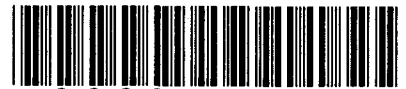


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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

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 Attorneys for Litchfield Park Service Company

**BEFORE THE ARIZONA CORPORATION COMMISSION**

6 IN THE MATTER OF THE APPLICATION  
 7 OF LITCHFIELD PARK SERVICE  
 COMPANY, AN ARIZONA  
 8 CORPORATION, FOR A  
 9 DETERMINATION OF THE FAIR VALUE  
 OF ITS UTILITY PLANTS AND  
 10 PROPERTY AND FOR INCREASES IN ITS  
 WASTEWATER RATES AND CHARGES  
 11 FOR UTILITY SERVICE BASED  
 THEREON.

DOCKET NO: SW-01428A-09-0103

12 IN THE MATTER OF THE APPLICATION  
 13 OF LITCHFIELD PARK SERVICE  
 COMPANY, AN ARIZONA  
 14 CORPORATION, FOR A  
 15 DETERMINATION OF THE FAIR VALUE  
 OF ITS UTILITY PLANTS AND  
 16 PROPERTY AND FOR INCREASES IN ITS  
 WATER RATES AND CHARGES FOR  
 17 UTILITY SERVICE BASED THEREON.

DOCKET NO: W-01427A-09-0104

18 IN THE MATTER OF THE APPLICATION  
 OF LITCHFIELD PARK SERVICE  
 19 COMPANY, AN ARIZONA  
 CORPORATION, FOR AUTHORITY (1) TO  
 20 ISSUE EVIDENCE OF INDEBTEDNESS IN  
 AN AMOUNT NOT TO EXCEED \$1,755,000  
 21 IN CONNECTION WITH (A) THE  
 CONSTRUCTION OF TWO RECHARGE  
 22 WELL INFRASTRUCTURE  
 IMPROVEMENTS AND (2) TO  
 23 ENCUMBER ITS REAL PROPERTY AND  
 24 PLANT AS SECURITY FOR SUCH  
 INDEBTEDNESS.

DOCKET NO. W-01427A-09-0116

Arizona Corporation Commission  
**DOCKETED**

DEC 29 2010

DOCKETED BY

1 IN THE MATTER OF THE APPLICATION  
2 OF LITCHFIELD PARK SERVICE  
3 COMPANY, AN ARIZONA  
4 CORPORATION, FOR AUTHORITY (1) TO  
5 ISSUE EVIDENCE OF INDEBTEDNESS IN  
6 AN AMOUNT NOT TO EXCEED \$1,170,000  
7 IN CONNECTION WITH (A) THE  
8 CONSTRUCTION OF ONE 200 KW ROOF  
MOUNTED SOLAR GENERATOR  
INFRASTRUCTURE IMPROVEMENTS  
AND (2) TO ENCUMBER ITS REAL  
PROPERTY AND PLANT AS SECURITY  
FOR SUCH INDEBTEDNESS.

DOCKET NO. W-01427A-09-0120

**APPLICATION FOR REHEARING**

9 Under Ariz. Rev. Stat. § 40-253, Litchfield Park Service Company (“LPSCO” or  
10 “Company”) hereby applies to the Arizona Corporation Commission (“the Commission”)  
11 for rehearing of Decision No. 72026 (December 10, 2010) (“Decision”).

12 This application focuses on the legal and factual issues surrounding the  
13 Commission’s decision to adopt a return on equity (ROE) of 8.01% for LPSCO, along  
14 with the Commission’s decision to phase-in the rate increases over LPSCO’s objections  
15 and other related issues set forth below. LPSCO understands the Commission’s attempt to  
16 balance the interests of the Company and its ratepayers, but the Commission’s balance  
17 still must afford LPSCO due process and satisfy governing legal standards. Here, the  
18 Commission’s decision to approve an 8.01% ROE for LPSCO is unprecedented and  
19 inconsistent with ROEs granted in recent decisions issued by the Commission for  
20 comparable utilities. The decision to adopt an 8.01% ROE also has the unintended  
21 consequence of causing severe economic harm to LPSCO due to the combination of the  
22 8.01% ROE, the phase-in of rates ordered in the Decision and the substantial delays in  
23 issuing the Decision in this docket.

24 Under these circumstances, LPSCO believes it must seek rehearing of the Decision  
25 because the Decision is (i) unprecedented, inconsistent and contrary to numerous recent  
26 decisions issued by the Commission for other similar Arizona utilities; (ii) arbitrary,

1 capricious and/or contrary to law, including long-standing United States Supreme Court  
2 decisions, which have repeatedly been recognized as authoritative by Arizona's courts;  
3 (iii) not supported by substantial evidence in the record; (iv) in violation of the  
4 Company's due process and constitutional rights; and (v) substantially unfair and  
5 prejudicial to LPSCO. LPSCO believes the public interest would be best served by  
6 granting rehearing to correct the legal and factual flaws in the Decision and prevent  
7 substantial and unfair hardships on LPSCO.<sup>1</sup>

8 **I. BRIEF STATEMENT OF THE ISSUES.**

9 This application for rehearing focuses on various issues surrounding the  
10 Commission's decision to adopt an 8.01% ROE for LPSCO at open meeting.<sup>2</sup>  
11 Fundamentally, LPSCO asserts that the Commission's decision to implement an ROE of  
12 8.01% for the Company in the Decision is unfair, arbitrary, without substantial evidence  
13 in the record and unlawful for several reasons.<sup>3</sup> The Company urges the Commission to  
14 reconsider its decision to grant an 8.01% ROE for the reasons set forth below.

15 The decision to authorize an ROE of only 8.01% is particularly harmful to the  
16 Company because the Commission ordered a modified phase-in of rate increases in order  
17 to mitigate the impact on customers.<sup>4</sup> The Company had voluntarily proposed a phase-in  
18 in response to the Chair's request, however, no party was then proposing an ROE below  
19 9.0%. In legal briefing and at open meeting, the Company explained that it could not  
20 agree to a phase-in of rates if the Commission reduced the Company's ROE from the  
21

---

22 <sup>1</sup> As stated below, the 8.01% ROE is the central issue at stake. In fact, if the Commission grants this  
23 request for rehearing and reconsiders its decision to impose an 8.01% ROE, the Company will withdraw  
its other grounds for rehearing set forth in this application and will not pursue any appeal of the Decision.

24 <sup>2</sup> The Company incorporates by reference its Closing Brief filed on February 10, 2010, its Reply Brief  
filed on February 24, 2010, and the evidence and arguments set forth therein.

25 <sup>3</sup> Decision at 61.

26 <sup>4</sup> Decision at 72 – 73.

1 9.2% set forth in Judge Nodes' ROO.<sup>5</sup> LPSCO believes it is unlawful for the Commission  
2 to involuntarily impose phased-in rates on a public service corporation under governing  
3 federal and state law.

4 The Company also has forgone over \$3.5 million in lost revenue from delays in  
5 issuing the Decision in accordance with the Commission's time-clock rules (A.A.C. R14-  
6 2-103(B)(11)(d)). The combination of those delays, the approved phase-in and the  
7 reduced ROE has caused and will cause substantial harm to LPSCO. For these reasons,  
8 the Company seeks rehearing of the Decision.

9 **II. THE COMMISSION SHOULD RECONSIDER ITS DECISION ADOPTING**  
10 **AN 8.01% RETURN ON EQUITY FOR LPSCO.**

11 The principal issue raised in this application is the Commission's decision to  
12 approve an ROE of 8.01% in Decision No. 72026. In fact, the ROE issue is so central and  
13 determinative that if the Commission reverses itself and corrects the ROE finding, LPSCO  
14 will withdraw its other grounds for rehearing (and subsequent appeal) set forth in this  
15 application. LPSCO requests that the Commission reconsider the ROE decision for  
16 several reasons.

17 **A. The Decision Is Contrary to Governing Law By Failing to Provide**  
18 **LPSCO With a Return on Equity Equal to Utilities With Similar Risk.**

19 The Decision states that "[t]he oft cited *Hope, Bluefield* and *Duquesne* cases  
20 provide that the *return determined by the Commission must be equal to an investment*  
21 *with similar risks made at generally the same time*, and should be sufficient under  
22 efficient management to enable the Company to maintain its credit standing and raise  
23 funds needed for the proper discharge of its duties."<sup>6</sup> Thus, while the Commission

24 \_\_\_\_\_  
25 <sup>5</sup> See LPSCO's Bench Brief Regarding Its Constitutional Right to a Fair Rate of Return, filed November  
26 15, 2010, at 12; November 22, 2010 Open Meeting Tr. at 185 – 186.

<sup>6</sup> Decision at 61 (emphasis added) (citing *Bluefield Waterworks & Improvement Co. v. Pub. Serv. Comm'n*, 262 U.S. 679, 692-93 (1923); *Fed. Power Comm'n v. Hope Natural Gas*, 320 U.S. 591, 603

1 certainly has broad discretion in setting utility rates, as noted in the Decision itself the  
 2 Commission still must satisfy the minimum constitutional standards set forth in those  
 3 Supreme Court cases, which the Decision fails to do.

4 It is beyond dispute that the Decision does not treat LPSCO comparably with other  
 5 similar utilities. In 2009 and 2010, the Commission issued twenty-four (24) rate case  
 6 decisions for utility companies or divisions comparable to LPSCO. In *all* of those cases,  
 7 the Commission authorized returns on equity ranging from 9.0% to 10.5%, with an  
 8 average approved ROE for those 24 utilities of 9.62%:

COMPANY	DOCKET NO.	DECISION NO.	DATE	APPROVED ROE
Arizona-American Anthem Water	09-0343	Approved at Open Meeting	12/15/2010	9.5%
Arizona-American Sun City Water	09-0343	Approved at Open Meeting	12/15/2010	9.5%
Arizona-American Anthem/Agua Fria Waste.	09-0343	Approved at Open Meeting	12/15/2010	9.5%
Arizona-American Sun City Wastewater	09-0343	Approved at Open Meeting	12/15/2010	9.5%
Arizona-American Sun City West Wastewater	09-0343	Approved at Open Meeting	12/15/2010	9.5%
Rio Rico Utilities	09-0257	Approved at Open Meeting	12/14/2010	9.5%
<b>LPSCO</b>	<b>09-0103</b>	<b>72026</b>	<b>12/10/2010</b>	<b>8.01%</b>
Coronado Utilities	09-0291	71956	11/2/2010	10.5%
Global Water Palo Verde	09-0077	71878	9/15/2010	9.0%
Global Water Santa Cruz	09-0077	71878	9/15/2010	9.0%
Global Water Greater Buckeye	09-0077	71878	9/15/2010	9.0%
Global Water Valencia Town	09-0077	71878	9/15/2010	9.0%
Global Water Willow Valley	09-0077	71878	9/15/2010	9.0%

26 (1944); *Duquesne Light Co. v. Barasch*, 488 U.S. 299, 307-308 (1989)).

