56	40.09%
9	5/8 Inch	Commercial	198	7,054	10.15	14.20	4.05	39.86%
10	3/4 Inch	Commercial	21	-	-	-	-	0.00%
11	1 Inch	Commercial	126	22,247	31.95	44.74	12.79	40.04%
12	1.5 Inch	Commercial	181	46,341	69.11	96.82	27.71	40.09%
13	2 Inch	Commercial	155	120,339	150.19	210.48	60.29	40.14%
14	3 Inch	Commercial	23	204,111	256.26	359.14	102.88	40.15%
15	4 Inch	Commercial	5	1,190,450	1,196.69	1,677.72	481.03	40.20%
16	6 Inch	Commercial	7	2,486,155	2,426.74	3,402.38	975.64	40.20%
17	1 Inch	Irrigation	2	77	13.05	18.27	5.22	40.00%
18	1.5 Inch	Irrigation	117	64,318	13.05	18.27	5.22	40.00%
19	2 Inch	Irrigation	1	613,500	13.05	18.27	5.22	40.00%
20	3 Inch	Irrigation	1	27,462	13.05	18.27	5.22	40.00%
21	4 Inch	Irrigation	-	-	-	-	-	0.00%
22	6 Inch	Irrigation	1	10,762,250	7,136.46	9,991.05	2,854.59	40.00%
23	3 Inch	Public Interruptible	1	491,154	245.58	343.81	98.23	40.00%
24	8 Inch	Public Interruptible	1	3,167	1.58	2.22	0.63	40.00%
25	3 Inch	Fire Protection	1	-	6.00	8.40	2.40	40.00%
26	4 Inch	Fire Protection	54	-	9.00	12.60	3.60	40.00%
27	6 Inch	Fire Protection	48	-	12.50	17.50	5.00	40.00%
28	8 Inch	Fire Protection	10	-	20.00	28.00	8.00	40.00%
29	10 Inch	Fire Protection	-	-	-	-	-	0.00%
30	Standby		63	-	3.50	4.90	1.40	40.00%
31								
32		Totals	22,098					
33								
34		Actuall Year End Number						
35		of Customers:	22,195					
36								
37		**(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.						

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Changes in Representative Rate Schedules
Step-One Increase

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1	Percentage Increase in Monthly Minimums				
2	Percentage Increase in Commodity Rates				
3					
4	**Monthly Usage Charge for:**				
5	Residential,Commercial				
6	5/8 x 3/4 Inch	(a)	$ 5.00	$ 7.00	40.00%
7	3/4 Inch	(a)	5.00	7.00	40.00%
8	1 Inch	(a)	13.00	18.20	40.00%
9	1 1/2 Inch	(a)	28.00	39.20	40.00%
10	2 Inch	(a)	41.00	57.40	40.00%
11	3 Inch	(a)	70.00	98.00	40.00%
12	4 Inch	(a)	103.00	144.20	40.00%
13	6 Inch	(a)	141.00	197.40	40.00%
14	8 Inch	(a)			
15	Private Fire Protection				
16	Flat Rate 3	(a)	6.00	8.40	40.00%
17	Flat Rate 4	(a)	9.00	12.60	40.00%
18	Flat Rate 6	(a)	12.50	17.50	40.00%
19	Flat Rate 8	(a)	20.00	28.00	40.00%
20	Flat Rate 10	(a)	30.00	42.00	40.00%
21	Standby				
22	Public Interruptible	(a)	3.50	4.90	40.00%
23	Irrigation				
24	1 Inch	(a)	13.00	18.20	40.00%
25	1 1/2 Inch	(a)	28.00	39.20	40.00%
26	2 Inch	(a)	41.00	57.40	40.00%
27	3 Inch	(a)	70.00	98.00	40.00%
28	4 Inch	(a)	103.00	144.20	40.00%
29	6 Inch	(a)	141.00	197.40	40.00%
30					
31					
32	Gallons In Minimum				
33	All		-	-	
34					
35					
36					
37					
38	**Tier 1:** Gallons upper limit				
39	All, except construction, irrigation, public interruptible		8,000	8,000	
40	Construction		999,999,999	999,999,999	
41	Irrigation		999,999,999	999,999,999	
42	Public Interruptible		999,999,999	999,999,999	
43					
44	In Addition to above charges, Company shall collect Groundwater Saving Fee Per Commission Decision				
45	62293				
46					
47	(a) Rounded				

Arizona American - Sun City Water
Test Year Ended December 31, 2001
Changes in Representative Rate Schedules
Step-One Increase

Exhibit
Rejoinder Schedule H-3
Page 2
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1					
2					
3	**Tier 2:** (Gallon upper limit, up to, but not exceeding)				
4	All, except construction, irrigation, public interruptible		999,999,999	999,999,999	
5	Construction		999,999,999	999,999,999	
6	Irrigation		999,999,999	999,999,999	
7	Public Interruptible		999,999,999	999,999,999	
8					
9					
10	**Tier 3:** (Gallon over)				
11	All, except construction, irrigation, public interruptible		999,999,999	999,999,999	
12	Construction		999,999,999	999,999,999	
13	Irrigation		999,999,999	999,999,999	
14	Public Interruptible		999,999,999	999,999,999	
15					
16					
17	Commodity Rates (per 1,000 gallons over minimum and per Tier)				
18	All, except construction, irrigation, public interruptib Tier 1	(a)	$ 0.73	$ 1.02	39.73%
19	All, except construction, irrigation, public interruptib Tier 2	(a)	0.92	1.29	40.22%
20	All, except construction, irrigation, public interruptib Tier 3	(a)	0.92	1.29	40.22%
21	All, except construction, irrigation, public interruptib Tier 4				
22					
23					
24	Construction / Untreated CAP	(a)	$ 0.50	$ 0.7000	40.00%
25					
26	Irrigation	(a)	$ 0.65	$ 0.91	40.00%
27					
28	Public Interruptible	(a)	$ 0.50	$ 0.70	40.00%
29					
30	Groundwater Withdrawal Assessment				
31	Groundwater Withdrawal Fees shall be collected as an assessment, and is subject to annual				
32	revisions as required due to changes in rates charged by the Arizona Department of Water				
33	Resources ("ADWR"). Includes an allowance of 10% lost and unaccounted for water.				
34					
35	(a) Rounded				

SUN CITY WASTEWATER

Arizona American - Sun City Wastewater
Summary of Revenues by Customer Classification - Present and Proposed Rates
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	Residential Units (SSR)	$ 2,920,525	$ 3,070,295	$ 149,771	5.13%	57.78%	57.78%
2	Commercial/Residential Units (SSR)	116	122	6	5.13%	0.00%	0.00%
3	Commercial (SSC)	104,865	110,292	5,426	5.17%	2.07%	2.08%
4	Commercial Large User (SS6)	64,965	68,114	3,149	4.85%	1.29%	1.28%
5	Multi-family Residential Units (AC SSR)	1,793,100	1,885,054	91,954	5.13%	35.47%	35.47%
6	Commercial additional toilets (SS1)	133,438	140,498	7,060	5.29%	2.64%	2.64%
7	Commercial per dishwasher (SS2)	26,568	27,947	1,379	5.19%	0.53%	0.53%
8	Commercial per wash machine (SS3)	5,457	5,743	286	5.24%	0.11%	0.11%
9	Commercial per wash rack (SS4)	2,736	2,879	143	5.21%	0.05%	0.05%
10	Miscellaneous Revenues	2,859	2,859	-	0.00%	0.06%	0.05%
11	**Subtotal of Revenues**	$ 5,054,629	$ 5,313,802	$ 259,173	5.13%	100.00%	100.00%
12							
13							
14		**Present**	**Proposed**	**Dollar**	**Percent**	**Bills to be**	
15	**Revenue Annualization**	**Revenues**	**Revenues**	**Change**	**Change**	**Issued**	
16	Residential Units (SSR)	12,754	13,408	$ 654	5.13%	991	
17	Commercial/Residential Units (SSR)	(116)	(122)	(6)	5.13%	(9)	
18	Commercial (SSC)	1,809	1,902	94	5.17%	117	
19	Commercial Large User (SS6)	-	-	-		-	
20	Multi-family Residential Units (AC SSR)	17,709	18,617	908	5.13%	1,376	
21	Commercial additional toilets (SS1)	329	346	17	5.29%	87	
22	Commercial per dishwasher (SS2)	669	704	35	5.19%	23	
23	Commercial per wash machine (SS3)	49	52	3	5.24%	7	
24	Commercial per wash rack (SS4)	29	30	2	5.21%	2	
25	Total Revenue Annualization	33,233	34,939	1,706	5.13%	2,594	
26							
27	**Total of Revenues**	5,087,862	5,348,741	260,879	5.13%		

Arizona American - Sun City Wastewater
Analysis of Revenue by Detailed Class at Average Usage
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	Residential Units (SSR)	18,910	N/A	12.87	13.53	0.66	5.13%
2	Commercial/Residential Units (SSR)	1	N/A	12.87	13.53	0.66	5.13%
3	Commercial Large User (SS6)	4	1,080,156	1,347.39	1,412.70	65.31	4.85%
4	Multi-family Residential Units (AC SSR)	11,610	N/A	12.87	13.53	0.66	5.13%
5	Commercial additional toilets (SS1)	2,942	N/A	3.78	3.98	0.20	5.29%
6	Commercial per dishwasher (SS2)	76	N/A	29.10	30.61	1.51	5.19%
7	Commercial per wash machine (SS3)	64	N/A	7.06	7.43	0.37	5.24%
8	Commercial per wash rack (SS4)	16	N/A	14.40	15.15	0.75	5.21%
9							
10							
11	Totals	33,624					
12							
13	Actual Year End Number						
14	of Customers:	33,830					
15							
16	**(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.						
17							

Arizona American - Sun City Wastewater
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size	Present Rates	Proposed Rates	Percent Change
1				
2				
3				
4	**Monthly Usage Charge for:**			
5	Residential and Commercial			
6	Residential (SSR) (a)	$ 12.87	$ 13.53	5.13%
7	Commercial (SSC) (a)	15.46	16.26	5.17%
8	Commercial Large User (SS6 based on consumption) (a)	32.80	34.50	5.18%
9	SS1 (commercial, additonal toilets) (a)	3.78	3.98	5.29%
10	SS2 (commercial restaurant, per dishwasher or garbage grinder) (a)	29.10	30.61	5.19%
11	SS3 (commercial laundromat, per washing machine) (a)	7.06	7.43	5.24%
12	SS4 (commercial, per wash rack) (a)	14.40	15.15	5.21%
13	Rental Rooms (a)	7.99	8.40	5.13%
14	Paradise Resort Park, Contract Rate	3.94	3.94	0.00%
15				
16	Gallons In Minimum			
17	Commercial SSR6 & Paradise Park Resort	20,000	20,000	
18				
19	Commodity Rates (per 1,000 gallons over minimum)			
20	Commercial SSR6 & Paradise Park Resort (a)	$ 1.24	$ 1.30	4.84%
21				
22	**Annual Fee for Industrial Discharge Service**			
23	For those customers consuming an amount of water less than or equal			
24	50,000 gallons per month through one or more water meters to the			
25	same facility, inclusive of meters used for irrigation:	$ 500.00	$ 500.00	
26				
27				
28	For those customers consuming an amount of water greater than			
29	50,000 gallons per month through one or more water meters to the			
30	same facility, inclusive of meters used for irrigation:	$ 1,000.00	$ 1,000.00	
31				
32	Annual Fee for Industrial Discharge Service charges shall be non-refundable and shall be assessed			
33	in advance each January by the Company by special billing. For new customers receiving this service,			
34	a prorated charge shall be assessed.			
35				
36	(a) Rounded			
37				

Arizona American - Sun City Wastewater
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 2
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment		
2	Establishment (After Hours)		
3	Reconnection (Deliquent)		
4	Reconnection (After Hours)		
5			
6	Deposit	**	**
7	Deposit Interest	**	**
8	Re-Establishment (With-in 12 Months)	***	***
9			
10	NSF Check		
11	Deferred Payment, Per Month		
12			
13			
14			
15	Late Payment Charge	1.50%	1.50%
16			
17	Rates for above charges are listed on Schedule H-3, Page 3 of Sun City Water.		
18			
19			
20	** PER COMMISSION RULES (R14-2-403.B)		
21	*** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)		
22	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
23	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
24	TAX. PER COMMISSION RULE (14-2-409.D 5)		
25	ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,		
26	AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.		

SUN CITY WEST WATER

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Allocated to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return
Based on ACC Staff Direct Filing, as Staff has not Proposed Surrebuttal Rates

Exhibit
Rejoinder Schedule G-8
Page 1
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	2,098,583	6,889,111	1,324,636	10,312,331
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	59,180	194,273	37,355	290,808
4	Rate Bases	2,098,583	6,889,111	1,324,636	10,312,331
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	78,907	259,031	49,806	387,744
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	128,510	421,865	81,116	631,491
9					
10	Revenue Requirement for Debt Component, from Line 3	59,180	194,273	37,355	290,808
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	128,510	421,865	81,116	631,491
13	Total Return Requirement with Income Tax	187,690	616,138	118,471	922,299
14					
15	Property Tax Expense, from Schedule G-5, Page 1	35,612	33,230	13,148	81,990
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	577,099	67,403	174,857	819,359
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	143,762	164,230	42,121	350,113
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	944,163	881,000	348,597	2,173,760
19					
20	**Customer Charge**				
21	Number of Bills = 15,581 times 12	186,972			
22					
23	**Charge per Bill**	$ 5.05			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 21,993 times 12		263,910	263,910	
28					
29	**Charge per Equivalent Meter**		$ 3.34	$ 1.32	
30					
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge)				
34	Charge per Bill (Customer Charge with Equity Return and Income Tax)	$ 5.05			
35	Charge per Equivalent Meter (For Service Line Charge with Equity Return and Income Tax)	3.34			
36	Charge per Equivalent Meter (For Meter Charge with Equity Return and Income Tax)	1.32			
37	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter	$ 9.71			

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Allocated to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return
Based on ACC Staff Direct Filing, as Staff has not Proposed Surrebuttal Rates

Exhibit
Rejoinder Schedule G-8
Page 1a
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	2,098,583	6,889,111	1,324,636	10,312,331
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	59,180	194,273	37,355	290,808
4	Rate Bases	2,098,583	6,889,111	1,324,636	10,312,331
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	0.00%	0.00%	0.00%	0.00%
6	Required Operating Income for Equity	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-
9					
10	Revenue Requirement for Debt Component, from Line 3	59,180	194,273	37,355	290,808
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	-	-	-	-
13	Total Return Requirement with Income Tax	59,180	194,273	37,355	290,808
14					
15	Property Tax Expense, from Schedule G-5, Page 1	35,612	33,230	13,148	81,990
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	577,099	67,403	174,857	819,359
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	143,762	164,230	42,121	350,113
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	815,653	459,135	267,481	1,542,270
19					
20	**Customer Charge**				
21	Number of Bills = 15,581 times 12	186,972			
22					
23	**Charge per Bill**	$ 4.36			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 21,993 times 12		263,910	263,910	
28					
29	**Charge per Equivalent Meter**		$ 1.74	$ 1.01	
30	**Actual Cost (without Debt, Equity Returns or Income Taxes)**				
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge, nor recovery of return or income tax)				
34	Charge per Bill (Customer Charge without Equity Return or Income Tax)	$ 4.36			
35	Charge per Equivalent Meter (For Service Line Charge without Equity Return or Income Tax)	1.74			
36	Charge per Equivalent Meter (For Meter Charge without Equity Return or Income Tax)	1.01			
37	(Service and Meter Revenue Requirement divided by Annualized Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter without recovery of Equity Return or Income Tax	$ 7.12			

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Allocated to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return
Based on ACC Staff Direct Filing, as Staff has not Proposed Surrebuttal Rates

Exhibit
Rejoinder Schedule G-8
Page 2
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	1,666,178
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	46,986
5	Rate Base	1,666,178
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%
7	Required Operating Income for Equity	62,648
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	102,031
10		
11	Revenue Requirement for Debt Component, from Line 4	46,986
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	102,031
14		
15	Property Tax Expense, from Schedule G-5, Page 1	33,052
16	Demand Expenses, from Schedule G-6, Page 1	321,416
17	Depreciation, from Schedule G-6, Page 2	372,809
18	Total Revenue Requirement / Demand Component	876,294

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Allocated to Commodity
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return
Based on ACC Staff Direct Filing, as Staff has not Proposed Surrebuttal Rates

Exhibit
Rejoinder Schedule G-8
Page 2a
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	1,666,178
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	46,986
5	Rate Base	1,666,178
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	-
7	Required Operating Income for Equity	-
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	-
10		
11	Revenue Requirement for Debt Component, from Line 4	46,986
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	-
14		
15	Property Tax Expense, from Schedule G-5, Page 1	33,052
16	Demand Expenses, from Schedule G-6, Page 1	321,416
17	Depreciation, from Schedule G-6, Page 2	372,809
18	Total Revenue Requirement / Demand Component	774,263
19		

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Allocated to Commodity
Computation Demand Charge and Commodity
Function Costs, Including and Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return
Based on ACC Staff Direct Filing, as Staff has not Proposed Surrebuttal Rates

Exhibit
Rejoinder Schedule G-8
Page 3
Witness: Kozoman

Including Equity Return and Income Taxes

Line No.		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended onthly Mininum to ComputedCost
1	5/8 x 3/4 Inch Meter	$ 5.05	$ 3.34	$ 1.32	$ -	$ 9.71	$ 5.60	57.68%
2	3/4 Inch Meter	5.05	5.01	1.98	-	12.04	5.60	46.52%
3	1 Inch Meter	5.05	8.35	3.30	-	16.70	14.55	87.14%
4	1 1/2 Inch Meter	5.05	16.69	6.60	-	28.35	31.33	110.53%
5	2 Inch Meter	5.05	26.71	10.57	-	42.32	45.86	108.36%
6	3 Inch Meter	5.05	50.07	19.81	-	74.94	78.32	104.51%
7	4 Inch Meter	5.05	83.46	33.02	-	121.53	115.24	94.83%
8	6 Inch Meter	5.05	166.91	66.04	-	238.01	157.75	66.28%
9	8 Inch Meter	5.05	267.06	158.51	-	430.62		
10	10 Inch Meter	5.05	801.18	528.36	-	1,334.59		
11								
12								
13								
14								
15								
16	**Excluding Equity Return and Income Taxes**							
17								
18						Total	ACC Staff	Ratio of ACC Staff
19						Computed	Recommended	Recommended
20			Service			Monthly	Monthly	onthly Mininum
21		Customer	Line	Meter	Demand	Minimum	Minimum	to
22		Charge	Charge	Charge	Charge	Charge	Charge	ComputedCost
23	5/8 x 3/4 Inch Meter	$ 4.36	$ 1.74	$ 1.01	$ -	$ 7.12	$ 5.60	78.70%
24	3/4 Inch Meter	4.36	2.61	1.52	-	8.49	5.60	65.94%
25	1 Inch Meter	4.36	4.35	2.53	-	11.25	14.55	129.38%
26	1 1/2 Inch Meter	4.36	8.70	5.07	-	18.13	31.33	172.82%
27	2 Inch Meter	4.36	13.92	8.11	-	26.39	45.86	173.79%
28	3 Inch Meter	4.36	26.10	15.20	-	45.66	78.32	171.52%
29	4 Inch Meter	4.36	43.49	25.34	-	73.19	115.24	157.44%
30	6 Inch Meter	4.36	86.99	50.68	-	142.03	157.75	111.07%
31	8 Inch Meter	4.36	139.18	81.08	-	224.62		
32	10 Inch Meter	4.36	278.36	162.17	-	444.89		

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Cost of Service Study, Using Commodity Demand Method, With Demand Allocated to Commodity
Computation Demand Charge and Commodity
Function Costs, Including Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return
Based on ACC Staff Direct Filing, as Staff has not Proposed Surrebuttal Rates

Exhibit
Rejoinder Schedule G-8
Page 4
Witness: Kozoman

Line No.		Commodity	Demand	Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	84,860	1,666,178	2,098,583	6,889,111	1,324,636	12,063,369
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.820%	2.820%	2.820%	2.820%	2.820%	2.820%
3	Required Operating Income - for Debt	2,393	46,986	59,180	194,273	37,355	340,187
4	Rate Bases from Schedule G-5, Page 1	84,860	1,666,178	2,098,583	6,889,111	1,324,636	12,063,369
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	3,191	62,648	78,907	259,031	49,806	453,583
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	5,197	102,031	128,510	421,865	81,116	738,718
9							
10	Revenue Requirement for Debt Component, from Line 3	2,393	46,986	59,180	194,273	37,355	340,187
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	5,197	102,031	128,510	421,865	81,116	738,718
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	7,590	149,017	187,690	616,138	118,471	1,078,905
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	27,139	33,052	35,612	33,230	13,148	142,181
16	Expenses (From Sch. G-6. Page 1)	648,957	321,416	577,099	67,403	174,857	1,789,732
17	Depreciation and Amortization (From Schedule G-6, Page 2)	35,848	372,809	143,762	164,230	42,121	758,769
18	Total Revenue Requirement by function	719,533	876,294	944,163	881,000	348,597	3,769,588
19	Total Commodity and Demand Costs	1,663,696					
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	2,044,442	-	186,972	263,910	263,910	
21	Computed Commodity Rate, Customer, Meter, Service Line	$ 0.8138					
22	(Line 18 divided by Line 20)			$ 5.05	$ 3.34	$ 1.32	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter Charge on Line 22)						$ 9.71
24							

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Service Study, Using Commodity Demand Method, With Demand Allocated to Co
Computation Demand Charge and Commodity
Function Costs, Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return
Staff has not Proposed Surrebuttal Rates

Exhibit
Rejoinder Schedule G-8
Page 4a
Witness: Kozoman

Line No.		Commodity	Demand	Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	84,860	1,666,178	2,098,583	6,889,111	1,324,636	12,063,369
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	2,393	46,986	59,180	194,273	37,355	340,187
4	Rate Bases from Schedule G-5, Page 1	84,860	1,666,178	2,098,583	6,889,111	1,324,636	12,063,369
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)						
6	Required Operating Income for Equity	-	-	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	-	-	-	-	-	-
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-	-	-
9							
10	Revenue Requirement for Debt Component, from Line 3	2,393	46,986	59,180	194,273	37,355	340,187
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	-	-	-	-	-	-
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	2,393	46,986	59,180	194,273	37,355	340,187
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	27,139	33,052	35,612	33,230	13,148	142,181
16	Expenses (From Sch. G-6. Page 1)	648,957	321,416	577,099	67,403	174,857	1,789,732
17	Depreciation and Amortization (From Schedule G-6, Page 2)	35,848	372,809	143,762	164,230	42,121	758,769
18	Total Revenue Requirement by function	714,337	774,263	815,653	459,135	267,481	3,030,869
19	Total Commodity and Demand Costs	1,488,600					
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	2,044,442		186,972	263,910	263,910	
21	Computed Commodity Rate, Customer, Meter, Service Line	$ 0.7281					
22	(Line 18 divided by Line 20)			$ 4.3624	$ 1.7397	$ 1.0135	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter Charge on Line 22)						$ 7.12

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **without** Equity Return and Income Taxes

Exhibit
Rejoinder Schedule G-9
Page 1
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rejoinder Schedule G-8, Page 4a	$ 0.7281
2		
3	Computed Customer Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4a	4.36
4	Computed Service Line Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4a	1.74
5	Computed Meter Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4a	1.01
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rejoinder Schedule G-8, Page 4a	$ 7.12
7		

8	**ACC Staff Proposed Rates**			
9	Proposed Monthly Minimum for 5/8" Meter		$	5.60
10	Proposed Commodity Rate			
11	0	to 4,000	$	0.84
12	4,001	to 100,000	$	1.24
13	Over 100,001		$	1.52
14				

15	Col. 1	Col. 2	Col. 3	Col. 4 (Col. 2+ 3)		Col. 5	Col. 6	Col. 7	Col. 8 (Col. 6 + 7	Col. 9 (Col. 8-4)
16										Recovery
17	**Computed Costs, without Equity**									of Expenses
18	**Return or Income Taxes**									or,
19		Monthly		Total			Monthly			(Lack of
20		Minimum	Commodity	Cost of			Minimum	Commodity	Total	
21	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	Recovery)
22	-	$ 7.12	-	$ 7.12		-	$ 5.60		$ 5.60	$ (1.52)
23	1,000	$ 7.12	$ 0.7281	$ 7.84		1,000	5.60	$ 0.84	6.44	(1.40)
24	2,000	7.12	1.46	8.57		2,000	5.60	1.68	7.28	(1.29)
25	3,000	7.12	2.18	9.30		3,000	5.60	2.52	8.12	(1.18)
26	4,000	7.12	2.91	10.03		4,000	5.60	3.36	8.96	(1.07)
27	5,000	7.12	3.64	10.76		5,000	5.60	4.60	10.20	(0.56)
28	6,000	7.12	4.37	11.48	**Usage**	6,000	5.60	5.84	11.44	(0.04)
29	**6,090**	7.12	4.43	11.55	**<-Level->**	**6,090**	5.60	5.95	11.55	0.00
30	7,000	7.12	5.10	12.21	**When**	7,000	5.60	7.08	12.68	0.47
31	8,000	7.12	5.82	12.94	**Revenues**	8,000	5.60	8.32	13.92	0.98
32	9,000	7.12	6.55	13.67	**Equal**	9,000	5.60	9.56	15.16	1.49
33	10,000	7.12	7.28	14.40	**Expenses**	10,000	5.60	10.80	16.40	2.00
34	11,000	7.12	8.01	15.13	**(No Rate**	11,000	5.60	12.04	17.64	2.51
35	12,000	7.12	8.74	15.85	**of Return**	12,000	5.60	13.28	18.88	3.03
36	13,000	7.12	9.47	16.58	**on**	13,000	5.60	14.52	20.12	3.54
37	14,000	7.12	10.19	17.31	**Equity**	14,000	5.60	15.76	21.36	4.05
38	15,000	7.12	10.92	18.04	**or Income**	15,000	5.60	17.00	22.60	4.56
39	16,000	7.12	11.65	18.77	**Taxes**	16,000	5.60	18.24	23.84	5.07
40	17,000	7.12	12.38	19.49	**Included)**	17,000	5.60	19.48	25.08	5.59
41	18,000	7.12	13.11	20.22		18,000	5.60	20.72	26.32	6.10
42	19,000	7.12	13.83	20.95		19,000	5.60	21.96	27.56	6.61
43	20,000	7.12	14.56	21.68		20,000	5.60	23.20	28.80	7.12
44	21,000	7.12	15.29	22.41		21,000	5.60	24.44	30.04	7.63
45	22,000	7.12	16.02	23.13		22,000	5.60	25.68	31.28	8.15
46	23,000	7.12	16.75	23.86		23,000	5.60	26.92	32.52	8.66
47	24,000	7.12	17.47	24.59		24,000	5.60	28.16	33.76	9.17
48	25,000	7.12	18.20	25.32		25,000	5.60	29.40	35.00	9.68
49	26,000	7.12	18.93	26.05		26,000	5.60	30.64	36.24	10.19
50	27,000	7.12	19.66	26.77		27,000	5.60	31.88	37.48	10.71
51	28,000	7.12	20.39	27.50		28,000	5.60	33.12	38.72	11.22
52	29,000	7.12	21.12	28.23		29,000	5.60	34.36	39.96	11.73
53	30,000	7.12	21.84	28.96		30,000	5.60	35.60	41.20	12.24
54	**Average Usage**					**Average Usage**				
55	7,171	7.12	5.22	12.34		7,171	5.60	7.29	12.89	**0.55**

