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AZ CORP COMMISSION
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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY, AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS WESTERN GROUP AND FOR CERTAIN RELATED APPROVALS.	DOCKET NO. W-01445A-10-0517 **AMENDED APPLICATION**

Arizona Water Company, an Arizona corporation (the "Company") hereby files this Amended Application ("Application") for an order approving certain adjustments to its rates and charges for utility service provided by the Company's Western Group water systems in Arizona. In support thereof, the Company states as follows:

1. The Company is an Arizona corporation engaged in providing water for public purposes in portions of Cochise, Coconino, Gila, Maricopa, Navajo, Pima, Pinal, and Yavapai Counties, Arizona, pursuant to certificates of public convenience and necessity granted by the Arizona Corporation Commission (the "Commission"). At the present time, the Company operates 19 water systems that serve approximately 84,000 customers.

2. The Company's central business office is located at 3805 North Black Canyon Highway, Phoenix, Arizona 85015-5351. Its mailing address is Post Office Box 29006, Phoenix,

Arizona 85038-9006, and its telephone number is (602) 240-6860. The Company's President and primary management contact is William M. Garfield, who is responsible for supervising the day-to-day operations of the Company.

3. The person responsible for overseeing and directing the conduct of this application is Joseph D. Harris, the Company's Vice President and Treasurer. Mr. Harris' office and mailing addresses are the same as those set forth in the previous paragraph. Mr. Harris' telephone number is (602) 240-6860, Ext. 170; his facsimile number is (602) 240-6874; his e-mail address is jharris@azwater.com. All discovery, data requests, and similar requests for information concerning this Application should be directed to Mr. Harris.

4. In this Application, the Company seeks adjustments to its rates and charges for utility service for the Company's Western Group systems, which includes the Pinal Valley (Casa Grande, Coolidge and Stanfield), Ajo and White Tank water systems. Together, the Company's Western Group water systems served approximately 30,600 customers at the end of the test year (December 31, 2010) used in this application. The Commission has previously authorized the Company to implement and utilize a "group concept" for filing rate applications in order to, among other things, simplify processing of rate applications and increase administrative efficiency. See Decision No. 58120 at 33-34 and 39. See also Procedural Order (August 1, 1995) issued in Docket No. U-1445-91-227.

5. The last Company rate case was filed in 2008, processed on a total company basis, and decided in Decision No. 71845 (August 25, 2010). The test year used in that proceeding was the 12-month period ending December 31, 2007. The Company's last rate case involving only its Western Group systems was filed in 2004 and decided in Decision No. 68302 (November 14, 2005), using a test year of the 12-month period ending December 31, 2003.

6. As noted in the Company's original Application in this docket filed on December 29, 2010[1], revenues from the Company's utility operations are presently inadequate to allow the Company to recover its operating costs and provide a just and reasonable rate of return on the fair

[1] The Amended Application is being filed pursuant to an agreement between the Company and Staff, as set out in detail in a Procedural Order entered by Judge Harpring in this docket on March 25, 2011.

value of its utility plant and property used to provide service to its Western Group water system customers. Since 2007, the test year in the Company's most recent rate proceeding, the Company has designed, constructed, and placed into service significant additions to utility plant in order to assure safe and reliable water service to its customers and, in particular, to comply with the Commission's directive to reduce water losses by July 1, 2011. As a result, the Company's rate base has increased substantially. Accordingly, the Company requests that certain adjustments to its rates and charges for utility service rendered by its Western Group water systems be approved by the Commission so that the Company can recover the costs of providing water service to its customers and earn a just and reasonable rate of return on the fair value of its utility plant and property.

7. Filed herewith as a separately-bound exhibit are the schedules required pursuant to A.A.C. R14-2-103 for rate applications by Class A water utilities. The test year utilized by the Company in connection with the preparation of such schedules is the 12-month period that ended December 31, 2010. It is also the most recent 12-month period for which audited financial statements are available. The Company requests that the Commission utilize such test year in connection with this Application, with appropriate adjustments for utility plant additions that have been completed and placed in service in the Western Group water systems as detailed in said schedules, and appropriate adjustments for known and measurable changes in the Company's operating expenses since December 31, 2010 to obtain a normal or more realistic relationship between revenues, expenses and rate base during the period rates will be in effect. The Company stipulates that the Commission may use its original cost rate base as its fair value rate base for the limited purpose of setting rates in this proceeding.[2]

8. During the test year, the Company's Western Group water system had adjusted gross revenues of $18,666,115, adjusted operating income of $2,388,064 and adjusted net income of $578,767. The Company's adjusted original cost rate base for the Western Group water

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[2] In so stipulating, the Company does not intend to imply that the value of its utility plant, property and other rights is equal to its original cost rate base in other contexts or for other purposes; this stipulation applies to this proceeding only.

systems was $54,072,795. Thus, the rate of return on original cost rate base for the Western Group water systems for the adjusted test year was only 4.42%. The Company submits that this rate of return is inadequate to allow the Company to service its debt, maintain a sound credit rating, and enable the Company to attract additional capital on reasonable and acceptable terms in order to continue necessary investment in utility plant to adequately serve its customers.

9. The Company is requesting an increase in revenues for the Western Group water systems of $4,564,110, which constitutes an increase of 24.45%. The proposed adjustment to the Company's rates and charges is designed to produce a rate of return on the original cost rate base equal to 9.51%.

10. In Decision No. 64302 (Nov. 14, 2005), the Commission approved an Arsenic Cost Recovery Mechanism ("ACRM") for the Company's Western Group water systems. For reasons described in the Direct Testimony of Fredrick K. Schneider, the Company must construct additional arsenic treatment plants in the Pinal Valley water system. Planning and design for those plants are underway. In Decision No. 71845, the Commission authorized the Company to make new ACRM filings for arsenic treatment plants that were planned for construction in its Sedona and Superstition water systems. The Company is requesting that the authorization granted in Decision No. 71845 be extended to the Western Group water systems in this proceeding.

11. In Decision No. 71845, the Commission also approved consolidation of the Casa Grande, Coolidge and Stanfield water systems into the Pinal Valley Water System. In addition, the Company was ordered to prepare a study outlining consolidation proposals for its remaining systems, including impacts to customers and timelines for implementation. The Company filed the consolidation study in Docket No. W-01445A-08-0440 on September 30, 2010. Consistent with that study, the Company is now proposing to consolidate the White Tank water system with the Pinal Valley water system.

12. In Decision No. 68302 (Nov. 14, 2005), the Commission approved a Central Arizona Project ("CAP") Hook-Up Fee for the Pinal Valley (Casa Grande and Coolidge) and White Tank water systems for the purpose of recovering on-going and deferred CAP municipal

and industrial capital costs. In Decision No. 71845, the Commission authorized the Company to continue collection of the CAP Hook-Up Fees until its next Western Group rate case or December 31, 2012, whichever comes first. As detailed in the Direct Testimony of Joel M. Reiker, the Company is requesting in this case that the Commission authorize the Company to continue collecting the present CAP Hook-Up Fees, and that they be consolidated into a single fee consistent with the Company's request to consolidate water rates for the Pinal Valley and White Tank water systems.

13. In addition to its request to continue the CAP Hook-Up Fees and ACRM for the Western Group water systems, the Company, in order to restore and then maintain its financial ability to provide an adequate level of water service to its Western Group water system customers, is requesting authorization to implement a Distribution System Improvement Charge ("DSIC") for its Western Group water systems. The DSIC is a ratemaking tool that allows utilities to recover the fixed costs (depreciation and rate of return) of non-revenue producing distribution system improvement projects completed between rate cases. In Decision No. 71845, the Commission stated that an infrastructure funding mechanism, or DSIC, may be a reasonable way to proceed with orderly replacement of the Company's aging infrastructure. The Commission also stated its belief that it was appropriate for the Company to further develop this issue for future consideration by preparing and filing a DSIC study, and to utilize the information from that study to inform the Commission of further proposals in its future rate cases. The initial form of the DSIC study is filed as part of this application as an exhibit to the Direct Testimony of Joseph D. Harris. The initial form of the DSIC Study and Mr. Harris' testimony provide the specific details of the Company's DSIC proposal.

14. In addition to its ACRM and CAP Hook-Up Fees continuation and the DSIC proposal, the Company is requesting authorization to implement an Off-Site Facilities Fee. The purpose of the Off-Site Facilities Fee is to equitably apportion the costs of constructing additional off-site facilities to provide water production, treatment, delivery, storage and pressure facilities among all new customers whose water supply requirements make these facilities necessary. A $3,500 fee would be established for each new service connection with a 5/8 x 3/4-inch meter, and

the fee would be graduated in amount for larger meter sizes. The fee would be applicable to all new service connections in the service area, as further detailed in the Direct Testimony of Mr. Harris.

15. Filed concurrently in support of this Application is the Direct Testimony of the following persons: William M. Garfield, Joseph D. Harris, Fredrick K. Schneider, Joel M. Reiker and Thomas M. Zepp. This direct testimony is contained in a separately-bound volume filed concurrently with this Application. In addition, to assist the Utilities Division in evaluating this Application and to minimize discovery, the Company has provided the Utilities Division with copies of the Company's water bill analysis.

WHEREFORE, the Company requests the following relief:

A. That the Commission, upon proper notice and at the earliest possible time, approve permanent adjustments to the rates and charges for water service provided by the Company's Western Group water systems, as proposed by the Company herein, or approve such other rates and charges as will produce a just and reasonable rate of return on the fair value of the Company's utility plant and property;

B. That the Commission authorize continuation of the Company's CAP Hook-Up Fees, ACRM, and MAP Surcharge, as previously approved for the Company's Western Group water systems;

C. That the Commission authorize the Company to implement a DSIC for the Western Group water systems.

D. That the Commission authorize the Company to implement an Off-Site Facilities Fee for the Western Group water systems.

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

RESPECTFULLY SUBMITTED this 9th day of May, 2011.

ARIZONA WATER COMPANY

By: Robert W. Geake

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Arizona Water Company

An original and thirteen (13) copies of the foregoing, together with the separately bound schedules and direct testimony supporting this Application, were delivered this 9th day of May, 2011 to:

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

A copy of the foregoing together with the separately bound schedules and direct testimony supporting this Application, were delivered this 9th day of May, 2011 to:

Ms. Lyn Farmer
Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Steve Olea, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Janice Alward, Chief Counsel
Legal Division
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1200 West Washington Street
Phoenix, Arizona 85007

By: R. Robert Geake

CD

-Arizona Water Company
2010 Rate Case (Amended)
Testimony (Garfield, Harris, Reiker, Scheider, Zepp)

TO REVIEW SEE DOCKET SUPERVISOR

DOCKET
W-01445A-10-0517

Arizona Water Company
2010 Rate Case
(Amended)

Test Year Ended December 31, 2010

(Bookmarked)

ARIZONA WATER COMPANY

ARIZONA WATER COMPANY

Disc 1 of 2

Testimony

- William M. Garfield
- Joseph D. Harris
- Joel M. Reiker
- Fredrick K. Schneider
- Thomas M. Zepp

ARIZONA WATER COMPANY

Docket No. W-01445A-10-0517

2010 RATE HEARING

(*AMENDED*)

For Test Year Ending 12/31/10

PREPARED

DIRECT TESTIMONY

and

EXHIBITS

ARIZONA WATER COMPANY

Docket No. W-01445A-10-0517

2010 RATE HEARING

(*AMENDED*)

For Test Year Ending 12/31/10

PREPARED

DIRECT TESTIMONY & EXHIBITS

OF

William M. Garfield

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Arizona Water Company Annual Report – Year Ending 12/31/2010 ..... WMG-3

Deteriorating Buried Infrastructure Management Challenges and Strategies: United States Environmental Protection Agency, (May, 2002) WMG-4

Value of Water Survey: (Analysis of the U.S. Water Crisis) WMG-5

ARIZONA WATER COMPANY

Direct Testimony of

William M. Garfield

I. Introduction and Qualifications

Q. PLEASE STATE YOUR NAME, EMPLOYER AND OCCUPATION?

A. My name is William M. Garfield. I am employed by Arizona Water Company (the "Company") as its President and Chief Operating Officer ("COO"). As such I am responsible for setting the goals for each of the Company's various departments and conduct regular meetings with department heads to ensure that work is completed in accordance with these goals. I also work closely with the Company's Vice President and General Counsel to ensure that all work and activities comply with all legal requirements. I report directly to the Company's Chief Executive Officer.

Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE, EDUCATIONAL BACKGROUND AND PROFESSIONAL AFFILIATIONS.

A. Since my initial employment with the Company in February 1984, I have held the positions of Engineer, Senior Engineer, Operations Manager, Vice President of Operations and currently hold the position of President and COO, which I have held since July 18, 2003.

I completed my undergraduate studies at Southern Illinois University at Carbondale and received a Bachelor of Science degree with honors in Thermal and Environmental Engineering. I have taken post-graduate coursework at Arizona State University in Civil Engineering, including coursework in hydrology, water and wastewater treatment and statistics. I am a member of Tau Beta Pi, a national honorary engineering society.

I am a member of the American Water Works Association ("AWWA"), the Arizona Water Association and serve on AWWA's Water Meter Standards Committee. I have been active in numerous water industry stakeholder groups with the Arizona Department of Environmental Quality ("ADEQ"), the Arizona Department of Water Resources ("ADWR") and the Central Arizona Groundwater Replenishment District and am an ADEQ certified water distribution system and water treatment plant operator. I serve on the Company's Board of Directors, the Board of Directors of the Water Infrastructure Finance Authority of Arizona and the Board of Directors of the Water Utilities Association of Arizona ("WUAA") as well as serving as WUAA's Treasurer. I also serve as Chairman of the Water Management Subcommittee of the Pinal Active Management Area Groundwater User Advisory Council. In addition, I am a member of the Statewide Water Advisory Group, serve on the Arizona Water Institute's External Advisory Board and I was a member of the Economic Working Group of the Blue Ribbon Panel on Sustainability, a panel formed to address water sustainability which was jointly chaired by the Arizona Corporation Commission (the "Commission"), ADWR and ADEQ.

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY FOR THE COMPANY IN ANY OF ITS RATE APPLICATIONS AT THE COMMISSION?

A. Yes. I have testified in the Company's last four rate application proceedings, which were for the Company's Northern, Eastern and Western Groups and the total Company.[1]

Q. WHAT IS THE PURPOSE AND EXTENT OF YOUR DIRECT TESTIMONY?

A. The purpose of my testimony is to provide, discuss or describe: a) A summary of direct testimony and general background of the Company's rate application; b) An

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[1] *See* Docket Nos. W-0445A-00-0962, W-01445A-02-0619, W-01445A-04-0650 and W-01445A-08-0440.

overview of the Company's obligation to provide safe, reliable and adequate water service; c) The status of aging infrastructure in the Company's Western Group water systems; d) The factors affecting the Company's ability to reduce water losses; e) The cost to replace aging infrastructure and thereby reduce water losses; f) The appropriateness of instituting a Distribution System Improvement Charge ("DSIC"); g) An overview of the need to continue the Company's consolidation plan; h) An overview of the success of the Arsenic Cost Recovery Mechanism ("ACRM") and the need to continue the ACRM; i) An overview of conservation efforts and Best Management Practices ("BMPs") and the need to fund BMPs; j) The need for an Off-Site Facilities Fee; and k) The need to continue Central Arizona Project ("CAP") hook-up fees.

II. Summary of Testimony and General Background of Application

Q. PLEASE SUMMARIZE THE COMPANY'S RATE APPLICATION.

A. The Company is requesting an increase in utility revenues of $4,564,110 over current rates to enable the Company to recover its cost of providing water utility service. This increase in utility revenues is required due to increased costs of providing utility service, increases in utility plant investment and the overall increase in the cost of capital since the Company's last rate decision and is due, in part, to declining water sales.

The Company must comply with safe drinking water standards and fulfill its obligation to provide safe, reliable and adequate water service to its customers. Also, in Decision No. 71845, the Company's most recent rate decision ("Decision No. 71845"), the Commission ordered the Company to reduce non-account water (i.e., water losses) to less than ten percent for all of its water systems, including its Western Group water systems. The Company may be unable to fully comply with these requirements and regulations due to the effects of aging infrastructure and the inability to timely recover the costs associated with the replacement or repair of

such infrastructure. The Commission has already established an effective way to fund certain capital-intensive infrastructure projects needed to comply with safe drinking water standards through its approval and adoption of an ACRM. Therefore, consistent with the basis for establishing an ACRM, the Company is requesting that the Commission approve and authorize the establishment of a DSIC for the Company's Pinal Valley Water System ("PVWS" or "Pinal Valley").

The Commission's public policy on water losses is clear – manage and control water loss and reduce water loss when it is too high. The Company has identified several main replacement projects needed to move towards compliance with the Commission's order to reduce water loss. To this end, the Company has installed, or will install, replacements of aging and leaking infrastructure in its PVWS. Some of this construction work was completed after the end of the Test Year. Because there is strong public policy supporting the installation of infrastructure needed to comply with safety, reliability and adequacy standards, the Company is requesting that the Commission allow this post-Test Year utility plant to be included in rate base as part of a 2010 Test Year in this proceeding.

In Decision No. 71845, the Commission approved the Company's proposal to consolidate several water systems and concluded in Statement of Fact Number 72 that the Company's rate consolidation proposal was just and reasonable. The Commission further ordered the Company to prepare a study on rate consolidation ("Consolidation Study") and to use the results of that study in its future rate cases, such as this case. In accordance with the Company's consolidation plan adopted by the Commission in Decision No. 71845 and with the Company's Consolidation Study, the Company is requesting that the Commission approve the first step in a phased consolidation of the PVWS and White Tank water system, and to approve the full consolidation of the Stanfield water system with the PVWS.

The Company is also requesting that the Commission continue the ACRM for the Company's Western Group, as the ACRM has proven to be an effective method of facilitating the construction of water treatment plants for reduction of arsenic in the water supply. The PVWS requires expansion of an existing water treatment plant and construction of a new water treatment plant due to sharply rising arsenic levels that do not comply with the arsenic safe drinking water standard as described in Mr. Schneider's direct testimony.

In Decision No. 71845, the Commission also ordered the Company to implement a certain number of BMPs for each water system, including its Western Group water systems. On December 22, 2010, the Company submitted its list of BMP tariffs to the Commission for its consideration in Docket No. W-01445A-08-0440 and has also requested recovery of the costs of implementing these BMPs. The Company requests that the increased cost of implementing these BMPs be authorized and approved for cost recovery in this proceeding. Mr. Reiker addresses the recovery of the cost of these BMPs in his direct testimony. Having adequate funding would help mitigate the cost of implementing these BMPs.

The Company is also requesting that the Commission approve the establishment of an Off-Site Facilities Fee for the PVWS and authorize the continuation and consolidation of the CAP Hook-Up Fees for its Pinal Valley and White Tank water systems.

III. Overview of the Company's Obligation to Provide Safe, Reliable and Adequate Water Service

Q. WHAT ARE THE COMPANY'S OBLIGATIONS AS A PUBLIC SERVICE CORPORATION?

A. As a public service corporation, the Company is obligated by Arizona Revised Statutes ("A.R.S.") §40-361 to provide service and facilities that are adequate, efficient and reasonable and that promote safety, health, comfort and

convenience. The Commission is empowered by the Arizona Constitution to establish rules and regulations to ensure that service is safe, reliable and adequate. In exchange for the exclusive right to provide public utility service, the Commission allows a public service corporation to charge rates that are just and reasonable. A just and reasonable rate is one that allows the Company an opportunity to recover its cost of service.

Q. WHAT RESPONSIBILITY DOES THE COMMISSION PLACE ON PUBLIC SERVICE CORPORATIONS TO PROVIDE SAFE, ADEQUATE AND RELIABLE SERVICE?

A. The Commission requires public service corporations to comply with safety, adequacy and reliability standards. Beginning with the initial application for a Certificate of Convenience and Necessity ("CCN"), a public service corporation must not only demonstrate to the Commission that it is ready, willing and able to serve, but also that the water it serves complies with safe drinking water standards.

Q. BESIDES THE COMMISSION, IS THE COMPANY REGULATED BY ANY OTHER ENTITY OR AGENCY CONCERNING THE SAFETY, ADEQUACY OR RELIABILITY OF SERVICE?

A. Yes. The Company is also regulated by the U.S. Environmental Protection Agency ("EPA"), ADEQ and ADWR. The EPA and ADEQ regulate the safety and quality of the water that the Company provides under the safe drinking water standards established by the federal Safe Drinking Water Act. In addition to safe drinking water standards, ADEQ has established capacity, technical and managerial capability standards for public water systems and regulations for the water distribution system and water treatment plant operators of such systems. ADWR regulates the Company's efforts concerning water conservation and water

use and requires the demonstration of supply adequacy through its Assured and Adequate Water Supply Programs.

Q. WHAT DO CUSTOMERS EXPECT FROM THEIR WATER SERVICE PROVIDER?

A. Safe, reliable and adequate water service at just and reasonable rates.

Q. WHAT CUSTOMER IMPACTS RESULT FROM UNRELIABLE OR INADEQUATE WATER SERVICE?

A. Among other impacts, interruptions in water service, low water pressure, and reduced fire flows can result from unreliable or inadequate water service. However, unreliable and inadequate water service can also adversely affect property values and the day-to-day lives of customers. Since water is a consumable commodity, the very health of the customer may be affected by the quality of the water provided. Disruptions in service can result in increased public safety risks when fire flows are not available. In addition, since water is also needed to support businesses, lack of supply or disruptions in water service can affect a customer's ability to work or earn a living.

Q. WITH REGARD TO THE CURRENT RATE APPLICATION, WHAT FACTORS AFFECT THE COMPANY'S ABILITY TO PROVIDE RELIABLE AND ADEQUATE WATER SERVICE?

A. Many factors can affect the Company's ability to provide reliable and adequate water service. One of the most important factors that can affect the Company's ability is its financial capability. Without adequate financial resources, the Company cannot fund the improvements or replacements needed to provide reliable and adequate water service. Utility infrastructure has a limited life and must eventually be replaced at the Company's own expense, whether such infrastructure was funded initially by contributions, refundable advances, or by the utility. In fact, the scope of this issue is so large that the EPA has identified that

hundreds of billions of dollars in capital investments are needed to fund aging infrastructure in recent national surveys. [2]

The Company's utility plant accounts show that water distribution and transmission mains account for about seventy percent of its utility infrastructure. In addition, as an industry, water utilities are much more capital intensive than other regulated utilities. A recent report by the National Association of Water Companies and State Public Utility Commission shows that utility plant for water utilities at $3.35 per dollar of revenue is much higher than the utility plant per dollar of revenue for electric, gas and telephone utilities, which were shown respectively at $1.67, $1.13 and $0.88 of utility plant per dollar of revenue.[3] The Company has an even higher level of utility plant totaling approximately $7.60 of utility plant per dollar of operating revenue, based on year-end original cost utility plant of $396,423,070 and operating revenues of $52,189,107 as shown in the Company's 2010 annual report filed with the Commission.[4]

Even after the Company's efforts to maintain and operate its water distribution systems through prudent management efforts, its water distribution systems (i.e., its water system infrastructure) are reaching, or have reached, a point where maintaining certain portions of those systems is not cost-effective and replacement of major portions of the water distribution system is necessary. As water distribution systems age, they become less reliable and present certain safety concerns as well. Every water distribution system main break or major leak disrupts service. Water quality and safety can also be adversely affected by the frequency of water distribution system main breaks. Even with the Company's strong commitment to provide safe, reliable and adequate water service, the necessary solution extends beyond management efforts alone.