COMPANY	DOCKET NO.	DECISION NO.	DATE	APPROVED ROE
Black Mountain Sewer	08-0609	71865	9/1/2010	10.2%
Arizona Water Company	08-0440	71845	8/25/2010	9.5%
UNS Gas, Inc.	08-0571	71623	4/14/2010	9.5%
Sunrise Water Co.	08-0406	71445	12/23/2009	10.0%
Arizona-American Agua Fria Water	08-0227	71410	12/8/2009	9.9%
Arizona-American Havasu Water	08-0227	71410	12/8/2009	9.9%
Arizona-American Mohave Water	08-0227	71410	12/8/2009	9.9%
Arizona-American Paradise Valley Water	08-0227	71410	12/8/2009	9.9%
Arizona-American Sun City West Water	08-0227	71410	12/8/2009	9.9%
Arizona-American Tubac Water	08-0227	71410	12/8/2009	9.9%
Arizona-American Mohave Wastewater	08-0227	71410	12/8/2009	9.9%
Chaparral City Water	07-0551	71308	10/21/2009	9.9%
<b>Average of 24 Utilities (not including LPSCO)</b>			<b>Average ROE:</b>	<b>9.62%</b>

These numbers speak for themselves, demonstrating clearly that the decision to lower LPSCO's ROE to 8.01% does not meet those governing legal standards. In fact, these numbers illustrate that an 8.01% ROE is unprecedented and contrary to all of these Commission decisions, which the Commission issued in the same economy and under similar circumstances as LPSCO. Yet the Decision does not state any reason, let alone justification, for treating LPSCO in such discriminatory fashion as compared to those 24 other utilities. Nor do any such reasons exist.

To the contrary, the ROEs granted for these Arizona-based comparable utilities demonstrate that the justifications stated in the Decision for imposing an 8.01% ROE on

1 LPSCO are unsubstantiated and do not distinguish LPSCO from those other Arizona  
2 utilities. The Decision states that LPSCO's ROE was lowered, in part, because of "the  
3 overall magnitude of the requested increase," the "Company's unilateral decision to delay  
4 filing a rate application," "a capital structure that consists of more than 82 percent higher  
5 cost equity," "the overall state of the economy," and the "detrimental impact on customers  
6 due to the size of the revenue increase."<sup>7</sup> On those issues, however, the underlying record  
7 in this case does not contain any evidence justifying setting LPSCO's ROE at least 100 or  
8 more basis points lower than the 24 other utilities set forth above. The record in this case  
9 does *not* contain any evidence discussing the general state of the economy, its impact on  
10 LPSCO's customers or how a reduced ROE for LPSCO relates to the general state of the  
11 economy. Moreover, all of those 24 decisions were issued at roughly the same time as the  
12 LPSCO Decision and in the same economy.

13 The reasons stated in the Decision for adopting an 8.01% for LPSCO also apply to  
14 many of the other 24 utilities noted above. For example, when Arizona Water Company  
15 filed its 2008 rate case (Docket No. 08-0440), the Northern Division of Arizona Water  
16 Company's last rate case decision was in 2001.<sup>8</sup> Likewise, many of the Global Utilities  
17 had never been in for a rate case.<sup>9</sup> Yet the Commission approved an ROE for Global of  
18 9.0% and an ROE for Arizona Water of 9.5%. Thus, in each of these cases, ratepayers  
19 enjoyed years of below cost utility service before facing rate increases driven largely by  
20 used and useful capital improvements, as was the case for LPSCO's customers.

21 That's not to mention that the size and magnitude of LPSCO's revenue increases  
22 are very similar to the magnitude and size of the rate increases for many of those  
23 comparable utilities. For example, in Decision No. 71878, the Commission granted a

24 \_\_\_\_\_  
<sup>7</sup> Decision at 61.

25 <sup>8</sup> Decision No. 71845 at 6.

26 <sup>9</sup> See Decision No. 71878 at 1 – 5.

1 revenue increase of \$6,063,392 for Global Water—Palo Verde Utilities Company, which  
2 was a 91.26% increase.<sup>10</sup> Likewise, at open meeting on December 15, 2010, the  
3 Commission approved a revenue increase for Arizona-American’s Anthem Water  
4 Division of \$5,928,181 (starting in 2013) or a 79.12% increase.<sup>11</sup> The Commission also  
5 approved a revenue increase for Arizona-American’s Anthem/Agua Fria Wastewater  
6 Division of \$5,031,198 or a 59.25% increase.<sup>12</sup> In Decision No. 71410 issued on  
7 December 8, 2009, the Commission approved a revenue increase of \$3,439,746 for  
8 Arizona-American’s Sun City West Water Division, or an increase of 58.7%.<sup>13</sup> Here, the  
9 Commission approved a revenue increase for LPSCO’s water division of \$4,388,891  
10 (63.2%) and \$2,697,269 (42.4%) for LPSCO’s sewer division.<sup>14</sup> Despite the similarity in  
11 size of those rate increases, the Commission approved ROEs of 9.0% for Global, 9.5% for  
12 Anthem Water and Anthem/Agua Fria Wastewater and 9.9% for Sun City West Water,  
13 but only 8.01% for LPSCO. The size or magnitude of LPSCO’s revenue increases do not  
14 justify reducing its ROE by 100-190 basis points compared to those Arizona utilities.

15 The same also holds true for LPSCO’s capital structure. The record in this case  
16 does not contain any evidence or testimony linking LPSCO’s 82% equity/18% debt  
17 capital structure to an ROE of 8.01%. That’s not to mention that certain utilities noted  
18 above have similar capital structures to LPSCO and yet the Commission approved much  
19 higher ROEs. For example, Chaparral City Water Company had a capital structure of  
20 76% equity and 24% debt, and the Commission still approved an ROE of 9.9%.<sup>15</sup> For

21 \_\_\_\_\_  
<sup>10</sup> Decision No. 71878 at 6.

22 <sup>11</sup> Commissioner Pierce Proposed Amendment No. 2, filed December 15, 2010 in Docket No. W-01303A-  
09-0343, *et al.*

23 <sup>12</sup> *Id.*; Recommended Opinion and Order, filed November 30, 2010 in Docket No. W-01303A-09-0343, *et*  
24 *al.*, at 62.

<sup>13</sup> Decision No. 71410 at 46.

25 <sup>14</sup> Decision at 61.

26 <sup>15</sup> Decision No. 71308 at 29, 37.



1 Black Mountain Sewer Company, the Commission approved a hypothetical capital  
2 structure of 80% equity/20% debt and the Commission approved an ROE of 10.2%.<sup>16</sup> The  
3 reasons stated in the Decision for adopting an 8.01% ROE simply are not supported by  
4 substantial evidence in this case and conflict with relevant Commission decisions.

5 Finally, as authorized by their respective regulatory commissions, the allowed  
6 ROEs for the water utilities sample group, used by all parties and the Commission, are  
7 10.20% for American States (by order issued 5/2009), 10.31% for Aqua American,  
8 10.20% for California Water (by order issued 5/2009), 9.75% for Connecticut Water (by  
9 order issued 1/2007), 10.15% for Middlesex Water and 10.13% for SJW Corp. (by order  
10 issued 10/2008).<sup>17</sup> Another illustration of the inconsistency of the Decision stems from  
11 the *Public Utilities Fortnightly*, a utility trade publication, which published its 2010 Rate  
12 Case Survey in November of this year for electric and gas utilities from September 1,  
13 2010 to August 31, 2010.<sup>18</sup> The authorized ROEs for the 114 utilities in 43 states listed in  
14 that survey ranged from a low of 9.19% (AmerinCIPS in Illinois) to a high of 12.2% (Mid  
15 American Energy in Iowa).<sup>19</sup> Under these facts, circumstances, and comparisons, the  
16 Commission should reconsider and modify its decision approving an 8.01% ROE and  
17 affirm the ROO issued by Judge Nodes with Staff's recommended ROE of 9.2%.

18 **B. Imposing An ROE of 8.01% On LPSCO Will Have Significant Negative**  
19 **Impacts on LPSCO, Its Ratepayers and the Arizona Utility Industry.**

20 Imposing an ROE of 8.01% on LPSCO will restrict LPSCO's future access to  
21 capital for capital investment. In no uncertain terms, by reducing LPSCO's ROE to  
22

23 <sup>16</sup> Decision No. 71865 at 29, 35.

24 <sup>17</sup> See November 2010 AUS Utility Report at 24 (attached as Exhibit A).

25 <sup>18</sup> See 2010 Rate Case Survey, *Public Utilities Fortnightly* (November 2010) at 20 – 25 (attached as  
26 Exhibit B).

<sup>19</sup> *Id.* That 2010 Rate Survey included authorized ROEs for Arizona Public Service at 11.0% (by order  
dated December 30, 2009) and Arizona UNS Gas at 9.5% (by order dated April 14, 2010).

1 8.01%, the Commission has materially harmed a first-class utility owner that has and is  
2 willing to continue to invest in Arizona. *As noted above, the 8.01% ROE is substantially*  
3 *below all other ROEs granted by the Commission for similar utilities in 2009 and 2010.*

4 The record in this case does not contain any reason, let alone justification, for singling out  
5 LPSCO and Liberty Water. Nor is there any valid reason or justification for such action,  
6 whether in the record or not.

7 To the contrary, Liberty Water has a proven track record as a responsible utility  
8 owner in Arizona. For example, as the Commission is well aware, in 2007 Liberty Water  
9 acquired the McClain water systems in a state of total disarray—to the point where many  
10 customers were not receiving water to their homes. Liberty Water invested desperately  
11 needed capital into those systems and those companies are now providing safe, clean and  
12 reliable water service.<sup>20</sup> The McLain system is just one of many examples where Liberty  
13 Water has taken over troubled systems, invested time and capital, and implemented  
14 necessary system upgrades to restore high quality service to customers.