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **with** Equity Return and Income Taxes

Exhibit
Rejoinder Schedule G-9
Page 2
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rejoinder Schedule G-8, Page 4	$ 0.8138
2	Computed Customer Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4	5.05
3	Computed Service Line Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4	1.32
4	Computed Meter Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4	3.34
5	Computed Monthly Minimum Charge with zero gallons in minimum from Rejoinder Schedule G-8, Page 4	$ 9.71
6		
7	**ACC Staff Proposed Rates**	
8	Proposed Monthly Minimum for 5/8" Meter	$ 5.60
9	Proposed Commodity Rate	
10	0 to 4,000	$ 0.84
11	4,001 to 100,000	$ 1.24
12	Over 100,001	$ 1.52
13		

14	Col. 1	Col. 2	Col. 3	Col. 4 (Col. 2+ 3)		Col. 5	Col. 6	Col. 7	Col. 8 (Col. 6 + 7	Col. 9 (Col. 8-4)
15										
16										
17										Recovery of Expenses Rate of Return Income Tax or (Lack of Recovery)
18	**Computed Costs, with Equity**									
19	**Return and Income Taxes**									
20		Monthly		Total			Monthly			
21		Minimum	Commodity	Cost of			Minimum	Commodity	Total	
22	Usage	Revenue	Revenue	Service		Usage	Revenue	Revenue	Revenue	
23	-	$ 9.71	-	$ 9.71		-	$ 5.60		$ 5.60	$ (4.11)
24	1,000	$ 9.71	$ 0.8138	$ 10.52		1,000	5.60	$ 0.84	6.44	(4.08)
25	2,000	9.71	1.63	11.34		2,000	5.60	1.68	7.28	(4.06)
26	3,000	9.71	2.44	12.15		3,000	5.60	2.52	8.12	(4.03)
27	4,000	9.71	3.26	12.96		4,000	5.60	3.36	8.96	(4.00)
28	5,000	9.71	4.07	13.78		5,000	5.60	4.60	10.20	(3.58)
29	6,000	9.71	4.88	14.59		6,000	5.60	5.84	11.44	(3.15)
30	7,000	9.71	5.70	15.41		7,000	5.60	7.08	12.68	(2.73)
31	8,000	9.71	6.51	16.22		8,000	5.60	8.32	13.92	(2.30)
32	9,000	9.71	7.32	17.03		9,000	5.60	9.56	15.16	(1.87)
33	10,000	9.71	8.14	17.85		10,000	5.60	10.80	16.40	(1.45)
34	11,000	9.71	8.95	18.66		11,000	5.60	12.04	17.64	(1.02)
35	12,000	9.71	9.77	19.47		12,000	5.60	13.28	18.88	(0.59)
36	13,000	9.71	10.58	20.29	**Usage**	13,000	5.60	14.52	20.12	(0.17)
37	14,000	9.71	11.39	21.10	**<-Level->**	14,000	5.60	15.76	21.36	0.26
38	15,000	9.71	12.21	21.92	**When**	15,000	5.60	17.00	22.60	0.68
39	16,000	9.71	13.02	22.73	**Revenues**	16,000	5.60	18.24	23.84	1.11
40	17,000	9.71	13.83	23.54	**Equal**	17,000	5.60	19.48	25.08	1.54
41	18,000	9.71	14.65	24.36	**Expenses**	18,000	5.60	20.72	26.32	1.96
42	19,000	9.71	15.46	25.17	**and**	19,000	5.60	21.96	27.56	2.39
43	20,000	9.71	16.28	25.98	**Return**	20,000	5.60	23.20	28.80	2.82
44	21,000	9.71	17.09	26.80	**on Equity**	21,000	5.60	24.44	30.04	3.24
45	22,000	9.71	17.90	27.61	**and**	22,000	5.60	25.68	31.28	3.67
46	23,000	9.71	18.72	28.43	**Income**	23,000	5.60	26.92	32.52	4.09
47	24,000	9.71	19.53	29.24	**Taxes**	24,000	5.60	28.16	33.76	4.52
48	25,000	9.71	20.34	30.05		25,000	5.60	29.40	35.00	4.95
49	26,000	9.71	21.16	30.87		26,000	5.60	30.64	36.24	5.37
50	27,000	9.71	21.97	31.68		27,000	5.60	31.88	37.48	5.80
51	28,000	9.71	22.79	32.49		28,000	5.60	33.12	38.72	6.23
52	**13,400**	9.71	10.90	20.61	**<-(a)->**	**13,400**	5.60	15.02	20.62	0.00
53	**Average Usage**					**Average Usage**				
54	7,171	$ 9.71	$ 5.836	$ 15.54		7,171	$ 5.60	7.29	12.89	**(2.65)**

55 **(a)** Usage level when revenues equal expense, rate of return on equity and income taxes

Arizona American - Sun City West Water
Summary of Revenues by Customer Classification - Present and Proposed Rates
With Annualized Revenues to Year End Number of Customers
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Kozoman

Line No.	Meter Size	Customer Classification	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	$ 2,075,364	$ 2,795,821	$ 720,458	34.71%	61.76%	61.92%
2	3/4 Inch	Residential	409	551	142	34.76%	0.01%	0.01%
3	1 Inch	Residential	40,107	54,071	13,964	34.82%	1.19%	1.20%
4	1.5 Inch	Residential	511,059	689,126	178,067	34.84%	15.21%	15.26%
5	2 Inch	Residential	162,940	219,749	56,808	34.86%	4.85%	4.87%
6	3 Inch	Residential	-	-	-		0.00%	0.00%
7	4 Inch	Residential	117,032	157,787	40,754	34.82%	3.48%	3.49%
8	5/8 Inch	Commercial	9,572	12,904	3,332	34.81%	0.28%	0.29%
9	3/4 Inch	Commercial	-	-	-		0.00%	0.00%
10	1 Inch	Commercial	34,155	46,046	11,892	34.82%	1.02%	1.02%
11	1.5 Inch	Commercial	74,345	100,252	25,907	34.85%	2.21%	2.22%
12	2 Inch	Commercial	208,910	281,722	72,812	34.85%	6.22%	6.24%
13	3 Inch	Commercial	51,125	68,947	17,822	34.86%	1.52%	1.53%
14	4 Inch	Commercial	11,618	15,666	4,047	34.84%	0.35%	0.35%
15	6 Inch	Commercial	4,923	6,640	1,717	34.88%	0.15%	0.15%
16	4 Inch	Fire Protection	4,140	5,589	1,449	35.00%	0.12%	0.12%
17	6 Inch	Fire Protection	11,745	15,856	4,111	35.00%	0.35%	0.35%
18	8 Inch	Fire Protection	5,040	6,804	1,764	35.00%	0.15%	0.15%
19	Miscellaneous Revenues		37,640	37,640	-	0.00%	1.12%	0.83%
20	Subtotal Water Revenues		$ 3,360,124	$ 4,515,170	$ 1,155,046	34.38%	100.00%	100.00%
21								
22				Revenue Annualization (a)				
23			Present	Proposed	Dollar	Percent	Bills to be	Additional Gallons to be Pumped
24			Revenues	Revenues	Change	Change	Issued	(In 1,000's)
25	5/8 Inch	Residential	$ 3,500	4,713	$ 1,213	34.65%	291	2,217
26	3/4 Inch	Residential	-	-	-			
27	1.5 Inch	Residential	278	375	97	34.84%	3	220
28	2 Inch	Residential	(901)	(1,215)	(314)	34.86%	(9)	(487)
29	3 Inch	Residential			-			
30	4 Inch	Residential	-	-	-			
31	5/8 Inch	Commercial	(246)	(332)	(86)	34.70%	(24)	(136)
32	3/4 Inch	Commercial			-			
33	1 Inch	Commercial	(440)	(593)	(153)	34.80%	(10)	(290)
34	1.5 Inch	Commercial	1,014	1,368	353	34.84%	12	622
35	2 Inch	Commercial	5,600	7,552	1,952	34.85%	40	3,590
36	3 Inch	Commercial	(4,055)	(5,469)	(1,414)	34.86%	(17)	(2,581)
37	4 Inch	Commercial	-	-	-			
38	6 Inch	Commercial	-	-	-			
39	4 Inch	Fire Protection	540	729	189	35.00%	18	
40	6 Inch	Fire Protection	135	182	47	35.00%	3	
41	8 Inch	Fire Protection	-	-	-			
42	Total Revenue Annualization		$ 5,424	$ 7,309	$ 1,885	34.74%	307	3,153
43	Total Revenues		$ 3,365,549	4,522,479	1,156,931	34.38%		

44 **(a)** Customer Growth Annualization is calculated by computing the change in the number of customers by month from
45 the beginning of the year to the end of the year, and then multipling the additional customers times the average
46 revenue for that month.

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Analysis of Revenue by Detailed Class at Average Usage

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Kozoman

Line No.		Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	14,463	7,171	$ 11.67	$ 15.71	4.04	34.66%
2	3/4 Inch	Residential	1	27,333	34.09	45.94	11.85	34.76%
3	1 Inch	Residential	115	15,429	28.76	38.77	10.01	34.80%
4	1.5 Inch	Residential	460	59,042	92.61	124.87	32.27	34.84%
5	2 Inch	Residential	134	55,342	101.46	136.84	35.37	34.86%
6	3 Inch	Residential	-	-	-	-	-	0.00%
7	4 Inch	Residential	1	8,617,167	9,752.71	13,148.89	3,396.19	34.82%
8	5/8 Inch	Commercial	73	5,736	10.33	13.92	3.59	34.69%
9	3/4 Inch	Commercial	-	-	-	-	-	0.00%
10	1 Inch	Commercial	66	28,108	42.96	57.91	14.95	34.80%
11	1.5 Inch	Commercial	69	56,383	89.63	120.86	31.23	34.84%
12	2 Inch	Commercial	117	97,766	148.98	200.90	51.92	34.85%
13	3 Inch	Commercial	15	185,076	275.76	371.88	96.12	34.86%
14	4 Inch	Commercial	1	773,833	968.17	1,305.46	337.29	34.84%
15	6 Inch	Commercial	1	241,750	410.24	553.31	143.07	34.88%
16		Construction						
17	4 Inch	Fire Protection	12	-	8.00	11.94	3.94	49.25%
18	6 Inch	Fire Protection	22	-	30.00	44.78	14.78	49.27%
19	8 Inch	Fire Protection	7	-	45.00	67.18	22.18	49.29%
20	10 Inch	Fire Protection			120.00	179.14	59.14	49.28%
21		Totals	15,555					
22								
23		Actuall Year End Number						
24		of Customers:	15,581					
25								
26		**(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.						
27								

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Changes in Representative Rate Schedules

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1	Percentage Increase in Monthly Minimums				
2	Percentage Increase in Commodity Rates				
3					
4	**Monthly Usage Charge for:**				
5	Residential,Commercial, Irrigation, Resale and Miscellaneous Customers				
6	5/8 x 3/4 Inch	(a)	$ 5.00	$ 6.75	35.00%
7	3/4 Inch	(a)	5.00	6.75	35.00%
8	1 Inch	(a)	13.00	17.55	35.00%
9	1 1/2 Inch	(a)	28.00	37.80	35.00%
10	2 Inch	(a)	41.00	55.35	35.00%
11	3 Inch	(a)	70.00	94.50	35.00%
12	4 Inch	(a)	103.00	139.05	35.00%
13	6 Inch	(a)	141.00	190.35	35.00%
14					
15	Construction / Tariff to be canceled, as it is no longer used		8.00		
16	General Fire Sprinkler Rate 4 "	(a)	30.00	40.50	35.00%
17	General Fire Sprinkler Rate 6 "	(a)	45.00	60.75	35.00%
18	General Fire Sprinkler Rate 8 "	(a)	60.00	81.00	35.00%
19	General Fire Sprinkler Rate 10 "	(a)	120.00	162.00	35.00%
20					
21					
22					
23					
24					
25	Gallons In Minimum				
26	All		-	-	
27					
28					
29					
30					
31	**Tier 1:** Gallons upper limit				
32	All, except construction		8,000	8,000	
33	Construction / Tariff to be canceled, as it is no longer used		999,999,999	999,999,999	
34					
35	(a) Rounded				

Arizona American - Sun City West Water
Test Year Ended December 31, 2001
Changes in Representative Rate Schedules

Exhibit
Rejoinder Schedule H-3
Page 2
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1					
2					
3	**Tier 2:** (Gallon upper limit, up to, but not exceeding)				
4	All, except construction		999,999,999	999,999,999	
5	Construction / Tariff to be canceled, as it is no longer used		999,999,999	999,999,999	
6					
7					
8					
9					
10					
11					
12					
13					
14					
15	**Tier 3:** (Gallon over)				
16	All, except construction		999,999,999	999,999,999	
17	Construction / Tariff to be canceled, as it is no longer used		999,999,999	999,999,999	
18					
19					
20					
21					
22					
23					
24					
25					
26					
27	Commodity Rates (per 1,000 gallons over minimum and per Tier)				
28	All, except construction (a)	Tier 1 (a)	$ 0.93	$ 1.25	34.41%
29	All, except construction (a)	Tier 2 (a)	1.12	1.51	34.82%
30	All, except construction (a)	Tier 3 (a)	1.12	1.51	34.82%
31	All, except construction (a)	Tier 4 (a)			
32					
33					
34.	Construction / Tariff to be canceled, as it is no longer used		0.60		
35					
36	Effluent Sales, per Acre Foot (a)		150.00	$ 202.27	34.85%
37					
38	Central Arizona Project - Raw Untreated Water - Per 1,000 Gallons		0.50	$ 0.67	34.00%
39					
40	In Addition to above charges, Company shall collect Groundwater Saving Fee Per Commission Decision				
41	62293				
42	(a) Rounded				

Arizona American - Sun City West Water
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 3
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	$ 30.00	$ 30.00
2	Establishment (After Hours)	$ 40.00	$ 40.00
3	Reconnection (Deliquent)		$ -
4	Reconnection (After Hours)		$ -
5	Meter Test	$ 10.00	$ 10.00
6	Deposit	**	**
7	Deposit Interest	**	**
8	Re-Establishment (With-in 12 Months)	***	***
9			
10	NSF Check	$ 10.00	$ 10.00
11	Deferred Payment, Per Month (b)		
12	Meter Re-Read	$ 5.00	$ 5.00
13	Charge of Moving Customer Meter -		
14	Customer Requested	Cost	Cost
15	Late Payment Charge	1.50%	1.50%
16	Damages to Meter Locks, Valves, Seals	Cost	Cost
17	Sprinklers See Schedule H-3, Page 1		
18			
19			

20 ** PER COMMISSION RULES (R14-2-403.B)
21 *** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)
22 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
23 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
24 TAX. PER COMMISSION RULE (14-2-409.D 5)
25 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
26 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.
27
28
29

	Meter Size	Present Charges	Proposed Charges
30			
31			
32	5/8 x 3/4 Inch	$320	$500
33	3 / 4 Inch	$360	$575
34	1 Inch	$415	$660
35	1 1/2 Inch	$725	$900
36	2 Inch	$1,090	$2,220
37	3 Inch	Cost	Cost
38	4 Inch	Cost	Cost
39	6 Inch	Cost	Cost
40	8 Inch	Cost	Cost

41
42 As meters and service lines are now taxable income for income purposes, The Company
43 shall collect income taxes on the meter and service line charges.
44 Any tax collected will be refunded each year that the meter deposit is refunded.
45
46 Groundwater Withdrawal Fees shall be collected as an assessment, and is subject to annual
47 revisions as required due to changes in rates charged by the Arizona Department of Water
48 Resources ("ADWR"). Includes an allowance of 10% lost and unaccounted for water.

SUN CITY WEST SEWER

Arizona American - Sun City West Sewer
Summary of Revenues by Customer Classification - Present and Proposed Rates
Test Year ended December 31, 2001

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Sewer Revenues	Percent of Proposed Sewer Revenues
1	Residential Units (WSR)	$ 2,789,886	$ 4,026,781	$ 1,236,895	44.33%	79.25%	79.25%
2	Commercial Units (SSC)	76,035	109,756	33,720	44.35%	2.16%	2.16%
3	Commercial Large User (WS6)	12,683	18,363	5,680	44.78%	0.36%	0.36%
4	Muti-family Residential Units (AC WSRE)	553,264	798,554	245,290	44.33%	15.72%	15.72%
5							
6							
7	Commercial additional toilets (WS1)	70,575	101,867	31,293	44.34%	2.00%	2.00%
8	Commercial per dishwasher (WS2)	11,241	16,225	4,984	44.34%	0.32%	0.32%
9	Commercial per wash machine (WS3)	3,247	4,686	1,439	44.31%	0.09%	0.09%
10	Commercial per wash rack (WS4)	2,497	3,605	1,108	44.35%	0.07%	0.07%
11	Miscellaneous Revenues	1,002	1,002	-	0.00%	0.03%	0.02%
12	**Subtotal of Revenues**	$ 3,520,431	$ 5,080,839	$ 1,560,408	44.32%	100.00%	100.00%
13							
14		**Present**	**Proposed**	**Dollar**	**Percent**	**Bills to be**	
15	**Revenue Annualization**	**Revenues**	**Revenues**	**Change**	**Change**	**Issued**	
16	Residential Units (WSR)	3,134	4,524	1,390	44.33%	193	
17	Commercial Units (SSC)	7,089	10,232	3,144	44.35%	307	
18	Commercial Large User (WS6)	681	983	302	44.34%	15	
19	Muti-family Residential Units (AC WSRE)						
20	Commercial additional toilets (WS1)	(424)	(612)	(188)	44.34%	(80)	
21	Commercial per dishwasher (WS2)			-			
22	Commercial per wash machine (WS3)	566	817	251	44.31%	57	
23	Commercial per wash rack (WS4)						
24	**Total Revenue Annualization**	$ 11,046	$ 15,944	4,898	44.34%	492	
25							
26	Total Revenues	$ 3,531,477	$ 5,096,784	1,565,307	44.32%		

Arizona American - Sun City West Sewer
Analysis of Revenue by Detailed Class at Average Usage
Test Year ended December 31, 2001

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	Residential Units (WSR)	14,316	N/A	16.24	23.44	7.20	44.33%
2	Commercial Units (SSC)	274	N/A	23.09	33.33	10.24	44.35%
3	Commercial Large User (WS6)	5	187,702	209.77	303.70	93.93	44.78%
4	Muti-family Residential Units (AC WSRE)	2,839	N/A	-	-	-	0.00%
5	Total Actual Year End Customers	17,434					
6							
7	Commercial additional toilets (WS1)	1,110	N/A	5.30	7.65	2.35	44.34%
8	Commercial per dishwasher (WS2)	22	N/A	42.58	61.46	18.88	44.34%
9	Commercial per wash machine (WS3)	27	N/A	9.93	14.33	4.40	44.31%
10	Commercial per wash rack (WS4)	10	N/A	20.81	30.04	9.23	44.35%
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21	Total Other Units	1,169					

Arizona American - Sun City West Sewer
Changes in Representative Rate Schedules
Test Year ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and.or Meter Size, If Applicable	Present Rates	Proposed Rates	Percent Change
1	**Monthly Usage Charge for:**			
2	Residential and Commercial			
3	Residential (WSR) (Rounded Down	$ 16.24	$ 23.44	44.33%
4	Commercial (SSC) (a)	23.09	33.33	44.35%
5	Commercial Large User (SS6 based on consumption) (a)	45.42	65.56	44.34%
6	WS1 (commercial, additonal toilets) (a)	5.30	7.65	44.34%
7	WS2 (commercial restaurant, per dishwasher or garbage grinder) (a)	42.58	61.46	44.34%
8	WS3 (commercial laundromat, per washing machine) (a)	9.93	14.33	44.31%
9	WS4 (commercial, per wash rack) (a)	20.81	30.04	44.35%
10				
11				
12	**Annual Fee for Industrial Discharge Service**			
13	For those customers consuming an amount of water less than or equal			
14	50,000 gallons per month through one or more water meters to the			
15	same facility, inclusive of meters used for irrigation:	$ 500.00	$ 500.00	
16				
17				
18	For those customers consuming an amount of water greater than			
19	50,000 gallons per month through one or more water meters to the			
20	same facility, inclusive of meters used for irrigation:	$ 1,000.00	$ 1,000.00	
21				
22	Annual Fee for Industrial Discharge Service charges shall be non-refundable and shall be assessed			
23	in advance each January by the Company by special billing. For new customers receiving this service,			
24	a prorated charge shall be assessed.			
25				
26				
27				
28				
29				
30				
31				
32	Gallons In Minimum			
33	Commercial SSR6	20,000	20,000	
34				
35	Commodity Rates (per 1,000 gallons over minimum)			
36	Commercial SSR6 (a)	$ 0.98	$ 1.42	44.90%
37				
38	(a) Rounded			

Arizona American - Sun City West Sewer
Changes in Representative Rate Schedules
Test Year ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 2
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment		
2	Establishment (After Hours)		
3	Reconnection (Deliquent)		
4	Reconnection (After Hours)		
5			
6	Deposit		
7	Deposit Interest		
8	Re-Establishment (With-in 12 Months)		
9			
10	NSF Check		
11	Deferred Payment, Per Month (b)		
12			
13			
14			
15	Late Payment Charge	1.50%	1.50%
16			

17 Rates for above charges are listed on Schedule H-3, Page 3, for Sun City West Water.
18
19
20 ** PER COMMISSION RULES (R14-2-403.B)
21 *** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)
22 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
23 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
24 TAX. PER COMMISSION RULE (14-2-409.D 5)
25 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
26 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.

Arizona American - Sun City West Sewer
Summary of Revenues by Customer Classification - Present and Proposed Rates
Test Year ended December 31, 2001
Step-One Rate Increase

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Sewer Revenues	Percent of Proposed Sewer Revenues
1	Residential Units (WSR)	2,789,886	3,906,527	$ 1,116,642	40.02%	79.25%	79.26%
2	Commercial Units (SSC)	76,035	106,463	30,427	40.02%	2.16%	2.16%
3	Commercial Large User (WS6)	12,683	17,736	5,053	39.84%	0.36%	0.36%
4	Muti-family Residential Units (AC WSRE)	553,264	774,706	221,442	40.02%	15.72%	15.72%
5							
6							
7	Commercial additional toilets (WS1)	70,575	98,805	28,230	40.00%	2.00%	2.00%
8	Commercial per dishwasher (WS2)	11,241	15,737	4,496	40.00%	0.32%	0.32%
9	Commercial per wash machine (WS3)	3,247	4,545	1,298	39.98%	0.09%	0.09%
10	Commercial per wash rack (WS4)	2,497	3,496	998	39.98%	0.07%	0.07%
11	Miscellaneous Revenues	1,002	1,002	-	0.00%	0.03%	0.02%
12	**Subtotal of Revenues**	$ 3,520,431	$ 4,929,017	$ 1,408,586	40.01%	100.00%	100.00%
13							
14		**Present**	**Proposed**	**Dollar**	**Percent**	**Bills to be**	
15	**Revenue Annualization**	**Revenues**	**Revenues**	**Change**	**Change**	**Issued**	
16	Residential Units (WSR)	3,134	4,389	1,255	40.02%	193	
17	Commercial Units (SSC)	7,089	9,925	2,837	40.02%	307	
18	Commercial Large User (WS6)	681	954	273	40.00%	15	
19	Muti-family Residential Units (AC WSRE)						
20	Commercial additional toilets (WS1)	(424)	(594)	(170)	40.00%	(80)	
21	Commercial per dishwasher (WS2)			-			
22	Commercial per wash machine (WS3)	566	792	226	39.98%	57	
23	Commercial per wash rack (WS4)						
24	**Total Revenue Annualization**	$ 11,046	$ 15,467	4,420	40.02%	492	
25							
26	Total Revenues	$ 3,531,477	$ 4,944,483	1,413,006	40.01%		

Arizona American - Sun City West Sewer
Analysis of Revenue by Detailed Class at Average Usage
Test Year ended December 31, 2001
Step-One Rate Increase

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Kozoman

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	Residential Units (WSR)	14,316	N/A	16.24	22.74	6.50	40.02%
2	Commercial Units (SSC)	274	N/A	23.09	32.33	9.24	40.02%
3	Commercial Large User (WS6)	5	187,702	209.77	293.34	83.57	39.84%
4	Muti-family Residential Units (AC WSRE)	2,839	N/A	-	-	-	0.00%
5	Total Actual Year End Customers	17,434					
6							
7	Commercial additional toilets (WS1)	1,110	N/A	5.30	7.42	2.12	40.00%
8	Commercial per dishwasher (WS2)	22	N/A	42.58	59.61	17.03	40.00%
9	Commercial per wash machine (WS3)	27	N/A	9.93	13.90	3.97	39.98%
10	Commercial per wash rack (WS4)	10	N/A	20.81	29.13	8.32	39.98%
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21	Total Other Units	1,169					

Arizona American - Sun City West Sewer
Changes in Representative Rate Schedules
Test Year ended December 31, 2001
Step-One Rate Increase

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and.or Meter Size, If Applicable	Present Rates	Proposed Rates	Percent Change
1	**Monthly Usage Charge for:**			
2	Residential and Commercial			
3	Residential (WSR) (a)	$ 16.24	$ 22.74	40.02%
4	Commercial (WSC) (a)	23.09	32.33	40.02%
5	Commercial Large User (SS6 based on consumption) (a)	45.42	63.59	40.00%
6	WS1 (commercial, additonal toilets) (a)	5.30	7.42	40.00%
7	WS2 (commercial restaurant, per dishwasher or garbage grinder) (a)	42.58	59.61	40.00%
8	WS3 (commercial laundromat, per washing machine) (a)	9.93	13.90	39.98%
9	WS4 (commercial, per wash rack) (a)	20.81	29.13	39.98%
10				
11				
12	**Annual Fee for Industrial Discharge Service**			
13	For those customers consuming an amount of water less than or equal			
14	50,000 gallons per month through one or more water meters to the			
15	same facility, inclusive of meters used for irrigation:	$ 500.00		
16				
17				
18	For those customers consuming an amount of water greater than			
19	50,000 gallons per month through one or more water meters to the			
20	same facility, inclusive of meters used for irrigation:	$ 1,000.00		
21				
22	Annual Fee for Industrial Discharge Service charges shall be non-refundable and shall be assessed			
23	in advance each January by the Company by special billing. For new customers receiving this service,			
24	a prorated charge shall be assessed.			
25				
26				
27				
28				
29				
30				
31				
32	Gallons In Minimum			
33	Commercial SSR6	20,000	20,000	
34				
35	Commodity Rates (per 1,000 gallons over minimum)			
36	Commercial SSR6 (a)	$ 0.98	$ 1.3700	39.80%

Arizona American - Sun City West Sewer
Changes in Representative Rate Schedules
Test Year ended December 31, 2001
Step-One Rate Increase