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[2] *See* Exhibit WMG-1
[3] *See* Exhibit WMG-2
[4] *See* Exhibit WMG-3

In Decision No. 71845, the Commission concluded that reducing water loss is an important public policy objective. As explained by Mr. Schneider in his direct testimony, the Company has analyzed and assessed its Pinal Valley and Coolidge Airport water systems and concluded that management efforts alone cannot achieve this public policy objective and the Company must accelerate the replacement of aging infrastructure in the Pinal Valley and Coolidge Airport water systems.

Q. WHAT DO YOU MEAN BY THE TERM "MANAGEMENT EFFORTS"?

A. When I use the term "management efforts," I am referring to methods of operation and maintenance (i.e., monitoring system pressure) in addition to repair – and prudent operation of existing infrastructure in a manner intended to prolong its useful life. Ultimately, infrastructure reaches the point where it can no longer be effectively repaired and must be replaced.

IV. <u>Aging Infrastructure</u>

Q. ARE THE PROBLEMS WITH AGING INFRASTRUCTURE EXPERIENCED IN ARIZONA?

A. Yes. While the symptoms of aging infrastructure were initially evident in the older areas of the United States, they are becoming increasingly evident in Arizona and other parts of the Southwest. In fact, the Company has experienced the effects of aging infrastructure in many of its oldest water systems, such as its Pinal Valley and Coolidge Airport water systems. Unfortunately, the Company is unable to fund the level of aging infrastructure replacement necessary to maintain adequate and reliable water.

Q. CAN YOU EXPLAIN WHAT THE TERM "AGING INFRASTRUCTURE" MEANS AND WHY THE COMMISSION SHOULD BE CONCERNED WITH IT IN THIS CASE?

A. Aging infrastructure refers to the physical decline or degradation of utility plant facilities caused by corrosion, wearing out of equipment, age-related reduction in capacity and other effects of aging. Aging infrastructure is a particularly serious problem facing the Company because of the sheer magnitude of the amount of investment needed to fund replacement of aging infrastructure and has led to increasing frequencies of water main and service line leaks and breaks, increasing water losses. The Commission already has expressed grave concerns about increasing water losses and increasing frequencies of water distribution main and service line leaks and breaks in the PVWS, all of which are caused by the effects of the aging water transmission and distribution system. Without the ability to adequately fund needed water transmission and distribution system replacements, water losses will continue to increase.

Q. WHAT ARE SOME PHYSICAL SIGNS OF AGING INFRASTRUCTURE?

A. Increased frequency or occurrence of water main and service line leaks and breaks, increasing water losses, discolored water, decreased pressure and increasing numbers of disruptions in water service are all signs of aging infrastructure.

Q. HOW DOES THE COMPANY KNOW WHEN ANY PART OF ITS TRANSMISSION AND DISTRIBUTION SYSTEM NEEDS TO BE REHABILITATED OR REPLACED?

A. Water main breaks and pipe leakage increase. To keep up with an increasing number of leaks and breaks, and to control water losses, the Company has increased its management efforts to detect, locate and repair leaks in its water distribution system. When this is either no longer a feasible or cost-effective

response, replacement becomes necessary. Mr. Schneider provides additional testimony on the specific symptoms of aging infrastructure, water losses, and how the Company knows when any part of its transmission or water distribution system needs to be rehabilitated or replaced.

Q. HOW WOULD YOU CATEGORIZE THE AGE OF WATER SYSTEMS WITHIN THE WESTERN GROUP?

A. The Company's Western Group, comprised of the Pinal Valley, White Tank, Coolidge Airport, Tierra Grande, Stanfield and Ajo water systems, is a mix of older and newer water systems. For example, White Tank is a fairly new water system, with certain portions dating back to the 1960s. The majority of the White Tank distribution system is less than thirty years old. The Ajo water system is comprised of a distribution system dating back to the 1950s. The PVWS, comprised of Casa Grande and Coolidge, is a mix of older and newer water distribution systems. Portions of the Casa Grande water system, primarily downtown Casa Grande, date back to the early 1920s. Similarly, portions of the Coolidge water system, primarily downtown Coolidge, date back to the late 1920s and 1930s. Stanfield, located west of Casa Grande, has most of its water distribution system dating back to the 1950s and 1960s.

Q. WHAT WATER SYSTEMS WITHIN THE WESTERN GROUP SHOW SYMPTOMS OF AGING INFRASTRUCTURE?

A. While all of the water systems in the Western Group are aging, the Company's Pinal Valley and Coolidge Airport water systems show the most severe signs of aging – sharply higher water losses and increasing frequencies of water main and service line leaks and breaks. Mr. Schneider provides additional testimony on water losses in these water systems.

V. Factors Affecting the Company's Ability to Reduce Water Losses

Q. WHAT HAS THE COMPANY DONE TO ADDRESS AGING INFRASTRUCTURE AND SYSTEM WATER LOSS SINCE DECISION NO. 71845 WAS ISSUED BY THE COMMISSION?

A. The Company has always recognized the need to reduce water losses to the extent it is financially feasible. In Decision No. 71845, the Commission directed the Company to analyze its water loss data and identify key water loss reduction projects throughout the Company. The Commission also directed the Company to prepare a water loss report and file it with the Commission as a compliance item by December 31, 2011. *See* Decision No. 71845, page 92, line 27 through page 93, line 8. The Company identified three critical water main replacement projects specific to the Western Group. Because of the Commission's urgent directive in Decision No. 71845 ordering the Company to "reduce non-account water for each of its systems to less than ten percent by July 1, 2011," the Company assigned a very high priority to these projects. The projects were commenced in October 2010 (a little over a month following the Commission's order) and the Company expects to complete these Commission-ordered projects by the Commission's July 1, 2011 deadline.

Q. IS THE COMPANY REQUESTING THAT THOSE PROJECTS BE INCLUDED AS POST-TEST YEAR PLANT?

A. Yes. Strong public policy and compliance with the Commission's order on reducing system water loss support the inclusion of those Commission-ordered utility plant additions in rate base in this case.

Q. WILL THE COMPANY BE ABLE TO COMPLY WITH THE COMMISSION'S ORDER TO REDUCE WATER LOSS TO LESS THAN TEN PERCENT FOR ITS WATER SYSTEMS IN THE WESTERN GROUP?

A. Yes. The Company complies with this order for its White Tank and Ajo water systems at the present time. The Company will comply for its PVWS, because the Company undertook those infrastructure replacement projects listed above and is expressly seeking recovery of the cost of those projects in this proceeding. The work does not end with these projects, however, and the replacement plan will continue. The Company's water distribution system infrastructure replacement plan is more fully discussed by Mr. Schneider in his direct testimony.

VI. Costs to Replace Aging Infrastructure and Thereby Reduce Water Losses

Q. WITH REGARD TO THE COST OF REPLACING AGING TRANSMISSION AND DISTRIBUTION SYSTEM INFRASTRUCTURE, HOW DOES THE REPLACEMENT COST COMPARE WITH SUCH PLANT'S ORIGINAL COST?

According to the EPA report on Deteriorating Buried Infrastructure[5], the average cost to replace a 6-inch distribution main was $100 per foot in 2002 dollars. Mr. Schneider testifies about the increase in the cost of replacing aging water transmission and distribution system infrastructure in the PVWS, where infrastructure dates back to 1921.

Q. ARE THERE OTHER COSTS TO REPLACE AGING TRANSMISSION AND WATER DISTRIBUTION MAINS?

A. Yes. Several other categories of costs should also be considered in developing cost and budget estimates for constructing replacement transmission and water distribution mains. For example, in almost all cases, when transmission and distribution mains were originally installed, no customers were receiving water

[5] *See* Exhibit WMG-4.

service. This is typical of most subdivision projects, because water mains, service lines and meters are all installed before water service is established.

Q. HOW DOES THIS FACT AFFECT THE COST OF REPLACING TRANSMISSION AND DISTRIBUTION MAINS?

A. Unlike initial installation, when conducting replacement work today, the Company must maintain water service to its customers while it constructs replacement facilities. Even if the Company can construct a new transmission and distribution main in an alternate location and thus avoid having to install temporary facilities, new water services are typically required as well as the need to tie-over every customer's existing on-site piping. In many cases, however, an alternative location is not available because public rights-of-way have become much more congested, as regulated and unregulated utility services of many types have been installed to meet the changing needs and demands of the consuming public. These factors lead to increased construction costs beyond changes solely due to increases in labor or material costs.

Q. DOES DEPRECIATION EXPENSE RECOVERY HELP REPLACE SUCH AGING TRANSMISSION AND WATER DISTRIBUTION INFRASTRUCTURE?

A. No. That only provides a small fraction of modern-day infrastructure replacement costs. The depreciation expense related to such infrastructure produces cash flows to help support infrastructure replacement. However, given the significant increase in replacement costs, cash flows from depreciation fall far short of the amount required to support such replacements.

Q. WILL THE RATES AUTHORIZED BY THE COMMISSION IN DECISION NO. 71845 SUPPORT THE FUNDING NEEDS OF REPLACING AGING TRANSMISSION AND DISTRIBUTION MAINS?

A. No. The rates established in Decision No. 71845 were designed to recover the cost of service based on a 2007 adjusted test year. No additional cost recovery or

funding mechanism was established in the Decision that would provide additional cost recovery for the necessary infrastructure replacements required for the Western Group beyond the recorded adjusted Test Year utility plant additions in that case.

Despite the fact that rates went into effect on July 1, 2010, the Company is still not fully recovering its cost of service. This is primarily due to significant increases in operating costs and investment since the 2007 Test Year.

Q. WHAT LEVEL OF INFRASTRUCTURE REPLACEMENT FUNDING IS CONTEMPLATED OR NEEDED FOR THE COMPANY'S WESTERN GROUP?

A. The Company's Engineering department determined that at least $2.5 million per year needs to be expended on capital projects to replace aging transmission and distribution mains and services in the PVWS alone. In fact, it has completed a projection of these capital projects through 2014.[6]

Q. IS THIS LEVEL OF CONSTRUCTION SPENDING NORMALLY INCLUDED IN THE COMPANY'S ANNUAL CONSTRUCTION BUDGET?

A. No. This level of construction spending is above and beyond the Company's normal annual construction budget.

VII. Distribution System Improvement Charge ("DSIC")

Q. HAS ANY OTHER PUBLIC UTILITY COMMISSION APPROVED OR AUTHORIZED A DSIC?

A. Yes. The Pennsylvania Public Utility Commission was the first utility commission in the United States to adopt a DSIC when it approved a DSIC for Philadelphia Suburban Water Company and Pennsylvania American Water Company in 1996. As an example of the benefits of a DSIC, Pennsylvania American Water Company has reported that it is now able to accelerate the replacement of aging infrastructure and reduce the projected time for full replacement from 225 years to

[6] *See* Mr. Schneider's direct testimony and exhibits.

117 years, more closely matching the estimated practical life of distribution infrastructure. Based on current rates of infrastructure replacement, the Company estimates that it will take hundreds of years for full replacement of its current infrastructure. Mr. Schneider provides additional testimony about the rate of infrastructure replacement without the approval of a DSIC.

Q. DID THE COMMISSION REACH ANY CONCLUSIONS IN DECISION NO. 71845 ABOUT THE NEED FOR A DSIC?

A. Yes. The Commission concluded that it needed more information, evidence and a fully developed record upon which it could determine if a DSIC is reasonable for certain of the Company's aging infrastructure or for its systems that face other unique challenges.[7] In response to that conclusion, the Company is providing that evidence and support in this case.

Q. YOU HAVE TESTIFIED ABOUT THE NEED TO PROVIDE RELIABLE AND ADEQUATE WATER SERVICE AND HAVE REQUESTED THE COMMISSION TO APPROVE A DSIC. HAS THE COMPANY STUDIED THE COSTS AND BENEFITS OF A DSIC?