15 In the recent Rio Rico Utilities, Inc. (“RRUI”) rate case, public comments by  
16 County Supervisor John Maynard attested to the fact that water service has dramatically  
17 improved since Liberty Water acquired RRUI. Likewise, Black Mountain Sewer  
18 Company had experienced odor problems in its system for years until Liberty Water fixed  
19 those problems by investing capital and resources to remove a bad lift station, upgrade the  
20 collection system and is presently investing more capital to remove the aging plant located  
21 in the middle of the community, all for the primary purpose of addressing inherited and  
22 long-standing odor problems. At Gold Canyon Sewer Company, Liberty Water took over  
23 a developer-built and operated sewer system with major odor and discharge problems that  
24 had resulted in ADEQ fines and penalties. There, as in LPSCO, McLain, and RRUI,

25  
26 <sup>20</sup> See Decision No. 68412 (January 23, 2006), Docket No. W-01646A-05-0506, *et. al.*

1 Liberty Water solved these long-standing problems without interrupting service to  
2 customers. The Decision itself highlights that LPSCO made substantial investments to  
3 upgrade utility systems, improve service and resolve odor problems.<sup>21</sup>

4 Put simply, Liberty Water is a company that gets things done in Arizona, and fair  
5 treatment of its investment in those utilities is critical for the future. The Commission's  
6 decision to lower LPSCO's ROE to 8.01% will make Liberty Water, other utility owners  
7 and investors think twice about investing in Arizona. The choice faced by Liberty Water  
8 in the future will be simple—it can invest money in LPSCO with a return of 8.01% or it  
9 can invest money in other utility companies in other states that offer higher returns,  
10 returns actually comparable to returns being authorized and earned by similar utilities with  
11 similar risks in similar times, the basic test of the Supreme Court's decisions in *Bluefield*,  
12 *Hope* and *Duquesne*.

13 The Company already has addressed the impacts of the rate increase on customers  
14 by proposing a phase-in of rates and by adopting a low-income tariff. The Company also  
15 has been deprived of over \$3.5 million in revenue due to the Commission's inability to  
16 adhere to the Commission's time-clock rules. Commission Staff found LPSCO's  
17 application to be sufficient on May 8, 2009, the final decision was due on or before May  
18 27, 2010 and rates should have been in effect no later than June 1, 2010.<sup>22</sup> Decision No.  
19 72026 was issued on December 10, 2010 with an effective date for the new rates of  
20 December 1, 2010—six months late. In the Decision, the Commission approved a  
21 revenue increase for LPSCO's water division of \$4,388,891 and a revenue increase for  
22 LPSCO's sewer division of \$2,697,269.<sup>23</sup> At those revenue numbers, LPSCO lost  
23 \$3,543,079.80 in revenue from June 1, 2010 to December 1, 2010 due to those rate case

24 \_\_\_\_\_  
<sup>21</sup> Decision at 30 – 33.

25 <sup>22</sup> See A.A.C. R14-2-103(B)(11)(d).

26 <sup>23</sup> Decision at 61 – 62.

1 delays (\$2,194,445.40 for water and \$1,348,634.40 for sewer).<sup>24</sup> That harm is  
2 compounded by the approximately \$1,200,000 in annual revenue loss resulting from  
3 artificially lowering LPSCO's ROE to 8.01%, and by the involuntary phase-in of rates  
4 that will delay LPSCO's already inadequate revenue requirement. Given those facts and  
5 circumstances, the Commission should not have added to the Company's financial losses  
6 by reducing the ROE to 8.01%.

7 The consequences of imposing an ROE of 8.01% in the Decision will not be  
8 limited to LPSCO and Liberty Water. The Commission's decisions do not occur in a  
9 vacuum. As previously stated by the Company, adoption of unreasonably low returns on  
10 equity will make it more difficult for LPSCO to attract investment capital.<sup>25</sup> More  
11 broadly, a decision approving an 8.01% ROE for LPSCO will not be well-received by  
12 financial markets and investors, making it harder for all Arizona water/sewer utilities to  
13 obtain capital from financial markets.

14 In fact, that *already has happened* for another responsible Arizona utility company,  
15 Global Water. In October 2010, Global Water Resources, Inc. filed a preliminary  
16 prospectus for approval of an initial public offering on the Toronto Stock Exchange in  
17 Canada, the same stock exchange on which Liberty Water is publicly traded.<sup>26</sup> In that  
18 initial prospectus, Global Water sought approximately \$75 million in investment funding  
19 based on shares priced at \$10-13 per common share.<sup>27</sup> On December 8, 2010—just two  
20 weeks after the Commission voted to set LPSCO's ROE at 8.01%—Global cut its target  
21 price for its public offering to \$7.50 per share and reduced its total investment sought to

22 \_\_\_\_\_  
23 <sup>24</sup> Not only does the Decision fail to adhere to the Commission's time-clock rule, but it also fails to comply  
with Ariz. Rev. Stat. § 40-256(A), which requires a Commission decision within 270 days of sufficiency.

24 <sup>25</sup> LPSCO Closing Brief at 78. *See also* Rebuttal Testimony of G. Sorensen, filed October 20, 2009 in  
Docket No. SW-02361A-08-0609, at 10 – 11.

25 <sup>26</sup> "Global Water Resources Corp. Files For Initial Public Offering," Dow Jones Factiva, October 18, 2010  
(attached as Exhibit C).

26 <sup>27</sup> Global Water Memorandum dated November 2010 (attached as Exhibit D).

1 \$61.4 million.<sup>28</sup> As stated in the attached article, Global struggled to attract investors and  
2 was forced to lower its target price. Dilution of company value in this way will serve only  
3 to create a weakened utility less capable of providing much needed capital investment into  
4 a state that desperately needs investment in water and wastewater infrastructure.

5 Thus, the decision to impose an 8.01% ROE on LPSCO clearly had an immediate  
6 impact on availability of investor capital for Global Water. By letter dated November 19,  
7 2010, Global Water warned that “the Commission’s practice of bartering return on equity  
8 at open meeting seriously jeopardizes” investment opportunities for Arizona utilities.<sup>29</sup> In  
9 other words, far from being the “Chicken Littles” that the utilities were explicitly accused  
10 of being,<sup>30</sup> the sky really is falling on investment in Arizona’s water and wastewater  
11 infrastructure.

12 **C. The Decision Will Have Significant Impacts on Future Rate Case**  
13 **Proceedings Before the Commission.**

14 If the Commission continues to enforce an 8.01% ROE for LPSCO, the impact of  
15 the Decision on future rate cases will be profound. In the Decision, the Commissioners  
16 voted 3-2 to use an ROE that was proposed by RUCO in the earliest stages of the case,  
17 even though RUCO’s witness moved away from that recommendation and testified that  
18 LPSCO’s ROE should be 9.0%.<sup>31</sup> Under these circumstances, the complexity, expense  
19 and length of future rate cases will increase exponentially because utilities, ACC Staff,  
20 intervenors, and RUCO will have to address each and every conceivable position raised or  
21

22 <sup>28</sup> “Global Water Slashes IPO Target By At Least 25%,” Dow Jones Factiva, December 8, 2010 (attached  
as Exhibit E).

23 <sup>29</sup> Letter from T. Hill, filed November 19, 2010 in Docket No. SW-01428A-09-0103, *et. al.*

24 <sup>30</sup> See November 22, 2010 Open Meeting Tr. at 191.

25 <sup>31</sup> Ex. R-29 at 6 – 7. In his surrebuttal testimony, Mr. Rigsby stated: “I have revised my original cost of  
common equity estimate upward from 8.01 percent to 9.0 percent.” Ex. R-29 at 6. In his surrebuttal  
26 testimony, Mr. Rigsby also noted that the cost of common equity proposals at dispute between the parties  
were 12.0% for LPSCO, 9.2% for Commission Staff and 9.0% for RUCO. Ex. R-29 at 8.

1 issue mentioned by any witness, in any round of testimony, or hinted at in any economic  
2 or market models, *even when such position is subsequently withdrawn or modified by*  
3 *the party which suggested it.*

4 The following example illustrates the negative impacts of the Decision on future  
5 rate cases. In the currently pending rate case for Bella Vista Water Company, RUCO  
6 provided surrebuttal testimony (by witness Rodney Moore) revising positions taken by  
7 RUCO in direct testimony and reflecting areas of agreement with Bella Vista on several  
8 issues. In its direct testimony in that case, RUCO had proposed adjustments to Bella  
9 Vista's rate application related to treatment of customer deposits, accumulated deferred  
10 income taxes (ADITs), plant retirements and accumulated depreciation, allowances for  
11 funds used during construction (AFUDCs) and other similar items. But, after analyzing  
12 Bella Vista's rebuttal testimony and reviewing additional information, RUCO changed its  
13 recommendations and agreed with Bella Vista's and/or Staff's positions on those issues,  
14 and, thus, RUCO's surrebuttal testimony reflects those areas of agreement.<sup>32</sup>

15 If the Commission does not reconsider the Decision in this case, however, future  
16 parties to cases like Bella Vista's will face the distinct possibility that the Commission  
17 may adopt some disallowance or recommendation at open meeting *even though that*  
18 *position had been modified, changed, or withdrawn.* In the Bella Vista example, the  
19 parties would have no choice but to conduct extensive discovery, cross-examination and  
20 briefing on the issues of customer deposits, ADITs, AFUDCs, and retirements *even*  
21 *though RUCO changed its position in surrebuttal.* In other words, the practical effect of  
22 the Decision will be to force all parties to address and litigate every conceivable issue or  
23 position raised in pre-filed testimony or contained in economic models, even if such  
24 position was subsequently abandoned, modified or resolved, in order to prepare for the

25 \_\_\_\_\_  
26 <sup>32</sup> See Surrebuttal Testimony of R. Moore, filed June 18, 2010 in Docket No. W-02465A-09-0411, *et al.*, at  
2 - 4.

1 possibility of a Commissioner reviving those positions during open meeting.

2 Again, LPSCO and undersigned counsel acknowledge the Commission's broad  
3 discretion to adopt and implement policies for conducting rate cases, but the existence of  
4 such broad discretion does not necessarily mean that a particular decision is good policy.  
5 In exercising such discretion, the Commission should consider what type of impact the  
6 Decision will have on future rate cases. Justice exists when authority is balanced with  
7 discretion—authority without discretion is unwise, unsound and unjust.