Exhibit
Rejoinder Schedule H-3
Page 2
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment		
2	Establishment (After Hours)		
3	Reconnection (Deliquent)		
4	Reconnection (After Hours)		
5			
6	Deposit		
7	Deposit Interest		
8	Re-Establishment (With-in 12 Months)		
9			
10	NSF Check		
11	Deferred Payment, Per Month (b)		
12			
13			
14			
15	Late Payment Charge	1.50%	1.50%
16			
17			
18			
19			

20 ** PER COMMISSION RULES (R14-2-403.B)
21 *** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)
22 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
23 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
24 TAX. PER COMMISSION RULE (14-2-409.D 5)
25 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
26 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.
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TUBAC WATER

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 1
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	49,724	213,848	65,736	329,308
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	1,402	6,031	1,854	9,286
4	Rate Bases	49,724	213,848	65,736	329,308
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	1,870	8,041	2,472	12,382
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	3,045	13,095	4,025	20,166
9					
10	Revenue Requirement for Debt Component, from Line 3	1,402	6,031	1,854	9,286
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	3,045	13,095	4,025	20,166
13	Total Return Requirement with Income Tax	4,447	19,126	5,879	29,452
14					
15	Property Tax Expense, from Schedule G-5, Page 1	4,884	1,881	1,091	7,856
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	68,468	3,529	9,016	81,013
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	3,275	6,687	2,128	12,091
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	81,074	31,223	18,115	130,412
19					
20	**Customer Charge**				
21	Number of Bills = 494 times 12	5,928			
22					
23	**Charge per Bill**	$ 13.68			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 601 times 12		7,206	7,206	
28					
29	**Charge per Equivalent Meter**		$ 4.33	$ 2.51	
30					
31					
32	CUSTOMER CHARGE:				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge)				
34	Charge per Bill (Customer Charge with Equity Return and Income Tax)	$ 13.68			
35	Charge per Equivalent Meter (For Service Line Charge with Equity Return and Income Tax)	4.33			
36	Charge per Equivalent Meter (For Meter Charge with Equity Return and Income Tax)	2.51			
37	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter	$ 20.52			
39					

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 1a
Witness: Kozoman

Line No.		Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	49,724	213,848	65,736	329,308
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	1,402	6,031	1,854	9,286
4	Rate Bases	49,724	213,848	65,736	329,308
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	0.00%	0.00%	0.00%	0.00%
6	Required Operating Income for Equity	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-
9					
10	Revenue Requirement for Debt Component, from Line 3	1,402	6,031	1,854	9,286
11	Revenue Requirement for Equity and Income				
12	Tax Component, from Line 8	-	-	-	-
13	Total Return Requirement with Income Tax	1,402	6,031	1,854	9,286
14					
15	Property Tax Expense, from Schedule G-5, Page 1	4,884	1,881	1,091	7,856
16	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)	68,468	3,529	9,016	81,013
17	Dep. & Amort. Exp. / Customer, Services, and Meter Plant (From Sch. G-6, Page 2)	3,275	6,687	2,128	12,091
18	Total Revenue Requirement / Customer, Meter & Service (Line 13+15+16+17)	78,029	18,127	14,090	110,246
19					
20	**Customer Charge**				
21	Number of Bills = 494 times 12	5,928			
22					
23	**Charge per Bill**	$ 13.16			
24	(Customer Revenue Requirement divided by Annualized Number of Bills)				
25					
26	**Service Line and Meter Charge**				
27	Equivalent 5/8 x 3/4 Meters 601 times 12		7,206	7,206	
28					
29	**Charge per Equivalent Meter**		$ 2.52	$ 1.96	
30	**Actual Cost (without Equity Return or Income Taxes)**				
31					
32	**CUSTOMER CHARGE:**				
33	Monthly Minimum for 5/8 x 3/4 Inch Meter (with no water included in Minimum or Demand Charge, nor recovery of return or income tax)				
34	Charge per Bill (Customer Charge without Equity Return or Income Tax)	$ 13.16			
35	Charge per Equivalent Meter (For Service Line Charge without Equity Return or Income Tax)	2.52			
36	Charge per Equivalent Meter (For Meter Charge without Equity Return or Income Tax)	1.96			
37	(Service and Meter Revenue Requirement divided by Annualized Equivalent Meters)				
38	Monthly Minimum for 5/8 x 3/4 Inch Meter without recovery of Equity Return or Income Tax	$ 17.63			

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Including Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 2
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	727,570
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	20,517
5	Rate Base	727,570
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%
7	Required Operating Income for Equity	27,357
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	44,554
10		
11	Revenue Requirement for Debt Component, from Line 4	20,517
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	44,554
14		
15	Property Tax Expense, from Schedule G-5, Page 1	10,288
16	Demand Expenses, from Schedule G-6, Page 1	74,194
17	Depreciation, from Schedule G-6, Page 2	21,222
18	Total Revenue Requirement / Demand Component	170,775

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Function Costs, Excluding Equity Return and Income Taxes Using ACC
Staff's recommened Plant, Accumulated Depreciation and Expenses & Return

Exhibit
Rejoinder Schedule G-8
Page 2a
Witness: Kozoman

Line No.	DEMAND CHARGE:	
1		
2	Rate Base (From Schedule G-5, Page 1)	727,570
3	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%
4	Required Operating Income - for Debt (Line 2 x Line 3)	20,517
5	Rate Base	727,570
6	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	
7	Required Operating Income for Equity	-
8	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863
9	Equity Return plus Income tax component (Line 7 x Line 8)	-
10		
11	Revenue Requirement for Debt Component, from Line 4	20,517
12	Revenue Requirement for Equity and Income	
13	Tax Component, from Line 12	-
14		
15	Property Tax Expense, from Schedule G-5, Page 1	10,288
16	Demand Expenses, from Schedule G-6, Page 1	74,194
17	Depreciation, from Schedule G-6, Page 2	21,222
18	Total Revenue Requirement / Demand Component	126,221
19		
20		
21		
22		
23		
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Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including and Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 3
Witness: Kozoman

Including Equity Return and Income Taxes

Line No.		Customer Charge	Service Line Charge	Meter Charge	Demand Charge	Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended onthly Mininum to ComputedCost
1	5/8 x 3/4 Inch Meter	$ 13.68	$ 4.33	$ 2.51	$ -	$ 20.52	$ 20.80	101.35%
2	3/4 Inch Meter	13.68	6.50	3.77	-	23.95	20.80	86.85%
3	1 Inch Meter	13.68	10.83	6.28	-	30.79	31.17	101.22%
4	1 1/2 Inch Meter	13.68	21.66	12.57	-	47.91	62.33	130.10%
5	2 Inch Meter	13.68	34.66	20.11	-	68.45	102.98	150.44%
6	3 Inch Meter	13.68	64.99	37.71	-	116.38	121.95	104.79%
7	4 Inch Meter	13.68	108.32	62.85	-	184.85	178.85	96.76%
8	6 Inch Meter	13.68	216.64	125.69	-	356.01	243.89	68.50%
9	8 Inch Meter	13.68	346.63	301.67	-	661.97	$ 2,079.62	
10	10 Inch Meter	13.68	#####	1,005.56	-	2,059.12		
11								
12								
13								
14	**Excluding Equity Return and Income Taxes**							
15								
16								
17						Total Computed Monthly Minimum Charge	ACC Staff Recommended Monthly Minimum Charge	Ratio of ACC Staff Recommended onthly Mininum to ComputedCost
18								
19			Service Line Charge					
20		Customer Charge		Meter Charge	Demand Charge			
21								
22	5/8 x 3/4 Inch Meter	$ 13.16	$ 2.52	$ 1.96	$ -	$ 17.63	$ 20.80	117.96%
23	3/4 Inch Meter	13.16	3.77	2.93	-	19.87	20.80	104.67%
24	1 Inch Meter	13.16	6.29	4.89	-	24.34	31.17	128.06%
25	1 1/2 Inch Meter	13.16	12.58	9.78	-	35.52	62.33	175.49%
26	2 Inch Meter	13.16	20.12	15.64	-	48.93	102.98	210.46%
27	3 Inch Meter	13.16	37.73	29.33	-	80.23	121.95	152.01%
28	4 Inch Meter	13.16	62.89	48.88	-	124.93	178.85	143.15%
29	6 Inch Meter	13.16	125.78	97.76	-	236.71	243.89	103.03%
30	8 Inch Meter	13.16	201.25	156.42	-	370.83		
31	10 Inch Meter	13.16	402.49	312.84	-	728.50		

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Including Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 4
Witness: Kozoman

Line No.		Commodity	Demand	Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	73,292	727,570	49,724	213,848	65,736	1,130,170
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.820%	2.820%	2.820%	2.820%	2.820%	2.820%
3	Required Operating Income - for Debt	2,067	20,517	1,402	6,031	1,854	31,871
4	Rate Bases from Schedule G-5, Page 1	73,292	727,570	49,724	213,848	65,736	1,130,170
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
6	Required Operating Income for Equity	2,756	27,357	1,870	8,041	2,472	42,494
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863
8	Equity Return plus Income tax component (Line 6 x Line 7)	4,488	44,554	3,045	13,095	4,025	69,208
9							
10	Revenue Requirement for Debt Component, from Line 3	2,067	20,517	1,402	6,031	1,854	31,871
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	4,488	44,554	3,045	13,095	4,025	69,208
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	6,555	65,071	4,447	19,126	5,879	101,078
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	2,511	10,288	4,884	1,881	1,091	20,655
16	Expenses (From Sch. G-6. Page 1)	30,451	74,194	68,468	3,529	9,016	185,658
17	Depreciation and Amortization (From Schedule G-6, Page 2)	2,162	21,222	3,275	6,687	2,128	35,474
18	Total Revenue Requirement by function	41,679	170,775	81,074	31,223	18,115	342,865
19	Total Commodity and Demand Costs	212,453					
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	81,308		5,928	7,206	7,206	
21	Computed Commodity Rate, Customer, Meter, Service Line	$ 2.6129					
22	(Line 18 divided by Line 20)			$ 13.68	$ 4.33	$ 2.51	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter Charge on Line 22)						$ 20.52
24							

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity
Function Costs, Excluding Equity Return and Income Taxes
Using ACC Staff's recommened Plant, Accumulated Depreciation and
Expenses and Return

Exhibit
Rejoinder Schedule G-8
Page 4a
Witness: Kozoman

Line No.		Commodity	Demand	Customer	Service	Meter	Totals
1	Rate Bases from Schedule G-5, Page 1	73,292	727,570	49,724	213,848	65,736	1,130,170
2	Multiply by weighted Rate of Return for Debt (From ACC Staff JMR-9)	2.82%	2.82%	2.82%	2.82%	2.82%	2.82%
3	Required Operating Income - for Debt	2,067	20,517	1,402	6,031	1,854	31,871
4	Rate Bases from Schedule G-5, Page 1	73,292	727,570	49,724	213,848	65,736	1,130,170
5	Weighted Rate of Return for Equity (From ACC Staff JMR-9)						
6	Required Operating Income for Equity	-	-	-	-	-	-
7	Multiply by Revenue Conversion Factor (From ACC Staff DWC-1)	-	-	-	-	-	-
8	Equity Return plus Income tax component (Line 6 x Line 7)	-	-	-	-	-	-
9							
10	Revenue Requirement for Debt Component, from Line 3	2,067	20,517	1,402	6,031	1,854	31,871
11	Revenue Requirement for Equity and Income						
12	Tax Component, from Line 8	-	-	-	-	-	-
13	Total Return Requirement with Income Tax (Line 10 + Line 12)	2,067	20,517	1,402	6,031	1,854	31,871
14							
15	Property Taxes (Allocation from Schedule G-5, Page 1)	2,511	10,288	4,884	1,881	1,091	20,655
16	Expenses (From Sch. G-6. Page 1)	30,451	74,194	68,468	3,529	9,016	185,658
17	Depreciation and Amortization (From Schedule G-6, Page 2)	2,162	21,222	3,275	6,687	2,128	35,474
18	Total Revenue Requirement by function	37,190	126,221	78,029	18,127	14,090	273,657
19	Total Commodity and Demand Costs	163,411					
20	Gallons Sold (Zero Gallons in Minimum), Bills, Equivalent Meters & Servic	81,308		5,928	7,206	7,206	
21	Computed Commodity Rate, Customer, Meter, Service Line	$ 2.0098					
22	(Line 18 divided by Line 20)			$ 13.1628	$ 2.5156	$ 1.9553	
23	Total Monthly Minimum Charge (Sum of Customer, Service, Meter Charge on Line 22)					$ 17.63	

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **without** Equity Return and Income Taxes

Exhibit
Rejoinder Schedule G-9
Page 1
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rejoinder Schedule G-8, Page 4a	$ 2.0098
2		
3	Computed Customer Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4a	13.16
4	Computed Service Line Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4a	2.52
5	Computed Meter Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4a	1.96
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rejoinder Schedule G-8, Page 4a	$ 17.63

ACC Staff Proposed Rates

Proposed Monthly Minimum for 5/8" Meter			$ 20.80
Proposed Commodity Rate			
0	to	4,000	$ 1.81
4,001	to	100,000	$ 2.72
Over 100,001			$ 3.26

Computed Costs, without Equity Return or Income Taxes

Line No.	Col. 1 Usage	Col. 2 Monthly Minimum Revenue	Col. 3 Commodity Revenue	Col. 4 Total Cost of Service (Col. 2+ 3)		Col. 5 Usage	Col. 6 Monthly Minimum Revenue	Col. 7 Commodity Revenue	Col. 8 Total Revenue (Col. 6 + 7	Col. 9 Recovery of Expenses or, (Lack of Recovery) (Col. 8-4)
22	-	$ 17.63	-	$ 17.63	<-Level->	-	$ 20.80		$ 20.80	$ 3.17
23	1,000	$ 17.63	$ 2.0098	$ 19.64	When	1,000	20.80	$ 1.81	22.61	2.97
24	2,000	17.63	4.02	21.65	Revenues	2,000	20.80	3.62	24.42	2.77
25	3,000	17.63	6.03	23.66	Equal	3,000	20.80	5.43	26.23	2.57
26	4,000	17.63	8.04	25.67	Expenses	4,000	20.80	7.24	28.04	2.37
27	5,000	17.63	10.05	27.68	(No Rate	5,000	20.80	9.96	30.76	3.08
28	6,000	17.63	12.06	29.69	of Return	6,000	20.80	12.68	33.48	3.79
29	7,000	17.63	14.07	31.70	on	7,000	20.80	15.40	36.20	4.50
30	8,000	17.63	16.08	33.71	Equity	8,000	20.80	18.12	38.92	5.21
31	9,000	17.63	18.09	35.72	or Income	9,000	20.80	20.84	41.64	5.92
32	10,000	17.63	20.10	37.73	Taxes	10,000	20.80	23.56	44.36	6.63
33	11,000	17.63	22.11	39.74	Included)	11,000	20.80	26.28	47.08	7.34
34	12,000	17.63	24.12	41.75		12,000	20.80	29.00	49.80	8.05
35	13,000	17.63	26.13	43.76		13,000	20.80	31.72	52.52	8.76
36	14,000	17.63	28.14	45.77		14,000	20.80	34.44	55.24	9.47
37	15,000	17.63	30.15	47.78		15,000	20.80	37.16	57.96	10.18
38	16,000	17.63	32.16	49.79		16,000	20.80	39.88	60.68	10.89
39	17,000	17.63	34.17	51.80		17,000	20.80	42.60	63.40	11.60
40	18,000	17.63	36.18	53.81		18,000	20.80	45.32	66.12	12.31
41	19,000	17.63	38.19	55.82		19,000	20.80	48.04	68.84	13.02
42	20,000	17.63	40.20	57.83		20,000	20.80	50.76	71.56	13.73
43	21,000	17.63	42.21	59.84		21,000	20.80	53.48	74.28	14.44
44	22,000	17.63	44.22	61.85		22,000	20.80	56.20	77.00	15.15
45	23,000	17.63	46.22	63.86		23,000	20.80	58.92	79.72	15.86
46	24,000	17.63	48.23	65.87		24,000	20.80	61.64	82.44	16.57
47	25,000	17.63	50.24	67.88		25,000	20.80	64.36	85.16	17.28
48	26,000	17.63	52.25	69.89		26,000	20.80	67.08	87.88	17.99
49	27,000	17.63	54.26	71.90		27,000	20.80	69.80	90.60	18.70
50	28,000	17.63	56.27	73.91		28,000	20.80	72.52	93.32	19.41
51	29,000	17.63	58.28	75.92		29,000	20.80	75.24	96.04	20.12
52	30,000	17.63	60.29	77.93		30,000	20.80	77.96	98.76	20.83
53	31,000	17.63	62.30	79.94		31,000	20.80	80.68	101.48	21.54
54	**Average Usage**					**Average Usage**				
55	13,177	17.63	26.48	44.12		13,177	20.80	32.20	53.00	**8.88**

Arizona American - Tubac Water
Test Year Ended December 31, 2001
Comparison of ACC Staff Proposed Rates to Computed Rates from Cost of Service Study
to Computed Rates from Cost of Service Study **with** Equity Return and Income Taxes

Exhibit
Rejoinder Schedule G-9
Page 2
Witness: Kozoman

Line No.		
1	Computed Commodity Cost from Rejoinder Schedule G-8, Page 4	$ 2.6129
2		
3	Computed Customer Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4	13.68
4	Computed Service Line Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4	2.51
5	Computed Meter Cost for 5/8 Inch Meter from Rejoinder Schedule G-8, Page 4	4.33
6	Computed Monthly Minimum Charge with zero gallons in minimum from Rejoinder Schedule G-8, Page 4	$ 20.52

ACC Staff Proposed Rates

Proposed Monthly Minimum for 5/8" Meter			$ 20.80
Proposed Commodity Rate			
0	to	4,000	$ 1.81
4,001	to	100,000	$ 2.72
Over 100,001			$ 3.26

Computed Costs, with Equity Return and Income Taxes

Col. 1	Col. 2	Col. 3	Col. 4 (Col. 2+ 3)		Col. 5	Col. 6	Col. 7	Col. 8 (Col. 6 + 7	Col. 9 (Col. 8-4) Recovery of Expenses Rate of Return & Income Tax or (Lack of Recovery)
Usage	Monthly Minimum Revenue	Commodity Revenue	Total Cost of Service	(a)	Usage	Monthly Minimum Revenue	Commodity Revenue	Total Revenue	
-	$ 20.52	-	$ 20.52	**<-Level->**	-	$ 20.80		$ 20.80	$ 0.28
1,000	$ 20.52	$ 2.6129	$ 23.14	**When**	1,000	20.80	$ 1.81	22.61	(0.53)
2,000	20.52	5.23	25.75	**Revenues**	2,000	20.80	3.62	24.42	(1.33)
3,000	20.52	7.84	28.36	**Equal**	3,000	20.80	5.43	26.23	(2.13)
4,000	20.52	10.45	30.98	**Expenses**	4,000	20.80	7.24	28.04	(2.94)
5,000	20.52	13.06	33.59	**and**	5,000	20.80	9.96	30.76	(2.83)
6,000	20.52	15.68	36.20	**Return**	6,000	20.80	12.68	33.48	(2.72)
7,000	20.52	18.29	38.81	**on Equity**	7,000	20.80	15.40	36.20	(2.61)
8,000	20.52	20.90	41.43	**and**	8,000	20.80	18.12	38.92	(2.51)
9,000	20.52	23.52	44.04	**Income**	9,000	20.80	20.84	41.64	(2.40)
10,000	20.52	26.13	46.65	**Taxes**	10,000	20.80	23.56	44.36	(2.29)
11,000	20.52	28.74	49.27		11,000	20.80	26.28	47.08	(2.19)
12,000	20.52	31.36	51.88		12,000	20.80	29.00	49.80	(2.08)
13,000	20.52	33.97	54.49		13,000	20.80	31.72	52.52	(1.97)
14,000	20.52	36.58	57.10		14,000	20.80	34.44	55.24	(1.86)
15,000	20.52	39.19	59.72		15,000	20.80	37.16	57.96	(1.76)
16,000	20.52	41.81	62.33		16,000	20.80	39.88	60.68	(1.65)
17,000	20.52	44.42	64.94		17,000	20.80	42.60	63.40	(1.54)
18,000	20.52	47.03	67.56		18,000	20.80	45.32	66.12	(1.44)
19,000	20.52	49.65	70.17		19,000	20.80	48.04	68.84	(1.33)
20,000	20.52	52.26	72.78		20,000	20.80	50.76	71.56	(1.22)
21,000	20.52	54.87	75.40		21,000	20.80	53.48	74.28	(1.12)
22,000	20.52	57.48	78.01		22,000	20.80	56.20	77.00	(1.01)
23,000	20.52	60.10	80.62		23,000	20.80	58.92	79.72	(0.90)
24,000	20.52	62.71	83.23		24,000	20.80	61.64	82.44	(0.79)
25,000	20.52	65.32	85.85		25,000	20.80	64.36	85.16	(0.69)
26,000	20.52	67.94	88.46		26,000	20.80	67.08	87.88	(0.58)
27,000	20.52	70.55	91.07		27,000	20.80	69.80	90.60	(0.47)
28,000	20.52	73.16	93.69		28,000	20.80	72.52	93.32	(0.37)
31,450	20.52	82.18	102.70	(a)	**31,450**	20.80	81.90	102.70	0.00
Average Usage					**Average Usage**				
13,177	$ 20.52	$ 34.43	$ 54.95		13,177	$ 20.80	$ 32.20	$ 53.00	**$ (1.95)**

Arizona American - Tubac
Summary of Revenues by Customer Classification - Present and Proposed Rates
With Annualized Revenues to Year End Number of Customers
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Kozoman

Line No.	Meter Size	Customer Classification	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	$ 192,378	$ 331,745	$ 139,366	72.44%	76.54%	76.89%
2	1 Inch	Residential	11,339	19,554	8,215	72.44%	4.51%	4.53%
3	1.5 Inch	Residential	1,501	2,589	1,088	72.49%	0.60%	0.60%
4	2 Inch	Residential	1,671	2,882	1,211	72.48%	0.66%	0.67%
5	3 Inch	Residential	1,255	2,164	909	72.45%	0.50%	0.50%
6								
7	5/8 Inch	Commercial	20,444	35,253	14,809	72.44%	8.13%	8.17%
8	1 Inch	Commercial	6,953	11,991	5,038	72.46%	2.77%	2.78%
9	1.5 Inch	Commercial	2,753	4,748	1,995	72.48%	1.10%	1.10%
10	2 Inch	Commercial	9,544	16,465	6,922	72.52%	3.80%	3.82%
11	3 Inch	Commercial	807	1,392	585	72.47%	0.32%	0.32%
12	Miscellaneous Revenues		2,691	2,691	-	0.00%	1.07%	0.62%
13								
14	**Subtotal of Water Revenues**		$ 251,336	$ 431,475	$ 180,138	71.67%	100.00%	100.00%
15							Additional	
16								Gallons
17	**Revenue Annualization (a)**						Billings	in 1,000's
18	5/8 Inch	Residential	$ 738	$ 1,271	534	72.40%	22	229
19	1 Inch	Residential	370	638	268	72.40%	9	93
20	5/8 Inch	Commercial	350	603	253	72.38%	12	109
21	1 Inch	Commercial	218	375	158	72.44%	4	229
22	3 Inch	Commercial	801	1,382	581	72.46%	6	137
	Total Revenue Annualization		2,476	4,269	1,793	72.42%		
23	**Total Water Revenues with**							
24	**Revenue Annualization**		$ 253,812	$ 435,744	181,931	71.68%	53	797
25								
26								

27 (a) Customer Growth Annualization is calculated by computing the change in the number of customers by month from the
28 beginning of the year to the end of the year, and them multipling the additional customers times the average revenue
29 revenue for that month.

Arizona American - Tubac
Analysis of Revenue by Detailed Class at Average Usage
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Kozoman

Line No.		Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	401	13,177	$ 39.19	$ 67.57	28.38	72.42%
2	1 Inch	Residential	18	15,301	51.17	88.24	37.07	72.43%
3	1.5 Inch	Residential	1	40,250	125.07	215.73	90.66	72.49%
4	2 Inch	Residential	1	32,500	139.26	240.19	100.93	72.48%
5	3 Inch	Residential	1	-	-	-	-	0.00%
6								
7	5/8 Inch	Commercial	53	9,090	30.85	53.19	22.33	72.38%
8	1 Inch	Commercial	10	19,172	59.07	101.87	42.80	72.45%
9	1.5 Inch	Commercial	2	35,167	114.70	197.84	83.14	72.48%
10	2 Inch	Commercial	2	159,167	397.66	686.06	288.40	72.52%
11	3 Inch	Commercial	1	22,833	133.54	230.30	96.76	72.46%
12								
13		Totals	490					
14								
15		Actuall Year End Number						
16		of Customers:	494					
17								
18		**(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.						

Arizona American - Tubac
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1	Percentage Increase in Monthly Minimums				
2	Percentage Increase in Commodity Rates				
3					
4	**Monthly Usage Charge for:**				
5	Residential,Commercial				
6	5/8 x 3/4 Inch (a)		$ 15.35	$ 26.47	72.44%
7	3/4 Inch (a)		15.35	26.47	72.44%
8	1 Inch (a)		23.00	39.66	72.43%
9	1 1/2 Inch (a)		46.00	79.33	72.46%
10	2 Inch (a)		76.00	131.07	72.46%
11	3 Inch (a)		90.00	155.21	72.46%
12	4 Inch (a)		132.00	227.64	72.45%
13	6 Inch (a)		180.00	310.42	72.46%
14	8 Inch (a)		N/A	2,674.00	
15					
16					
17	Gallons In Minimum				
18	All		-	-	
19					
20	**Tier 1:** Gallons upper limit				
21	All		8,000	8,000	
22	**Tier 2:** (Gallon upper limit, up to, but not exceeding)				
23	All		999,999,999	999,999,999	
24	**Tier 3:** (Gallon over)				
25	All		999,999,999	999,999,999	
26	Commodity Rates (per 1,000 gallons over minimum and/or per Tier)				
27	All (a)	Tier 1 (a)	$ 1.66	$ 2.86	72.29%
28	All (a)	Tier 2 (a)	2.04	3.52	72.55%
29	All (a)	Tier 3 (a)	2.04	3.52	72.55%
30	All (a)	Tier 4 (a)			
31					
32	(a) Rounded				
33	In addition to above rates, Company will also collect groundwater withdrawal assessment.				

Arizona American - Tubac
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001

Exhibit
Rejoinder Schedule H-3
Page 2
Witness: Kozoman

Line No.	Other Service Charges	Present Rates	Proposed Rates	
1	Establishment	$ 30.00	$ 30.00	
2	Establishment (After Hours)	$ 40.00	$ 40.00	
3	Reconnection (Deliquent)			
4	Reconnection (After Hours)			
5	Meter Test	$ 10.00	$ 10.00	
6	Deposit	**	**	
7	Deposit Interest	**	**	
8	Re-Establishment (With-in 12 Months)	***	***	
9				
10	NSF Check	$ 10.00	$ 10.00	
11	Deferred Payment, Per Month **(b)**			
12	Meter Re-Read	$ 5.00	5.00	
13	Charge of Moving Customer Meter -			
14	Customer Requested	Cost	Cost	
15	Late Payment Charge, greater of 1.50% or	$ 5.00	$ 5.00	(1)
16	Damages to Meter Locks, Valves, Seals	Cost	Cost	(2)
17	Sprinklers	(a)	(a)	

18 (1) Greater of 1.50% or $5.00 Present Rates or 1.5% or $10.00 Proposed Rates.
19 (2) $40.00 plus actual cost of making repairs.
20 ** PER COMMISSION RULES (R14-2-403.B)
21 *** MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)
22 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM
23 ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE
24 TAX. PER COMMISSION RULE (14-2-409.D 5)
25 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS,
26 AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.
27 (a) 1.00% of the monthly minimum for a comparable sized meter connection, but no less than $5
28 per month.