A. Yes. In Decision No. 71845, the Commission ordered the Company to prepare a study of the DSIC mechanism and to provide details of the benefits and costs of implementing a DSIC and how they will be balanced with regard to customers. The Commission stated that the DSIC Study should be used by the Company in future rate proceedings, such as this general rate case.

Q. WHEN IS THE COMPANY REQUIRED TO SUBMIT SUCH A DSIC STUDY TO THE COMMISSION?

A. The Company is required to file a copy of the DSIC Study with Commission Docket Control in Docket No. W-01445A-08-0440 no later than June 30, 2011.

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[7] *See* Decision No. 71845, page 76, lines 5-7.

The Company has prepared an initial DSIC study in advance of the required filing which is attached as Exhibit JDH-3 to Mr. Harris' Direct Testimony.

Q. WHAT IS THE CONCLUSION OF THIS FORM OF DSIC STUDY AND HOW DOES A DSIC APPLY IN THIS PROCEEDING?

A. This advanced form of a DSIC study concludes that replacement of aging infrastructure cannot be funded in the usual and customary ratemaking manner because of the sheer magnitude of the funding needed to replace such infrastructure. Delaying infrastructure replacement too long could lead to degradation of service, water quality, service reliability, and require sudden and significant increases in rates to address replacements on an emergency basis. One significant benefit achieved from a DSIC is an improvement in water service reliability. Another conclusion of the DSIC study is that replacement of aging infrastructure can be completed sooner and with smaller rate increases by using DSIC funding mechanisms.[8]

Q. ARE THERE OTHER BENEFITS ACHIEVED BY A DSIC?

A. Yes. In addition to direct cost benefits and improvements to reliability and adequacy, the local community will benefit. Main breaks or leaks damage roadways and landscaping. Disruptions to traffic and barricaded streets also negatively affect local businesses. These impacts and the risks of these impacts can be avoided through careful planning and commitments to replace aging infrastructure on a routine, scheduled basis, as well as providing the financial means to do so.

[8] *See* Mr. Harris' direct testimony, Exhibit JDH-3.

Q. WHAT IMPACT WOULD A DSIC SURCHARGE HAVE ON RATES IF THE COMMISSION APPROVES A DSIC PROCEDURE IN THIS PROCEEDING?

A. At a level of infrastructure replacement equal to $2.5 million per year, a DSIC surcharge would result in an annual increase of approximately $0.87 per month for the typical PVWS residential customer.[9]

Q. WHAT DO YOU ANTICIPATE THE PUBLIC'S ACCEPTANCE TO BE CONCERNING INCREASES IN UTILITY RATES TO REPLACE AGING INFRASTRUCTURE?

A. A recent study shows that most residential customers would be willing to pay as much as $6.20 per month on average to address aging water infrastructure.[10]

Q. WHY DO YOU BELIEVE THAT THERE IS SUCH STRONG SUPPORT FOR EFFECTIVE MEANS TO ADDRESS AGING INFRASTRUCTURE?

A. Replacing aging infrastructure, including water and wastewater infrastructure has been a primary focus of the American Recovery and Reinvestment Act and a significant amount of press coverage over the past three years has alerted the public to the risks and costs of failing to replace such infrastructure and the public accurately perceives that aging infrastructure adversely affects the reliability and adequacy of water service to their homes.

Water main breaks are also highly visible to the public, they can interfere with local traffic and even cause significant property damage, so it is not surprising that the public is well aware of aging infrastructure and the problems it causes.

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[9] *See* Mr. Harris' direct testimony, page 19.
[10] See Exhibit WMG-5.

Q. BESIDES RELIABILITY AND SERVICE ADEQUACY, ARE THERE OTHER STRONG PUBLIC POLICY REASONS TO REPLACE AGING INFRASTRUCTURE?

A. Yes. Water is a scarce and valuable resource, particularly in Arizona; it must be used wisely and conserved. Irrespective of its scarcity, water losses must be minimized as much as possible because of the costs the Company incurs to produce and treat that water. Ultimately, if infrastructure is not adequately maintained, operating costs will increase, resulting in higher rates.

Q. FROM A RESOURCE PERSPECTIVE, WHAT IMPACTS WILL RESULT IF INFRASTRUCTURE IS NOT MAINTAINED OR REPLACED WHEN NEEDED?

A. Although leaks in mains may be returned to the hydrologic water cycle at some point, increasing water loss places higher demands on a water system, ultimately requiring more water production, treatment, storage, and transmission and distribution capacity to meet demands, together with the corresponding costs of doing so, as well as causing additional wear on pumping equipment.

Q. CAN GROWTH ALONE PAY FOR THE REPLACEMENT OF AGING INFRASTRUCTURE?

A. No. Customer growth would not provide the funds to replace infrastructure that needs to be replaced. Further, the benefits of replacing aging infrastructure apply to all customers, and it would be unfair to single out and burden new customers to bear this cost. First, the infrastructure that needs to be replaced is needed now to provide reliable and adequate service to existing customers. Second, the Company is proposing that the Commission approve an Off-Site Facilities Fee tariff that would collect fees from new developments to fund new infrastructure. It would not be fair to ask developers to pay for the full cost of serving new developments and also ask them to pay to replace aging and failing infrastructure needed to serve existing customers.

Q. HAS THE COMMISSION ADOPTED ANY OTHER METHOD TO ADDRESS THE LARGE CAPITAL INVESTMENTS NEEDED TO PROVIDE SAFE, RELIABLE OR ADEQUATE WATER SERVICE?

A. Yes. The Company faced a significant need for investment in the construction of water treatment plants to remove arsenic from drinking water. Those treatment plants were required to ensure the safety of the water provided by the Company to its customers and to comply with the stringent new arsenic Maximum Contaminant Level ("MCL") established by the EPA under the Safe Drinking Water Act. The Company could not have funded the approximately $35 million of treatment plant investment without the establishment of the ACRM. The Commission authorized and approved the ACRM, the first such mechanism of its kind in Arizona, which proved to be an effective way to ensure adequate funding for the required arsenic water treatment plants. Mechanisms such as a DSIC or an ACRM augment Arizona's traditional rate case process based on a historic test year methodology, and can and do support the level of investments required to address mandated compliance with the arsenic MCL and the infrastructure replacements the Company currently faces, which is why it is so important to authorize a DSIC in this proceeding.

Q. HOW WOULD A DSIC WORK IN THIS CASE AND HOW WOULD IT HELP TO MEET THE INFRASTRUCTURE REPLACEMENT NEEDS OF THE COMPANY'S PVWS?

A. The DSIC is comparable to the ACRM in many ways. The ACRM was needed to fund utility plant needed to comply with safe drinking water standards for existing customers, and the DSIC is needed to fund replacement of utility plant required to maintain reliable and adequate water service to existing customers. Neither of these mechanisms is associated with utility plant needed to serve new development, nor are these mechanisms linked to customer growth or new

revenues. The DSIC approach to infrastructure replacement will build on the success of the Commission's approach to infrastructure needed to comply with the new arsenic MCL. Today there is a compelling need to provide reliable and adequate water service that is being jeopardized by aging infrastructure.

Q. HOW DO WATER LOSS CONTROL EFFORTS, INFRASTRUCTURE REPLACEMENTS AND A DSIC RELATE TO EACH OTHER?

A. The Company manages water loss through careful oversight, monitoring for leaks, repairing leaks and breaks, maintaining accurate water meters, guarding against water theft and keeping its systems in good condition. As systems age and pipes begin to leak or break, there is a shift from maintaining facilities to replacing facilities. The optimum time to replace facilities rather than simply repair them is based on a number of factors. These factors include an assessment of the critical nature of the facility or infrastructure, the cost of replacement versus repair, the history of leaks or breaks, an assessment of the condition of the utility infrastructure, the impacts to service reliability or adequacy, and impacts on the quality of water served. As stated earlier, the ability of the Company to fund such replacements is limited by its ability to recover the associated costs. Implementation of the DSIC would provide that mechanism.

VIII. <u>An Overview of the Need to Continue the Company's Consolidation Plan</u>

Q. WHAT IS THE COMPANY'S PLAN FOR CONSOLIDATION OF THE COMPANY'S WESTERN GROUP IN THIS RATE PROCEEDING?

A. The Company proposed a plan in its last rate case (Docket No. W-01445A-08-0440) to consolidate the following groups of water systems: 1) Superstition and Miami, 2) Casa Grande, Coolidge and Stanfield, 3) Rimrock, Pinewood and Sedona, 4) Lakeside and Overgaard, and 5) Bisbee and Sierra Vista. The Commission approved the Company's consolidation proposal.[11] The Commission

[11] *See* Decision No. 71845.

also directed the Company to file a rate consolidation study with Commission Docket Control in Docket No. W-01445A-08-0440. The Company did so on September 30, 2010.

Consistent with this rate consolidation study, the Company proposes to complete the consolidation of Stanfield with the PVWS by fully consolidating rates for these systems. Additionally, the Company is proposing a phased consolidation of its White Tank system with PVWS. Mr. Harris testifies in greater detail about the consolidation proposals addressed within this rate application and the benefits achieved by such consolidations. [12]

As Mr. Harris testifies, the Company's consolidation proposal is a conservative and gradual move toward a more complete and full consolidation and avoids sudden changes in rates.

Q. DOES THE COMPANY STILL HAVE THE GOAL TO CONSOLIDATE ITS WATER SYSTEMS WITHIN EACH GROUP?

A. Yes. As long as the consolidations conform to the principles set forth in the Consolidation Study, the Company will continue to propose consolidations. For the reasons discussed in that study, full consolidation of all of its water systems within the Western Group is not yet supportable.

IX. <u>An Overview of the Success of the ACRM and the Need to Continue the ACRM</u>

Q. PLEASE DESCRIBE THE BASIS FOR THE COMPANY'S ORIGINAL REQUEST FOR THE COMMISSION TO APPROVE AN ACRM.

A. The Company faced a water safety issue when the EPA adopted a new safe drinking water standard for arsenic which became effective in 2006, reducing the arsenic MCL from 50 parts per billion ("ppb") to 10 ppb. The Company determined that approximately $35 million was needed to design and construct arsenic

[12] *See* Mr. Harris' direct testimony, pages 8-11.

treatment plants in its Western, Eastern and Northern Groups over a three year period. This level of capital investment would not have been possible without the approval of a mechanism to expeditiously recover at least part of the cost of constructing and operating these arsenic treatment plants.

The Commission and its Staff recognized that the safety of drinking water was a top priority for the Commission and worked with the Company to establish the ACRM. The Commission's progressive and forward-thinking approach provided a practical solution to providing for funding facilities required to ensure the delivery of safe drinking water to the Company's customers. This same approach was subsequently approved for other water companies.

Q. DID THE COMMISSION APPROVE CONTINUATION OF THE ACRM IN DECISION NO. 71845?

A. Yes. The Commission approved continuation of the ACRMs for the Company's Sedona and Superstition water systems.

Q. DOES THE COMPANY PLAN TO CONSTRUCT ADDITIONAL ARSENIC TREATMENT PLANTS OR TO EXPAND TREATMENT PLANTS FOR ANY OTHER SYSTEMS IN THE WESTERN GROUP?

A. Yes. Mr. Schneider testifies in Section VI in his direct testimony that the Company is planning to construct an expansion of the Henness Road arsenic treatment plant and construct a new arsenic treatment plant at its Coolidge Well No. 13. These plants are similar to the treatment plants proposed for construction in connection with its Sedona (Verde Valley) and Superstition water systems, and the Company requests that the Commission approve the continuation of the ACRM for the Company's Western Group as well.