8 Several commissioners have recently expressed concern over the timing and  
9 expense of water and sewer rate cases, including impacts on Commission staff, resources,  
10 and budgets.<sup>33</sup> Certain Commissioners also recently proposed or suggested possible  
11 methods for streamlining the rate case process—in fact, that is an issue in the  
12 Commission's pending water workshops in Docket No. ACC-00000A-10-0466.

13 Unfortunately, the policies and precedent established by the Decision in this case  
14 are contrary to those laudable and important policy goals. Even if the Decision is not  
15 considered as precedent by the Commission itself, the Decision will have a profound  
16 effect on other parties in future rates because those parties will not want to face the risk of  
17 a position being adopted at open meeting without substantially addressing the issue at  
18 hearing. Thus, rather than aiding in efforts to streamline the rate case process, the  
19 Decision will greatly expand the scope of evidentiary proceedings and will require parties  
20 to litigate every conceivable issue at hearing, just in case. Respectfully, under these  
21 circumstances, the Company strenuously suggests that the policy goals of the Commission  
22 would be best served by reconsidering the decision to adopt an 8.01% ROE.

23 **D. An 8.01% ROE Is Not Supported By Substantial Evidence.**

24 As a matter of Arizona law, a Commission decision must be supported by

25 \_\_\_\_\_  
26 <sup>33</sup> See, e.g., letter from Commissioner Kennedy, filed November 18, 2010 in Docket No. ACC-00000A-10-0466.

1 substantial evidence in the record. More than just *any* evidence is required to support an  
2 ROE of 8.01%. “Substantial evidence is evidence which would permit a reasonable  
3 person to reach the trial court’s result.”<sup>34</sup> “Mere speculation and arbitrary conclusions are  
4 not substantial evidence and cannot be determinative.”<sup>35</sup>

5 In the ROO, Judge Nodes reviewed and considered the evidence presented at  
6 hearing, adopted Staff’s ROE recommendation and recommended an ROE of 9.2%.<sup>36</sup> In  
7 doing so, Judge Nodes concluded “Staff’s average cost of equity capital calculations  
8 produce an appropriate result that is supported by the evidence in the record.”<sup>37</sup> Judge  
9 Nodes also concluded that “[w]ith respect to the methodology employed for calculating  
10 the return on common equity, we believe Staff’s analysis is appropriate and consistent  
11 with prior Commission decisions regarding cost of capital.”<sup>38</sup> In that finding, Judge  
12 Nodes specifically noted that a 9.2% ROE was in-line with Commission decisions for  
13 other comparable utilities (*see* pages 4-5 above).

14 *In the final testimony offered by their cost of capital witnesses, the Company*  
15 *proposed an ROE of 12.0% (Mr. Bourassa), RUCO proposed an ROE of 9.0% (Mr.*  
16 *Rigsby) and Commission Staff proposed an ROE of 9.2% (Mr. Manrique).*<sup>39</sup> RUCO’s  
17 cost of capital witness, Mr. Rigsby, testified that an ROE of 9.0% was proper and  
18 reasonable, including adjustments for “the improving state of the economy.”<sup>40</sup> Only the  
19 Company, Staff and RUCO presented cost of capital testimony at hearing. The City of  
20 Litchfield Park didn’t present any cost of capital testimony.

21 <sup>34</sup> *Estate of Pousner*, 193 Ariz. 574, 579, 975 P. 2d 704, 709 (1999). *See also Denise R. v. Ariz. Dep’t of*  
22 *Economic Security*, 2009 WL 1451452 (Ariz. App. 2009).

23 <sup>35</sup> *City of Tucson v. Citizens Utils. Water Co*, 17 Ariz. App. 477, 481, 498 P.2d 551, 555 (1972).

24 <sup>36</sup> ROO at 60 – 61.

25 <sup>37</sup> ROO at 60.

26 <sup>38</sup> ROO at 60.

<sup>39</sup> ROO at 56 – 59. *See also* Ex. R-29 at 8.

<sup>40</sup> ROO at 58; Ex. R-28, WAR-1 at 3; Ex. R-29 at 6.



1           It's critical to fully understand the circumstances surrounding Mr. Rigsby's ROE  
2 testimony. In his direct testimony, Mr. Rigsby originally proposed an ROE of 8.01%, but  
3 he withdrew that position in his surrebuttal testimony and revised his position to  
4 recommend an ROE of 9.0%.<sup>41</sup> Even so, the Commission states in the Decision that "[w]e  
5 note that an 8.01 percent cost of equity is at approximately the middle of the range of  
6 values obtained in RUCO witness Rigsby's return on equity analysis (5.25 to 9.95  
7 percent)."<sup>42</sup> Using those numbers to approve an ROE of 8.01% is contrary to the  
8 recommendations of Staff and RUCO. Put simply, the Commission has adopted an ROE  
9 of 8.01% *based on a theory that was not recommended by any expert witness at trial and,*  
10 *in fact, on an ROE recommendation that was modified by the witness who first suggested*  
11 *it, Mr. Rigsby.*

12           Even worse, any such decision would deprive LPSCO of its due process rights to a  
13 fair hearing. Staff and the Company did not cross-examine Mr. Rigsby on his original  
14 recommendation of 8.01% ***because RUCO withdrew that recommendation on***  
15 ***surrebuttal.*** In the ROO, Judge Nodes carefully considered the evidence that was  
16 presented by the parties consistent with due process and adopted Staff's ROE. Although  
17 the Company does not agree that a 9.2% ROE is the correct number, LPSCO does not in  
18 any way question the fairness and reasonableness of Judge Nodes' position in the ROO,  
19 nor for that matter, that of Staff, which recommended the 9.2% ROE.

20           Under these circumstances, however, amending the ROO to adopt an 8.01% ROE  
21 proposal at open meeting violates the Company's rights to a fair hearing. RUCO itself  
22 withdrew the recommendation and testified that a 9.0% ROE was warranted. Likewise,  
23 the Company did not cross examine the City on its post-hearing proposal for a 7.5% ROE  
24 because the City didn't present a cost of capital witness or testimony, the City's rate

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25 <sup>41</sup> Ex. R-29 at 6 – 8.

26 <sup>42</sup> Decision at 61.

1 design witness (Mr. Darnall) did not address the cost of capital issues at hearing and *the*  
2 *City did not suggest a 7.5% ROE until its closing brief which was filed after the*  
3 *evidentiary hearings were concluded.*<sup>43</sup>

4 The Commission's decision to adopt an ROE of 8.01% originated from an  
5 amendment to the ROO offered by Commissioner Mayes at open meeting on October  
6 19-20 to reduce LPSCO's ROE to 7.5%.<sup>44</sup> At open meeting on November 22-23, the  
7 Commission voted 3-2 in favor of the Mayes Amendment with an adjusted ROE of  
8 8.01%. As written, that amendment fails to reflect that no witness in this case  
9 recommended an ROE of 8.01% or lower. *Even RUCO's witness, Mr. Rigsby, testified*  
10 *in his surrebuttal testimony and at hearing that LPSCO's ROE should be 9.0%.*

11 The Decision also suggests that the ROE was lowered because of the current state  
12 of the economy, the Company's "delay" in filing a rate case, and the impacts on  
13 customers of a rate increase. The Company addressed all of those arguments in its Bench  
14 Brief Regarding Its Constitutional Right to a Fair Rate of Return filed on November 15,  
15 2010.<sup>45</sup> LPSCO will not repeat those legal arguments in this application because that brief  
16 details the legal and constitutional flaws of those arguments as justification for imposing a  
17 lower ROE on LPSCO. Ultimately, the reasons stated in the Decision for imposing an  
18 8.01% ROE are not supported by substantial evidence and, for the reasons stated above  
19 and in LPSCO's Bench Brief, are contrary to governing federal and state law.

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22  
23 <sup>43</sup> See Opening Post-Hearing Brief of City of Litchfield Park, filed February 10, 2010, at 4.

24 <sup>44</sup> See Mayes Amendment 3.

25 <sup>45</sup> The Company incorporates by reference its Bench Brief Regarding Its Constitutional Right to a Fair  
26 Rate of Return, filed November 15, 2010, and the evidence and arguments set forth therein, in support of  
this application. It also should be noted that neither the Company, Staff, the City nor RUCO offered  
substantial testimony on the current state of the economy or its impacts on LPSCO's customers. The  
testifying witnesses simply did not offer any substantial testimony on those issues.

1           **E. The Commission Should Grant Rehearing on the Phase-In Proposal**  
2           **Adopted in the Decision.**

3           In the Decision, the Commission adopted “a phase-in of rates that will allow  
4 collection of 50 percent of the authorized revenues for the first six months; an additional  
5 25 percent (75 percent of authorized revenues) for the second six months rates are in  
6 effect; and the full rates one year after the effective dates of the rates in the Decision.”<sup>46</sup>  
7 As noted above, the Company proposed a phase-in at the hearing, but the Company did  
8 not agree to the phase-in rate schedule adopted in the Decision and the Company cannot  
9 agree to a phase-in coupled with a reduced ROE because of the resulting inadequate  
10 revenue requirement. Under these circumstances, LPSCO believes it was unlawful for the  
11 Commission to involuntarily impose phase-in rates under Arizona law.<sup>47</sup> If the ROE is  
12 restored to the 9.2% stated in the ROO, however, the Company will withdraw this  
13 objection and accept the phase-in set forth in the Decision.

14           In its Legal Brief filed November 15, 2010 and during open meeting, the Company  
15 indicated that it would not accept a phase-in for rates in the event the Commission  
16 reduced the Company’s ROE from the 9.2% set forth in the ROO.<sup>48</sup> Once the  
17 Commission determines a revenue requirement, governing law dictates that a utility is  
18 entitled to charge rates that recover the entire revenue requirement.<sup>49</sup> As previously stated  
19 by the Company, the combination of an 8.01% ROE, lost revenue from rate case delays  
20 and the adopted phase-in for rates simply is too much for the Company to bear—it

21 \_\_\_\_\_  
<sup>46</sup> Decision at 73.

22 <sup>47</sup> See *Scates v. Ariz. Corp. Comm’n*, 118 Ariz. 531, 533-34, 578 P.2d 612, 614-15 (App.  
23 1978)(establishing that “total revenue, including income from rates and charges, should be sufficient to  
24 meet a utility’s operating costs and to give the utility and its stockholders a reasonable rate of return on the  
utility’s investment and that “rates cannot be considered just and reasonable if they fail to produce a  
reasonable rate of return...”).