	Present Charges		
	Service Charges		
	Installation of		Proposed
Meter Size	Ser. Line	Meter	Charges
5/8 x 3/4 Inch	$ 255.00	$ 65.00	$500
3 / 4 Inch	$ 255.00	$ 105.00	$575
1 Inch	$ 275.00	$ 145.00	$600
1 1/2 Inch	$ 290.00	$ 345.00	$900
2 Inch	$ 315.00	$ 775.00	$2,220
3 Inch	Cost	Cost	Cost
4 Inch	Cost	Cost	Cost
6 Inch	Cost	Cost	Cost
8 Inch	Cost	Cost	Cost
Meters Larger than 8"	Cost	Cost	Cost

43
44 Company will not accept applications for 3/4" meters after May 1, 1997. Meter Size is obsolete.
45
46 As meters and service lines are now taxable income for income purposes, The Company
47 shall collect income taxes on the meter and service line charges.
48 Any tax collected will be refunded each year that the meter deposit is refunded.

Arizona American - Tubac
Summary of Revenues by Customer Classification - Present and Proposed Rates
With Annualized Revenues to Year End Number of Customers
Test Year Ended December 31, 2001
Step-One Rate Increase

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Kozoman

Line No.	Meter Size	Customer Classification	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	$ 192,378	$ 269,354	$ 76,975	40.01%	76.54%	76.77%
2	1 Inch	Residential	11,339	15,877	4,538	40.02%	4.51%	4.53%
3	1.5 Inch	Residential	1,501	2,102	602	40.08%	0.60%	0.60%
4	2 Inch	Residential	1,671	2,340	669	40.05%	0.66%	0.67%
5	3 Inch	Residential	1,255	1,757	502	40.00%	0.50%	0.50%
6								
7	5/8 Inch	Commercial	20,444	28,621	8,177	40.00%	8.13%	8.16%
8	1 Inch	Commercial	6,953	9,738	2,785	40.05%	2.77%	2.78%
9	1.5 Inch	Commercial	2,753	3,856	1,103	40.07%	1.10%	1.10%
10	2 Inch	Commercial	9,544	13,375	3,831	40.14%	3.80%	3.81%
11	3 Inch	Commercial	807	1,131	323	40.04%	0.32%	0.32%
12	Miscellaneous Revenues		2,691	2,691	-	0.00%	1.07%	0.77%
13								
14	**Total Water Revenues**		$ 251,336	$ 350,841	$ 99,505	39.59%	100.00%	100.00%
15							Additional	
16								Gallons
17	**Revenue Annualization (a)**						Billings	in 1,000's
18	5/8 Inch	Residential	$ 738	$ 1,032	295	39.93%	22	229
19	1 Inch	Residential	370	518	148	39.95%	9	93
20	5/8 Inch	Commercial	350	489	140	39.90%	12	109
21	1 Inch	Commercial	218	305	87	40.01%	4	229
22	3 Inch	Commercial	801	1,122	321	40.02%	6	137
23	**Total Revenue Annualization**		2,476	3,466	990	39.97%		
24	**Total Water Revenues with**							
25	**Revenue Annualization**		$ 253,812	$ 354,307	100,495	39.59%	53	797
26								
27								

28 (a) Customer Growth Annualization is calculated by computing the change in the number of customers by month from the
29 beginning of the year to the end of the year, and them multipling the additional customers times the average revenue
30 revenue for that month.

Arizona American - Tubac
Analysis of Revenue by Detailed Class at Average Usage
Test Year Ended December 31, 2001
Step-One Rate Increase

Exhibit
Rejoinder Schedule H-2
Page 1
Witness: Kozoman

Line No.		Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/01	Average Consumption	Revenues Present Rates	Revenues Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount
1	5/8 Inch	Residential	401	13,177	$ 39.19	$ 54.86	15.67	39.97%
2	1 Inch	Residential	18	15,301	51.17	71.64	20.47	39.99%
3	1.5 Inch	Residential	1	40,250	125.07	175.20	50.13	40.08%
4	2 Inch	Residential	1	32,500	139.26	195.03	55.77	40.05%
5	3 Inch	Residential	1	-	-	-	-	0.00%
6								
7	5/8 Inch	Commercial	53	9,090	30.85	43.17	12.31	39.91%
8	1 Inch	Commercial	10	19,172	59.07	82.71	23.64	40.02%
9	1.5 Inch	Commercial	2	35,167	114.70	160.66	45.96	40.07%
10	2 Inch	Commercial	2	159,167	397.66	557.30	159.64	40.14%
11	3 Inch	Commercial	1	22,833	133.54	186.98	53.44	40.02%
12								
13		Totals	490					
14								
15		Actuall Year End Number						
16		of Customers:	494					
17								
18		**(a)** Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.						

Arizona American - Tubac
Changes in Representative Rate Schedules
Test Year Ended December 31, 2001
Step-One Rate Increase

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Kozoman

Line No.	Customer Classification and Meter Size		Present Rates	Proposed Rates	Percent Change
1					
2					
3					
4	**Monthly Usage Charge for:**				
5	Residential,Commercial				
6	5/8 x 3/4 Inch (a)		$ 15.35	$ 21.49	40.00%
7	3/4 Inch (a)		15.35	21.49	40.00%
8	1 Inch (a)		23.00	32.20	40.00%
9	1 1/2 Inch (a)		46.00	64.40	40.00%
10	2 Inch (a)		76.00	106.40	40.00%
11	3 Inch (a)		90.00	126.00	40.00%
12	4 Inch (a)		132.00	184.80	40.00%
13	6 Inch (a)		180.00	252.00	40.00%
14			N/A	2,149.00	
15					
16					
17	Gallons In Minimum				
18	All		-	-	
19					
20	**Tier 1:** Gallons upper limit				
21	All		8,000	8,000	
22	**Tier 2:** (Gallon upper limit, up to, but not exceeding)				
23	All		999,999,999	999,999,999	
24	**Tier 3:** (Gallon over)				
25	All		999,999,999	999,999,999	
26	Commodity Rates (per 1,000 gallons over minimum and per Tier)				
27	All (a)	Tier 1	$ 1.66	$ 2.32	39.76%
28	All (a)	Tier 2	2.04	2.86	40.20%
29	All (a)	Tier 3	2.04	2.86	40.20%
30	All (a)	Tier 4	2.04	2.86	40.20%
31					
32	(a) Rounded				
33	In addition to above rates, Company will also collect groundwater withdrawal assessment.				

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Water Company, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WATER AND SUN CITY WASTEWATER DISTRICTS.	DOCKET NO. W-01303A-02-_____ SW-01303A-02-_____

DIRECT TESTIMONY

OF

DAVID P. STEPHENSON

EXHIBIT
A-64
Admitted

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TELEPHONE NUMBER.

A. My name is David P. Stephenson. My business address is 303 H Street, Suite 250, Chula Vista, California 91910. My telephone number is (619) 409-7700.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by American Water Works Service Company, Inc. ("Service Company"), as the Director of Rates and Planning for American Water Works Company, Inc.'s ("AWW") Western Region. The Western Region includes AWW's water and wastewater utilities located in Arizona, California, Hawaii, New Mexico and Texas, including Arizona-American Water Company ("Arizona-American" or "Company"). I am also an Assistant Treasurer for Arizona American.

Q. PLEASE BRIEFLY OUTLINE YOUR RESPONSIBILITIES AS THE DIRECTOR OF RATES AND PLANNING.

A. I am responsible for directing preparation of all rate applications and various other matters related to rates and charges for utility service with the public utility commissions that regulate AWW's operating utilities in Arizona, California, Hawaii, New Mexico and Texas. I am also responsible for overseeing other rate related proceedings before these commissions such as acquisition and financing applications.

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. I received a Bachelor of Science in Business Administration, with emphasis in Accounting, from San Diego State University in 1977.

Q. HAVE YOU HAD ANY OTHER FORMAL TRAINING?

A. Yes, I have attended many seminars on various aspects of the water industry and

rate applications, including the National Association of Regulatory Utility Commissioners (NARUC) biannual Utility Rate Seminar.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

A. I have been employed by the American Water System since 1978. The various positions I have held within the American Water System are: Accountant - 1978; Accounting Superintendent for the Los Angeles Region - 1981; Assistant Director of Accounting for the operating utilities in the Western Region - 1983; Assistant Director of Rates and Revenues for the operating utilities in the Western Region - 1984; Director of Rates and Revenues for the operating utilities in the Western Region - 1986, and Director of Rates and Planning for the operating utilities in the Western Region since 2001.

Q. HAVE YOU HAD ANY OTHER PROFESSIONAL EXPERIENCES?

A. Yes, I served on the Accounting Committee of the California Water Association and have been an instructor at the NARUC biannual Utility Rate Seminar on eight occasions.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE UTILITY REGULATORY COMMISSIONS?

A. Yes, I have testified before the Arizona Corporation Commission ("Commission") in rate and acquisition proceedings for Arizona-American; before the California Public Utilities Commission on many occasions for all of the California-American Water Company systems; and before the New Mexico Public Regulation Commission in many types of proceedings on behalf of New Mexico-American Water Company.

II. <u>PURPOSE OF TESTIMONY, SUMMARY AND CONCLUSIONS</u>

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purposes of my testimony are to: (1) identify and explain the Company's rate filing; (2) provide background concerning the purchase of the former Citizens Communications' water and wastewater utility assets in Arizona ("Citizens' Assets") by Arizona-American (the Citizens' Acquisition); (3) explain and support various adjustments made to the test period actual results; (4) explain and support all components of the capital structure except for cost of equity; and (5) to discuss the specific requirements set forth in Decision 63584 (April 24, 2001), which authorized Arizona-American to purchase the Citizens' Assets ("Acquisition Decision").

Q. WHAT DO YOU MEAN THE "COMPANY'S RATE FILING"?

A. I mean the five (5) separate applications for rate relief being filed with the Commission in 2002. This filing follows our efforts to determine the best approach to file rate applications for a substantial number of systems in a manner that would make the most sense for both public presentation and ease of handling for the Commission's Utilities Division Staff ("Staff").

Q. YOU ALSO USED THE TERM "SYSTEM." ARE YOU REFERRING TO "SYSTEM" IN A LEGAL OR OTHER SPECIFIC SENSE?

A. No, I am using the term "system" in a more general sense. By way of background, as I mentioned earlier, Arizona-American acquired all of the water and wastewater assets of Citizens in Arizona in a transaction that closed earlier this year. Previously, Citizens' Assets were under a different ownership structure with a number of separate corporate entities, such as Sun City Water Company, Sun City West Utilities Company or the Agua Fria Water Division of Citizens Communications Company, for example. However, Arizona-American acquired only the assets – not the stock. Therefore, the assets were removed from separate ownership and now all fall under the ownership umbrella of Arizona-American.

Q. HOW DOES ARIZONA-AMERICAN REFER TO THESE SEPARATE GROUPS OF ASSETS INTERNALLY?

A. Generally we use the term "district" to refer to a separate area within Arizona-American where, for accounting purposes, we individually account for revenues and expenses, and maintain separate balance sheets. These areas generally coincide with areas where the same tariffs apply and in that sense, a district could be identified as a "tariffed area." Of course, reference to the "Tubac water tariffed area" or the "Sun City West water tariffed area" would be awkward, and for purposes of the Company's rate filing, we basically use the terms "district" or "system" interchangeably and neither is intended to denote the actual name of any particular corporate entity or to designate an operational or other system as such term is used by ADEQ or any other regulatory agency to identify water or wastewater systems in Arizona.

Q. THANK YOU MR. STEPHENSON. WOULD YOU PLEASE CONTINUE WITH YOUR DISCUSSION OF HOW THE COMPANY ULTIMATELY DECIDED THE BEST WAY TO ORGANIZE THE COMPANY'S RATE FILING?

A. Certainly, again from a public perspective, it was determined that it made sense to file separate applications for the Sun City and Sun City West districts. These four districts, two water and two wastewater systems, are relatively large in size and have certain unique characteristics and circumstances that distinguish them from the other Arizona systems. The third application consists of two water systems in Mohave County, the Mohave water district, which provides water service in the vicinity of Bullhead City, and the Havasu water district, which provides service near Lake Havasu City. These systems are close together and operated by essentially the same Company personnel. The fourth application being filed is the

combination of Agua Fria water district and the water and wastewater systems serving the Anthem development in Maricopa County. These utility systems primarily serve recent developments and have very similar operating procedures. The final application is for the small Class C water system known as the Tubac water district in Santa Cruz County. This system is distinctive based on its small size, limited revenues and location. Again, for convenience, I will sometimes refer to the five applications as the Company's rate filing. And, again, I want to emphasize that the terms "system" and "district" should be considered synonymous throughout the Company's rate filing.

Q. ALL OF THESE DISTRICTS OR SYSTEMS ARE PART OF THE CITIZENS' ACQUISITION, CORRECT?

A. That is correct. I should also note that none of the former Citizens' systems have received any recent rate increases. Citizens Agua Fria Water Division, Sun City Water Company, Sun City Sewer Company, Sun City West Utilities Company and Tubac Valley Water Company last rate order was issued in May 1997 based on test years ending March 31, 1995. Decision No. 60172 (May 7, 1997).[1] Citizens Mohave Water and Wastewater Divisions last received rate increases in February 1990, based on test years ending March 31, 1988. Decision No. 56806 (Feb. 1, 1990). Likewise, Havasu Water Company last received rate increases in February 1992, based on a test year ending December 31, 1990. Decision No. 57743 (Feb. 21, 1992). It appears that once Citizens decided to sell its water and wastewater systems in 1999, it elected not to seek rate increases and, in some cases, to accept operating losses. This situation has caused Arizona-American to seek rate

[1] In Decision No. 60172, rates for Sun City Water Company and Sun City West Utilities' rates for water service were actually reduced. I also understand the Sun City West Utilities' rates for both water and wastewater service were reduced in the prior rate proceeding, as were Sun City Water Company's rates. Decision No. 55488 (March 17, 1987).

increases more quickly than it anticipated. However, a delay in obtaining rate increases and correcting these systems' anemic earnings would be harmful to the Company and, ultimately, to its customers.

Q. WHAT ARE YOUR OVERALL RESPONSIBILITIES IN THIS CASE?

A. I have been responsible for the coordination and supervision of all of the rate case applications discussed including, among other things, selecting the test period and the pro-forma time period for various adjustments, and determining what adjustments need to included in the filing.

Q. WHAT TEST PERIOD DID YOU DETERMINE WAS APPROPRIATE IN THIS CASE?

A. I determined, for ease of presentation, that the period ending December 31, 2001, should be used as the test period for the Company's rate filing. This period closely is aligned with the purchase of the Citizens' Assets by Arizona-American, which transaction closed on January 15, 2002.

Q. DID ARIZONA-AMERICAN OWN THE CITIZENS' ASSETS, OR HAVE ANY RESPONSIBILITY FOR THE OPERATING EXPENSES OR THE PROVISION OF SERVICE DURING THE TEST PERIOD FOR THE SYSTEMS THAT ARE THE SUBJECT OF THE COMPANY'S RATE FILING?

A. No. As I stated, the purchase of the Citizens' Assets was not completed until January 15, 2002, on which date Arizona-American assumed operational control and responsibility for the Citizens' Assets.

Q. SINCE ARIZONA-AMERICAN DID NOT OWN AND OPERATE THE CITIZENS' ASSETS AND DID NOT HAVE ANY OPERATING RESPONSIBILITY FOR THE WATER AND WASTEWATER UTILITY OPERATIONS IN 2001, HOW DOES THE COMPANY JUSTIFY FILING A

RATE APPLICATION WITH A TEST PERIOD ENDING PRIOR TO THE COMPLETION OF THE PURCHASE?

A. The recorded operating expenses directly incurred by each district basically remain unchanged following the acquisition. Further, the Commission ordered Citizens to maintain its books and records for a period of 5 years following the closing. It is relatively simple to remove the management and services costs allocated to each of the operating systems by Citizens from the normally-incurred direct operating expenses of these systems. Likewise, it is relatively simple to add in the expected Service Company charges from AWW applicable to Arizona-American.

Q. WHAT PRO FORMA TIME PERIOD HAVE YOU USED FOR EXPENSE AND PLANT ESTIMATIONS IN THIS CASE?

A. I am recommending that such adjustments, all of which will be detailed further in the various witnesses' direct testimonies, go no further into the future than end of year 2002. This will provide ample time for Staff to review and analyze these adjustments prior to providing their recommendations in Staff's direct filing.

Q. ARE THERE PRO FORMA ADJUSTMENTS FOR PLANT ADDITIONS?

A. Yes, we have estimated the non-revenue generating plant additions that will be completed and placed in service by the end of 2002, and have included pro forma adjustments that include those additions in utility plant in service. This is consistent with Commission Decision No. 61831 (July 20, 1999) related to the Paradise Valley water district, wherein the Commission ordered the Company to limit pro forma plant additions to those plant items that are used and useful and in service 90 days after the application is deemed sufficient. The December 31, 2002 cut-off date proposed by Arizona-American in this case is well within the 90-day deadline established by the Commission.

Q. HOW ARE PRO FORMA ADJUSTMENTS DETERMINED FOR

OPERATING EXPENSES?

A. Pro forma adjustments for operating expenses are based on known and measurable changes that have or will occur up until the time each rate application is filed to develop a normal 12-month period of operations. This is consistent with A.A.C. R14-2-103(i).

III. ACQUISITION OF THE WATER AND WASTEWATER ASSETS OF CITIZENS UTILITIES OF ARIZONA

Q. WOULD YOU PLEASE BRIEFLY DESCRIBE THE CITIZENS' ACQUISITION?

A. By way of background, Arizona-American has owned and operated a water utility system in Arizona, which was formerly known as Paradise Valley Water Company, since the late 1960s. The Paradise Valley water district is relatively small, and currently furnishes service to approximately 5,000 customers. Sometime in 1998 or 1999, Citizens Communications Company (formerly Citizens Utility Company) decided to focus its business activities in the telecommunications area, and elected to sell its water and wastewater assets, which were located in six states including Arizona. Arizona-American's parent company, AWW, which is the largest privately-owned water utility system in the United States and whose business activities focus on water and wastewater, entered into negotiations with Citizens. Ultimately, on October 15, 1999, Citizens, Arizona-American and AWW entered into an agreement under which Arizona-American agreed to purchase the Citizens' Assets, which included all of the water and wastewater systems and assets in Arizona.

Citizens and its various Arizona water and wastewater subsidiaries, along with Arizona-American, filed an application on March 24, 2000, seeking approval of the transfer of the Citizens' Assets to Arizona-American in Docket Nos. W-

01032A-00-0192, et. seq. Later that same year, Arizona-American filed a separate application in Docket No. W-01303A-00-0929 seeking authority to issue certain promissory notes and other evidence of indebtedness and to assume certain industrial development revenue bonds in connection with financing the purchase of the Citizens' Assets. Following notice and a public hearing, the Commission ultimately approved the transfer of the Citizens' Assets in the Acquisition Decision. Attached to the Acquisition Decision and incorporated therein in the second ordering paragraph, was a settlement agreement setting forth specific terms and conditions agreed to by Staff and the Company. These terms and conditions settled one ratemaking issue and set forth deadlines, procedures and filing requirements that Arizona-American is to follow in future rate proceedings. The terms and conditions are as follows:

1. The ratemaking treatment of the of the acquisition adjustment, deferred taxes, excess deferred taxes and the investment tax credit will be deferred until a future rate case proceeding.
2. The decision to allow recovery of the acquisition adjustment must be based on Arizona-American's ability to demonstrate that clear, quantifiable and substantial net benefits have been realized by ratepayers, which would not have been realized had the transaction not occurred
3. The Company must file a report 13 months after the closing of the transaction, comparing the number of complaints received by the Commission prior to and after the transaction.
4. The adjusted AIAC balance not transferred to Arizona-American as part of the transaction will be imputed ratably into rate base over a 6.5 year period. The balance will be ratably reduced over the 6.5 years utilizing a levelized monthly below the line amortization.

A copy of the Acquisition Decision is attached hereto as Stephenson Dir. Exh. 1.

Later in 2001, the Commission issued Decision No. 64002 (Aug. 30, 2001) authorizing the debt financing for the purchase of the Citizens' Assets. In summary, the Commission authorized Arizona-American to issue promissory notes and other evidence of indebtedness in an amount not to exceed $180 million and to issue a promissory note reflecting the obligation associated with assuming Citizens' industrial development revenue bonds in the amount of $10,635,000. The balance of the purchase price was financed by an infusion of additional paid in equity capital from AWW. In Decision No. 64002, the Commission ordered Arizona-American to increase its equity by at least $0.69 for each dollar of acquisition in order to maintain a reasonably balanced capital structure.

Q. WHEN DID ARIZONA-AMERICAN FINALIZE THE PURCHASE OF THE CITIZENS' ASSETS?

A. The transaction was finalized on January 15, 2002, the date title to all of the Citizens' Assets was transferred to Arizona-American. All of the service provision responsibilities were also transferred to Arizona-American on that date. The final Citizens' Asset purchase price was approximately $276,500,000, and included an initial book acquisition adjustment of approximately $71,100,000. As Explained in the Direct Testimony of Mr. Joseph Hartnett, appended as Exhibit C to the Joint Application for Authority to Transfer Assets and Related Approvals in Docket Nos. W-01032A-00-0192, et seq., the purchase for the Citizens' Assets was determined by an arms-length negotiation based on the advice of each companies financial advisors. This open market negotiated purchase price then establishes AWW's reasonable investment in the Citizens' Assets. This reasonable investment in the Citizens' Assets was funded by a combination of debt and equity as shown on at the top of the closing journal entry to record the transaction, which is

attached hereto as Stephenson Dir. Exh. 2.

IV. POST TEST PERIOD ADJUSTMENTS

Q. WHAT PRO FORMA ADJUSTMENTS ARE YOU RESPONSIBLE FOR SUPPORTING?

A. I am responsible for supporting seven adjustments, one of which is specific to this application, which includes the Sun City wastewater district, and six others that impact all of the Company's rate filings. The specific adjustments are as follows: 1) the reclassification of the payment made to the City of Tolleson for the installation of a new trickling filter (Sun City wastewater district only); 2) capitalization of payments made for the implementation of ORCOM billing software from operating expense and the determination period for the recovery of this expense (all systems); 3) the transfer of charges related to the completion of the Citizens' Acquisition, as well as charges for the development of base accounting procedures (all systems) from expenses to organizational costs; 4) the rationale for the removal of the Citizens' management costs (all systems), 5) estimates of Service Company charges (all systems); 6) estimates of rate case expense (all systems) and 7) estimates of direct charges to the systems made by AWW (all systems).

Q. PLEASE DESCRIBE THE ADJUSTMENT THAT WAS MADE REGARDING THE PAYMENT MADE TO THE CITY OF TOLLESON FOR A NEW TRICKLING FILTER.

A. During a five-month period in 2001, Citizens made payments of $100,000 per month to the City of Tolleson for its share of the installation of a new trickling filter for Tolleson's wastewater treatment plant. A more detailed discussion of the Company's agreement with Tolleson and the trickling filter replacement can be found in the Direct Testimony of Robert J. Kuta. Citizens recorded these

payments as a wastewater disposal expense. As explained by Mr. Kuta, Tolleson has taken the position that, under the Company's agreement with Tolleson, Arizona-American is responsible for a proportionate share of any new capital investments Tolleson makes to its wastewater treatment plant. Because these payments have already been made for this capital item, the total, $500,000, should be considered a capitalized investment and spread over the remaining term of the Agreement with Tolleson. This payment to Tolleson is for the benefit of present and future ratepayers and as such these present and future ratepayers should share in the costs. Because Arizona-American did not pay Citizens for this item as part of the Asset Purchase Agreement, the entry to record this item as a limited term asset should be a debit to plant in service and a credit against the Acquisition Adjustment we are seeking.

Q. WHY HAVE PAYMENTS BEEN MADE FOR THE DEVELOPMENT OF THE ORCOM BILLING SOFTWARE?

A. Payments made for the development of the ORCOM billing software have been made in connection with converting all of the Citizens' customers over to the AWW billing system. The payments should be considered as organizational costs or start-up costs. I will refer to these as "start-up costs" for the remainder of this discussion. These start-up costs were for such items as consultants' fees, billing programs modifications and related expenses of AWW associates to assist in the development of the billing system. The billing system had to come on line exactly at the time of closing. Since the acquisition was an asset sale, there was no arrangement between Citizens and AWW for Citizens to continue billing any utility customers after the transaction closed. The ORCOM system had to be up and running, and running properly, at the closing. To the benefit of these customers, AWW has been developing this same system for its own use at all of its

present properties, including the Paradise Valley district. This made the time and expense of converting the Citizens' customers to the ORCOM system less burdensome.

Q. WHY WERE THESE COSTS EXPENSED?

A. Over the past few years accounting requirements regarding the booking of these types of start-up costs have changed. Start-up costs historically have been capitalized along with the purchase or development of new assets. This is no longer the case. The Financial Accounting Standards Board has deteremined that too many expenses were being capitalized and companies' balance sheets were being overstated. However, for a regulated utility, the books and records of a company are maintained in acordance with Commission regulations and policy. These start-up costs have always been treated as a capitalized asset, and there is no valid reason to stray from that policy. These start-up costs are incurrred for the development of programs to serve new customers. The addition of the new customers lowers the overall fixed costs per customer. This produces a net cost savings. Therefore, all present and future customers should share in both the development costs as well as the savings. Common regulatory practice is to spread the development costs of a cost saving measure over the customer base receiving known and measurable savings.

Q. DOES THIS COMMISSION HAVE JURISDICTION TO OVERIDE ACCOUNTING POLICY AND AUTHORIZE THESE COSTS TO BE CLASSIFIED AS A CAPITALIZED START-UP OR ORGANIZATION COST?

A. Yes. As has been the common practice under Financial Accounting Standard Board Policy FAS 71, the Commission can establish different accounting proceedures for various items so long as the proceedure establishes a set

methodolgy and time period for the recovery of the item.

Q. WHAT ARE THE ACTUAL COSTS RELATED TO THE DEVELOPMENT OF THE ORCOM BILLING SOFTWARE?

A. Attached as Stephenson Dir. Exh. 3 is an analysis showing the actual costs of this project and other relationships. Page 1 of the Exhibit shows that the total one-time costs for this project is $607,723. The amount included in the rate base for the Sun City water and wastewater districts is $129,424 and $101,300, respectively.