Q. ARE THESE TREATMENT PLANT PROJECTS NEEDED TO COMPLY WITH SAFE DRINKING WATER STANDARDS?

A. Yes. The original phase of treatment plants constructed in the Company's PVWS did not include treatment for all of the arsenic-contaminated wells within that system. Treatment for the remaining wells is needed to ensure system reliability and adequacy in addition to complying with safe drinking water standards. The ACRM will provide a source of funding for these additional treatment plants that are not included in existing levels of revenues and operating income.

X. <u>An Overview of Conservation Efforts and BMPs and the Need to Fund BMPs</u>

Q. WHAT IS THE STATUS OF THE COMPANY'S IMPLEMENTATION OF BMPs AS REQUIRED IN DECISION NO. 71845?

A. The Company submitted for the Commission's consideration the additional BMPs required in Decision No. 71845 on December 22, 2010. As of the date of this application, the Commission is still considering the Company's proposed BMPs. In addition, the Company is requesting that the Commission approve the recovery of additional BMP costs in this proceeding for the Company's Western Group.[13]

Q. UNDER WHAT CONSERVATION PROGRAM IS THE COMPANY REGULATED BY THE ADWR?

A. The Company's larger systems are regulated under ADWR's Modified Non-Per-Capita Conservation Program for water systems located in an Active Management Area ("AMA"). Its smaller water systems located in an AMA, i.e., those water systems withdrawing less than two-hundred fifty (250) acre-feet of groundwater per year are not subject to conservation requirements. The Company's Western Group includes large water systems (PVWS and White Tank) and small water systems (Stanfield and Tierra Grande) which are located within an AMA, and Ajo, which is not located in an AMA.

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[13] *See* Mr. Reiker's' direct testimony, Page 21.

Q. DOES THE COMPANY INTEND TO IMPLEMENT THE BMPs REQUIRED IN DECISION NO. 71845?

A. Yes. A number of BMPs were implemented before Decision No. 71845. The additional BMPs have been submitted for the Commission's consideration and when approved by the Commission, the Company will implement them.

XI. <u>The Need for an Off-Site Facilities Fee</u>

Q. HOW DOES THE COMPANY PLAN TO FUND LARGE REGIONAL SCALE INFRASTRUCTURE, SUCH AS A SURFACE WATER TREATMENT PLANT, FOR ITS PVWS?

A. The Company looks to new development to pay the cost of designing and constructing water infrastructure needed to meet the demands of such development. Main extension agreements together with Advances or Contributions provide funding primarily for on-site facilities within individual developments and subdivisions. Funding large regional scale infrastructure, such as a surface water treatment facility, additional water supplies, and major upgrades of the water transmission and distribution system are best funded through the facilities fees received from developers and not customers. Mr. Harris testifies about the Off-Site Facilities Fee tariff proposed by the Company in this case.[14]

Q. WHAT ARE THE BENEFITS OF FUNDING NEW FACILITIES IN THIS WAY?

A. The benefits are twofold. This method of funding shields existing ratepayers from the rate effects of funding infrastructure to serve new development. Another benefit is that customers are not subject to the costs and risks associated with building needed utility plant additions in advance of development.

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[14] *See* Mr. Harris' direct testimony, pages 20-23.

Q. WHAT LEVEL OF CONTRIBUTIONS WOULD BE GENERATED FROM THE OFF-SITE FACILITIES FEE TARIFF IF IT IS APPROVED BY THE COMMISSION?

A. Although the housing market and development are presently at a standstill due to the current recession and high foreclosure rates, when the housing market begins to recover, the utility plant required for meeting the water demands of development will need to be constructed. This fact, when coupled with the increasing need to fund replacement infrastructure, leads me to believe that funding utility plant directly from developers is prudent and necessary. Mr. Harris provides additional testimony on the amount of capital expected to be raised by the Off-Site Facilities Fee.

XII. The Need to Continue Central Arizona Project ("CAP") Hook-Up Fees

Q. SHOULD THE COMMISSION CONTINUE CAP HOOK-UP FEES FOR THE COMPANY'S PINAL VALLEY AND WHITE TANK WATER SYSTEMS?

A. Yes. The CAP Hook-Up Fees have been an effective tool to recover the cost of maintaining CAP water allocations. Although the housing market and development are at a standstill, when growth returns to a more normal level, the fees collected under the CAP Hook-Up Fee tariff will continue to help pay for this much needed resource. Mr. Reiker testifies further about CAP Hook-up Fees, and Mr. Schneider testifies further about the planned use of CAP water, in their respective direct testimonies.[15]

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS MATTER?

A. Yes.

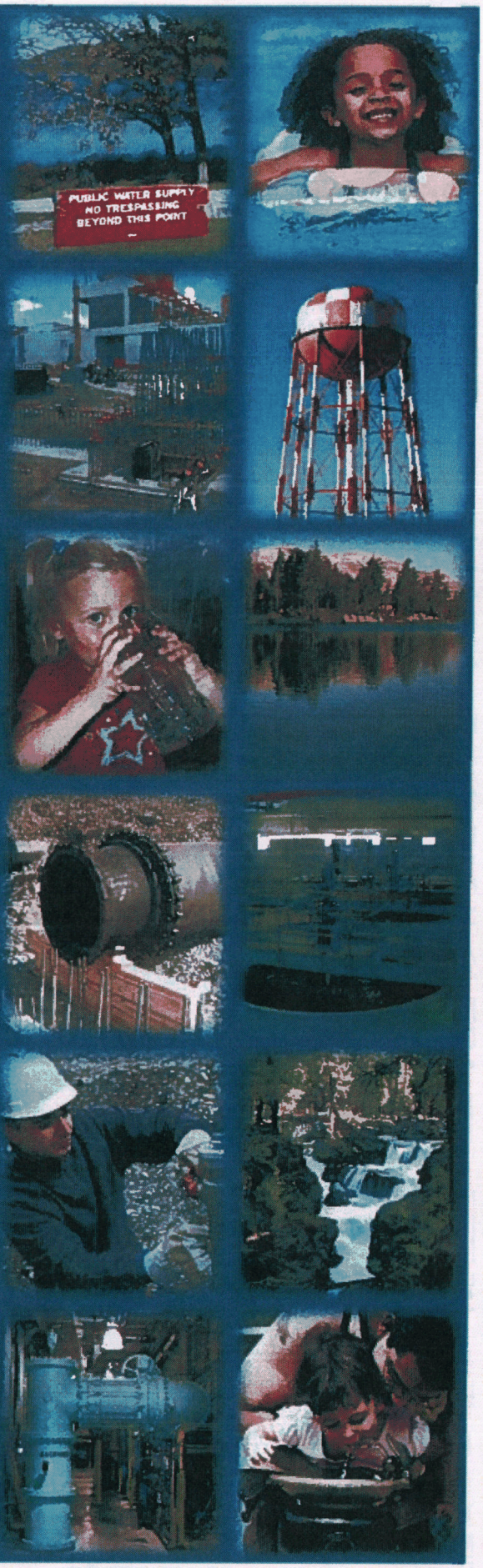
[15] *See* Mr. Reiker's direct testimony, pages 6-9 and Section VIII of Mr. Schneider's direct testimony.

WMG-1

EPA
United States
Environmental Protection
Agency

Drinking Water Infrastructure Needs Survey and Assessment

Fourth Report to Congress



Executive Summary

Total National Need

The U.S. Environmental Protection Agency's (EPA's) fourth national assessment of public water system infrastructure needs shows a total twenty-year capital improvement need of $334.8 billion. This estimate represents infrastructure projects necessary from January 1, 2007, through December 31, 2026, for water systems to continue to provide safe drinking water to the public. The national total comprises the infrastructure investment needs of the nation's approximately 52,000 community water systems and 21,400 not-for-profit noncommunity water systems, including the needs of American Indian and Alaskan Native Village water systems, and the costs associated with proposed and recently promulgated regulations. The findings are based on the 2007 Drinking Water Needs Survey and Assessment (DWINSA or Assessment) which relied primarily on a statistical survey of public water systems (approximately 3,250 responses).

$334.8 Billion is Needed

The nation's drinking water utilities need $334.8 billion in infrastructure investments over the next 20 years for thousands of miles of pipe as well as thousands of treatment plants, storage tanks, and other key assets to ensure the public health and economic well-being of our cities, towns, and communities.

Authority, Purpose, and History

The 1996 Safe Drinking Water Act Amendments mandated that EPA conduct an assessment of the nation's public water systems' infrastructure needs every 4 years, and use the findings to allocate Drinking Water State Revolving Fund (DWSRF) capitalization grants to states. The DWSRF was established to help public water systems obtain financing for improvements necessary to protect public health and comply with drinking water regulations. From 1997 to 2007, states loaned $12.6 billion to water systems for 5,550 projects.

The estimate covers infrastructure needs that are eligible for, but not necessarily financed by, Drinking Water State Revolving Fund (DWSRF) monies (note-DWSRF is designed to supplement, not replace, investment funding by states and localities as well as tate payers). Projects eligible for DWSRF funding include the installation of new infrastructure and the rehabilitation, expansion, or replacement of existing infrastructure. Projects may be needed because existing infrastructure is deteriorated or undersized, or to ensure compliance with regulations. Cost estimates assume comprehensive construction costs including engineering and design, purchase of raw materials and equipment, construction and installation labor, and final inspection.

EPA recognizes that there are legitimate and significant water system needs that are not eligible for DWSRF funding, such as raw water dams and reservoirs, projects related primarily to population growth, and water system operation and maintenance costs. However, because the Assessment is directly associated with the allocation of DWSRF capitalization grants, needs ineligible for DWSRF funding are not included in the estimate.

National Need Compared to Previous Needs Assessments

EPA conducted three previous Assessments, in 1995, 1999, and 2003. Exhibit ES.1, which adjusts the findings to 2007 dollars, shows the 2007 Assessment's total national need

Exhibit ES.1: DWINSA Comparison of 20-Year National Need

Year	1995	1999	2003	2007
National Need	$200.4	$198.2	$331.4	$334.8

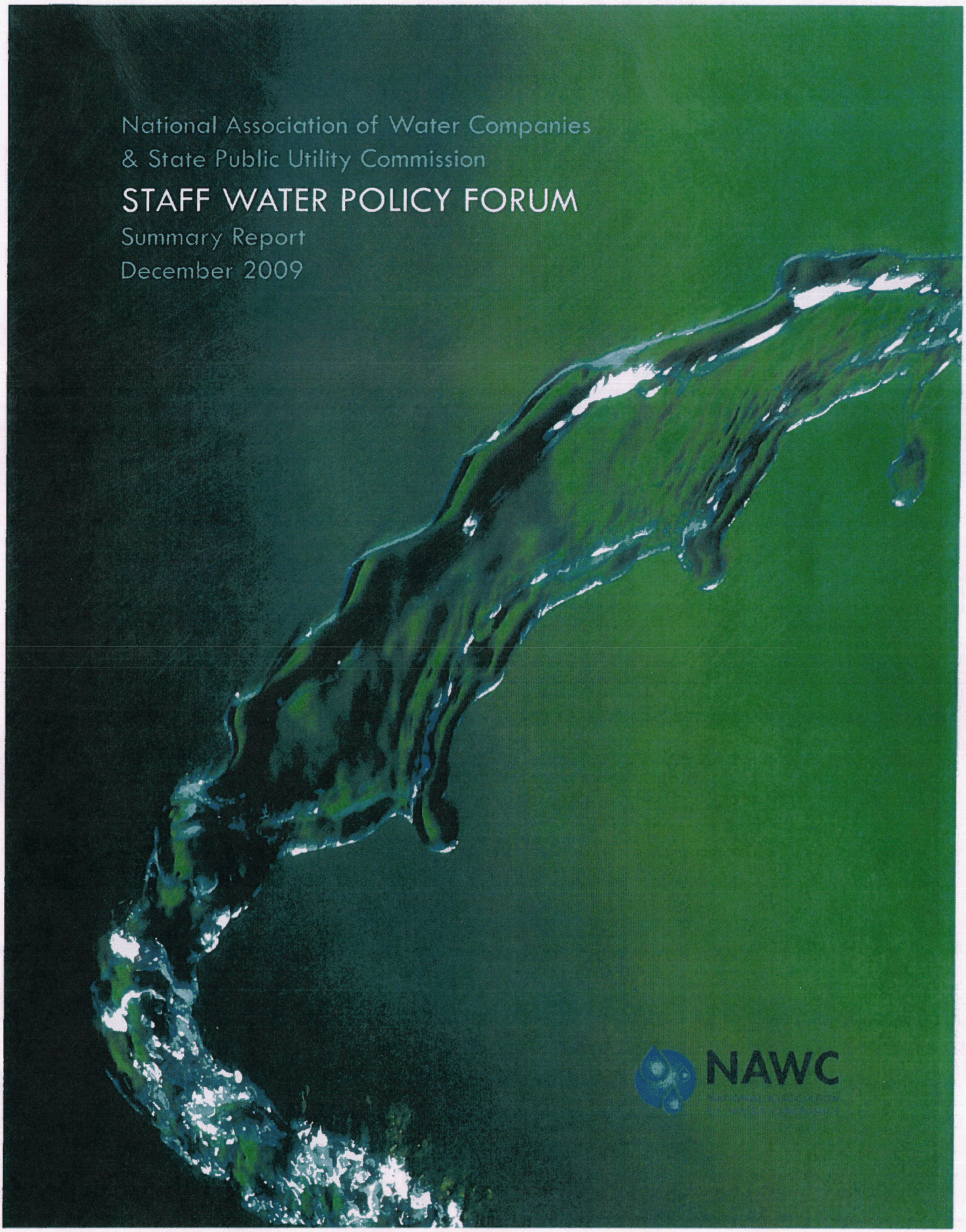
The national 20-year need estimate is reported in billions of January 2007 dollars.