25 <sup>48</sup> See LPSCO’s Bench Brief Regarding Its Constitutional Right to a Fair Rate of Return, filed November  
15, 2010, at 12; November 22, 2010 Open Meeting Tr. at 185 – 186.

26 <sup>49</sup> See *Scates*, 118 Ariz. at 533-34, 578 P.2d at 614-15.

1 materially harms LPSCO's ability to earn a reasonable rate of return on its investment and  
2 to attract capital in the future on fair and reasonable terms.

3 For these reasons, the Company requests that the Commission grant rehearing to  
4 discuss the legalities and impacts of adopting involuntary phased-in rates.<sup>50</sup> In the event  
5 that the Commission is not inclined to reconsider implementation of the phase-in adopted  
6 in the Decision, LPSCO requests that the Commission grant rehearing to address the  
7 phase-in surcharge now, rather than deferring determination of the surcharge mechanism  
8 to Phase 2 of this docket.<sup>51</sup>

9 **III. RATE CASE EXPENSE FOLLOWING SUCCESSFUL APPEAL.**

10 One additional issue raised in this application for rehearing relates to rate case  
11 expense. The Company is *not* seeking any increased rate case expense relating to this  
12 application for rehearing. But the Company hereby reserves its right to seek additional  
13 rate case expense in the event that this application for rehearing is denied, the Company  
14 files a legal appeal and the Company prevails on appeal of Decision No. 72026.

15 On that issue, the Company doesn't want to risk that Staff or RUCO will later  
16 argue that LPSCO waived its right to seek additional rate case expense by failing to assert  
17 those rights in an application for rehearing. As such, the Company notifies the  
18 Commission and parties in this case that LPSCO will seek additional rate case expenses in  
19 the event that this application is not granted and the Company is successful on appeal.  
20  
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22

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23 <sup>50</sup> The Company was the only party to offer a phase-in proposal during the hearing. But the Company's  
24 phase-in proposal was premised on the assumption that the Commission would order a fair and reasonable  
25 return on equity. Further, at the time the Company made its phase-in proposal during the evidentiary  
26 hearing, no party proposed reducing LPSCO's ROE to 8.01% or lower. Because an 8.01% ROE is simply  
not fair or reasonable, LPSCO ultimately had no choice but to withdraw its agreement to a phase-in.

<sup>51</sup> Decision at 74.

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DATED this 29th day of December, 2010.

FENNEMORE CRAIG, P.C.

By \_\_\_\_\_

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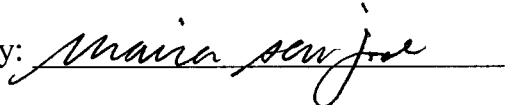
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## WATER

## COMPANIES

COMPANY	TOTAL	%	NET	NET	S&P	MOODY'S	COMMON	%RETURNON		REGULATION	
	REV	REG	NET	PLANT				BOND	BOND	EQUITY	TOTAL
	\$ MILL	WATER	PLANT	PER \$	RATING	RATING	RATIO	COMMON	CAPITAL	ROE	DATE
	(1)	REV	\$ MILL	(1)			(3)	EQUITY(4)			
American States Water Co. (NYSE-AWR)		81	2.27	2.27		A2	5.8	8.4		10.20	07/05
American Water Works Co., Inc. (NYSE-AWK)		90	4.29	4.29		NR	5.8	5.8		9.63	
Aqua America, Inc. (NYSE-WTR)		98	4.86	4.86		NR	10.1	10.1		10.31	
Artesian Resources Corp. (NDQ-ARTNA)		91	5.25	5.25		NR	7.8	7.8		10.00	09/09
California Water Service Group (NYSE-CWT)		98	2.76	2.76		NR	9.3	9.3		10.20	05/09
Connecticut Water Service, Inc. (NDQ-CTWS)		102	5.51	5.51		NR	9.5	9.5		9.75	01/07
Middlesex Water Company (NDQ-MSEX)		89	4.07	4.07		NR	7.5	7.5		10.15	
Pennichuck Corporation (NDQ-PNNW)		93	4.58	4.58		NR	5.4	5.4		9.75	
SJW Corporation (NYSE-SJW)		96	3.15	3.15		NR	6.5	6.5		10.13	01/08
York Water Company (NDQ-YORW)		100	5.90	5.90		NR	10.3	10.3		NM	10/08
AVERAGE							8.1			10.01	

**EXHIBIT**

**B**

Fig. 1

## 2010 RATE CASE SURVEY

Company	Utility Type	Case, Docket Or Decision	Application Date	Order Date	Test-year End Date	Increase (Decrease) Requested (\$Million)	Increase (Decrease) Granted (\$Million)	Rate of Return on Common Equity	
								Previously Authorized Rate (%)	Newly Authorized Rate (%)
<b>Arkansas</b>									
Entergy Arkansas, Inc.	Electric	09-084-U	9/4/09	6/23/10	6/30/10	223.2	63.7	9.9	10.2
Arkansas Southwestern Electric Power Co.	Electric	09-008-U	2/19/09	11/24/09	12/31/09	25.3	17.8	10.75	10.25
<b>Arizona</b>									
Arizona Public Service Co.	Electric	E-01345A-08-0172	3/24/09	12/30/09	6/30/09	448.2	344.7	10.75	11.0 <sup>1</sup>
Arizona UNS Gas, Inc.	Gas	E-04204A-08-0571, 280 PUR4th 505	11/7/08	4/14/10	6/30/08	9.48	3,462	N/A	9.5
<b>California</b>									
Pacific Gas & Electric Co.	Electric/Gas	07-05-003 <i>et al.</i>	8/7/09	10/15/10	12/31/09	N/A	N/A	11.35	11.35 <sup>2</sup>
PacifiCorp	Electric	09-11-015	11/20/09	9/2/10	12/31/11	8.36	4.06	N/A	10.60 <sup>3</sup>
San Diego Gas & Electric Co.	Electric/Gas	07-05-003 <i>et al.</i>	8/7/09	1/21/10	12/31/09	N/A	N/A	10.79	10.79 <sup>4</sup>
Sierra Pacific Power Co.	Electric	08-08-004	8/1/08	10/29/09	12/31/09	8.91	5.5	11.50	10.70
Southern California Edison Co.	Electric	07-05-003 <i>et al.</i>	8/7/09	10/15/10	12/31/09	N/A	N/A	11.40	11.40
<b>Colorado</b>									
Atmos Energy Corp.	Gas	09AL-507G	7/8/09	1/4/10	12/31/09	3.8	1.9	10.25	10.25
Black Hills/ColoradoElectric Co.	Electric	10AL-008E	1/5/10	7/28/10	8/31/09	22.9	18.0	N/A	10.50
Public Service Co. of Colorado	Electric		5/1/09	12/24/09	12/31/08	180.2	128.3 <sup>5</sup>	10.50	10.50
<b>Connecticut</b>									
Connecticut Light & Power Co.	Electric	09-12-05, 282 PUR4th 410	1/8/10	6/30/10	6/30/09	177.6	101.9 <sup>6</sup>	9.4	9.4
<b>District of Columbia</b>									
Potomac Electric Power Co.	Electric	1076, 280 PUR4th 381	5/22/09	3/2/10	12/31/08	44.5	19.8	10.0	9.625 <sup>7</sup>
<b>Florida</b>									
Chesapeake Utilities Corp.	Gas	090125-GU	7/14/09	1/14/10	12/31/10	2.97	2.78	11.50	10.75
Florida Power & Light Co.	Electric	080677-EI	3/18/09	3/17/10	12/31/10	1044	75.47	11.75	10.00
Florida Public Utilities Co. -Gas Division	Gas	080366-GU	12/17/08	12/28/09	12/31/09	9.92	7.97	11.25	10.85
Progress Energy Florida, Inc.	Electric	090079-EI	3/20/09	3/5/10	12/31/10	499.997	126.212	11.75	10.50 <sup>8</sup>
<b>Georgia</b>									
Atmos Energy Corp.	Gas	D-30442, 280 PUR4th 567	10/1/09	3/31/10	10/31/10	3.9	2.9	10.70	10.70
<b>Hawaii</b>									
Hawaiian Electric Co.	Electric	2008-0274	5/11/09	8/31/10	N/A	N/A	N/A <sup>9</sup>		N/A <sup>10</sup>
Hawaiian Electric Light Co.	Electric	2008-0274	5/11/09	8/31/10	N/A	N/A	N/A		N/A
Maui Electric Co.	Electric	2008-0274	5/11/09	8/31/10	N/A	N/A	N/A		N/A
<b>Idaho</b>									
Avista Corp.	Electric	AVU-E-09-01	1/23/09	7/17/09	9/30/08	31.2	12.6	10.5	10.2
Avista Corp.	Gas	AVU-E-09-01	1/23/09	7/17/09	9/30/08	2.7	1.9	10.5	10.2
<b>Illinois</b>									
AmerenCILCA	Electric	09-0306-09-0311 (Cons.)	6/5/09	4/29/10	12/31/08	27.8	2.2	10.65	9.90
AmerenCILCA	Gas	09-0306-09-0311 (Cons.)	6/5/09	4/29/10	12/31/08	8.8	-7.4	10.68	9.40