Q. DID ARIZONA-AMERICAN PURCHASE ANY BILLING SYSTEM ASSETS FROM CITIZENS AS PART OF THE ASSET PURCHASE?

A. No. As page 2 of Stephenson Dir. Exh. 3 shows, the billing system used by Citizens to bill its water and wastewater customers (the Banner System) was retained by Citizens. Therefore, as I testified earlier, Arizona-American had to have its own billing system set up and fully functional at the time the Citizens' Acquisition closed.

Q. WHAT IS THE EFFECT ON THE RATE BASES FOR THE ARIZONA DISTRICTS INCLUDED IN THE COMPANY'S RATE FILING RELATED TO THE DEVELOPMENT OF THE ORCOM BILLING SOFTWARE?

A. As shown, the net book value of the Banner billing system at the time the Citizens' Acquisition was completed was $2,620,054. Of that amount $982,488 was allocated to the Citizens' water and wastewater systems in Arizona. The difference between the development costs of the ORCOM system ($607,723) and the allocated net book value of the Banner system not purchased ($982,488) is $374,766. Thus, there was a net benefit to the customers in Arizona through the development of the ORCOM billing system as opposed to purchasing the Banner billing system from Citizens at the net book value allocated to Arizona. The net effect on the rate base of Sun City water and wastewater districts is $79,812 and

$62,469, respectively.

Q. WHY HAVE YOU MADE AN ADJUSTMENT OF $906,531 FOR CORPORATE COSTS TO TRANSFER VARIOUS ITEMS RELATED TO THE CITIZENS' ACQUISITION TO THE ACQUISITION ADJUSTMENT?

A. I have made this adjustment for the same reasons that I recommend the transfer of the one-time start-up costs from expenses. These costs were incurred to complete the purchase of the Citizens' Assets and to establish books and records for the Citizens' Assets and systems. The costs are related to title reviews, legal interpetations of contract clauses, legal representation to transfer existing contracts and for accounting assistance. These costs were necessary to secure and protect Arizona-American's legal rights to all the transferred assets and to obtain transfers of all existing contracts and agreements. These are normal "organizational" expenses to ensure full and proper title to transferred assets and to set up the books and records in an appropriate manner.

Q. CAN YOU PLEASE FURTHER DESCRIBE THE ITEMS WHICH YOU ARE PROPOSING TO RECLASSIFY TO THE ACQUISITION ADJUSTMENT?

A. Certainly. The total amount of $906,531 is comprised of charges from two separate sources: charges incurred by AWW in connection with the purchase; and charges from our accounting contractor in Arizona (Ronald L. Kozoman, CPA) to develop satisfactory records for regulatory purposes. The total of the charges from AWW is $784,784 and the total of the charges from Mr. Kozoman is $121,747. The details of all of these charges is attached hereto as Stephenson Dir. Exh. 4. This full amount is included in the Acquisition Adjustment.

Q. PLEASE EXPLAIN THE JUSTIFICATION FOR REMOVING ALL OF CITIZENS' MANAGEMENT FEES FROM THE TEST PERIOD

EXPENSES.

A. I have removed all of Citizens' management fees from the test period expenses because these expenses pertain to Citizens' management of the Citizens' Assets in Arizona, not expenses that will be incurred under the ownership and management of Arizona-American. These expenses must be removed and replaced by current annualizations of Service Company charges to Arizona-American in order to provide an accurate presentation of known and measureable expenses that are occuring now and will occur on a going-forward basis in the future.

Q. HOW DID YOU DETERMINE WHICH EXPENSES TO REMOVE RELATED TO CITIZENS' MANAGEMENT AND WHICH EXPENSES RELATED TO THE SERVICE COMPANY TO INCLUDE?

A. The explanation of the proceedure to determine what expenses were removed will be discussed by Mr. Tom Bourassa in his direct testimony. I have annualized the amount of expense to be included in the pro forma test period based on actual recorded costs from April through July 2002. Attached as Stephenson Dir. Exh. 5 is a spreadsheet showing the recorded costs from January through the end of July. I have not included the months of January through March in my annualization because these months were either not full months due to the finalization of the acquisition (January) or the months were not accurately reflect normal cost allocations from the Service Company (February and March). Viewing Exhibit 5, it is obvious that January and February have very low recorded expenses in comparison to the other months. The month of March is more in line with future months, but is still questionable due in part to the obvious omission of a credit for the call center amortization (this amortization relates only to the Paradise Valley system). Furthermore, March is a quarter-ending month, and as such expenses in that month tend to contain more quarterly adjustments, thereby causing distortion

of the annualization without including the other months of the quarter.

Q. WHAT IS THE AVERAGE MONTHLY CHARGE FOR THE SERVICE COMPANY FOR THE MONTHS OF APRIL THROUGH JULY 2002?

A. As shown on Stephenson Dir. Exh. 5, the average monthly amount of Service Company charges for the period April through July 2002 is $429,476. Annualizing this amount yields a total of $5,153,711 for 2002.

Q. DID YOU SPREAD THE ANNUALIZED TOTAL TO EACH OF THE SYSTEMS IN ARIZONA?

A. Yes, I spread the annualized expense to each of the systems on a four-factor basis. The four-factor analysis considers many factors all of which produce the benefits Arizona-American receives from the Service Company. The four-factor spreadsheet is attached hereto as Stephenson Dir. Exh. 6. The allocation to Sun City water and wastewater districts is $926,122 and $522,586, respectively, based on the four-factor allocation methodology.

Q. PLEASE EXPLAIN YOUR ESTIMATE OF RATE CASE COSTS INCLUDED IN THE COMPANY'S RATE FILING.

A. The estimate of rate case expense has been developed with estimates provided by all outside consultants and costs estimated for in-house items. Attached as Stephenson Dir. Exh. 7 is an estimate of the rate case costs necessary to prosecute these applications. . The total estimated costs of consultants and legal counsel is $608,000. This amount is comprised of $275,000 for ouside accounting and rate assistance, $51,000 for the outside rate of return consultant and $282,000 for legal counsel. The total estimate of in-house costs is $98,000 and is comprised of $18,000 for employee expenses and $80,000 for expenses related to mailings, notices, printing and supplies. I have allocated the total estimated rate case costs to each system based on adjusted test period revenues and have spread those totals

over a three-year recovery period. The total amount allocated to Sun City water and wastewater districts is $122,623 and $100,749, respectively.

Q. ARE THE ESTIMATED COSTS TO PROSECUTE THE RATE FILINGS CONSISTENT WITH PRIOR COSTS INCURRED TO PROSECUTE RATE APPLICATIONS IN ARIZONA?

A. Yes, in fact the estimated cost to prosecute this case is lower on a per customer basis than the amount the Commission has previously allowed for the Paradise Valley water district in its past two rate cases. The average rate case cost per customer in the last two Paradise Valley rate proceedings was approximately $13.25. In these applications we have estimated the rate case cost per customer to be approximately $6.50 per customer, or only $2.17 per customer annually.

Q. WHAT ARE THE ADJUSTED DIRECT CHARGES COMPRISED OF?

A. The direct charges are comprised mostly of employee benefits, customer accounting charges (bill forms, postage, inserts, collection agency fees, etc.), insurance fees, dues and memberships, employee travel and directors and trustee fees. Attached as Stephenson Dir. Exh. 8 is an itemization of the charges.

Q. HOW DID YOU ESTIMATE THE ANNUAL COSTS FOR THESE ITEMS?

A. I based the annualized cost for these items on the actual recorded costs for March through July of 2002.

Q. WHAT IS THE TOTAL OF THE ANNUALIZED DIRECT CHARGES AND HOW WERE THEY ALLOCATED TO VARIOUS TEST PERIOD EXPENSE CATAGORIES?

A. The annual total for these direct expenses is $3,161,915. The charges were related to four different expense catagories: salary and wages ($1,586,293); miscellaneous expenses ($23,058); general office expenses ($1,293,829) and insurance fees ($258,736).

Q. HOW WERE THESE DIRECT CHARGES ALLOCATED TO EACH OF THE ARIZONA-AMERICAN SYSTEMS?

A. These charges were allocated to each of the systems based on four different factors. The system charges for salaries and wages were allocated to each system based on expensed test period salaries; the allocation of miscellaneous expense was spread to each system based on customer count and pro forma plant; the allocation of general office expense was allocated to each system based on customer count, pro forma plant and adjusted test period rate base; and the allocation of insurance fees to each of the sysetms was based on adjusted test period rate base.

Q. WHY DID YOU USE THE MARCH THROUGH JULY TIME PERIOD?

A. As stated earlier, I chose the time period that best represents the normalized expenditures. I had to eliminate January and February from consideration due to the fact that Arizona-American did not own the Citizens' Assets until January 15, 2002, and February 2002 was the first full month of operation by Arizona-American and not all charges were recorded properly.

Q. DID YOU REMOVE ALL OF THE RECORDED TEST PERIOD EXPENSES RELATED TO THESE SYSTEM SPECIFIC ALLOCATIONS?

A. Yes, all of the test period expenses for these items were removed from the test period along with the Citizens' management fees.

Q. WHAT WAS THE AMOUNT ALLOCATED TO EACH OF THE EXPENSE CATAGORIES FOR THE SUN CITY WATER AND WASTEWATER DISTRICTS?

A. The allocations to each of the expense catagories for the Sun City water and wastewater districts is $432,625 and $72,104, respectively, for salaries and wages; $3,446 and $1,248, respectively, for miscellaneous; $340,748 and $212,241,

respectively, for general office; and $70,708 and $29,375 for insurance, respectively.

V. CAPITAL STRUCTURE AND COST OF DEBT

Q. WHAT IS THE CAPITAL STRUCTURE THAT ARIZONA-AMERICAN PROPOSES TO UTILIZE IN THESE APPLICATIONS?

A. The Company proposes a capital structure comprised of 60 percent debt and 40 percent equity.

Q. HOW WAS THIS CAPITAL STRUCTURE DETERMINED?

A. It was determined based on the actual financing of the acquisition of the Citizens' Assets by Arizona-American. At the very top of the first page of Stephenson Dir. Exh. 1 is the entry to record the purchase of the Citizens' Assets by Arizona-American. This entry shows Common Stock in the amount of $110,888,158 (40 percent), Bonds – Inside of $154,948,119 (56 percent) and Bonds – Outside of $10,635,000 (4 percent). These are the actual amounts for each of these components as recorded on the books of Arizona-American at the time of purchase of the Citizens' Assets. AWW strives to have its subsidiaries maintain the most efficient capital structure. Typically, the most efficient capital structure for AWW utility subsidiaries is comprised of approximately 60 percent debt. AWW has maintained its high debt rating (A-) and secured very efficient rates for bonds and notes by maintaining a 60 percent debt component in the capital structure. The greater the leverage of the capital structure while still maintaining a high bond rating, the lower the cost of capital to the Company and its customers.

Q. PLEASE EXPLAIN THE DIFFERENCE BETWEEN "BONDS-INSIDE" AND "BONDS-OUTSIDE."

A. The "Bonds-Inside" comprise the debt financing provided by American Water Works Capital Corp. ("AWCC") in the form of a short-term note. This is a five-

year unsecured note with an interest rate of 4.92%. The "Bonds–Outside" is debt financing reflecting the assumption of Citizens' industrial development revenue bonds I mentioned previously, which have an interest rate of 7.30%.

VI. ACQUISITION ADJUSTMENT

Q. EARLIER, YOU DISCUSSED THE ACQUISTION. HOW WILL ARIZONA-AMERICAN ACCOUNT FOR THE DIFFERENCE BETWEEN THE PURCHASE PRICE AND THE ACQUIRED ASSET BALANCE FOR REGULATORY PURPOSES?

A. The difference will be recorded as an Acquisition Adjustment in accordance with the NARUC Uniform System of Accounts.

Q. WHAT IS THE AMORTIZATION PERIOD THAT ARIZONA-AMERICAN PROPOSES TO USE?

A. Forty years.

Q. WHAT METHOD OF AMORTIZATION IS ARIZONA-AMERICAN PROPOSING TO USE?

A. Arizona-American proposes to follow a mortgage amortization method, which incorporates the same amortization principle as home mortgages. Under this method, Arizona-American would recover only a small portion of the Acquisition Adjustment in the initial years and recover increasingly greater amounts in the later years. The annual amortization increases each year. The proposed amortization of the Acquisition Adjustment balance is attached hereto as Stephenson Dir. Exh. 9. The amount of the amortization included in the cost of service for the Sun City water and wastewater districts in these applications is $20,500 and $11,100, respectively, based on amortization of the Acquisition Adjustment in 2003, as shown in Exhibit 9.

Q. WHAT IS THE NORMAL METHOD OF RECOVERY FOR UTILITY

ASSETS?

A. The normal method, known as a straight-line method of recovery, involves equal or level recovery in each year of the asset's life.

Q. WHY ARE YOU PROPOSING THE MORTGAGE METHOD RATHER THAN THE STRAIGHT-LINE METHOD?

A. Although there are several reasons for this proposal, there is one significant reason: the mortgage method provides a much better matching of the recovery of the acquisition adjustment to the benefits the customers will receive as a result of this transaction.

Q. DOES USING THE MORTGAGE AMORTIZATION METHOD BETTER ILLUSTRATE THE CUSTOMER BENEFITS OF THIS TRANSACTION?

A. Yes. As stated previously, the savings generated from this transaction will grow as time passes. Allocating the recovery of the Acquisition Adjustment on an increasing basis over the recovery period, instead of leveling the recovery of the Acquisition Adjustment as is normal under the straight-line method of recovery, provides a superior opportunity for all current and future ratepayers to realize the benefits of the transaction.

Q. ARE THERE ANY OTHER FACTORS THAT SUPPORT YOUR SELECTION OF THIS METHODOLOGY?

A. Yes. The effects of inflation should also be considered. If a straight-line amortization method is used, the highest net-present value amounts are charged initially, and lower amounts are charged toward the end of the amortization. Given the effects of inflation, the differential between initial and final charges are substantial in terms of constant dollars. The mortgage-style amortization works with the effects of inflation to create a more level, constant dollar charge.

Q. WHAT SHOULD THE COMMISSION AUTHORIZE IN THIS

PROCEEDING WITH RESPECT TO AN ACQUISITION ADJUSTMENT?

A. Arizona-American requests that the Commission authorize a 40-year amortization period and use of a mortgage amortization method, with the recovery of the acquisition adjustment as a component of the cost of service, as discussed previously.

VII. DISCUSSION OF THE REQUIREMENTS OF THE ACQUISITION DECISION

Q. HAVE YOU ADDRESSED COMPLIANCE WITH ALL OF THE COMMISSION'S DIRECTIVES IN THE ACQUISITION DECISION?

A. No. I have only covered the requested treatment of the Acquisition Adjustment. The Acquisition Decision also calls for the determination of the clear, quantifiable and substantial net benefits for ratepayers resulting from the purchase of the Citizens' Assets by Arizona-American; and the determination of the ratemaking treatment of deferred taxes, excess deferred taxes and investment tax credits that were on the books and records of Citizens at the time of the closing of the purchase transaction, yet were not transferred to Arizona-American. It is my recommendation to delay the demonstration of the clear, quantifiable and substantial net benefits for ratepayers resulting from the purchase of the Citizens' Assets by Arizona-American until a later date, after which time Arizona-American will have greater operating experience and be better able to demonstrate the tremendous net ratepayer benefits that result from this transaction. However, by recommending this delay, Arizona-American does not waive its right to, at some point in time in the future, request recovery of and on the Acquisition Adjustment, if it so desires to do so. It is my recommendation is that the deferred taxes, excess deferred taxes and the investment tax credit not be considered for any ratemaking purpose.

Q. WHAT IS THE BASIS FOR THIS RECOMMENDATION AS IT RELATES TO THE DEFERRED TAXES, EXCESS DEFERRED TAXES AND THE INVESTMENT TAX CREDIT?

A. All of these items were established on the books and records of Citizens due to timing differences between book and tax recognition of an allowance to record the event causing the tax difference in the income stream. For deferred taxes, it is the tax effect of the difference between depreciation methods of assets for book and tax purposes. For tax purposes, many assets were once allowed to be depreciated at an accelerated rate, meaning that the assets were depreciated at a higher early period rate, and over a shorter time period, than for book purposes. For investment tax credits, in the past the Internal Revenue Code allowed a percentage tax deduction for the investment in various assets. The investment tax credit was never considered for book purposes.

In short, these are taxes and credits that belong to Citizens, not Arizona-American. Arizona-American purchased the water and wastewater assets of Citizens in Arizona; it did not assume any of the liabilities, except for the one series of industrial development revenue bonds. The deferred taxes and investment tax credits will be reconciled from the books and records of Citizens when Citizens files its 2002 tax return and applies these items against the gain or loss realize upon the sale of the water and wastewater assets to Arizona-American.

Q. WHAT WERE THE BALANCES OF THE DEFERRED TAXES AND INVESTMENT TAX CREDITS ON THE BOOKS AND RECORDS OF CITIZENS AT THE TIME OF CLOSING OF THE ASSET PURCHASE BY AWW OF THE ARIZONA ASSETS?

A. Stephenson Dir. Exh. 10 is a copy of the Arizona Property Detail supplied by Citizens at the time of closing. This Exhibit shows that the balance for the

deferred taxes was $4,674,819 and the balance of the investment tax credits was $1,910,600. There were no excess deferred taxes shown on the books and records of Citizens for Arizona at the time of closing.

Q. PLEASE EXPLAIN FURTHER WHY YOU BELIEVE THAT THE DEFERRED TAXES ON THE BOOKS OF CITIZENS FOR ARIZONA AT THE TIME OF CLOSING SHOULD NOT BE CONSIDERED FOR RATEMAKING.

A. Deferred taxes that were on the books and records of Citizens at the time of closing are not an item that should be considered as a "carryover" item in an asset purchase agreement. Deferred taxes result from items being treated differently for tax and book purposes. These differences are primarily created by Citizens' ability to delay actual tax payments due to accelerated asset value depreciation or amortization for tax purposes over the straight-line depreciation or amortization used for book and regulatory purposes. These tax-differences are recorded as deferred taxes. These deferred taxes will be taken into consideration when calculating a tax gain or loss as a result of the sale of the Citizens' Assets. Upon the sale of such assets, these deferred taxes will be paid and the deferred tax balances zeroed out.

When deferred taxes have been allowed as a component of cost of service in utility ratemaking, their accumulated balance (ADIT) is typically deducted from rate base as a source of non-investor capital. This is because deferred taxes are collected in rates prior to the time they must be remitted to the respective taxing authorities. In the interim, they represent a source of funds available to the utility for plant investment or other corporate purposes. During that period it is entirely appropriate to deduct the ADIT from rate base. When the tax liabilities underlying previously deferred taxes are paid, however, the related ADIT balances are

eliminated and the rate base deductions are no longer available.

With respect to Citizens' ADIT existing at the time the sale of its water and wastewater assets to AWW, the related income taxes will become due. At that time, the ADIT's will be paid and there will be no balance available to deduct from rate base. On-going compensation to customers is not warranted. When non-investor funds have been satisfied they no longer exist, and no further rate base deduction is appropriate. ADIT's may be viewed as a temporary loan to the utility by the taxing authority. By deferring the date upon which taxes are ultimately paid, a source of funds is created. Once the "loan" is repaid, the source of funds ceases to exist. There is no entitlement inuring to the utility's customers, since they pay taxes applicable to the utility service they receive.

Q. WHAT IS THE EFFECT ON ARIZONA-AMERICAN IF THE COMMISSION ELECTED TO USE CITIZENS' RECORDED DEFERRED TAXES IN FUTURE RATEMAKING.

A. The Internal Revenue Service has, on a number of occasions, declared that any deferred income tax reserves or unauthorized income tax credits relating to assets that have been sold, transferred, or removed from regulation may not continue to be considered in the subsequent ratemaking determinations. To attempt to do otherwise will result in the utility losing the ability to take accelerated depreciation on its Federal income tax return.

Q. PLEASE EXPLAIN FURTHER WHY YOU BELIEVE THE INVESTMENT TAX CREDITS THAT WERE ON THE BOOKS AND RECORDS OF CITIZENS AT THE TIME THE PURCHASE WAS COMPLETED BY ARIZONA-AMERICAN SHOULD NOT BE CONSIDERED FOR RATEMAKING.

A. The reasons are exactly the same as for deferred taxes. The investment tax credits

will be considered in calculating Citizens' gain or loss as a result of the sale of the assets, and therefore will be eliminated. The investment tax credits were a "temporary" source of non-investor funds, once appropriately deducted from rate base, but now that they have been "paid", they are no available as a rate base deduction. This deduction no longer exists and as such cannot be used for ratemaking.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes it does.

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STEPHENSON DIR. EXH. 1

N. JAMES

MAY 10 2001

ACTION

BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

APR 24 2001

DOCKETED BY

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

IN THE MATTER OF THE JOINT APPLICATION OF CITIZENS UTILITIES COMPANY; AGUA FRIA WATER DIVISION OF CITIZENS UTILITIES COMPANY; MOHAVE WATER DIVISION OF CITIZENS UTILITIES COMPANY; SUN CITY WATER COMPANY; SUN CITY SEWER COMPANY; SUN CITY WEST UTILITIES COMPANY; CITIZENS WATER SERVICES COMPANY OF ARIZONA; CITIZENS WATER RESOURCES COMPANY OF ARIZONA; HAVASU WATER COMPANY AND TUBAC VALLEY WATER COMPANY, INC., FOR APPROVAL OF THE TRANSFER OF THEIR WATER AND WASTEWATER UTILITY ASSETS AND THE TRANSFER OF THEIR CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY TO ARIZONA-AMERICAN WATER COMPANY AND FOR CERTAIN RELATED APPROVALS.	DOCKET NOS. W-01032A-00-0192 W-01032B-00-0192 W-01032C-00-0192 S-02276A-00-0192 WS-02334A-00-0192 WS-03454A-00-0192 WS-03455A-00-0192 W-02013A-00-0192 W-01595A-00-0192 W-01303A-00-0192 DECISION NO. 63584 **OPINION AND ORDER**

DATE OF HEARING:	September 27, 2000
PLACE OF HEARING:	Phoenix, Arizona
PRESIDING ADMINISTRATIVE LAW JUDGE:	Karen E. Nally[1]
IN ATTENDANCE:	Chairman William A. Mundell and Commissioner Jim Irvin
APPEARANCES:	Mr. Michael M. Grant, GALLAGHER & KENNEDY, and Mr. Craig Marks, Associate General Counsel, on behalf of Citizens Communications Company;

[1] This Recommended Opinion and Order was prepared by Administrative Law Judge Marc E. Stern upon review of the testimony and exhibits admitted into evidence in the proceeding.

Mr. Norman D. James, FENNEMORE CRAIG, on behalf of Arizona-American Water Company;

Mr. Daniel W. Pozefsky, Staff Attorney, on behalf of Residential Utility Consumer Office;

Mr. Bill Meek on behalf of the Arizona Utility Investors Association; and

Ms. Teena Wolfe, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

On March 24, 2000, Citizens Utilities Company, now known as Citizens Communications Company, together with its Agua Fria Water Division, Mohave Water Division, Sun City Water Company, Sun City Sewer Company, Sun City West Utilities Company, Citizens Water Services Company of Arizona, Citizens Water Resources Company of Arizona, Havasu Water Company and Tubac Valley Water Company (collectively "Citizens"), and Arizona-American Water Company ("Arizona-American") filed with the Arizona Corporation Commission ("Commission") a Joint Application to Transfer Assets and Related Approvals ("Application") of Citizens' water and wastewater utility assets in Arizona including Citizens' Certificates of Convenience and Necessity ("Certificates") held by Citizens to Arizona-American.

On May 17, 2000 and on June 1, 2000, the Residential Utility Consumer Office ("RUCO") and the Arizona Utility Investors Association ("AUIA") filed applications for leave to intervene. Subsequently, intervention was granted to RUCO and to AUIA.[2]

On May 30, 2000, by Procedural Order, a hearing was scheduled on the above-captioned matter for September ~~27~~, 2000. Citizens and Arizona-American caused public notice of the Application and hearing thereon to be published in various newspapers throughout Arizona. In

[2] On April 10, 2000, Mr. Marvin Lustiger filed an application to intervene in the above-captioned matter. However, by subsequent filing, Mr. Lustiger clarified that he was only interested in electric or telephone service in Mohave County, and therefore, Mr. Lustiger's request to intervene was deemed to have been withdrawn.

addition. Citizens notified all its customers of the Application by means of a written bill insert.

On September 14, 2000, a formal public comment session was held in Sun City.

On September 26, 2000, the Commission's Utilities Division ("Staff") filed a Settlement Agreement ("Agreement") marked Exhibit A which is incorporated by reference and attached hereto.

On September 27, 2000, a full public hearing took place at the offices of the Commission in Phoenix, Arizona. Citizens, Arizona-American, RUCO, AUIA and Staff were present with counsel. Following the presentation of evidence, Citizens and RUCO submitted written briefs on the issue of whether Citizens should be required to pay a portion of the gain resulting from the sale of its utility assets to Citizens' customers. The matter was then taken under advisement pending submission of a recommended Opinion and Order to the Commission.

DISCUSSION

Parties to the Transaction

Citizens, through its various divisions and subsidiaries, provides water, wastewater, electric, natural gas and telecommunications services to approximately 1.8 million customers in 22 states, including in excess of 100,000 customers in Arizona. Citizens' current business strategy is to focus on the provision of telecommunications services and the expansion of those operations through the acquisition of wire centers and access lines from other providers, primarily in rural areas, as was the case in the recently approved transfer of rural wire centers by Qwest Corporation to Citizens Utilities Rural Company, Inc.

In connection with this business strategy, Citizens intends to sell its water, wastewater, electric, and natural gas utilities and to apply the proceeds to finance acquisitions and other business activities in the telecommunications area. In April 2000, Citizens also announced the sale of its Louisiana natural gas operations for $375 million.

The Commission granted Arizona-American a Certificate of Convenience and Necessity to provide water service to approximately 4,600 customers in portions of the Town of Paradise

Valley, the City of Scottsdale and certain unincorporated portions of Maricopa County. Arizona-American is a wholly owned subsidiary of American Water Works Company, Inc. ("AWW") which is the largest privately-owned water utility system in the United States, providing water, wastewater and other water resource management services to approximately 3 million customers in 23 states, and with a reported consolidated net plant of $5.1 billion and operating revenues of $1.26 billion. AWW's December 31, 1999, balance sheet reflected a capital structure of 58.4 percent long-term debt, 2.3 percent preferred stock and 39.3 percent common equity.

In 1999, AWW's subsidiaries invested $467 million in improving and upgrading their facilities, and for the past several years, AWW has made similar expenditures averaging nearly $400 million per year. According to AWW witnesses, AWW's acquisition policy is motivated, at least in part, by anticipated capital expenditures resulting from new regulatory requirements and programs and the need to replace or upgrade aged infrastructure to maintain high quality service. With the additional water and wastewater systems, AWW and its subsidiaries hope to obtain economies of scale and to strengthen their financial capability by expanding their customer base.