WMG-2

National Association of Water Companies
& State Public Utility Commission

STAFF WATER POLICY FORUM

Summary Report
December 2009



NAWC

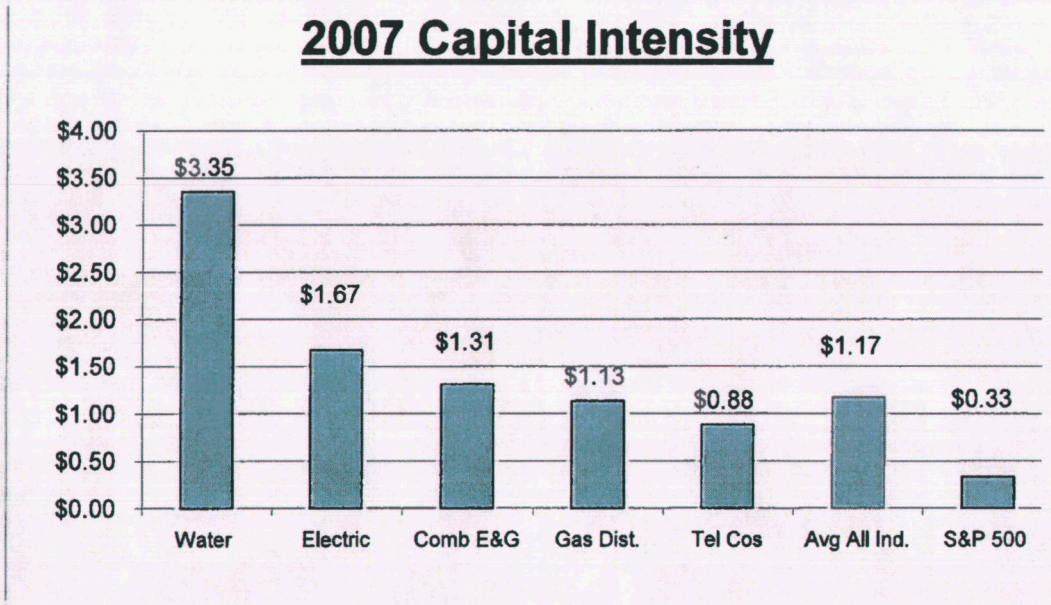
the unconstitutional confiscation of the property of the utility and its shareholders, and to assure that the utilities have access to the resources and capital necessary to provide service to their customers and otherwise fulfill their obligations as public utilities.

2. Capital Attraction

Generally, a company has to attract outside capital if it cannot generate enough funds internally to make investments necessary to meet customer needs today and into the future. The economics of the water industry make capital attraction the sine qua non of a financially and operationally healthy utility. Accordingly, the ability to provide reasonable rates of return to investors is essential for a water utility to provide high quality, reliable service to its customers. The inability to attract capital will impair the utility's financial and operational performance and therefore impair its ability to provide quality service at reasonable cost to customers.

In addition, Mr. Foran noted that capital attraction is particularly important to the water industry because of the need to replace aging infrastructure and comply with ever more stringent water quality standards. Based on USEPA estimates, the costs to replace aging infrastructure and comply with water quality requirements for the water and wastewater industries over the next 20 years could approach one trillion dollars.

Utilities are more capital intensive than most other industries and water utilities are the most capital intensive of all the traditional utilities. According to Mr. Foran, this means that more dollars of capital are invested by water utilities for each $1 of revenue received than in the electric, gas, or telecom industries and significantly more than the S&P 500.



On the other hand, service industries, such as legal, medical, financial or engineering require relatively minor levels of capital to produce $1.00 of revenue. Manufacturing requires machines, equipment, and large buildings to produce a product. However, most of the manufacturing industries, even the steel industry, do not require as much capital to produce $1.00 of revenue as does the water industry. Recent statistics show that water utilities invest $3.35 in capital to produce $1.00 of revenue, while in the electric, gas and telecom industries capital investment of $1.67, $1.13 and $0.88, respectively, produces a $1.00 of revenue, as indicated in the above graph.

WMG-3

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

W-01445A

Arizona Water Company
P.O. Box
Phoenix, AZ 85038-9006

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ANNUAL REPORT
Water

FOR YEAR ENDING

12	31	2010

FOR COMMISSION USE

ANN 04	10

4-18-11

4-19-11

Company Name:	Arizona Water Company
Year Ended:	12/31/2010

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD) *	O.C.L.D. (OC LESS AD)
301	Intangible-Organization	651		
302	Intangible-Franchises	111,601		
303	Intangible-Miscellaneous	1,513,423		
310.10	Source of Supply-Water Rights	4,121,382		
310.30	Source of Supply-Land-Other-Wells	1,197,420		
314	Source of Supply-Wells	24,997,781		
320	Pumping-Land	86,789		
321	Pumping-Structures and Improvements	1,026,638		
325	Pumping-Electrical Equipment	29,379,586		
328	Pumping-Gas Engine Equipment	209,204		
330	Water Treatment-Land	683,529		
331	Water Treatment-Structures and Improvements	1,943,469		
332	Water Treatment-Equipment	20,329,114		
340	Transmission and Distribution-Land	864,636		
342	Transmission and Distribution-Storage Tanks	12,866,704		
343	Transmission and Distribution-Mains	189,588,693		
344	Transmission and Distribution-Fire Sprinklers	53,221,813		
345	Transmission and Distribution-Services	4,554,650		
346	Transmission and Distribution-Meters	7,579,770		
348	Transmission and Distribution-Hydrants	17,937,611		
389	General-Land	70,136		
390	General-Structures and Improvements	2,273,072		
391	General-Office Furniture and Equipment	6,363,423		
393	General-Stores Equipment	86,487		
394	General-Tools, Shop and Garage Equipment	1,523,096		
395	General-Laboratory Equipment	220,987		
396	General-Power Operated Equipment	237,801		
397	General-Communication Equipment	4,748,356		
398	General-Miscellaneous Equipment	442,648		
	Totals	388,180,470	92,899,861	295,280,609
	LEASEHOLD IMPROVEMENTS			
390	General-Structures and Improvements	2,612,338	1,463,162	1,149,176
	TOTALS	390,792,808	94,363,023	296,429,785

* Depreciation is computed on a straight-line composite basis based on property classifications ranging from 1.79% to 6.67%. Leasehold Improvements are amortized on a straight line basis over the life of the lease.

Company Name:	Arizona Water Company
Year Ended:	12/31/2010

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	$48,844,566	$49,623,491
462	Fire Protection Revenue	52,544	122,630
470	Late Charges	156,214	150,911
471	Miscellaneous Service Revenues	1,955,322	1,876,189
472	Rents from Water Property	4,787	4,588
474	Other Water Revenues	416,399	411,298
	TOTAL OPERATING REVENUES	$51,429,832	$52,189,107
	OPERATING EXPENSES		
600	Source of Supply Operation-Supervision and Engineering	$100,573	$100,753
601	Source of Supply Operation-Labor and Expenses	0	0
602	Source of Supply Operation-Purchased Water	1,954,970	1,485,034
603	Source of Supply Operation-Miscellaneous	73,364	79,043
610	Source of Supply Maintenance-Supervision and Engineering	70,293	78,681
614	Source of Supply Maintenance-Wells and Springs	602	12,232
620	Pumping Operation-Supervision and Engineering	51,958	48,863
623	Pumping Operation-Purchased Power	4,833,983	4,903,292
624	Pumping Operation-Labor and Expenses	1,171,825	1,146,485
630	Pumping Maintenance-Supervision and Engineering	37,860	39,795
631	Pumping Maintenance-Structures and Improvements	110,013	107,734
633	Pumping Maintenance-Equipment	295,146	261,029
640	Water Treatment Operation-Supervision and Engineering	56,371	52,099
641	Water Treatment Operation-Chemicals	391,696	468,134
642	Water Treatment Operation-Labor and Expenses	2,136,434	1,727,502
650	Water Treatment Maintenance-Supervision and Engineering	34,655	31,929
651	Water Treatment Maintenance-Structures and Improvements	1,307	2,351
652	Water Treatment Maintenance-Equipment	354,612	264,743
660	Trans. and Distrib. Operation-Supervision and Engineering	57,681	54,934
661	Trans. and Distrib. Operation-Storage Facilities	33,615	27,609
662	Trans. and Distrib. Operation-Lines Expenses	512,152	463,678
663	Trans. and Distrib. Operation-Meters	1,275,191	1,194,889
664	Trans. and Distrib. Operation-Customer Installations	94,467	94,925
665	Trans. and Distrib. Operation-Miscellaneous	116,964	124,157
666	Trans. and Distrib. Operation-Rents	17,000	45,562
670	Trans. and Distrib. Maintenance-Supervision and Engineering	275,888	260,847
672	Trans. and Distrib. Maintenance-Tanks	466,063	245,991
673	Trans. and Distrib. Maintenance-Mains	1,016,900	856,107
675	Trans. and Distrib. Maintenance-Services	805,662	770,064
676	Trans. and Distrib. Maintenance-Meters	277,527	323,492
677	Trans. and Distrib. Maintenance-Hydrants	180,192	176,921