Source: Fortnightly Research, 2010 RCE Survey Database, Fortnightly.com

Company	Utility Type	Case, Docket Or Decision	Application Date	Order Date	Test-year End Date	Increase (Decrease) Requested (\$Million)	Increase (Decrease) Granted (\$Million)	Rate of Return on Common Equity	
								Previously Authorized Rate (%)	Newly Authorized Rate (%)
AmerenCIPS	Electric	09-0306-09-0311 (Cons.)	6/5/09	4/29/10	12/31/08	50.6	17.5	10.65	10.06
AmerenCIPS	Gas	09-0306-09-0311 (Cons.)	6/5/09	4/29/10	12/31/08	11.4	-1.7	10.68	9.19
AmerenIP	Electric	09-0306-09-0311 (Cons.)	6/5/09	4/29/10	12/31/08	102.3	15.4	10.65	10.26
AmerenIP	Gas	09-0306-09-0311 (Cons.)	6/5/09	4/29/10	12/31/08	24.9	-11.3	10.68	9.40
MidAmerican Energy Co.	Gas	09-0312, 280 PUR4th 59	6/2/09	3/24/10	12/31/08	3.387	2.7		10.13
Nicor	Gas	08-0363 <sup>11</sup>	4/29/08	10/7/09	12/31/09	140.4	80.2	10.51	10.17
North Shore Gas Co.	Gas	09-0166	2/25/09	1/21/10	12/31/10	18.1	13.8	9.99	10.33
Peoples Gas Light & Coke	Gas	09-0167	2/25/09	1/21/10	12/31/10	113.2	69.8	10.19	10.23
<b>Indiana</b>									
Fountaintown Gas Co.	Gas	43753-U	8/5/09	3/17/10	12/31/08	2.2	2.2	11.40	10.20
Northern Indiana Public Service Co.	Electric	43526	8/27/08	8/25/10	12/31/07	28.0	-48.8	13.5	9.90
Westfield Gas Corp.	Gas	43624	12/31/08	3/10/10	3/31/08	6.3	5.9		10.10
<b>Iowa</b>									
Interstate Power & Light Co.	Electric	RPU-2009-0002, 280 PUR4th 1	3/17/09	1/19/10	9/30/09	170.6	83.7	10.70	10.50
MidAmerican Energy	Electric	RPU-2009-0003 <sup>12</sup>	3/25/09	12/14/09	N/A	N/A	N/A <sup>13</sup>	N/A	12.20
<b>Kansas</b>									
Atmos Energy Corp.	Gas	10-ATMG-495-RTS	1/29/10	7/30/10	9/30/09	6.0	3.9	N/A*	
Empire District Electric	Electric	10-EPDE-314-RTS	11/4/09	6/23/10	6/30/09	5.2	2.8	N/A*	
Kansas City Power Light	Electric	09-KCPE-246-RTS	9/5/08	6/24/09	12/31/07	71.6	59	N/A*	
<b>Kentucky</b>									
Atmos Energy Corp.	Gas	2009-00354	10/29/09	5/28/10		9.5	6.1	N/A*	
Duke Energy Kentucky, Inc.	Gas	2009-00202	7/1/09	12/29/09	1/31/11	17.5	13.0	10.20	10.375
Kentucky Utilities	Electric	2009-00548	1/29/10	7/30/10	10/31/09	135.3	98.0	10.63	N/A*
Louisville Gas & Electric	Electric	2009-00549	1/29/10	7/30/10	10/31/09	94.6	74.0	N/A*	
Louisville Gas & Electric	Gas	2009-00549	1/29/10	7/30/10	10/31/09	22.6	17.0	N/A*	N/A
<b>Louisiana</b>									
Cleco Power LLC	Electric	U-30689 <sup>14</sup>	7/14/08	10/14/09	6/30/09	-72.3	-93.4	11.25	11.0 <sup>15</sup>
Cleco Power LLC	Electric	U-21496-L <sup>16</sup>	1/31/10	N/A	9/30/09	N/A	N/A	11.25	11.25
Entergy Gulf States Louisiana, LLC	Electric	U-28916	10/8/09	10/14/09	12/31/07	N/A	-3.7 <sup>17</sup>	10.65	10.65 <sup>16</sup>
Entergy Louisiana, LLC	Electric	U-20925	5/15/07	11/17/09	12/31/06	N/A <sup>19</sup>	-12.9 <sup>20</sup>	10.25	10.25 <sup>16</sup>
<b>Maine</b>									
Maine Natural Gas Corp.	Gas	2009-67	2/23/09	12/22/09	12/31/09	N/A	N/A <sup>21</sup>	N/A	10.0 <sup>21</sup>
<b>Maryland</b>									
Delmarva Power Co.	Electric	9192, 278 PUR4th 419	5/5/09	12/30/09	12/31/08	14.1	7.5	10.00	10.00
Potomac Electric Power Co.	Electric	9217	12/30/09	8/5/10	12/31/09	40.0	7.8	10.00	9.83
<b>Massachusetts</b>									
Massachusetts Electric Co. and Nantucket Electric Co. <sup>22</sup>	Electric	09-39 <sup>23,24</sup>	5/15/09	11/30/09	12/31/08	16.67	-25.009 <sup>25</sup>	N/A	10.35
<b>Michigan</b>									
Consumers Energy	Electric	U-15645, 278 PUR4th 457	11/14/08	11/2/09	12/31/09	215.0	139.41	10.70	10.70

Source: Fortnightly Research; 2010 ROC Survey Database, Fortnightly.com

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								Previously Authorized Rate (%)	Newly Authorized Rate (%)
Consumers Energy	Gas	U-15986	5/22/10	5/17/10	9/30/10	114.40	65.89	10.55	10.55
Detroit Edison	Electric	U-15768, 280 PUR4th 310	1/26/09	1/11/10	6/30/10	378.00	217.39	11.00	11.00
Michigan Consolidated	Gas	U-15985, 282 PUR4th 1	6/9/09	6/3/10	12/31/10	192.639	118.56	11.00	11.00
Upper Peninsula Power	Electric	U-15988	6/26/09	12/16/09	12/31/10	12.182	6.500	10.75	10.90
Wisconsin Electric Power Co.	Electric	U-15981	7/2/09	7/1/10	12/31/10	42.100	23.465	10.55	10.25
<b>Minnesota</b>									
CenterPoint Energy	Gas	G008/GR-08-1075	11/3/08	3/18/10	12/31/09	59.78	40.8	9.71	10.24 <sup>26</sup>
Minnesota Power	Electric	E015/GR-08-415	6/12/08	8/10/09	6/30/09	45.02	20.42	11.60	10.74
Northern States Power dba Xcel Energy	Electric	E002/GR-08-1065, 277 PUR4th 96	11/3/08	12/18/09	12/31/09	156.07	91.38	10.54	10.88
<b>Missouri</b>									
Missouri Gas Energy	Gas	GR-2009-0355, 280 PUR4th 107 <sup>27</sup>	4/2/09	2/10/10	N/A	32.4	16.2	10.5	10.0
<b>Nebraska</b>									
SourceGas Distribution LLC	Gas	NG-0060	7/2/09	3/9/10	12/31/08	9.3	1.632	N/A	9.6
<b>Nevada</b>									
Southwest Gas Corp.	Gas	09-04003, 277 PUR4th 182 <sup>28</sup>	4/3/09	11/3/09		N/A		10.5	10.15 <sup>29</sup>
<b>New Hampshire</b>									
Public Service Co. of New Hampshire	Electric	DE-09-035	6/30/09	6/28/10	N/A	51.00 <sup>30</sup>	40.6 <sup>31</sup>	N/A	9.67 <sup>32</sup>
<b>New Jersey</b>									
New Jersey Natural Gas Co.	Gas	GR07110889	11/20/07	10/3/08	4/30/08	58.36	32.5	11.5 <sup>33</sup>	10.3
<b>New Mexico</b>									
El Paso Electric Co.	Electric	09-00171	5/29/09	12/10/09	12/31/09	12.7	5.5	N/A	N/A*
<b>New York</b>									
Central Hudson	Electric	09-E-0588	7/31/09	6/18/10	3/31/09	15.2	11.8 <sup>34</sup>	10.0	10.0
Central Hudson	Gas	09-G-0589	7/31/09	6/18/10	3/31/09	4.0	5.7 <sup>35</sup>	10.0	10.0
Consolidated Edison Co.	Electric	09-E-0428	5/8/09	3/26/10	12/31/08	854.4	540.8 <sup>36</sup>	10.0	10.15
Orange & Rockland	Gas	08-G-1398, 276 369 PUR4th	11/26/08	10/16/09	6/30/08	17.8	12.839 <sup>37</sup>	9.8	10.4
<b>North Carolina</b>									
Duke Energy Carolinas LLC	Electric	E-7, Sub 909 <sup>38</sup>	4/29/09	9/7/09	12/31/08	496.046	315.163	11.0	10.7
<b>North Dakota</b>									
Otter Tail Corp.	Electric	PU-08-862	11/3/08	11/25/09	2007	6.1	3.6	14.5	10.75
<b>Oregon</b>									
Avista Corp.	Gas	UG 186	6/25/09	10/26/09	12/31/08	14.2	8.75	10.0	10.1
Idaho Power Co.	Electric	10-064	6/31/09	2/24/10	12/31/09	7.3	5.0	N/A	10.175 <sup>39</sup>
PacifiCorp.	Electric	10-022	4/2/09	1/26/10	12/31/10	92.1	41.5	N/A	10.125
<b>Pennsylvania</b>									
Columbia Gas of Pennsylvania	Gas	R-2009-2149262	1/28/10	8/18/10	9/30/10	32.3	12.0	N/A	N/A*
<b>Rhode Island</b>									
Narragansett Electric dba National Grid	Electric	4065, 281 PUR4th 161	6/1/09	4/29/10	12/31/08	65.5	15.5	10.5	9.8