The Transaction

On October 15, 1999, Citizens, Arizona-American and AWW entered into an agreement under which Arizona-American is to acquire the water and wastewater assets and the Certificates held by Citizens in Arizona ("the Acquired Assets") for approximately $231 million, subject to adjustment at the time of closing. The purchase price will be increased based on utility plant added by Citizens after June 30, 1999, and will be reduced based on plant retirements occurring after such date. The Acquired Assets include all utility plant, property and interests relating to Citizens' water and wastewater operations in Arizona, with certain exceptions, including assets commonly used by Citizens in connection with other utility operations, cash and cash equivalents, and assets related to benefit plans. Citizens will also retain certain liabilities, including obligations for taxes payable, obligations relating to employee compensation and

benefits, and refunds of certain advances in aid of construction. Arizona-American will assume and be liable for all contracts and permits assigned at closing, certain Industrial Development Revenue Bonds ("IDRBs"), and unperformed obligations.

Arizona-American will finance the purchase of the Acquired Assets by a combination of debt and equity. AWW has recently formed a new subsidiary, American Water Capital Corporation ("AWCC"), that will provide loans and other financial services to AWW subsidiaries. Initially, Arizona-American will borrow funds from AWCC on a short-term basis, and receive additional funds in the form of common equity directly from AWW. Within 12 months, the short-term debt will be converted to long-term debt with a planned capital structure which will contain 55 to 60 percent debt and 45 to 40 percent common equity, including Arizona-American's existing debt and equity capital and the Citizens' IDRBs that will be assumed.[3]

The Position of Staff and the Staff Settlement Agreement

Staff generally supported the application, and recommended that the transfer of the Acquired Assets to Arizona-American be approved, subject to several conditions.

First, Staff recommended that the Commission defer any decision on the ratemaking treatment of an acquisition adjustment, deferred taxes, excess deferred taxes, and investment tax credits until a future rate proceeding.

Second, Staff recommended that the decision to allow recovery of an acquisition adjustment be based on Arizona-American's ability to demonstrate that clear, quantifiable and substantial net benefits have been realized by ratepayers, which would not have been realized had the transaction not occurred.

Third, Staff recommended that Arizona-American should be ordered to file, 13 months

[3] Arizona-American has filed an application for authority to issue short-term and long-term debt in connection with financing the purchase of the Acquired Assets, which is pending in Docket No. W-01303A-00-0929.

after the closing of the transaction, a report comparing the number of complaints received by the Commission prior to and after the transaction. The report should provide an explanation of any significant changes in the number and importance of the complaints. Staff would then review this report and, if necessary, make a recommendation to the Commission of any further action to be taken.

Fourth, Staff recommended that an imputation of the benefits related to advances in aid of construction ("AIAC") and contributions in aid of construction ("CIAC") received by Arizona-American be made in subsequent rate proceedings for each former Citizens' system. The purpose of the imputation would be to recognize those portions of the Acquired Assets that were financed by AIAC and CIAC which Arizona-American will not be assuming. Staff also recommended that imputed AIAC be amortized over a period of 10 years, while imputed CIAC would be amortized below the line in the same manner as would have otherwise occurred.

Fifth, Staff recommended that Arizona-American be required to seek Commission approval of any amendments to, or transfers of agreements relating to the purchase of water, such as Citizens' Central Arizona Project ("CAP") water subcontracts.

Finally, Staff recommended that the Commission order Arizona-American to charge ratepayers for services based on the rates, charges, and service tariffs in effect at the time of closing in each Citizens service territory, until such time as Arizona-American files general rate proceedings for each service territory.

In its rebuttal filing, Arizona-American indicated that it would stipulate to the conditions recommended by Staff, including the deferral of a decision concerning the recognition of an acquisition adjustment and the conditions under which an acquisition adjustment would be recognized, and would adopt and utilize the rates and charges for service, and all other service tariffs currently in effect in each of the affected Citizens service territories. However, Arizona-American disagreed with imputing Citizens' AIAC and CIAC to Arizona-American.

Subsequently, Staff and Arizona-American entered into the Agreement, which resolved all areas of disagreement relating to the terms and conditions under which the Acquired Assets would be transferred to Arizona-American.

Pursuant to the terms of the Agreement, Citizens' AIAC and CIAC will be imputed to Arizona-American for ratemaking purposes. This adjustment will reduce rate base. The amount of the AIAC and CIAC to be imputed to Arizona-American for ratemaking purposes will be based on the actual balances shown on Citizens' regulatory books as of the date of the transfer of the Acquired Assets, adjusted as follows: an amount equal to 5 percent of Citizens' AIAC balance at the time of the transfer will be reclassified as CIAC and added to the CIAC balance, and the same amount will be deducted from Citizens' AIAC balance. The adjusted amount of AIAC will be amortized below the line (i.e., no impact on expenses) over a period of 6.5 years, with the amortization period beginning on the day on which the transfer takes place. The adjusted amount of CIAC will be amortized above the line (i.e., as a reduction to depreciation expense that would otherwise be recoverable in rates) over a period of 10 years, with the amortization period beginning on the day on which the transfer takes place. The imputation of AIAC and CIAC to Arizona-American is solely for ratemaking purposes, and not for financial accounting or any other purpose.

In addition to agreeing to the imputation of AIAC and CIAC, Arizona-American agreed that the Commission may adopt Staff's remaining conditions concerning the sale and transfer of the Acquired Assets. Staff and Arizona-American also agreed that Arizona-American's request for an accounting order to establish the amortization method for any acquisition adjustment resulting from the transaction should be deferred until a future rate case.

Based on these agreements by Arizona-American, Staff is recommending that the Commission should approve the transfer of the Acquired Assets to Arizona-American and should not impose any additional terms, conditions or requirements on Arizona-American.

During the hearing, Staff and Arizona-American voiced their support of the Agreement, believing that its terms are reasonable and in the public interest. AUIA also expressed its support for the Agreement. However, the remaining party to the proceeding, RUCO, objects to the approval of the Agreement and to the transaction generally, as discussed below.

Position of RUCO

RUCO maintains the proposed transaction believing that it is not in the public interest and should not be approved unless it is restructured. RUCO argued that the transaction could possibly, in the future, impact on ratepayers. While RUCO did not disagree that consideration of an acquisition adjustment should be deferred until a future ratecase, RUCO argued that the gain resulting from the sale of the Acquired Assets received by Citizens, i.e., the difference between the net book value of the Acquired Assets and the purchase price being paid by Arizona-American, should be shared equally between Citizens stockholders and the ratepayers. RUCO further argued that the Commission should adopt a set of criteria to determine what, if any, acquisition adjustment should be allowed in a future rate proceeding. RUCO also suggested that to make this transaction in the public interest, among other things, the transaction should be contingent upon Arizona-American's Board of Director's approving a letter pledging to invest no less than 15 percent of the purchase price in acquisitions and capital improvements of "resources stressed" water and/or wasterwater utilities in Arizona no later than 72 months after the date the Commission authorizes the transaction.

Analysis of Disposition of Gain Issue

RUCO contended that fundamental principles of fairness support sharing the gain in this case. RUCO maintained that ratepayers have shared in the risk associated with the operation of the utility assets and that it necessarily follows that ratepayers should share in the gain realized from the sale of those assets. According to RUCO, this risk sharing results from the accounting treatment provided in the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts when an asset is retired prematurely, i.e., before a

utility fully recovers its original cost via depreciation. RUCO also stated that prior Commission decisions support gain sharing.

In response, Citizens argued that ratepayers have assumed no risk in connection with the operation of Citizens' water and wastewater utility business. Investors have provided the utility's capital and bear the financial risks associated with its operations. Therefore, the investors should be entitled to receive any gain resulting from the transaction. As to prior Commission decisions, Citizens cited three analogous cases involving a sale of an entire line of utility business in which the Commission did not order gain sharing.[4] Citizens also cited Decision No. 60167 (April 17, 1997) in which a utility's natural gas business was sold at a loss. In that case, the Commission did not order the customers to share in the loss.[5]

This proceeding is similar to the three cases cited earlier by Citizens since it is selling its entire business and will have no further water and wastewater operations in Arizona. The Commission has never required gain sharing under these circumstances. In the Contel of the West matter, in which Citizens was authorized to acquire all of Contel's telephone properties in Arizona, Staff urged that the gain resulting from the sale be shared equally with ratepayers. However, the Commission rejected gain sharing in that case.

We also do not believe that ratepayers bear a substantial risk by virtue of receiving utility service in this case. The particular accounting treatment for depreciable plant provided under the Uniform System of Accounts does not shift risk to customers, but rather prescribes particular accounting adjustments to properly reflect rate base before and after the retirement of a plant item. The utility's owners, i.e., its shareholders, ultimately bear the risks associated with the utility's business. While regulation may reduce those risks relative to most non-regulated

[4] Citizens/Southern Union, Decision No. 57647 (December 2, 1991); Contel/Citizens, Decision No. 58819, (October 17, 1994); and GTE/Citizens, Decision No. 62648 (June 13, 2000).

[5] Ajo Improvement Company/Southwest Gas, Decision No. 60167 (April 17, 1997).

businesses, regulation does not shift that risk to ratepayers, who are entitled to receive utility service at rates set by the Commission.

Accordingly, we do not find it appropriate under the circumstances in this case to require Citizens to share with ratepayers any part of the gain it receives from the sale of the Acquired Assets to Arizona-American. However, this will not preclude the Commission from protecting the ratepayers in the future. In any claim for an acquisition adjustment in a future rate case, the Commission can strictly scrutinize the foundation of the claim and determine what amount, if any, should be approved.

Analysis of Remaining RUCO Recommendations

RUCO's other recommendations pertained to the structure of the transaction and RUCO's concerns that this structure could lead to rate increases in the future. RUCO's concern primarily relates to the fact that Arizona-American will not be assuming all of Citizens' liabilities associated with AIAC and CIAC, which totaled approximately $80.8 million and $4.7 million, respectively, at December 31, 1999. According to RUCO, the structure of the transaction will result in the elimination of AIAC and CIAC as reductions from rate base, which will in turn result in an increase in rate base and, eventually, to rate increases.

We believe that the Agreement appropriately deals with this issue. Citizens' AIAC and CIAC will be recognized for ratemaking purposes by Arizona-American, even though Arizona-American is not assuming those liabilities. By virtue of this imputation, the impact of the structure of the transaction will be ameliorated. Based on the evidence and the testimony, the approach utilized in the Agreement is reasonable.

Further, the evidence indicates that the transaction between Citizens, Arizona-American and AWW was the product of arms-length negotiations that occurred after Citizens had adopted its current business strategy of focusing on telecommunications services and divesting itself of its water and wastewater systems, as well as its electric and natural gas systems throughout the

country. This is not a transaction between affiliated companies. The payment by Arizona-American will constitute an investment in the Acquired Assets.

RUCO also expressed concern regarding the impact of the transaction on Citizens' accumulated deferred income taxes ("ADITs"), which totaled approximately $5.2 million as of December 31, 1999, and Citizens' investment tax credits ("ITCs"), which totaled approximately $2.2 million as of the same date. Under the Agreement, any decision on the treatment of ADITs and ITCs will be deferred until Arizona-American seeks new rates in a future proceeding. Staff's recommendation is appropriate under the circumstances herein.

Next, RUCO questioned the approach proposed by Arizona-American and Staff, as adopted in the Agreement, for dealing with the possible future recognition of an acquisition adjustment in rates. RUCO agreed with Arizona-American and Staff that it is appropriate to defer consideration of any acquisition adjustment resulting from the transaction until a future rate proceeding, in order to afford Arizona-American an opportunity to demonstrate that the acquisition has provided a net benefit to ratepayers by virtue of improved operating efficiencies, economies of scale and other synergies. However, RUCO's witnesses also contended that the Commission should adopt a set formula that would be used in connection with any future determination of the amount of the acquisition adjustment.

We have concerns about the adoption of a set, mechanical formula to quantify a future acquisition adjustment. We believe that such a determination should be made at the time all the facts and circumstances are known. Staff's recommendation concerning the basis on which the Commission will allow the recovery of an acquisition adjustment is reasonable and in the public interest. Arizona-American is cautioned that the Commission will require Arizona-American to demonstrate that clear, quantifiable and substantial net benefits to ratepayers have resulted from the acquisition of Citizens' systems that would not have been realized had the transaction not occurred before the Commission will consider recovery of any acquisition adjustment in a future rate proceeding.

RUCO was also critical of Arizona-American's failure to assume all of Citizens' IDRBs. As stated, Arizona-American will assume certain IDRBs, which total approximately $10.6 million. The IDRBs that will be assumed constitute low-cost capital. The average cost of the IDRBs that will be assumed by Arizona-American was 3.55 percent per annum during 1999. RUCO believes that there may be three additional Citizens bond issues, representing low-cost capital, that will not be assumed in connection with the transaction.

Arizona-American, in its testimony, has acknowledged that other bonds have been issued by Citizens. The evidence indicates, however, that in contrast to the IDRBs that will be assumed, the other bonds would require unanimous consent from all bond holders in order to be assumed, which would be administratively difficult, if not impossible, to accomplish within the time frame of the transaction. The additional costs to Arizona-American to replace these low-cost IDRBs with alternative forms of financing was not ascertained.

We find that it would not be feasible for Arizona-American to assume the remaining bonds and it would not be reasonable to impute these bonds to Arizona-American's capital structure. The remaining bonds will continue to be an obligation of Citizens and will continue to be included in Citizens' capital structure in its ongoing telecommunications business.

Finally, RUCO recommends that authorization of the transaction be made contingent on Arizona-American pledging to invest not less than 15 percent of the purchase price for the Acquired Assets, or approximately $35 million, in acquisitions and capital improvements of "resource stressed" water and/or wastewater utilities in Arizona. These acquisitions and capital improvements would have to be made within 72 months from the date on which the Commission approves the transaction.

The Commission recognizes that there are small water and wastewater utilities in Arizona that may need technical and financial assistance. Indeed, the Commission has provided such assistance to small water and wastewater utilities through workshops and the development of policies aimed at improving their financial viability. However, it is not reasonable to compel a

private utility to spend in excess of $35 million to solve these problems, nor is it clear that the Commission has the authority to do so.

Arizona-American has indicated its willingness to work with the Commission in developing solutions to service problems being experienced by small, troubled utilities. By virtue of acquiring Citizens' systems in Arizona, Arizona-American will be in closer proximity to a number of these systems, and the Commission would expect Arizona-American, as circumstances warrant, to seriously consider acquiring these systems or otherwise provide technical or financial assistance. For these reasons, we do not believe it is appropriate to impose such a mandate on Arizona-American.

* * * * * * * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. Pursuant to authority granted by the Commission, Citizens provides public water, wastewater, electric, natural gas and telecommunications services in various parts of Arizona.

2. Pursuant to authority by the Commission, Arizona-American, a wholly owned subsidiary of AWW, provides public water service to approximately 4,600 customers in the Town of Paradise Valley, the City of Scottsdale and in certain unincorporated portions of Maricopa County, Arizona. Arizona-American is presently classified as a Class B water utility.

3. On March 24, 2000, Citizens and Arizona-American filed an Application requesting approval of the sale and transfer of Citizens' water and wastewater utility assets in Arizona together with the transfer of Citizens' Certificates to Arizona-American.

4. RUCO and the AUIA were granted intervention in this Docket.

5. Public notice of the Application and hearing thereon was published in various newspapers throughout Arizona within and in the vicinity of Citizens' and Arizona-American's certificated service areas.

6. Customers of Citizens were also notified of the Application by means of a written bill insert.

7. Citizens' current business strategy is to focus on the provision of telecommunication services and to expand its telecommunications subsidiaries' operations through the acquisition of wire centers and access lines from other providers, primarily in rural areas.

8. In the furtherance of this business strategy, Citizens is selling its water, wastewater, electric and natural gas utilities and applying the proceeds to finance acquisitions and other business activities in the telecommunications industry.

9. AWW and its subsidiaries, including Arizona-American, are the largest privately-owned water utility system in the United States, providing water, wastewater and other water resource management services to approximately three million customers in 23 states.

10. AWW is financially sound, and has the experience, expertise and resources to assume and perform Citizens' public service obligations.

11. On October 15, 1999, Citizens, Arizona-American and AWW entered into an asset purchase agreement under which Arizona-American will acquire all of the water and wastewater utility assets together with the requisite Certificates held by Citizens in Arizona.

12. Arizona-American will pay a purchase price of approximately $231 million which includes the assumption of approximately $10.6 million of existing debt in the form of outstanding IDRBs. The purchase price is subject to adjustment either higher or lower based on plant additions and retirements occurring after June 30, 1999.

13. Arizona-American will finance the transaction through a combination of debt and equity, resulting in Arizona-American having a capital structure of 55 to 60 percent debt and 45 to 40 percent common equity. This debt to equity ratio is comparable to the capital structures of most large, publicly-traded water utilities.

14. Staff is recommending that the Application be approved for the sale and transfer of Citizens' water and wastewater utility assets including the Certificates to Arizona-American subject to the following conditions:

- that any decision on the ratemaking treatment of an acquisition adjustment, deferred taxes, excess deferred taxes and investment tax credits be deferred until a future rate proceeding;
- that if recovery of any acquisition adjustment is authorized in the future it should be based on Arizona-American's ability to demonstrate that clear, quantifiable and substantial net benefits have been realized by ratepayers in the affected areas, which would not have been realized had the transaction not occurred;
- that Arizona-American file, 30 days after the first anniversary of the transaction, a report which compares the number of complaints received by the Commission under Citizens' ownership and under Arizona-American's ownership and provide an explanation of any significant changes in the number and importance of the complaints received. Staff should review the data and, if necessary, make a recommendation to the Commission of any further action to be taken;
- that an imputation of the benefits related to AIAC and CIAC received by Arizona-American should be made in subsequent rate proceedings for each former Citizens system as recommended by Staff in its direct testimony;
- that Arizona-American shall be required to secure prior Commission approval of any amendments to, or transfers of agreements relating to the purchase of water, such as Citizens' CAP water subcontracts; and
- that Arizona-American shall charge ratepayers for services based on the rates, charges, and service tariffs in effect at the time of closing in each Citizens service territory, until such time as Arizona-American files general rate proceedings for each service territory.

15. On September 26, 2000, Staff filed the Agreement that is marked Exhibit A. The Agreement resolves all issues relating to the terms and conditions under which the Acquired Assets may be sold and transferred to Arizona-American.

16. In the Agreement, Arizona-American acknowledged that it will follow Staff's recommendations if they are adopted by the Commission.

17. While RUCO did not oppose the treatment of the acquisition adjustment in a future rate proceeding, it neither joined in signing the Agreement nor suggested a workable

alternative approach to that agreed upon by Arizona-American and Staff in the Agreement in this instance based on our prior treatment of similar transactions.

18. Arizona-American is a fit and proper entity to acquire Citizens' utility assets and Certificates and to assume Citizens' public service obligations for the operation of the utility systems in Arizona.

19. Staff and Arizona-American believe that the approval of the Agreement attached hereto as Exhibit A is in the public interest.

20 Based on our review of the evidence, Staff's recommendations in Findings of Fact No. 14 and the Agreement are reasonable and in the public interest. Therefore, the transfer of Citizens' water and wastewater utility assets and Certificates to Arizona-American should be approved.

CONCLUSIONS OF LAW

1. Citizens and Arizona-American are public service corporations within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281, 40-282 and 40-285.

2. The Commission has jurisdiction over Citizens and Arizona-American and over the subject matter of the Application.

3. Citizens and Arizona-American provided notice of this proceeding in accordance with the law.

4. There is a continuing need for public water and wastewater service in the certificated service areas of Citizens.

5. Arizona-American is a fit and proper entity to receive the Certificates of Citizens.

6. The Application of Citizens and Arizona-American, the Agreement and the conditions recommended by Staff in Findings of Fact No. 14 should be approved.

ORDER

IT IS THEREFORE ORDERED that the Joint Application for Approval to Transfer the Assets and Certificates of Convenience and Necessity of Citizens Utilities Company, now known as Citizens Communications Company, together with its Agua Fria Water Division, Mohave Water Division, Sun City Water Company, Sun City Sewer Company, Sun City West Utilities Company, Citizens Water Services Company of Arizona, Citizens Water Resources Company of Arizona, Havasu Water Company and Tubac Valley Water Company, to Arizona-American Water Company be, and is hereby, approved.

IT IS FURTHER ORDERED that Arizona-American Water Company shall comply with the terms, conditions and requirements as set forth in the Staff Settlement Agreement, attached hereto as Exhibit A, and with Staff's recommendations in Findings of Fact No. 14 hereinabove.

IT IS FURTHER ORDERED that Arizona-American Water Company shall file, within 30 days from the date on which the acquisition has been completed, with the Director of the Commission's Utilities Division, appropriate documentation evidencing its acquisition of the Citizens Utilities Company now known as Citizens Communications Company's Arizona water and wastewater utility assets.

IT IS FURTHER ORDERED that Arizona-American Water Company shall notify its customers of the effective date of the transfer of the utility assets and of its assumption of the obligation to provide water and wastewater utility services at the existing rates by means of an insert in its first regular monthly billing or by other appropriate means immediately following the date it files the documentation with the Director of the Utilities Division.

IT IS FURTHER ORDERED that Arizona-American Water Company shall file, within 15 days of the date it files the documentation with the Director of the Utilities Division, a copy of the notice it provides its customers.

IT IS FURTHER ORDERED that Arizona-American Water Company shall continue to charge the existing rates and charges of the transferred utility companies until further Order by the Commission.

IT IS FURTHER ORDERED that Arizona-American Water Company shall continue to file all periodic reports, and comply with all outstanding compliance matters previously required of Citizens Utilities Company, now known as Citizens Communications Company relative to the acquired water and wastewater operations.

IT IS FURTHER ORDERED that Citizens Utilities Company shall maintain its books and records for the transferred utility companies for a period of 5 years from the effective date of this Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 24TH day of April, 2001

BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT_____

SERVICE LIST FOR: CITIZENS COMMUNICATIONS COMPANY ET AL.

DOCKET NOS.: W-01032A-00-0192; W-01032B-00-0192; W-01032C-00-0192; S-02276A-00-0192; WS-02334A-00-0192; WS-03454A-00-0192; WS-03455A-00-0192; W-02013A-00-0192; W-01595A-00-0192; and W-01303A-00-0192

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CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF CITIZENS UTILITIES COMPANY; AGUA FRIA WATER DIVISION OF CITIZENS UTILITIES COMPANY; MOHAVE WATER DIVISION OF CITIZENS UTILITIES COMPANY; SUN CITY WATER COMPANY; SUN CITY SEWER COMPANY; SUN CITY WEST UTILITIES COMPANY; CITIZENS WATER SERVICES COMPANY OF ARIZONA; CITIZENS WATER RESOURCES COMPANY OF ARIZONA; HAVASU WATER COMPANY AND TUBAC VALLEY WATER COMPANY, INC., FOR APPROVAL OF THE TRANSFER OF THEIR WATER AND WASTEWATER UTILITY ASSETS AND THE TRANSFER OF THEIR CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY TO ARIZONA-AMERICAN WATER COMPANY AND FOR CERTAIN RELATED APPROVALS.	DOCKET NOS. W-01032A-00- 0192 W-01032B-00- 0192 W-01032C-00- 0192 S-02276A-00- 0192 WS-02334A-00-0192 WS-03454A-00-0192 WS-03455A-00-0192 W-02013A-00- 0192 W-01595A-00- 0192 W-01303A-00- 0192 SETTLEMENT AGREEMENT BETWEEN ARIZONA CORPORATION COMMISSION STAFF AND ARIZONA-AMERICAN WATER COMPANY

On March 24, 2000, Citizens Utilities Company (now known as Citizens Communications Company), its Agua Fria Water Division, its Mohave Water Division, Sun City Water Company, Sun City Sewer Company, Sun City West Utilities Company, Citizens Water Services Company of Arizona, Citizens Water Resources Company of Arizona, Havasu Water Company and Tubac Valley Water Company (collectively, "Citizens") and Arizona-American Water Company ("Arizona-American") filed with the Arizona Corporation Commission ("Commission") a joint application for the approval of the sale and transfer of Citizens water and wastewater utility plant, property and assets in Arizona, including transfer of Citizens' certificates of convenience and necessity

EXHIBIT A

("Certificates"), to Arizona-American pursuant to A.R.S. § 40-285.

The Commission's Utilities Division Staff ("Staff") has investigated the application and has recommended that the application be approved by the Commission, subject, however, to certain conditions and requirements, which are set forth in the Direct Testimony of Linda A. Jaress, filed in this docket on August 14, 2000, at pages 18-19 ("Staff Recommendations"). Arizona-American has indicated that it is willing to accept the Staff Recommendations, with the exception of the recommendation that Citizens' advances in aid of construction ("AIAC") and contributions in aid of construction ("CIAC") be imputed to Arizona-American.

Representatives of Staff and Arizona-American have had discussions concerning the matters in dispute with respect to the application and have reached a settlement. The purpose of this Settlement Agreement is to memorialize the agreement that has been made by and among Staff and Arizona-American, which resolves all areas of disagreement relating to the terms and conditions under which Citizens' Arizona water and wastewater assets and Citizens' Certificates may be transferred to Arizona-American.

1. AIAC Imputation; Amortization. As of December 31,1999, Citizens' AIAC balance was $80,818,669. Citizens' AIAC balance as of the date on which Citizens' water and wastewater assets and Certificates are transferred to Arizona-American and Arizona-American becomes responsible for the provision of water and wastewater services will be imputed to Arizona-American. Such imputation shall be solely for ratemaking purposes. The total amount of AIAC imputed will be adjusted as more particularly provided below. The adjusted amount of AIAC will be amortized below the line (i.e., no impact on expenses) over a period of 6.5 years, with the amortization period beginning on the day on which the transfer takes place.

2. CIAC Imputation; Amortization. As of December 31, 1999, Citizens' CIAC balance was $4,734,430. Citizens' CIAC balance as of the date on which Citizens' water and wastewater assets and Certificates are transferred to Arizona-American and Arizona-American become responsible for the provision of water and wastewater services will also be imputed to Arizona-American. Such imputation shall be solely for ratemaking purposes. The total amount of CIAC to be imputed to Arizona-American will also be adjusted as provided below. The adjusted CIAC balance imputed to Arizona-American will be amortized above the line (i.e., as a reduction to depreciation expense) over a period of 10 years, with the amortization period beginning on the day on which the transfer takes place.

3. Adjustment to Recorded AIAC and CIAC Balances. The amounts of AIAC and CIAC to be imputed to Arizona-American for ratemaking purposes will be based on the actual balances shown on Citizens' regulatory books as of the date of the transfer, adjusted as follows: An amount equal to five percent (5%) of Citizens' AIAC balance at the time of the transfer will be reclassified as CIAC and added to the CIAC balance, and the same amount will be deducted from Citizens' AIAC balance in computing the amounts to be imputed to Arizona-American for ratemaking purposes hereunder.

4. Adoption of Remaining Staff Recommendations. Arizona-American agrees that the Commission may adopt the remaining Staff Recommendations, as set forth in the Direct Testimony of Linda A. Jaress.

5. Deferral of Determination of Amortization Method. The parties agree that Arizona-American's request for an accounting order to establish the amortization method for any acquisition adjustment resulting from the transaction should be deferred until a future rate case.

6. Transfer in the Public Interest. Based on the foregoing agreements

and understandings, Staff agrees that Arizona-American is a fit and proper entity to acquire the Certificates and that the Commission should authorize and approve the transfer of Citizens' Arizona water and wastewater assets to Arizona-American on the terms set forth herein. No additional terms, conditions or requirements are necessary or appropriate.