WMG-4

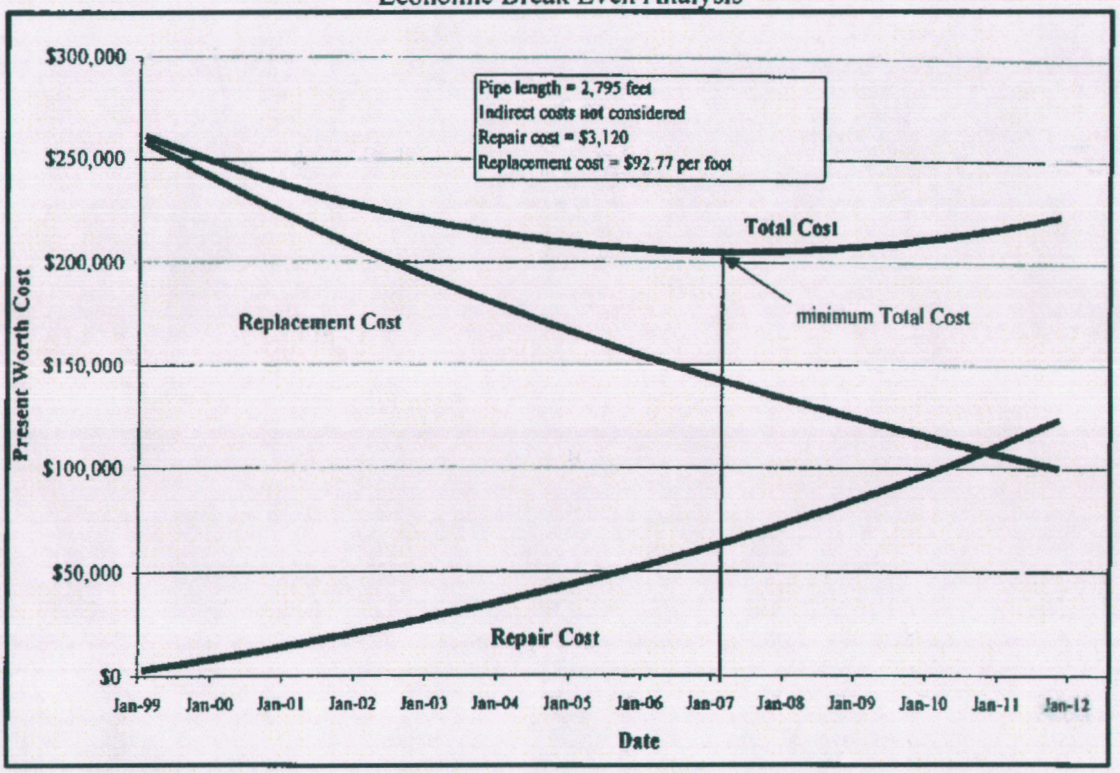
EPA
United States
Environmental Protection
Agency

Office of Water (4601M)
Office of Ground Water and Drinking Water
Distribution System Issue Paper

Deteriorating Buried Infrastructure Management Challenges and Strategies

May, 2002

Exhibit No. 5
Economic Break Even Analysis



This is an extraordinary case due to the unusually high number of main breaks. Most water utilities are not experiencing main breaks at such a rate and cannot economically justify replacement over repair. It also is important to note that the economic model is based on standard engineering economics, and does not incorporate financial factors such as taxes on capital investment and depreciation. If these additional factors were considered, the analysis would slant further in favor of repairing instead of replacing mains.

Consider the following example where actual direct costs for replacement and repair are compared. Average replacement costs are approximately $100/foot for 6-inch main. Therefore, for a 1,000-foot main, total replacement costs would be approximately $100,000. If the utility expects to recover that investment, the annualized revenue requirement or cost would be $10,000 to $15,000, depending on financing cost or economic regulation (investor-owned utilities). Repair costs on the main are approximately $3,000 per break. Consequently, in order to justify replacing that pipe purely from a cost standpoint, the main must experience breaks at a rate of approximately 3 to 5 per year. A rate of 4 breaks per year is a break every 3 months for a length of pipe slightly longer than a city block. Such a high break rate is very unlikely and certainly would not be tolerated by customers subjected to such frequent service and traffic disruptions. Therefore, other factors such as the stakeholder and liability costs associated with main breaks must also be considered.

WMG-5

ITT

VALUE OF WATER SURVEY

AMERICANS ON THE U.S. WATER CRISIS

650
WATER MAIN BREAKS PER DAY

$2.6
BILLION IN LOST WATER EVERY YEAR

AT RISK
OUR NATION'S CLEAN WATER

TWO-THIRDS OF AMERICAN VOTERS ARE WILLING TO PAY AN AVERAGE OF $6.20 MORE PER MONTH

$6.20

AMOUNT VOTERS ARE WILLING TO PAY MORE, PER MONTH

AVERAGE PERCENTAGE INCREASE OVER CURRENT WATER BILL

11%

An increase of only 11% by 63% of American households alone would lead to increased investment in our nation's water infrastructure by more than $5 billion per year*

Of the 57% of businesses** willing to pay more now, the average acceptable increase is 7%

*BASED ON 2010 CENSUS U.S. BUREAU PROJECTIONS: 114,200,000 U.S. HOUSEHOLDS

**INDUSTRIAL AND AGRICULTURAL BUSINESSES ONLY

Q40/41: How much would you say you/your company pays on average each month for your water bill?
Q44: How much more money would you/do you think your company would be willing to pay each month to upgrade our water system to ensure that we have long term access to clean water? / Base–Voters: 1,003; Business**: 502

ARIZONA WATER COMPANY

Docket No. W-01445A-10-0517

2010 RATE HEARING

(*AMENDED*)

For Test Year Ending 12/31/10

PREPARED

DIRECT TESTIMONY & EXHIBITS

OF

Joseph D. Harris

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ARIZONA WATER COMPANY

Direct Testimony of

Joseph D. Harris

I. Introduction and Qualifications

Q. WHAT ARE YOUR NAME, EMPLOYER AND OCCUPATION?

A. My name is Joseph D. Harris. I am employed by Arizona Water Company (the "Company") as Vice President and Treasurer.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A. I have been Vice President and Treasurer of the Company since March 2007. I received a Bachelor of Science degree in Accounting from Eastern Illinois University in 1981 and I am a Certified Public Accountant in the State of Illinois. From approximately 1982 until 1999, I worked for Northern Illinois Water Company, first as Staff Accountant (from 1986 to 1999) and then as Chief Accountant, where I managed the accounting department and oversaw the company's financial reporting, tax compliance, strategic planning and filings with the Illinois Commerce Commission. From November 1999 until July 2002, I served as Comptroller of Illinois American Water Company, managing the company's accounting and information system departments. From July 2002 until March 2007, I worked for American Water Service Company as Senior Financial Analyst and as Manager for Performance, Planning and Reporting, where I directed and coordinated preparation of the annual business plan and quarterly forecasts, and provided financial expertise on all financial issues. I am also a member of the American Institute of Certified Public Accountants.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to provide an overview of the filing, recommend the weighted average cost of capital, propose the continuation of the Arsenic Cost Recovery Mechanism ("ACRM"), request the proposed consolidation of the White Tank system with the Pinal Valley water system, propose a Distribution System Improvement Charge ("DSIC") and propose an Off-Site Facilities Fee tariff.

II. Overview of Filing

Q. PLEASE SUMMARIZE THE FILING.

A. The Company filed this application with the Arizona Corporation Commission (the "Commission") to adjust its rates and charges for its Western Group water systems based on operating results and investment in these water systems for the adjusted test year 2010. The requested rates will result in a total revenue increase of $4,564,110 or 24.45 percent over current rates. As of December 31, 2010, the Western Group included three systems, Pinal Valley (Casa Grande, Coolidge and Stanfield), White Tank and Ajo. Together these systems serve approximately 30,600 customers.

The current rates are based on operating results and utility plant investments for the adjusted test year ending December 31, 2007, established as part of Decision No. 71845 in Docket W-01445A-08-0440. Since test year 2007, operating costs and investment in needed utility plant have increased, while customer sales have fallen. In the period between test year 2007 and the adjusted test year ending December 31, 2010, the Western Group rate base has increased by $3,681,113 or 7.3 percent while operating expenses have increased even more dramatically, with costs rising $2,744,047 or 20.3 percent.

Q. WHAT HAS BEEN THE OVERALL EFFECT ON THE COMPANY'S RETURN ON RATE BASE?

A. As shown on page 1, line 8, of Schedule A-1, the Return on Rate Base for the Western Group for 2010 was 4.42 percent, far short of the 7.87 percent authorized in Decision No. 71845.

Q. DOES THIS RETURN INCLUDE THE EFFECTS OF THE NEW RATES ESTABLISHED IN DECISION NO. 71845?

A. Yes. Although the rates authorized in Decision No. 71845 went into effect on July 1, 2010, a pro forma adjustment, more fully explained in Section VI of Mr. Reiker's direct testimony, was made to annualize the new rates.

Q. WHAT STEPS HAS THE COMPANY TAKEN TO IMPROVE ITS FINANCIAL PERFORMANCE?

A. Beginning as early as 2008, the Company began taking steps to avert what it saw as an impending financial crisis by sharply reducing the amount of its capital budget as well as certain operation and maintenance expenses. In early 2009, even more dramatic efforts were made to reduce costs, including, for the first time in the Company's 55 year history, staff reductions. Other cost reduction efforts included a wage and hiring freeze. The capital budget was reduced by fifty-seven percent in 2008 and slashed by an additional thirty-eight percent in 2009. This new "bare bones" capital budget level was continued through 2010 as the Company continues its efforts to control its expenses, debt, and stabilize its earnings.

Q. EVEN WITH THESE REDUCTIONS TO CAPITAL EXPENDITURES AND OPERATING EXPENSES, WILL THE COMPANY RECOVER ITS COST OF SERVICE?

A. No. These steps were taken to stave off a financial crisis while the Company's last rate filing was pending. Even with the rates granted in Decision No. 71845, the Company will not recover its cost of service. This is primarily because rates

set in the last general rate case were designed to recover the Company's costs through the adjusted test year 2007. As discussed above, since that time, operating costs and investment in utility plant have risen significantly. Additionally, the Company's response to the financial crisis it is experiencing is not sustainable because, in part, it cut investment and expenses to a level that, if continued will, in the long term jeopardize the Company's ability to provide reliable and adequate service.

Q. IS THE COMPANY MAKING ANY PROPOSALS THAT WOULD HELP TO MITIGATE OR IMPROVE THIS SITUATION?

A. Yes. The Company is proposing continuation of the ACRM for its Western Group water systems to help alleviate the financial burden of constructing new government-mandated arsenic treatment facilities to comply with stringent new United States Environmental Protection Agency ("EPA") safe drinking water standards. Additionally, the Company is requesting the adoption of a DSIC that balances fiscal responsibility with customer affordability to assist it in replacing aging infrastructure. Finally, the Company is seeking approval of an Off-Site Facilities Fee tariff to provide the funds needed to construct infrastructure in its growing Pinal Valley water system.

III. <u>Weighted Average Cost of Capital</u>

Q. WHAT IS THE COMPANY'S WEIGHTED AVERAGE COST OF CAPITAL?

A. The Company's weighted average cost of capital is not less than 9.51 percent. This amount is calculated in Schedule D-1 of the application and the method is discussed below.

Q. HOW IS THE WEIGHTED AVERAGE COST OF CAPITAL DETERMINED?

A. The Company's weighted average cost of capital is determined by establishing the cost of the individual capital components, then calculating an overall cost weighted by each capital component's percentage of the total capital structure

and individual cost. The Company's pro forma capital structure includes two components: Long-Term Debt and Common Stock Equity.

Q. WHAT IS THE COST OF LONG-TERM DEBT IN THE CAPITAL STRUCTURE?

A. The cost of long-term debt is set forth in Schedule D-2, page 1. The Company's general mortgage bonds are listed by series with the annual interest and amortization in lines 24 through 26. The Company's computation of its long-term debt cost shown on line 28 is the approach adopted by the Commission in the Company's last five general rate cases. This same method is used by the Company in this rate application. This method shows an unchanging cost for each debt issue and then weights the cost of each individual issue by its percentage of the total debt outstanding.

In summary, at the end of Adjusted Test Year 2010, the Company had long-term debt totaling $75,000,000, at a weighted average embedded cost of 6.82 percent.

Q. HOW DID YOU DETERMINE THE COST OF COMMON EQUITY?

A. The cost of common equity, 12.1 percent, was determined by the Company's expert witness, Dr. Thomas M. Zepp, and is supported by his direct testimony.

Q. DO YOU HAVE AN OPINION AS TO WHAT WOULD BE A FAIR AND PROPER RATE OF RETURN FOR THE COMPANY TO EARN ON ITS ADJUSTED ORIGINAL COST LESS DEPRECIATION RATE BASE?