Source: Fortnightly Research; 2010 RDE Survey Database, Fortnightly.com

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								Previously Authorized Rate (%)	Newly Authorized Rate (%)
Narragansett Electric dba National Grid	Gas	3943	4/1/08	1/29/09	9/30/07	20.0	13.7	11.25	10.5
<b>South Carolina</b>									
Duke Energy Carolinas, LLC	Electric	2009-226-E, 279 PUR4th 266	7/27/09	1/27/10	12/31/08	132.9	74.125	12.25	11.0
South Carolina Electric & Gas Co.	Electric	2009-489-E	1/15/10	7/15/10	9/30/09	197.575	101.248	11.0	10.7
<b>South Dakota</b>									
Black Hills Power	Electric	EL09-018	9/30/09	8/11/10	6/30/09	32	15.2	N/A	N/A <sup>40</sup>
Xcel Energy	Electric	EL09-009	6/30/09	1/12/10	12/31/08	18.6	10.95	11.25 <sup>41</sup>	N/A <sup>40</sup>
<b>Texas</b>									
Atmos Energy Corp.	Gas	GUD 9869	4/24/09	1/26/10	6/30	7.7	2.7	10.00	10.40
El Paso Electric	Electric	37690	12/9/09	7/30/10	6/30/09	51.6	17.15	12.00	N/A*
Entergy Texas	Electric	37744	12/30/09	8/6/10	6/30/09	198.7	68.0	10.0	10.125
SWEPCO	Electric	37364	8/28/09	4/16/10	3/31/09	75.0	15.0 <sup>42</sup>	15.70 <sup>43</sup>	N/A*
<b>Utah</b>									
Questar Gas Co.	Gas	09-057-16, 282 PUR4th 273 <sup>38</sup>	10/6/09	6/3/10	12/31/10	17.2	2.6	10.0	10.35
Rocky Mountain Power	Electric	09-035-23, 279 PUR4th 1	4/16/09	2/18/10	5/15/09 <sup>44</sup>	66.88	32.4	10.6	10.6
<b>Vermont</b>									
Green Mountain Power Co.	Electric	7585, 281 PUR4th 466 <sup>45</sup>	12/10/09	4/16/10	N/A			9.69	9.94 <sup>46</sup>
<b>Virginia</b>									
Appalachian Natural Gas Distribution Co.	Gas	PUE-2009-00026 <sup>36</sup>	8/19/09	5/4/10	12/31/09	0.2173	0.2173	N/A	11.5
Kentucky Utilities	Electric	2009-00029	6/3/09	3/4/10	12/31/08	12.2	11.0 <sup>47</sup>	13.0	10.5
<b>Washington</b>									
Avista Corp.	Electric	UC-090134, 279 PUR4th 77	1/23/09	12/22/09	9/30/08	69.8	12.10	10.2	10.2
Avista Corp.	Gas	UG-090135, 279 PUR4th 77	1/23/09	12/22/09	9/30/08	4.9	0.56	10.2	10.2
PacifiCorp.	Electric	UE-090205	2/9/09	12/6/09	6/30/08	38.5	13.5	10.2	10.2
Puget Sound Energy	Electric	UE-090704, 281 PUR4th 329	5/8/09	4/2/10	12/31/08	148.1	56.2	10.15	10.1
Puget Sound Energy	Gas	UG-090705, 281 PUR4th 329	5/8/09	4/2/10	12/31/08	27.2	10.1	10.15	10.1
<b>West Virginia</b>									
Hope Gas, Inc.	Gas	08-1783-G-42T, 277 PUR4th 410	10/16/08	12/20/09		34.4	8.78	N/A	9.45
Monongahela Power Co./ The Potomac Edison Co.	Electric	09-1352-E-42T <sup>48</sup>	8/13/09	6/25/10	12/31/08	122.1	60.0	10.5	N/A*
Mountaineer Gas Co.	Gas	09-0878-G-42T	6/1/09	3/19/10	12/31/08	26.36	16.0	N/A*	
<b>Wisconsin</b>									
Madison Gas & Electric Co.	Electric	3270-UR-116	4/29/09	12/22/09	12/31/09	16.0	11.9	10.8	10.4
Madison Gas & Electric Co.	Gas	3270-UR-116	4/29/09	12/22/09	12/31/10	4.4	-1.5	10.8	10.4
Northern States Power Co.	Electric	4220-UR-116	6/1/09	12/22/09	12/31/10	30.4	6.4 <sup>49</sup>	10.75	10.4
Northern States Power Co.	Gas	4220-UR-116	6/1/09	12/22/09	12/31/10	0 <sup>50</sup>	0	10.75	10.4
Wisconsin Electric Power Co.	Electric	05-UR-104	3/13/09	12/18/09	12/31/10	126.6	85.8	10.75	10.4
Wisconsin Electric Power Co.	Gas	05-UR-104	3/13/09	12/18/09	12/31/10	22.1	-2.0	10.75	10.4
Wisconsin Gas Co.	Gas	05-UR-104	3/13/09	12/18/09	12/31/10	38.8	5.7	10.75	10.5

Source: Fortnightly Research, 2010 RGE Survey Database, Fortnightly.com



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								Previously Authorized Rate (%)	Newly Authorized Rate (%)
Wisconsin Power & Light Co.	Electric	6680-UR-117	5/8/09	12/18/09	12/31/10	85.5	58.6	10.8	10.4
Wisconsin Power & Light Co.	Gas	6680-UR-117	5/8/09	12/18/09	12/31/10	6.2	5.6	10.8	10.4
<b>Wyoming</b>									
Black Hills Power	Electric	20002-75-ER-09	10/19/09	8/13/10	6/30/09	3.819	3.143	12.20	10.5
Montana Dakota Utilities	Electric	20004-81-ER-09	8/14/09	5/26/10	12/31/08	5.054	2.652	10.87	10.0
Rocky Mountain Power	Electric	20000-352-ER-09	10/2/09	7/29/10	12/31/10	70.919	35.51 <sup>51</sup>	10.25	10.25

\* Settlement agreement. ROE not specified.

Source: Fortnightly Research; 2010 ROE Survey Database, Fortnightly.com

### Notes:

- ROE Figure stated in order approving modified settlement agreement.
- Cost of capital governed by trigger mechanism tied to interest rate index.
- Approved settlement agreement. ROE stated in PUC order.
- Order granting request to forgo "transition" increases in authorized cost of capital for 2010 based on projected increase in interest rate index for 2009. Utilities said increases caused by bankruptcy of Lehman Brothers in 2008 and would likely be reversed in a year's time. Utilities to defer scheduled cost-of-capital filing to 4/20/12.
- Due to delay in operation of utility's Commanche 3 electric generating plant, \$61.4 million withheld from revenue requirement until plant comes on-line.
- Figures shown are cumulative for two-year rate plan. Utility awarded an increase of \$63.4 million in 2010 and an additional \$38.5 million for 2011.
- Figure shown includes a 50-basis-point downward adjustment for reduced risk associated with the operation of a revenue decoupling mechanism.
- Figure includes base-rate increase for the Bartow Repowering Project that was authorized in Order No. PSC-09-0415-PAA-EI, issued June 12, 2009 in Docket No. 090144-EI. Base rates frozen through 12/31/12 unless ROE falls below 9.5%.
- Order approving a revenue decoupling plan for HECO, Inc. utility companies. PUC directs utilities to submit revenue requirement data reflecting a reduced rate of return due to lowering of risk associated with the plan. New rates will become effective as PUC completes pending rate cases.
- Authorized ROE will be a weighted rate approved in prospective rate proceedings in most recent rate case. ROE applied under above-authorized decoupling plan. First 100 points actual booked ROE over authorized ROE results in 25% sharing credit to ratepayers. Next 200 produces a 50% credit. Earned ROE exceeding 300-basis points above authorized rate produces a 90% credit.
- Order on rehearing.
- Commission approved non-unanimous settlement agreement regarding advanced ratemaking principles to be applied in wind-power project review cases.
- Utility currently operating under a rate freeze through 2012.
- Base Rate Case. Data of vote at the LPSC Business and Executive Session.
- Figure shown is midpoint of approved range of 10.7% to 11.3%.
- Proceeding to review level of earnings under formula rate plan.
- Refund under settlement agreement resolving remaining issues in company's 2007 test year formula rate plan.
- Formula rates reset to achieve ROE shown.
- Order adopting new formula rate plan to be in effect for three years based on the results of operations for 2008, 2009 and 2010 test years.
- Refund under settlement agreement resolving remaining issues in company's 2006 test year formula rate plan.
- Settlement agreement. Step increase of 12% (1/1/10), 10% (12/1/10) and 10% (12/1/11). Second and third step increases subject to "gross margin test." If margin as measured each rate year exceeds stated starting point by 15% or more, step increase postponed if ROE to exceed 10% pending further review.
- Both utilities doing business as National Grid. Rates for both companies made identical after acquisition of Nantucket Electric by New England Electric System, predecessor holding company of National Grid.
- Order approving rate reduction and a revenue decoupling plan pursuant to guidelines developed in a separate generic proceeding.
- Company also proposed implementation of a full revenue decoupling plan with no adjustment to current revenues.
- By order on rehearing dated 4/13/10, company ordered to reduce rates by an additional \$1.68 million.
- Includes effect of approval of partial decoupling.
- Partial settlement agreement. ROE litigated along with issues pertaining to rate design and energy efficiency.
- Findings revised on rehearing. Order issued 12/21/09. Company directed to calculate new rates incorporating findings.
- Reflects reduction in risk as result of approval of revenue decoupling plan.
- Figure shown is for permanent annual rate increase. Company also request additional step increase of \$17 million effective 7/1/10.
- Approved settlement agreement authorizing initial increase figure shown to resolve revenue deficiency and step increases of \$12.2 million for July 1, 2010. Further increases dependent on future plant additions.
- Earnings above 10% ROE triggers progressive sharing mechanism.
- As reflected in January 1994 rate order.
- A rate increase of \$11.8 million rate year 1, \$9.3 million rate year 2 and \$9.1 million rate year 3. Rate plan updates. Plan includes earnings-sharing mechanism.
- A rate increase of \$5.7 million rate year 1, \$2.3 million rate year 2 and \$1.6 million rate year 3. Rate plan update. Plan includes earnings-sharing mechanism.
- A rate increase of \$540.8 million rate year 1, \$306.5 million rate year 2 and \$280.2 million rate year 3 to be levelized on a 3-year basis at \$420.4 million each year (equating to approx \$1,261.2 million over the term of the agreement). Plan includes earning sharing mechanism.
- A rate increase of \$12.839 million rate year 1, \$5,238 million rate year 2 and \$4,479 million rate year 3 to be levelized on a 3-year basis at \$8.964 million each year (equating to approx \$26.892 million over the term of the agreement). Rate plan update.
- Settlement agreement.
- Figure stated in approved settlement agreement.
- Settlement agreement ROE figure treated as confidential.
- Figure from 1992 rate order.
- Does not include \$10 million one-year surcharge for vegetation management.
- Authorized in 1984.
- Test period set by commission in separate order under rate-case scheduling regulations.
- Order approving successor alternative rate plan. Plan permits annual rate adjustments to reflect changes in operating costs.
- Subject to ROE adjustment mechanism.
- Per settlement agreement.
- Joint filing.
- Increase offset by a \$6.4 million fuel cost refund.
- No increase was requested. Staff's audit indicated that present rates were reasonable.
- Amount shown applied in two phases; \$25.5 million effective 7/1/10; \$10 million effective 2/1/11.

# EXHIBIT

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**BODY:**

India, Oct. 18 -- /CNW/ - GWR Global Water Resources ▼Corp. (Global Water) announced today that it has filed a preliminary prospectus with the securities regulatory authorities in each of the provinces and territories of Canada in connection with a proposed initial **public** offering (the Offering) of its common shares (the Common Shares). Global Water is a corporation that was formed to acquire a minority interest in **Global Water Resources, Inc.** ▼(GWRI). GWRI is a leading water resource management company that owns and operates water, wastewater and recycled water utilities in strategically located communities, principally in metropolitan Phoenix, Arizona. The underwriting syndicate for the offering is led by Clarus Securities Inc. and CIBC World Markets Inc. The preliminary prospectus is subject to completion or amendment and there will not be any sale or any acceptance of an offer to buy the Common Shares until a receipt for the final prospectus has been issued.