7. Support and Defend. This Settlement Agreement will be introduced as an exhibit during the hearing on the application, presently set for September 27, 2000. Arizona-American and Staff will jointly request that the Settlement Agreement be received into evidence, and agree to support and defend this Settlement Agreement and the transfer of Citizens' water and wastewater assets and the Certificates to Arizona-American on the terms set forth herein as just, reasonable and appropriate based on the particular circumstances presented in this application.

8. Compromise; No Precedent. This Settlement Agreement represents a compromise in the positions of the parties hereto. By entering into this Settlement Agreement, neither Staff nor Arizona-American acknowledges the validity or invalidity of any particular method, theory or principle of regulation, or agrees that any method, theory or principle of regulation employed in reaching a settlement is appropriate for resolving any issue in any other proceeding, including (without limitation) any issues that are deferred to a subsequent rate proceeding. Except as specifically agreed upon in this Settlement Agreement, nothing contained herein will constitute a settled regulatory practice or other precedent.

9. Privileged and Confidential Negotiations. All negotiations and other communications relating to this Settlement Agreement are privileged and confidential, and no party is bound by any position asserted during the negotiations, except to the extent expressly stated in this Settlement Agreement.

As such, evidence of statements that were made or other conduct occurring during the course of the negotiation of this Settlement Agreement is not admissible in any proceeding before the Commission or a court.

10. Complete Agreement. This Settlement Agreement represents the complete agreement of the parties with respect to its subject matter. There are no understandings or commitments other than those expressly set forth herein.

DATED this 26 day of September, 2000.

ARIZONA CORPORATION COMMISSION STAFF

By: _____
Steven M. Olea
Acting Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

ARIZONA-AMERICAN WATER COMPANY

By: Norman D. James
Norman D. James
FENNEMORE CRAIG
3003 N. Central Avenue, Suite 2600
Phoenix, Arizona 85012-2913
Attorneys for Arizona-American Water Company

An original and 10 copies of the foregoing was delivered this ___ day of September, 2000, to:

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

A copy of the foregoing was delivered this ___ day of September, 2000, to:

Karen E. Nally
Assistant Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

A copy of the foregoing
was telecopied/delivered and mailed this ___
day of September, 2000, to:

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Residential Utility Consumer Office
2828 North Central Avenue
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P. O. Box 34805
Phoenix, AZ 85067
(602) 254-4300

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Associate General Counsel
Citizens Communications Company
2901 N. Central, Suite 1660
Phoenix, AZ 85012
(602) 265-3415

By: _____

STEPHENSON DIR. EXH. 2

AMERICAN WATER WORKS - SHARED SERVICES CENTER
CITIZENS ACQUISITION
Final Acquisition Journal Entry - Arizona

F:\RATES\Arizona Citizens Rate Case\[AZ Czn Entries Fina

1. RECORD UTILITY PLANT PURCHASED (Booked in Jan Based on Nov Info) JE2301, reclass debt JE231

230105.104000	Utility Plant Purchased/Sold	276,471,277		
230105.201200	Common Stock		110,888,158	
230105.221120	Bonds Inside		154,948,119	
230105.221100	Bonds Outside		10,635,000	

2. RECORD ACQUISITION - NET ASSETS

CZN record net assets	JE#			
230105.10400	Utility Plant Purchased/Sold		276,471,277	
230105.134100	Petty Cash	3,371		
230105.146100.001	A/R Other Manual (Notes Rec)	500,000		R
230105.141000	Accounts Receivable	1,723,245		R
230105.141000	Accounts Receivable-unexplained difference		71,151	
230105.144000	Unbilled Revenue	825,523		
230105.143000	Allowance for Doubtful Accounts		47,496	R
239902.241249.002	Collection for Others (agua fria)	27,730		
239902.241249.001	Collection for Others (agua fria)		27,730	
239903.241249.002	Collection for Others (Sun City)	9,027		
239903.241249.001	Collection for Others (Sun City)		9,027	
239901.241249.002	Collection for Others (Surprise)	382,751		
239901.241249.001	Collection for Others (Surprise)		382,751	
239905.241249.002	Collection for Others (Sabrosa)	4,952		
239905.241249.001	Collection for Others (Sabrosa)		4,952	
230105.146100.001	Misc A/R - Manual	581,849		R
230105.146100.001	Misc A/R - Manual	99,208		
230105.153000	Materials & Supplies-Stk E	30,557		
230105.165500	Prepaid Postage	896		R
230105.165500	Prepayments - Transition services	24,374		
230105.165500	Prepayments CAP Legal Services		2,500	
230105.105110.1 CZN X	Capital Exp. Invoices paid by Citizens	1,057,874		Exb I
238305.146100.001	Sabrosa Water Well Project	9,672		
236206.675000.2135	Sun City Main Repairs	5,654		
236406.675000.2135	Sun City West Main Repairs	195		
230105.101099	Utility Plant	272,822,609		
230105.101099	Utility Plant CBSC Assets	19,974		
230105.105110.1 CZN X	CWIP	6,110,694		
230105.108105	Accumulated Depreciation		55,775,969	
230105.108105	Accumulated Depreciation CBSC Assets		9,253	
230105.183000	Preliminary Survey & Investigation	663,525		R
230105.238010	Customer Deposits		143,867	R
238905.186898.DD230001 s	Ground Water Withdraw Fee	418		
236205.186898.DD230001 s	Ground Water Withdraw Fee		97,658	
236205.186898	DDA -Other	201,088		
236205.186898	DDA -Other	497,393		
236405.186898.DD230001 s	Ground Water Withdraw Fee		48,222	
236405.186898	DDA -Other		96,961	
236405.186898	DDA -Other	294,013		
236105.186898.DD230001 s	Ground Water Withdraw Fee		28,554	
236105.186898	DDA -Other	22,458		
236105.186898	DDA -Other		44,971	
236105.186898	DDA -Other	2,929,500		
230105.186898	DDN Other (regulatory assets)	1,392,615		R
230105.181110	Unamortized Debt Expense - outside	387,690		

230105.181110	Unamortized Debt Expense - outside	22,990	
230105.241998	Other Current Liability - analyzed		1,972,236.00
230105.236151	Accrued Property Taxes		886,624 sch
230105.252120	Advances for Const		23,364,564 sch
230105.262411	DCN - Advance Payments and Deposits Other		284,879 sch
230105.840000	Interest Exp Other	30,921	
230105.234300	A/P Misc. -Net Cash Payable		2,030,554
230105.114100	UPAA**	71,118,430	
		361,801,197	361,801,197

UPAA DETAIL

	Initial UPAA	
	Initial Cash Payment (line 5)	266,618,443
	Less: Net Assets Purchased	195,489,291
	Initial UPAA	71,129,152
	Difference	10,722
	CBSC Assets not on Citizen's AZ Balance sheet but should be according to the schedule	10,722 Part of IL workpapers

3. RECORD UTILITY PLANT DETAIL

GARY TO RECORD

230105.101099	Utility Plant (incl CBSC Assets)		272,842,583
230105.101000.xxxxxx		xxx	
230105.101000.xxxxxx		xxx	
230105.101000.xxxxxx		xxx	
230105.101000.xxxxxx		xxx	

4. WRITE-OFF INVENTORY TO EXPENSE (CREDITED EXP WHEN LOADED)

CZN W/O Inventory #4		JE#		
230105.575000.16	Misc Oper Exp AG		30,557	
230105.153000	Material & Supplies			30,557

5. EXPENSE PREPAID POSTAGE

CZN - w/o prepaids#5		JE#		
230105.575000.16	Misc Expense		896	
230105.165500	Prepayments			896

6. EXPENSE PREPAID MOTOR VEHICLE TAXES AND CAP Legal

CZN - w/o prepaids#6		JE#		
230105.575000.16	Misc Exp		21,874	
230105.165500	Prepayments		2,500	
230105.165500	Prepayments			24,374

7. TO WRITE OFF UNBILLED REV.

CZN - w/o unbilled #7		JE#	
236105.401120	Aqua Fria Res	120,069	
236105.401220	Aqua Fria Comm	29,652	
236105.401520	Aqua Fria OPA	24,609	
236205.401120	Sun City Water - Res	211,176	
236205.401220	Sun City Water - Comm	36,464	
236405.401120	Sun City West - Res	107,910	
236405.401220	Sun City West - Comm	22,191	
237105.401120	Mohave - Res	115,155	
237105.401220	Mohave - Comm	32,575	
237105.401520	Mohave - OPA	4,601	
237305.401120	Havasu Res	17,944	
237305.401220	Havasu Comm	5,827	
238305.401120	Distco Res	71,303	

238305.401220	Distco Comm	9,753	
238905.401120	Tubac Res	13,783	
238905.401220	Tubac Comm	2,510	
230105.144000	Unbilled Revenue		825,523

8. CAPITAL INVOICES PAID BY CITIZENS NEED TASK ORDER NUMBERS

NO ENTRY NEEDED

Task Order	Anthem Valve Vaults Task Order 5	15,366	
Task Order	Anthem Water Treatment Plant Ph 3	51,093	
Task Order	Anthem Solids Handling Facility	344,109	
Task Order	Sun City West Reclaim Facilty	70,913	
Task Order	Sun Village Well #5	18,900	
Task Order	Sun Village Water Plant Mods	11,129	
Task Order	Sun Village SCADA	2,240	
Task Order	Sun City Grand Water Plant #1	7,990	
Task Order	Anthem Project Mana Phase 4	76,444	
Task Order	Anthem Water Campus WTP 4MGD	310,975	
Task Order	Anthem Water Campus Tank #2	3,757	
Task Order	AT/AF Interconnect	1,147	
Task Order	Oakmont Dr. Water Replace	1,965	
Task Order	Anthem Remote Vault Float Valve	7,410	
Task Order	Anthem Valve Replacement	5,124	
Task Order	Sun City West Service Replacements	5,916	
Task Order	Sun City Sewer Flo Mtr SCADA RTU	11,266	
Task Order	Water test Agua Fira	88	
Task Order	Water Test Sun City	70	
Task Order	Water Test Anthem	640	
Task Order	Sun City/Sun City West Grdwtr Svgs	3,016	
Task Order	Sun City/Sun City Wst Well Study	25,415	
Task Order	Whitestone Water Reclaim Fac	5,846	
Task Order	Anthem Finished Water Res.#2	47,735	
Task Order	Sun City Grand SCADA	1,560	
Task Order	99th & Olive Flow Meter	1,318	
Task Order	Sun Village Booster Station	3,494	
Task Order	Surprise Main Replace	1,520	
Task Order	Anthem Phase 2	1,851	
	SUB - TOTAL	1,038,299	
Need Task Order	Sun Valley Water Treatment Plant	19,575	Not On D. Baka's sheets
	Was on the PA line of Exhibit I should be AZ		
	TOTAL	**1,057,874**	

STEPHENSON DIR. EXH. 3

[09101] - Journal Entries

Functions Tools Help

Model (Y)

Reverse or Void (R/V)

Document Type JE

Document Number/Co 24545 00023 Explanation RECLASS CITIZENS ORCOM CHARGES

G/L Date 12/31/01 Batch Number 23054064 Home BU

Remaining Ref 1

Skip to Line

Account No.	Subl/WO#	T	Amount	Explanation 2
230205.760715			607,722.55	
2302000E.105150.1	23002001	W	607,722.55-	

F5=Make New Model F6=% JE F15=Model JE's F13=Acct Master F24=More Keys MW

Citizens Business Services Company (CBSC)
Net Book Value of Assets - Banner System & Non Banner Items
At January 15, 2002

Category	Description	Capitalized Cost	Accumulated Depreciation	Est. Net Book Value	Allocated by State Illinois	Allocated by State Arizona
	Furniture & fixtures:					
5	Office furniture	2,497	1,157	1,340	1,340	0
6	Work tables, files & storage cabinets	3,582	1,662	1,920	1,920	0
7	Copier	1,565	728	837	837	0
8	Facsimile machine	2,465	1,141	1,324	1,324	0
9	File server & software - Sun City, Az	19,974	9,253	10,721	0	10,721
9	File server & software - Harvey, LA	99,870	46,263	53,607	53,607	0
9	File server & software - Woodridge, IL	79,895	37,011	42,884	42,884	0
10	PCs and software	53,085	24,595	28,490	28,490	0
11	Misc.	2,465	1,141	1,324	1,324	0
12	PC credit services	7,056	3,271	3,785	3,785	0
	Total Furniture & Fixtures	272,454	126,222	146,232	135,511	10,721
	Data Center Implementation:					
13	HAVC System (50%)	58,276	27,000	31,276	31,276	0
14	UPS unit	81,342	37,677	43,665	43,665	0
15	Generator	99,337	46,018	53,319	53,319	0
16	Fire suppression system	44,442	20,589	23,853	23,853	0
17	Raised flooring	10,212	4,726	5,486	5,486	0
18	Equipment racks / workstations	33,989	15,748	18,241	18,241	0
19	Telephone / data wiring	22,144	10,256	11,888	11,888	0
	Total Data Center Implementation	349,742	162,014	187,728	187,728	0
20	Computer hardware HP 9000 & HP-UX	705,391	326,768	378,623	378,623	0
	Mailing Center Implementation:					
28	HVAC system (50%)	36,260	16,797	19,463	19,463	0
29	Ceiling tile	1,514	705	809	809	0
30	Carpet padding	404	184	220	220	0
31	Canape	3,082	1,425	1,657	1,657	0
	Total Mailing Center Implementation	41,260	19,111	22,149	22,149	0
32	Automated mailing system	316,328	146,541	169,787	169,787	0
33	Billing printer	202,150	93,647	108,503	108,503	0
						0
34	Postage meter	7,046	3,263	3,783	3,783	0
	Total Allocated Assets	1,894,371	877,566	1,016,805	1,006,084	10,721
	Assets Expected to Retain					
	Banner System	2,956,710	1,369,691	1,587,019		
	Other Unallocated Assets	138,601	64,194	74,407		
	Software License cost transferred from LGS 12/00	1,223,780	265,152	958,628		
	Total Retained Assets	4,319,091	1,699,037	2,620,054		
	Total CBSC Assets	6,213,462	2,576,603	3,636,859		

ARIZONA-AMERICAN WATER COMPANY
SPREAD OF ORCOM COSTS

Water / Wastewater	4 Factor Percentage	% of 4 Factor Percentage	Banner	Arizona	ORCOM
Mohave Water	1.791	4.34%	$113,730	$113,730	$70,348
Havasu Water	0.215	0.52%	$13,653	$13,653	$8,445
Tubac Water	0.143	0.35%	$9,081	$9,081	$5,617
Sun City Water	3.295	7.99%	$209,236	$209,236	$129,424
Sun City Sewer	2.579	6.25%	$163,769	$163,769	$101,300
Sun City West Water/Wstwtr	4.011	9.72%	$254,703	$254,703	$157,548
Aqua Fria	1.862	4.51%	$118,239	$118,239	$73,137
California Water	7.450	18.06%	$473,083		$0
Home Water	1.862	4.51%	$118,239		$0
CU Water of Penn	1.361	3.30%	$86,425		$0
Lake Heritage	0.143	0.35%	$9,081		$0
Blue Mountain	1.289	3.12%	$81,853		$0
Glen Alsace	1.003	2.43%	$63,692		$0
CUC Illinois	10.316	25.00%	$655,077		$0
Flowing Wells	0.143	0.35%	$9,081		$0
Ohio Utilities	2.221	5.38%	$141,036		$0
Citizens Water Resources Co. of AZ	0.931	2.26%	$59,119	$59,119	$36,568
Citizens Water Services Co. of AZ	0.645	1.56%	$40,958	$40,958	$25,335
	41.26	100.00%			
Total Banner Net Assets Retained			$2,620,054	$982,488	$607,722
Total ORCOM Costs					$607,722

STEPHENSON DIR. EXH. 4

Arizona-American Water Co.
Citizens Acqusition - Phase 3 Costs
As of September 30,2002

	2000	2001	2002		Total
Service Company Charges	165,778	235,692	217,655	$	619,125
Intergration Services (Consultants)			157,932	$	157,932
Miscellaneous (*data lines, office trailer rental)*		1,497	450	$	1,947
Notices to Customers		375	5,407	$	5,782
	167,778	239,564	383,445	$	784,784

F:\RATES\Arizona Citizens Rate Case\[Phase 3 Acquisition Costs.xls]Phase 3

09200P Account Ledger Print

Date - 9/25/02
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From Date/Per 01/01/00
Thru Date/Per 12/31/00
Ledger Type. AA
Sub Ledger/Ty *
Currency Code

Account 23050.760715 Merger Costs Phase 3

DT	Document	Date	Explanation	Batch	Subledger.	Debit	Credit	
JE	20608	02/29/00	Reclass 2/00 Service Co. Chrgs	14124		2,011.32		P -
				Batch Date 03/08/00				P User ID BBEINLIC
JE	405	03/31/00	Service Company Charges	15043		27,296.79		P
				Batch Date 04/05/00				User ID MPATACSI
JE	405	04/30/00	Service Company Charges	16469		35,842.17		P
			A#106,113,268,273	Batch Date 05/02/00				User ID MPATACSI
JE	20866	04/30/00	Reclass Mar.,00 Serv Co Chrgs	16469		822.51		P
				Batch Date 05/02/00				User ID MPATACSI
JE	405	05/31/00	Service Company Charges	18080		12,907.91		P
			A#106,113,268,273	Batch Date 06/05/00				User ID ARIVERA
JE	405	06/30/00	Service Company Charges	20131		54,847.50		P
			A#106,113,268,273	Batch Date 07/06/00				User ID MPATACSI
JE	405	07/31/00	Service Company Charges July 0	22002			4,038.25-	P
			A#106,113,268,273	Batch Date 08/03/00				User ID BBEINLIC
JE	405	08/31/00	Service Company Charges	23686		12,287.88		P
			A#106,113,268,273	Batch Date 09/06/00				User ID MPATACSI
JE	405	09/30/00	Service Company Charges	25338		6,022.32		P
			A#106,113,268,273	Batch Date 10/07/00				User ID DBAKA
JE	405	10/31/00	Service Company Charges	27022		5,786.27		P
			A#106,113,268,273	Batch Date 11/06/00				User ID DBAKA
JE	405	11/30/00	Service Company Charges	28379		3,944.81		P
			A#106,113,268,273	Batch Date 12/05/00				User ID DBAKA
JE	405	12/31/00	Service Company Charges	30020		8,046.96		P
			A#106,113,268,273	Batch Date 01/04/01				User ID DBAKA
						169,816.44	4,038.25-	

---- Account Balances ----

Ledger Total	165,778.19
Unposted	
Year-to-Date	165,778.19
Cumulative	165,778.19

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Date - 9/25/02
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From Date/Per 01/01/01
Thru Date/Per 12/31/01
Ledger Type. AA
Sub Ledger/Ty *
Currency Code

Account 23050.760715 Merger Costs Phase 3

DT	Document	Date	Explanation	Batch	Subledger.	Debit	Credit	
JE	405	01/31/01	Service Company Charges	32855		13,980.82		P
			A#106,113,268,273	Batch Date 02/07/01				User ID DBAKA
JE	405	02/28/01	Service Company Charges	34637		8,400.76		P
			A#106,113,268,273	Batch Date 03/06/01				User ID DBAKA
JE	405	03/31/01	Service Company Charges	36299		7,732.01		P
			A#106,113,268,273	Batch Date 04/04/01				User ID DBAKA
JE	405	04/30/01	Service Company Charges	38086		8,353.84		P
				Batch Date 05/02/01				User ID MPATACSI
JE	405	05/31/01	Service Company Charges	40082		1,224.37		P
				Batch Date 06/05/01				User ID DBAKA
JE	405	06/30/01	Service Company Charges	42149		609.09		P
				Batch Date 07/05/01				User ID DBAKA
JE	405	07/31/01	Service Company Charges	44101		895.92		P
				Batch Date 08/02/01				User ID DBAKA
JE	405	07/31/01	Service Company Charges	44101		3,535.69		P
				Batch Date 08/02/01				User ID DBAKA
JE	405	07/31/01	Service Company Charges	44101			471.88-	P
				Batch Date 08/02/01				User ID DBAKA
JE	405	07/31/01	Service Company Charges	44101			1.18-	P
				Batch Date 08/02/01				User ID DBAKA
JE	405	08/31/01	Service Company Charges	46074		19,930.36		P
				Batch Date 09/06/01				User ID DBAKA
JE	405	09/30/01	Service Company Charges	47791		29,575.23		P
				Batch Date 10/04/01				User ID DBAKA
CC	46250	10/31/01	JAMES M CAMPBELL	49402		86.08		P
			SERIOUS SIGNS	Batch Date 11/02/01				User ID DBAKA
JE	405	10/31/01	Service Company Charges	49657		48,506.95		P
				Batch Date 11/06/01				User ID DBAKA
PV	5501	11/15/01	WOODENSHIP	50586		375.00		P
			BILLING CHG PSTCRD: SURPSE AZ	Batch Date 11/15/01				User ID DBAKA
								Invoice 200233
PV	5563	11/28/01	QWEST - POB 2348 (CITIZENS)	50917		90.36		P
			PREWIRE @ 11102 W ROSE GARDEN	Batch Date 11/28/01				User ID DBAKA
								Invoice A682306
JE	405	11/30/01	Service Company Charges	51279		36,592.11		P
				Batch Date 12/04/01				User ID DBAKA
PV	5689	12/14/01	UNITED RENTALS (formerly Woude	52310		426.63		P
			OFFICE TRAILER RENTAL	Batch Date 12/14/01				User ID DBAKA
								Invoice 21818444-001
PV	5690	12/14/01	QWEST - POB 29060 (480..000M,	52310		225.86		P
			POTS LINES INSTALLED	Batch Date 12/14/01				User ID DBAKA
PV	5693	12/14/01	QWEST - POB 29060 (480..000M,	52310		270.04		P
			POTS LINES INSTALLED	Batch Date 12/14/01				User ID DBAKA
PV	5739	12/26/01	QWEST - POB 29060 (480...636B,	52624		120.90		P
			CITIZENS SERVICE: 11/28-12/27	Batch Date 12/26/01				User ID DBAKA
								Invoice 6235727003564B
JE	395	12/31/01	Special Accounts Payable	53086		27,256.97		P
			AT&T - Citizens	Batch Date 01/04/02				User ID DBAKA
JE	405	12/31/01	Service Company Charges	52958		29,570.56		P
				Batch Date 01/03/02				User ID DBAKA
JE	24545	12/31/01	RECLASS CITIZENS ORCOM CHARGES	54064		607,722.55		P
				Batch Date 01/10/02				User ID DBAKA
PV	5778	12/31/01	UNITED RENTALS (formerly Woude	52935		276.63		P

09200P Account Ledger Print

Date - 9/25/02
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Thru Date/Per 12/31/01
Ledger Type. AA
Sub Ledger/Ty *
Currency Code
P
-
User ID DBAKA
Invoice 21919444-002

Account 23050.760715 Merger Costs Phase 3

DT	Document	Date	Explanation	Batch	Subledger.	Debit	Credit
			RENT: 16 FT OFFICE TRAILER	Batch Date 01/03/02			
						845,758.73	473.06-

---- Account Balances ----

Ledger Total	845,285.67
Unposted	
Year-to-Date	845,285.67
Cumulative	845,285.67

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Date - 9/25/02
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From Date/Per 01/01/02
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Ledger Type. AA
Sub Ledger/Ty *
Currency Code

Account 230105.760715 Merger Costs Phase 3

DT	Document	Date	Explanation	Batch	Subl/WO# .	Debit	Credit	
PV	40068645	02/28/02	J L A ADVERTISING (JULIE LOHNE CALIFORNIA AMERICAN WATER CO	619415 Batch Date 03/01/02		2,509.28		P User ID SCHAFFCE Invoice CAWW00602
PV	40068654	02/28/02	J L A ADVERTISING (JULIE LOHNE CALIFORNIA AMERICAN WATER CO	619415 Batch Date 03/01/02		2,897.51		P User ID SCHAFFCE Invoice CAWW00302
JE	2335	05/31/02	Reclass expenses	1494101 Batch Date 06/10/02		149,699.60		P User ID TUMANEW
JE	2335	05/31/02	Reclass expenses	1494101 Batch Date 06/10/02		8,231.91		P User ID TUMANEW
JE	2312	09/30/02	Reclass Citizens Phase 3	2169053 Batch Date 09/17/02		217,333.01		P User ID TUMANEW
						380,671.31		

---- Account Balances ----

Ledger Total	380,671.31
Unposted	
Year-to-Date	380,671.31
Cumulative	380,671.31

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Date - 9/25/02
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From Date/Per 01/01/02
Thru Date/Per 12/31/02
Ledger Type. AA
Sub Ledger/Ty *
Currency Code

Account 230205.760715 Merger Costs Phase 3

DT	Document	Date	Explanation	Batch	Subl/WO# .	Debit	Credit	
JE	66	01/31/02	record awws bill	478862		321.69		P
				Batch Date 02/06/02				User ID RUSSOTL
JE	66	02/28/02	record awws bill	665000				P
				Batch Date 03/05/02				User ID RUSSOTL
						321.69		

---- Account Balances ----

Ledger Total	321.69
Unposted	
Year-to-Date	321.69
Cumulative	321.69

09200P

Account Ledger Print

Date - 9/25/02
Page - 1
From Date/Per 01/01/02
Thru Date/Per 12/31/02
Ledger Type. AA
Sub Ledger/Ty *
Currency Code

Account 236105.760715 Merger Costs Phase 3

DT	Document	Date	Explanation	Batch	Subl/WO# .	Debit	Credit	
PV	40043671	01/25/02	Arizona Dept of Water Resource CONVEYANCE OF RECOVERY WELLS	379996 Batch Date 01/25/02		150.00		P User ID DIETZMDP Invoice DR2447
PV	40043684	01/25/02	Arizona Dept of Water Resource CONVEYANCE OF RECOVERY WELLS	379996 Batch Date 01/25/02		150.00		P User ID DIETZMDP Invoice DR2446
PV	40043686	01/25/02	Arizona Dept of Water Resource CONVEYANCE OF RECOVERY WELL	379996 Batch Date 01/25/02		150.00		P User ID DIETZMDP Invoice DR2445
						450.00		

---- Account Balances ----

Ledger Total	450.00
Unposted	
Year-to-Date	450.00
Cumulative	450.00

Arizona / American
Rate Case Expense

Preparation of Rate Case			Kozoman CPA Bourassa CPA Monthly Charges (a)	Thomas Zep	Fennamore Craig $ 290.00	Expenses	Total Actual Expenses & Estimates	Kozoman & Bourassa Actual & Estimated Hours	Fennamore & Craig Actual & Estimated Hours
Hourly Rate									
Dec. 2001	(1)	These expenses	$ 3,181					23	
Jan-02	(1)	are to be	9,544					68	
Feb.	(1)	capitalizated.	7,635					55	
March	(1)	These costs were	8,104					58	
April	(1)	incurred to enable	5,768					41	
May	(1)	Citizens data to	8,075					58	
June	(1)	usable for rate case	19,898					142	
July	Capitalized Costs	$ 121,747	59,541					425	-
August			81,366				81,366	581	-
Estimated September 2002			23,800	$ 25,000			130,166	170	-
Review Rate Filing Schedules and Testimony, Prepare Application					$ 80,000		210,166		276
Reproduction of Direct, Rebuttal & Rejoinder					10,000		220,166		34
Replies to Data Requests			30,000		20,000		270,166	200	69
Review ACC Staff & Intervenor Direct Rate Case Schedules and Testimony							270,166		
			15,000		10,000		295,166	100	34
Prepare Rebuttal Testimony & Schedules			35,000		30,000		360,166	233	103
Review ACC Staff and Intervenor's Surr.			12,000		10,000		382,166	80	34
Prepare Rejoinder Testimony & Schedules			20,000		15,000		417,166	133	52
Pre-Hearing Conference & Miscellaneous Activities					10,000		427,166		34
Preparation for Hearing				11,250			438,416	-	-
Hearing, estimated at six (6) days			80,000	15,000	80,000		613,416	533	276
Briefs			6,000		15,000		634,416	40	52
Analysis of Proposed Order					5,000		639,416		17
Preparation of exceptions					10,000		649,416		34
Preparation for and attend Open Meeting			2,400		5,000		656,816	16	17
			36,511		30,000		723,327	243	103
Totals			$ 342,077	$ 51,250	$ 330,000	$ -		2,331	1,034
Round Down to							$ 715,000		

STEPHENSON DIR. EXH. 5

Arizona American - Management Fees Allocations

Line No.					
1	Annual Management Fee	$	5,153,711		
2					
3					
4				**4 Factor Formula**	
5	**Location**			**Factor**	**Management Fee Allocation**
6					
7	Mohave Water, Havasu Water			0.1157	$ 596,284
8	Mohave Sewer			0.0070	36,076
9	Sun City Water			0.1797	926,122
10	Sun City Sewer			0.1014	522,586
11	Sun City West Water			0.1001	515,886
12	Sun City West WasteWater			0.1072	552,478
13	Agua Fria, CWS, CWR Water			0.2300	1,185,353
14	CWS, CWR Sewer			0.0558	287,577
15	Tubac Valley			0.0075	38,653
16					
17					
18	TOTAL CUSTOMER COUNT			0.9044	$ 4,661,016
19					
20					
21					

Arizona American - Management Fees Allocations

Line No.					
1	Annual Management Fee	$	5,153,711		
2					
3					
4				**4 Factor Formula**	
5	**Location**			**Factor**	**Management Fee Allocation**
6					
7	Mohave Water			0.1011	$ 521,040
8	Havasu Water			0.0146	75,244
9	Mohave Sewer			0.0070	36,076
10	Sun City Water			0.1797	926,122
11	Sun City Sewer			0.1014	522,586
12	Sun City West Water			0.1001	515,886
13	Sun City West WasteWater			0.1072	552,478
14	Agua Fria			0.1384	713,274
15	CWS/CWR Water			0.0916	472,080
16					-
17	CWS/CWR Sewer			0.0558	287,577
18					-
19	Tubac Valley			0.0075	38,653
20					
21					
22	TOTAL CUSTOMER COUNT			0.9044	$ 4,661,016
23					
24					
25					

Management Fees
per168 Line 13

		Actual							Forecast			
		January	February	March	April	May	June	July	ytd	Apr-July	2002 YE Forecast	Annual Est
Arizona		22,441	215,344	396,649	429,178	471,821	396,921	451,837	2,384,191	437,439	4,571,387	5,249,271
per Dbaka amnt includes Amort OneTime Costs	Call Ctr				(4,295)	(4,295)	(6,681)	(6,681)	(21,951)			
	SSC			(5,881)	(1,960)	(2,312)	(2,815)	(2,815)	(15,784)			
per168 Line 13 less Amort One Time Costs		22,441	215,344	390,768	422,923	465,214	387,425	442,341	2,346,456	429,476	4,493,636	5,153,711

Customers

	Current
AZ Total Water	74,325
AZ Total Sewer	40,198
Total Customers	114,523

Customers

Per JDE STAT Report	Total	Residential	Commercial	Industrial	Fire	OPA	Resale
Paradise Valley	4,669	4,350	239	-	55	6	19
WhiteStone Water	-						
WhiteStone WasteWater	-						
Agua Fria - Water	13,566	13,271	246	-	44	1	4
Sun City Water	22,068	21,118	713	-	113	123	1
Sun City WasteWater	21,144	20,696	448				
Sun City West Water	15,303	14,925	337	-	41	-	-
Sun City West WasteWater	14,889	14,697	192				
Treatco Water	46	1	5	-	-	40	
Treatco WasteWater	7	1	4	-	-	2	
Distco Water	3,307	3,208	83	-	16		
Distco WasteWater	3,593	3,557	36				
Tusayan	-						
Surprise Water	23	15	8				
Cave Creek	-						
Tubac Water	488	426	62				
Mohave Water	13,623	12,741	696	-	98	88	-
Sorenson WasteWater	565	558	5	-	-	2	
Havasu Water	1,232	1,184	48				
Havasu WasteWater	-						
Check total	114,523						

Agua Fria (2361) Count	9	400,368
Cave Creek (2388) Count	1	44,485
Corporate (2301) Count	15	667,280
Distco (2383) Count	4	177,941
Distco Waste Water(2384) Count	2	88,971
Havasu (2373) Count	3	133,456
Mohave (2371) Count	16	711,766
Paradise Valley (2302) Count	10	444,853
Sun City (2362) Count	42	1,868,385
Sun City West (2364) Count	6	266,912
Sun City West Waste (2365) Count	9	400,368
Tubac (2389) Count	1	44,485
Grand Count	118	5,249,270

STEPHENSON DIR. EXH. 6

ARIZONA-AMERICAN WATER COMPANY
FOUR FACTOR ALLOCATION

DISTRICT/CO.	PLANT IN SERVICE	GENERAL METERED CUSTOMERS	SALARIES & WAGES	DIRECT O&M EXPENSES (EXCLUDE PR)	4 Factor Allocation %
SUN CITY SEWER	12,612,288	21,144	170,492	2,110,347	
DISTRICT/CO.	5.1853%	18.4614%	2.8744%	14.0583%	10.14%
SUN CITY WEST WASTE WATER	24,836,561	14,889	656,756	1,291,160	
DISTRICT/CO.	10.2111%	13.0000%	11.0727%	8.6012%	10.72%
MOHAVE (SORENSON)	1,742,120	565	66,444	71,876	
DISTRICT/CO.	0.7162%	0.4933%	1.1202%	0.4788%	0.70%
DISTCO/TREATCO SEWER	21,774,316	3,600	341,267	673,393	
DISTRICT/CO.	8.9521%	3.1433%	5.7537%	4.4859%	5.58%
SUN CITY WATER	28,533,245	22,068	1,248,678	2,973,822	
DISTRICT/CO.	11.7309%	19.2681%	21.0523%	19.8104%	17.97%
SUN CITY WEST WATER	24,724,945	15,303	494,526	1,226,276	
DISTRICT/CO.	10.1652%	13.3614%	8.3376%	8.1690%	10.01%
TUBAC VALLEY	1,450,789	488	84,319	85,010	
DISTRICT/CO.	0.5965%	0.4261%	1.4216%	0.5663%	0.75%
MOHAVE WATER	15,573,103	13,623	907,831	1,024,583	
DISTRICT/CO.	6.4026%	11.8946%	15.3057%	6.8254%	10.11%
HAVASU	1,447,094	1,232	184,457	157,357	
DISTRICT/CO.	0.5949%	1.0757%	3.1099%	1.0482%	1.46%
AGUA FRIA	49,451,561	13,589	688,562	1,731,272	
DISTRICT/CO.	20.3311%	11.8649%	11.6089%	11.5330%	13.84%
DISTCO/TREATCO WATER	39,161,570	3,353	626,309	1,059,889	
DISTRICT/CO.	16.1005%	2.9276%	10.5594%	7.0605%	9.16%
PARADISE VALLEY	21,923,699	4,677	461,666	2,606,438	
DISTRICT/CO.	9.0135%	4.0836%	7.7835%	17.3630%	9.56%
ARIZONA TOTAL	243,231,291	114,531	5,931,307	15,011,423	100.00%

STEPHENSON DIR. EXH. 7

ARIZONA-AMERICAN WATER COMPANY
2002 General Rate Case Application
Rate Case Expense

Estimated Rate Case Expense for Current Rate Case Application:

Consultants			
(see detail)			$608,000
Employee Cost per Day			
Hotel	$	105	
Airfare	$	50	
Food	$	30	
Miscellaneous	$	15	
Cost/Day	$	200	

AWWS Co. Employees		Cost/Day	Days	# Emps		Total $$
Filing	$	200	1	1	$	200
System Tour	$	200	3	3	$	1,800
Stipulation Meeting	$	200	1	2	$	400
Hearings	$	200	10	5	$	10,000
Commission Conference	$	200	2	2	$	800
Public Meetings (1)	$	200	4	2	$	1,600
Public Meetings (2)	$	200	4	4	$	3,200
Total						$ 18,000

Mailings, Printings, Supplies & Miscellaneous	$80,000
Total Estimated Rate Case Expense	$706,000
Amortization Period (In Years)	3
Normalized Annual Rate Case Expense	$235,333
Recorded Rate Case Expense Per General Ledger	
Rate Case Expense Adjustment	$235,333

Arizona / American
Rate Case Expense

Preparation of Rate Case			Kozoman CPA Bourassa CPA Monthly Charges (a)	Thomas Zep	Fennamore Craig $ 290.00	Expenses	Total Actual Expenses & Estimates	Kozoman & Bourassa Actual & Estimated Hours	Fennamore & Craig Actual & Estimated Hours
Hourly Rate									
Dec. 2001	(1)	These expenses	$ 3,181					23	
Jan-02	(1)	are to be	9,544					68	
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June	(1)	usable for rate case	19,898					142	
July	Capitalized Costs	$ 121,747	59,541					425	-
August			81,366				81,366	581	-
Estimated September 2002			23,800	$ 25,000			130,166	170	-
Review Rate Filing Schedules and Testimony, Prepare Application					$ 80,000		210,166		276
Reproduction of Direct, Rebuttal & Rejoinder					10,000		220,166		34
Replies to Data Requests			30,000		20,000		270,166	200	69
Review ACC Staff & Intervenor Direct Rate Case Schedules and Testimony							270,166		
			15,000		10,000		295,166	100	34
Prepare Rebuttal Testimony & Schedules			35,000		30,000		360,166	233	103
Review ACC Staff and Intervenor's Surr.			12,000		10,000		382,166	80	34
Prepare Rejoinder Testimony & Schedules			20,000		15,000		417,166	133	52
Pre-Hearing Conference & Miscellaneous Activities					10,000		427,166		34
Preparation for Hearing				11,250			438,416	-	-
Hearing, estimated at six (6) days			80,000	15,000	80,000		613,416	533	276
Briefs			6,000		15,000		634,416	40	52
Analysis of Proposed Order					5,000		639,416		17
Preparation of exceptions					10,000		649,416		34
Preparation for and attend Open Meeting			2,400		5,000		656,816	16	17
			36,511		30,000		723,327	243	103
Totals			$ 342,077	$ 51,250	$ 330,000	$ -		2,331	1,034
Round Down to							$ 715,000		

STEPHENSON DIR. EXH. 8

per168 Actual (no Svc Co Expenses included)	Actual							YTD	Forecast		Annual Est				
									*avg other than Mar-July						
	January	February	March	April	May	June	July		Mar-July Monthly Avg	YE Forecast					
Arizona															
Directors Fees			-	-	1,250	-	1,250	2,500	500	5,000	6,000	CC	MISC	6,000	
Bank Svc Charges CA	-	1,390	5,794	1,304	796	3,389	925	13,599	2,442	25,807	29,299	CC	OFFICE		
Bill Inserts -CA	-		440		-	925	-	1,364	341	3,070	4,095	CC	OFFICE		
Collection Agencies						-	145	145	73	508	870	CC	OFFICE		
Bank Svc Chg AG	-	306	-	-	-	235	-	541	47	776	564	CC	OFFICE		
Forms			1,295	365	3,524	172	1,758	7,114	1,423	14,228	17,074	CC	OFFICE		
Required Notifications		100	8,160	-	78,781	3,193	5,819	96,053	19,191	192,006	230,287	CC	OFFICE		
Bill Inserts AG			-	-	10,600	-	70	10,670	2,134	21,340	25,608	CC	OFFICE		
Brochures and Handouts			834	-	-	-		834	209	1,877	2,502	CC	OFFICE		
Community Relations			76	1,786	699	-	660	3,220	644	6,441	7,730	CC	OFFICE		
Postage CA			31	199	90,401	18,939	27,910	137,481	27,496	274,961	329,952	CC	OFFICE	647,981	
Incentive Plan	1,290	1,290	16,863	20,280	14,196	17,256	25,830	97,004	18,885	191,429	226,620	EE	S&W		
Group Insurance	32,598	30,669	60,198	83,721	24,043	47,051	44,214	322,495	51,645	581,722	622,145	EE	S&W		
PBOP	5,295	3,826	104,922	32,363	25,950	28,133	27,388	227,879	28,459	370,172	341,502	EE	S&W		
Wrks Comp	880	484	(196)	3,749	(7,845)	(1,317)	(2,333)	(6,578)	(1,586)	(14,520)	(19,061)	EE	S&W		
Dues/Memberships Deduct		697	973	362	170	(170)	170	2,202	301	3,707	3,612	EE	S&W		
Dues/Memberships NonDeduct		40	147	53	546	(389)	770	1,167	225	2,294	2,705	EE	S&W		
Employee Exp		175	3,716	11,498	32,963	(10,476)	10,313	48,189	9,603	96,203	115,234	EE	S&W		
Employee Exp Conf/Registration			1,067	770	1,373	2,294	4,744	10,249	2,050	20,497	24,595	EE	S&W		
Meal/Travel		239	1,773	4,478	10,818	(3,693)	3,190	16,805	3,313	33,371	39,768	EE	S&W		
Other Welfare			120	472	799	559	335	2,285	541	4,991	6,495	EE	S&W		
Employee Awards					42	-		42	21	147	252	EE	S&W		
Employee Physicals			270	205	79	60		614	154	1,382	1,842	EE	S&W		
Tuition			1,620	2,430	5,906	(3,396)	5,738	12,298	2,460	24,596	29,515	EE	S&W		
Training			530	170	2,263	(1,846)	9,224	10,341	2,068	20,682	24,818	EE	S&W		
401K	297	5,732	5,898	8,674	5,876	5,217	5,377	37,070	6,208	68,112	74,501	EE	S&W		
ESOP	2,045	7,491	7,522	10,724	6,834	6,703	6,450	47,769	7,647	86,002	91,759	EE	S&W	1,586,293	1,586,293
Trustee Fees		1,600	1,243	1,243	1,610	1,233	1,600	8,528	1,422	15,636	17,058	PFP	MISC	17,058	23,058
Credit Line Fees	101	103	1,094	369	215	1,166	634	3,683	696	7,161	8,347	PFP	OFFICE	8,347	1,293,829
General Liab Insurance, Property	2,509	2,509	3,169	2,509	2,674	5,608	3,263	22,241	3,445	39,464	41,335	RB	INS	41,335	258,736
Security Svc CA				1,005	460	458	449	2,372	593	5,337	7,116	RB	OFFICE		
Security Svc		15,516	44,104	52,184	90,296	32,047	44,029	278,177	52,532	540,837	630,354	RB	OFFICE	637,500	
Insurance Other, Gen. Liability	1,911	2,311	1,911	14,511	23,509	20,036	14,411	69,597	18,117	160,181	217,401	RB	INS	217,401	
Co Dues/Memberships Deduct		190	2,500	2,020	-	(1,990)	4,211	6,931	1,348	13,672	16,178				
Co Dues/Memberships NonDeduct			495	8,501	340	2,700		12,036	3,009	27,081	36,108				
Co Dues/Memberships AWWA Deduct			30	108	-	156		294	74	662	882				
Co Dues/Memberships AWWA NonDeduct			443	152	-	54		649	162	1,460	1,947				
Charitable Contributions Deduct				450	533	(108)		875	292	2,333	3,500				
Charitable Contributions NonDeduct				100	100	-		200	67	533	800				
Property Taxes	23,403	23,403	23,403	24,553	773,403	174,471	174,471	1,217,107	174,471	2,089,462	2,093,652		**TOTAL**	**3,161,915**	**3,161,915**

STEPHENSON DIR. EXH. 9

Acquisition Adjustment Analysis

CITIZENS

	BOY	Amortization	EOY	Tax Dep	Def Tax	Acc Def Tax	AVERAGE	Revenue Requirement	Total Revenue Requirement
BOY Balance	71,631,081								
0									
1	71,631,081	$141,500	71489581	4775405	1807223	1807223	70660000	7555000	$7,555,000
2	71489581	$156,400	71333181	4775405	1801412	3608635	68700000	7364000	$7,364,000
3	71333181	$172,800	71160381	4775405	1795016	5403651	66740000	7175000	$7,175,000
4	71160381	$190,900	70969481	4775405	1787957	7191608	64770000	6986000	$6,986,000
5	70969481	$211,000	70758481	4775405	1780118	8971726	62780000	6798000	$6,798,000
6	70758481	$233,100	70525381	4775405	1771499	10743225	60780000	6610000	$6,610,000
7	70525381	$257,600	70267781	4775405	1761944	12505169	58770000	6423000	$6,423,000
8	70267781	$284,600	69983181	4775405	1751414	14256583	56740000	6237000	$6,237,000
9	69983181	$314,400	69668781	4775405	1739792	15996375	54700000	6053000	$6,053,000
10	69668781	$347,400	69321381	4775405	1726922	17723297	52640000	5870000	$5,870,000
11	69321381	$383,900	68937481	4775405	1712687	19435984	50550000	5687000	$5,687,000
12	68937481	$424,100	68513381	4775405	1697009	21132993	48440000	5506000	$5,506,000
13	68513381	$468,600	68044781	4775405	1679654	22812647	46310000	5327000	$5,327,000
14	68044781	$517,800	67526981	4775405	1660466	24473113	44140000	5149000	$5,149,000
15	67526981	$572,100	66954881	4775405	1639289	26112402	41950000	4973000	$4,973,000
16	66954881	$632,200	66322681	0	-246558	25865844	40650000	4897000	$4,897,000
17	66322681	$698,500	65624181	0	-272415	25593429	40240000	4920000	$4,920,000
18	65624181	$771,800	64852381	0	-301002	25292427	39800000	4947000	$4,947,000
19	64852381	$852,700	63999681	0	-332553	24959874	39300000	4976000	$4,976,000
20	63999681	$942,200	63057481	0	-367458	24592416	38750000	5008000	$5,008,000
21	63057481	$1,041,000	62016481	0	-405990	24186426	38150000	5043000	$5,043,000
22	62016481	$1,150,300	60866181	0	-448617	23737809	37480000	5082000	$5,082,000
23	60866181	$1,270,900	59595281	0	-495651	23242158	36740000	5125000	$5,125,000
24	59595281	$1,404,300	58190981	0	-547677	22694481	35920000	5173000	$5,173,000
25	58190981	$1,551,600	56639381	0	-605124	22089357	35020000	5226000	$5,226,000
26	56639381	$1,714,400	54924981	0	-668616	21420741	34030000	5285000	$5,285,000
27	54924981	$1,894,300	53030681	0	-738777	20681964	32930000	5349000	$5,349,000
28	53030681	$2,093,000	50937681	0	-816270	19865694	31710000	5420000	$5,420,000
29	50937681	$2,312,600	48625081	0	-901914	18963780	30370000	5499000	$5,499,000
30	48625081	$2,555,200	46069881	0	-996528	17967252	28880000	5585000	$5,585,000
31	46069881	$2,823,300	43246581	0	-1101087	16866165	27240000	5681000	$5,681,000
32	43246581	$3,119,500	40127081	0	-1216605	15649560	25430000	5787000	$5,787,000
33	40127081	$3,446,800	36680281	0	-1344252	14305308	23430000	5905000	$5,905,000
34	36680281	$3,808,400	32871881	0	-1485276	12820032	21210000	6034000	$6,034,000
35	32871881	$4,207,900	28663981	0	-1641081	11178951	18770000	6177000	$6,177,000
36	28663981	$4,649,400	24014581	0	-1813266	9365685	16070000	6335000	$6,335,000
37	24014581	$5,137,200	18877381	0	-2003508	7362177	13080000	6509000	$6,509,000
38	18877381	$5,676,100	13201281	0	-2213679	5148498	9780000	6702000	$6,702,000
39	13201281	$6,271,700	6929581	0	-2445963	2702535	6140000	6916000	$6,916,000
40	6929581	$6,929,600	-19	0	-2702544	-9	2110000	7151000	$7,151,000
		71631100	2164820740	71631075			1551900000	234445000	$234,445,000

Cost of Debt	4.9200%	Tax Life	15
Cost of Equity	11.5000%	Tax Rate	39.00%
Debt Percent	60.0000%		
Equity Percent	40.0000%		
Weighted Cost of Debt	2.9520%		
Weighted Cost of Equity	4.6000%		
Tax Gross Up	1.639		
TOTAL REVENUE GROSS UP	10.4914%		

Premium Defined

Allocated Purchase Price	276471277
Total Value of Assets	205246727
Gross Premium	71224550
Capitalized Expenses	500000
Corporate Costs	906531
Net Premium	71631081

STEPHENSON DIR. EXH. 10

Exhibit A

Estimated Net Asset Adjustment
Arizona Water Property Detail
As of 11/01

	Mohave	Havasu	Sun City Water	SunCity Sewer	Tubac Valley	Agua Fria	Sun City West	TreatCo	Distco	Citizens Public Works of AZ	Citizens Conv Serv - Mohave	Citizen Wtr Resc Mgt Sv C	Citizens Business Services (CBSC)	Total Az. Water by Property	EXCL. CBSC Total Az. Water by Property
Petty Cash	$ 1,321	$ -	$ 2,050	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,371	$ 3,371
Notes Receivable	-	-	-	-	-	500,000	-	-	-	-	-	-	-	500,000	500,000
Accounts Receivable	467,298	45,069	787,008	297,124	26,611	674,508	572,212	54,229	336,635	-	3,951	-	-	3,264,645	3,264,645
Accounts Receivable - Other	-	-	10,417	217	-	334,011	-	63,617	150,533	485,586	-	-	-	1,044,381	1,044,381
Reserve for Doubtful Accounts	(25,168)	(1,257)	(2,975)	-	(85)	(6,438)	(375)	(433)	(10,992)	-	-	-	-	(47,723)	(47,723)
Material & Supplies	-	-	-	-	-	-	-	-	-	26,354	-	-	-	26,354	26,354
Special Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepayments	1,000	2,415	91,730	-	1,254	99,049	50,998	5,930	-	-	-	-	3,751	256,127	252,376
Other Current Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	444,451	46,227	888,230	297,341	27,780	1,601,130	622,835	123,343	476,176	511,940	3,951	-	3,751	5,047,155	5,043,404
Property Plant and Equipment	24,069,880	1,977,535	39,037,505	17,299,171	1,963,983	52,850,104	69,366,422	42,805,257	11,416,286	-	-	-	6,213,462	266,999,605	260,786,143
Construction Work in Progress	837,185	19,312	379,860	797,889	22,860	1,412,832	320,279	13,270,295	318,324	3,332	-	-	-	17,382,168	17,382,168
Accumulated Depreciation	(7,507,773)	(510,030)	(13,822,745)	(6,697,853)	(564,559)	(4,402,369)	(19,271,951)	(1,994,695)	(245,397)	-	-	-	(2,426,277)	(57,443,649)	(55,017,372)
Net Fixed Assets	17,399,292	1,486,817	25,594,620	11,399,207	1,422,284	49,860,567	50,414,750	54,080,857	11,489,213	3,332	-	-	3,787,185	226,938,124	223,150,939
Preliminary Survey & Investigation	-	-	385,769	-	-	-	268,836	-	-	-	-	-	-	654,605	654,605
Other Deferred Debits	-	-	585,288	-	533	2,921,537	139,137	-	100	-	-	-	-	3,646,595	3,646,595
Regulatory Assets	234,640	24,786	655,877	145,771	4,596	109,279	217,666	-	-	-	-	-	-	1,392,615	1,392,615
Unamortized Debt Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current	234,640	24,786	1,626,934	145,771	5,129	3,030,816	625,639	-	100	-	-	-	-	5,693,815	5,693,815
	$ 18,078,383	$ 1,557,830	$ 28,109,784	$ 11,842,319	$ 1,455,193	$ 54,492,513	$ 51,663,224	$ 54,204,200	$ 11,965,489	$ 515,272	$ 3,951	$ -	$ 3,790,936	$ 237,679,094	$ 233,888,158
Accounts Excluded:															
Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
InterCompany Receivables	(9,633,765)	(681,563)	10,223,590	17,790,427	(405,108)	(18,008,861)	8,245,593	(32,066,952)	(1,999,397)	992,686	(1,357,696)	(650,696)	(3,874,841)	(31,426,583)	(27,551,742)
Clearing Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in Associate Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Payable	(59,014)	(353)	(75,877)	(144,389)	(239)	(54,982)	(189,807)	(368,679)	(36,039)	(5,178)	-	-	(17,161)	(951,718)	(934,557)
Customers' Deposits	(106,858)	(10,905)	(1,575)	-	(410)	(18,059)	(1,750)	(1,600)	(2,736)	-	-	-	-	(143,893)	(143,893)
Income Taxes Accrued	(489,872)	(50,695)	(142,492)	(319,665)	(13,456)	(840,837)	(5,944)	(265,783)	170,736	(260,115)	187,588	-	-	(2,030,535)	(2,030,535)
Other Taxes Accrued	(225,880)	(17,857)	(183,547)	(82,173)	(13,087)	(289,104)	(176,866)	(61,998)	(20,240)	(1,651)	-	-	(373)	(1,072,776)	(1,072,403)
Interest Accrued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Current & Accrued Liabilities	-	-	(11,682)	(1,932,421)	-	(308,402)	-	-	-	(422,125)	-	-	-	(2,674,630)	(2,674,630)
Subordinate Investment Note	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Customer Advances for Construction	(4,302,830)	(440,351)	(2,443,976)	(3,468,190)	(180,250)	(31,985,339)	(29,648,102)	(19,215,739)	(10,682,471)	-	-	-	-	(102,367,248)	(102,367,248)
Deferred Income Taxes	486,537	111,894	(1,794,889)	(356,822)	19,763	(978,964)	(2,162,338)	-	-	-	-	-	-	(4,674,819)	(4,674,819)
Regulatory Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment Tax Credit	(84,565)	-	(386,710)	(179,806)	(16,477)	(94,636)	(1,148,406)	-	-	-	-	-	-	(1,910,600)	(1,910,600)
Other Deferred Credits	-	(12,327)	-	-	-	-	-	-	-	-	-	-	-	(12,327)	(12,327)
Contributions in Aid of Construction	(2,962,599)	(259,451)	(1,020,713)	(1,021,182)	(135,527)	(692,359)	(1,040,772)	-	-	-	-	-	-	(7,132,603)	(7,132,603)
Equity	(699,537)	(196,222)	(32,271,913)	(22,128,098)	(710,402)	(1,220,970)	(25,534,832)	(2,223,449)	604,658	(818,889)	1,166,157	650,696	101,439	(83,281,362)	(83,382,801)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-