Completion of the Offering is subject to and conditional upon the receipt of all necessary approvals, including regulatory approvals. The Common Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the U.S. Securities Act), or any U.S. state securities laws and may not be offered or sold in the United States absent registration or an available exemption from the registration requirement of the U.S. Securities Act and applicable U.S. state securities laws. This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Common Shares, in any jurisdiction in which such offer, solicitation or sale would be unlawful. About GWRIGWRI is a

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# **EXHIBIT**

# **D**

## Confidential Information Memorandum

*This memorandum is confidential and for internal use only. The content is not to be reproduced or distributed to the public or the press. Securities legislation in all provinces prohibits such distribution of information. This memorandum should be read in conjunction with the amended and restated preliminary prospectus dated November 1, 2010. The information contained herein, while obtained from sources which are believed to be reliable, is not guaranteed as to its accuracy or completeness and confers no right to purchasers. Information contained herein may be amended. This memorandum is for information purposes only and does not constitute an offer to sell or a solicitation to buy the securities referred to herein.*

Initial Public Offering

November 2010



**GLOBAL WATER**  
RELIABLE • RENEWABLE • REUSABLE

**GWR Global Water Resources Corp.**  
**Approximately C\$75 million**  
**C\$10.00 to C\$13.00 per Common Share**

**Proceeds used to acquire up to a 49.9% interest in Global Water Resources, Inc. ("GWRI")**

### INVESTMENT HIGHLIGHTS

- **Water Utilities Strategically Located in Path of Growth**
  - Owns and operates regulated water, wastewater and recycled water utilities in strategically located growth corridors, principally in metropolitan Phoenix, Arizona where net in-migration and population growth are expected to outpace the national growth rate
  - 38,923 active service connections as of September 30, 2010 offering predictable rate-regulated cash flows
- **Modern Infrastructure with Built-In Capacity for Growth**
  - Infrastructure currently in place to service up to 88,000 service connections, a potential increase of 126% with minimal incremental capital expenditures
  - Approximately 90% of infrastructure has been built in the last six years; maintenance capital expenditures estimated to be approximately \$1 million annually or 6% of LTM Adjusted EBITDA vs. the sector average of 76% of EBITDA
- **Leader in Utilization of Technology and Innovation**
  - Model of Total Water Management ("TWM") manages the entire water cycle through the use of recycled water to augment potable water supply; it is a proven and effective means of managing water scarcity
  - The application of TWM promotes sustainable communities and helps achieve greater dwelling unit density in areas where the availability of sustainable water can be a key constraint on development
  - GWRI also utilizes its sector-leading technology platform to reduce costs, increase revenues and save water. Its technology has been demonstrated to increase margins; GWRI generated EBITDA margin of 58.0% vs. the sector average of 39.7% based on LTM Adjusted EBITDA
- **Unique FATHOM U<sub>2</sub>U™ Solutions Offering with Very Large Target Market and Limited Competition**
  - Many municipalities in the U.S. are financially distressed as a result of recent economic downturn; there are 23,000 municipalities in FATHOM™'s target market of municipalities with populations of less than 50,000
  - FATHOM U<sub>2</sub>U™ is an integrated suite of advanced technology-enabled services designed to bring heightened efficiencies to municipally-owned utilities on an outsourced basis
  - FATHOM™ products have been proven to increase revenue, decrease costs and solve problems for municipalities
  - Seven long term contracts have been signed with five utilities and an additional 19 contracts are in advanced negotiations
- **Strong, Profitable Growth Strategy**
  - Large addressable market and pipeline of customer opportunities to drive increased sales of FATHOM™
  - Well positioned to take advantage of a highly fragmented market by acquiring existing water and wastewater utilities
  - Strong forecasted population growth in service territories to drive organic growth within existing capacity
- **Entrepreneurial and Experienced Management Team**
  - Seasoned, award winning management team with extensive industry and acquisition track records
  - Entrepreneurial approach that emphasizes growth and efficiency with a demonstrated ability to lever technology to improve margins
  - Significant regulatory compliance and permitting experience in the water and wastewater industry

### MARKETING INFORMATION

#### Internet Roadshow

Website: [www.equicomgroup.com/globalwater](http://www.equicomgroup.com/globalwater)  
Password: fathom

#### Retail Conference Call

November 16, 2010 at 11:00 AM EST  
Dial-In (local): 416-340-9432  
Dial-In (toll-free): 1-877-440-9795  
Playback: 1-800-408-3053, Passcode: 7627250#

#### Clarus Securities Inc.

RBC Capital Markets  
GMP Securities L.P.

#### CIBC World Markets Inc.

TD Securities Inc.  
National Bank Financial Inc.

## SUMMARY OF THE OFFERING

<b>Issuer:</b>	GWR Global Water Resources Corp. ("GWR" or "the Issuer")
<b>Offering Size:</b>	Approximately 6.5 million Common Shares ("Common Shares") from the treasury of the Issuer (approximately 7.5 million if the Over-Allotment Option is exercised).
<b>Total Gross Proceeds:</b>	Approximately C\$75 million (approximately C\$86 million if the Over-Allotment Option is exercised) (the "Offering").
<b>Offering Price:</b>	C\$10.00 to C\$13.00 per Common Share
<b>Over-Allotment Option:</b>	The Underwriters have been granted an Over-Allotment Option, which is exercisable for a period of 30 days commencing on the closing of the Offering to purchase additional Common Shares up to 15% of the base offering at the Offering Price.
<b>Use of Proceeds:</b>	The Issuer intends to use the net proceeds of the Offering to purchase from treasury an approximate 46.4% interest in GWRI (49.9% if the Over-Allotment Option is exercised in full). GWRI will in turn use approximately \$50.2 million of the net proceeds of the Offering for repayment of its line of credit, approximately \$16.4 million of the net proceeds of the Offering for repayment of a related party loan made by Mr. William S. Levine, a director of GWRI and the Issuer, and the balance of the net proceeds of the Offering for general corporate purposes, including implementing GWRI's growth strategy. No repayment to Mr. Levine of the related party loan will be made unless a minimum of \$10.0 million of net proceeds is available for general corporate purposes. All use of proceeds figures assume an offering price of approximately C\$11.50 per Common Share.
<b>Retained Interest:</b>	Following the closing of the Offering, the existing shareholders of GWRI ("Existing Owners") will hold an approximate 53.6% interest in GWRI, or 50.1%, if the Over-Allotment Option is exercised in full.
<b>Lock-Up Agreement:</b>	The Issuer has agreed to a standstill for a period of 180 days from the closing date of the Offering. Each of the Existing Owners have also agreed to a lock-up of Common Shares, GWRI Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire any Common Shares or GWRI Shares for a period of 180 days from the closing date of the Offering.
<b>TSX Symbol:</b>	The Company will seek to list its Common Shares on the TSX under the symbol GWR.
<b>Eligibility for Investment:</b>	The Common Shares will be qualified investments under the Income Tax Act (Canada) for RRSPs, RRIIFs, RESPs, DPSPs and TFSAs.
<b>Form of Offering:</b>	Marketed initial public offering by way of long form prospectus filed in all provinces and territories in Canada, and in the U.S. on a private placement basis pursuant to an exemption from the registration requirements in Rule 144A of the United States Securities Act of 1933, as amended.
<b>Selling Concession:</b>	3.0%
<b>Expected Pricing:</b>	Week of November 22, 2010
<b>Expected Closing:</b>	Week of November 29, 2010

*Except as otherwise indicated, all dollar amounts in this memorandum are expressed in U.S. dollars. An investment in the Common Shares is subject to certain risk factors, which prospective investors should consider before purchasing such securities. See "Risk Factors" in the Issuer's amended and restated preliminary prospectus. Capitalized terms not defined herein shall have the meaning ascribed thereto in the amended and restated preliminary prospectus dated November 1, 2010.*

# **EXHIBIT**

**E**



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*Global Water Slashes IPO Target By At Least 25% Dow Jones Business News December 8, 2010  
Wednesday 5:50 PM GMT*

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**Dow Jones Business News**

Dow Jones Business News

December 8, 2010 Wednesday 5:50 PM GMT

**LENGTH:** 364 words**HEADLINE:** Global Water Slashes IPO Target By At Least 25%**BYLINE:** By Stuart Weinberg, OF DOW JONES NEWSWIRES**BODY:**

TORONTO -(Dow Jones)- **Global Water Resources** ↘Corp. cut its target price for its planned initial public offering by at least 25%, in a sign the offering is struggling to attract investors.

The company is now seeking C\$7.50 a share, down from its original target of C\$10-C\$13 a share, according to a revised term sheet.

Total proceeds of the revised offering are expected to be about C\$61.4 million, according to the term sheet. If the over-allotment option is exercised, total proceeds could increase to C\$70.6 million. The company had initially been hoping to raise C\$75 million, with that figure rising to C\$86 million if the over-allotment option had been exercised.

GWR **Global Water Resources** ↘Corp., or GWRC, was set up to purchase a 46.4% stake in **Global Water Resources** Inc., ↘a Phoenix-based water-resource-management company that owns regulated water, wastewater and recycled water utilities.

**Global Water Resources** Inc., ↘or GWRI, will use about US\$50.2 million of the proceeds for repayment of its line of credit, the revised term sheet said. The balance of the proceeds will be used for general corporate purposes, the revised term sheet said.

Initially, some of the IPO proceeds had been pegged to pay off a related party loan of US\$18.3 million to GWRI director William Levine. However, now Levine will accept repayment in the form of GWRC shares valued at about C\$6.3 million, according to the revised term sheet.

The IPO is being led by Clarus Securities and CIBC World Markets. It comes at a time when a number of Canadian IPOs have either been pulled or seen their target prices reduced. For instance, Global Packaging Plus Inc. recently pulled its C\$92 million IPO after slashing the targeted size by 23% in an attempt to generate investor demand. As well, TransAxio Highway Concession Inc. recently pulled its C\$850 million IPO, citing poor market conditions, and Whistler Blackcomb Holdings Inc. settled on an IPO price of C\$12 after cutting its targeted price twice. Whistler had originally been seeking C\$14-C\$15 a share.

-By Stuart Weinberg; Dow Jones Newswires; 416-306-2026;

stuart.weinberg@dowjones.com

(With files from Ben Dummett in Toronto.) [ 12-08-10 1250ET ]

**NOTES:**

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Focus: **Global /1 Water /1 resources** (Exit FOCUS™)

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