A. Yes. It should not be less than 9.51 percent, the weighted average cost of capital computed on Schedule D-1.

IV. <u>ACRM Continuation</u>

Q. DOES THE COMPANY NEED TO CONSTRUCT ADDITIONAL ARSENIC TREATMENT PLANTS IN THE WESTERN GROUP?

A. Yes. For the reasons described in Section VI of Mr. Schneider's direct testimony, the Company must construct additional arsenic treatment plants in its Pinal Valley water system, and planning and design for those plants is already

underway. These facilities include the expansion of the Company's Henness Road arsenic treatment plant as well as new treatment facilities at Coolidge Well No. 13.

Q. WHAT WILL BE THE FINANCIAL IMPACT ON THE COMPANY AS A RESULT OF CONSTRUCTING THESE FACILITIES?

A. The estimated cost of these additional facilities is approximately $2,650,000. Without the ability to recover the costs associated with these mandated treatment plant investments they will have a significant negative impact on the Company's financial performance. The Company would need $493,000 of additional revenues just to recover the capital costs associated with these additional facilities and would not include additional costs for arsenic treatment related operating costs. An exhibit showing the revenue requirement based on the estimated cost of these additional facilities is attached as Exhibit JDH-1.

Q. HAS THE COMMISSION AUTHORIZED CONTINUATION OF THE ACRM FOR ANY OF THE COMPANY'S OTHER SYSTEMS?

A. Yes. In Decision No. 71845 the Commission authorized the Company to make new ACRM filings for arsenic treatment plants that were planned for construction in its Sedona and Superstition systems. The Company is requesting that the authorization granted in Decision No. 71845 be extended to the Western Group water systems in this proceeding.

V. System Consolidation

Q. IS THE COMPANY PROPOSING TO CONTINUE WITH ITS PLAN TO CONSOLIDATE ADDITIONAL SYSTEMS IN THIS PROCEEDING?

A. Yes. Consistent with the Company's Consolidation Study, which the Commission required the Company to prepare in Decision No. 71845, attached hereto as Exhibit JDH-2, the Company proposes to operationally consolidate the White Tank water system into the Pinal Valley water system.

Q. PLEASE DESCRIBE WHAT FUNCTIONS WOULD BE OPERATIONALLY CONSOLIDATED.

A. Operational consolidation refers to the consolidation of the following functions: accounting, regulatory, operations and ratemaking. The Company is proposing to consolidate the accounting records, operations, regulatory and ratemaking functions of the two systems effective with the date of the Commission's decision in this proceeding. Because full consolidation of all of the rates of these two systems is not possible at this time, the Company is proposing a phased consolidation of the Pinal Valley and White Tank water systems.

Q. WHAT ARE THE COMPANY'S CONSOLIDATION PRINCIPLES?

A. The Company's consolidation principles, which were adopted by the Commission in Decision No. 71845 and detailed in the Consolidation Study, include:

1. Rate consolidation should produce average residential bills that are at or below the cost of service.
2. Changes to rate design should reflect gradualism.
3. Operational consolidation (which would include regulatory, accounting, operations, and ratemaking functions) should be implemented when the Commission approves the consolidation.
4. Rates should be consolidated partially where full rate consolidation is not yet feasible.
5. Systems with higher rates should have their rates frozen until the rates in the other systems in that consolidated group reach that level.
6. Consolidation is ideally made along functional relationships which share management, operating employees and customer service.
7. Areas consolidated should share similarities in water resources.
8. Areas consolidated should have similar rate structures.

Q. WHAT ARE THE BENEFITS OF CONSOLIDATING SYSTEMS FROM A RATEMAKING PROSPECTIVE?

A. There are a number of benefits that rate consolidation will bring to these water systems, the customers and the Company that were enumerated in the Consolidation Study. Primary among these benefits are:

1. Mitigate rate impacts to customers by smoothing the effect of discrete cost spikes across systems.
2. Improve affordability of service in smaller systems.
3. Achieve value of service equity to the extent that all customers pay the same price for comparable service.
4. Improve overall operational efficiency by encouraging investment in the consolidated systems based on need without being hindered by an individual system's inability to earn its return on the investment.
5. Streamline administrative and regulatory processes, thereby lowering costs, especially costs related to ratemaking and accounting.
6. Improve and further ensure affordability of water service in all systems.

Q. ARE THESE BENEFITS THE MAIN REASONS THAT THE COMPANY IS PROPOSING CONSOLIDATION OF THE WHITE TANK AND PINAL VALLEY WATER SYSTEMS?

A. Yes, they are.

Q. PLEASE SUMMARIZE THE CONSOLIDATION THAT THE COMPANY IS PROPOSING.

A. The Company is proposing a phased consolidation of the White Tank and Pinal Valley water systems consistent with the rate consolidation principles in the Company's Consolidation Study. These two systems share a common regional water resource, management, operating employees and customer service. Full consolidation is proposed for residential and commercial rates in the two systems. While industrial rates will be a phased consolidation with monthly

minimums for the White Tank system set to equal those set for the Pinal Valley system. The White Tank system will retain separate industrial commodity rates until a future rate proceeding.

Q. HAS THE COMPANY PERFORMED A COST OF SERVICE STUDY THAT SUPPORTS THE COMPANY'S CONSOLIDATION EFFORTS?

A. Yes. As detailed in Section VII of Mr. Reiker's direct testimony, the Company conducted a cost of service study. The rate design the Company is proposing for the partial consolidation of the White Tank and Pinal Valley water systems, produces revenues that are equal to or below the residential cost of service, thus avoiding the type of residential subsidies that often result when separate water systems are consolidated for rate purposes.

Q. WHAT IS THE STATUS OF THE COMPANY'S PLAN TO CONSOLIDATE RATES FOR ITS CASA GRANDE, COOLIDGE AND STANFIELD SYSTEMS?

A. In Decision No. 71845, the Commission authorized the full rate consolidation of Casa Grande and Coolidge ("Pinal Valley"). Stanfield's rates were partially consolidated by setting the monthly minimum charge at the same rate as Casa Grande and Coolidge. Commodity rates for Stanfield were set independently. The Company's proposal in this application is to fully consolidate Stanfield's rates with those of Pinal Valley.

VI. <u>DSIC</u>

Q. BRIEFLY DESCRIBE WHAT YOU MEAN BY A DSIC.

A. A DSIC is a ratemaking tool that allows utilities to recover the fixed costs (depreciation and return) of non-revenue producing distribution system improvement projects completed between rate cases. Mr. Garfield discusses the public policy aspects of a DSIC program in his direct testimony.

Q. ARE THERE OTHER JURISDICTIONS WHERE DSIC-TYPE MECHANISMS ARE ALREADY IN PLACE?

A. Yes. Many jurisdictions including Delaware, California, Connecticut, Pennsylvania, Indiana, Illinois, Missouri, New York and Ohio have adopted DSIC-type mechanisms to finance ongoing replacement of aging and deteriorating water distribution networks. In addition, DSIC programs have been cited by the National Association of Regulatory Utility Commissioners ("NARUC") as a "Best Practice".

Q. HAS A DSIC EVER BEEN APPROVED IN ARIZONA?

A. Not yet. However, in Docket No. W-01303A-05-0405, the Commission adopted a Public Safety Surcharge in Paradise Valley. This type of surcharge was specifically designed to provide funding of expenditures to replace undersized and inadequate mains in the Town of Paradise Valley. The DSIC, however, is more like the ACRM which was developed through joint efforts of the Company, Staff and the Residential Utility Consumers Office ("RUCO"). The ACRM allows utilities that have constructed arsenic treatment plants to seek recovery of capital costs and narrowly defined components of operating costs of arsenic treatment plants between formal rate filings. Without this proactive recovery method, a significant number of the State's utilities would not have been able to comply with new safe drinking water standards and as a result these utilities, including the Company, would have been placed in a precarious financial position.

Q. HAS THE COMMISSION EXPRESSED AN OPINION ON THE DSIC?

A. Yes. In Decision No. 71845 the Commission stated that an infrastructure funding mechanism (DSIC) may be reasonable for certain of the Company's aging infrastructure or infrastructures that face other unique challenges. The Commission further stated its belief that it was appropriate for the Company to further develop this issue for future consideration by preparing a study and filing

a report on DSIC, and to utilize the information from that study to inform the Commission of further proposals in its future rate cases.

Q. WAS THE REQUIRED DSIC STUDY FILED WITH THE COMMISSION?

A. Not yet, but it will be filed by the June 30, 2011 compliance deadline. The Company has prepared an initial form of the DSIC study that details the history of the DSIC, the need for distribution system improvements, the cost of those improvements, the potential rate impacts and the balance between costs and benefits for customers. A copy of that initial form of study is attached as Exhibit JDH-3.

Q. DID THE INITIAL FORM OF THE DSIC STUDY CONCLUDE THAT DETERIORATING OR AGING WATER DISTRIBUTION SYSTEMS WAS PRIMARILY AN EAST COAST PROBLEM?

A. No. As discussed in the initial form of the DSIC study, the EPA report titled, "Drinking Water Infrastructure Needs Survey and Assessment, Fourth Report to Congress" shows a twenty year national capital improvement need of $334.8 billion. As shown in an excerpt of this report, attached as Exhibit JDH-4, Arizona's water systems are projected to have infrastructure needs over the next twenty years of nearly $7.5 billion, with $3.7 billion of that need being in transmission and distribution systems. The EPA report also categorized these capital needs by system size. Using the system sizes from the report, the Company's 19 water systems are classified as medium or small systems. For systems of this size, the report identified water system infrastructure needs in Arizona of $2.1 billion for medium-sized systems and $889 million for small systems. As discussed in Section X of Mr. Schneider's direct testimony, the Company is taking direct action to address water losses and has prepared a detailed study of its distribution systems to determine the sources of water losses

and the best approach to help reduce such water losses[1]. The results of that study indicate that the Company is facing an infrastructure crisis arising from the fact that over 287,000 feet of the water mains in the Pinal Valley water system are in critical need of replacement to maintain system integrity and to continue to provide reliable and adequate water service. Without these necessary replacements, the Company will experience increasing breaks, leaks and water losses caused by failing infrastructure.

Q. CAN THESE REPLACEMENTS BE HANDLED AS PART OF THE COMPANY'S NORMAL RENEWALS AND REPLACEMENTS?

A. No. In the last ten years the Company's rate of water main replacement in the Pinal Valley system has been 5,900 feet per year. Based on the need identified above it would take over 48 years to be able to replace the 287,000 feet of water mains identified in the detailed system analysis. Additionally, the Company has identified 3,700 failing plastic services that need to be replaced to reduce water loss. The preliminary cost estimate of these replacements is nearly $41,000,000 as shown in the table below:

QUANTITY	DESCRIPTION	ESTIMATED COST
14,800	Replace Failing Water Mains 1920 - 1929	$ 736,880
7,116	Replace Failing Water Mains 1930 - 1939	$ 301,470
246,150	Replace Failing Problematic Water Mains 1940 and later	$ 11,205,230
19,304	Replace Failing Large Diameter Water Mains	$ 2,386,230
3,500	Replace Services on Failing Water Mains	$ 7,700,000
3,700	Replace Failing Plastic Services	$ 8,140,000
(1) **SUBTOTAL - MATERIALS AND LABOR**		$ 30,469,810
(2) PERFOMANCE BONDS, SURVEYING, RIGHT OF WAY PERMITTING, TESTING, FIELD INSPECTION AND OVERHEAD		$ 10,524,272
ESTIMATED COST OF CONSTRUCTION		**$ 40,994,082**

[1] The study titled "Water Loss Reduction Program" is attached to Mr. Schneider's direct testimony as Exhibit FKS-10

Based on its current limited financial resources, the Company simply does not have the ability to fund the type of infrastructure replacement program required to ensure the long-term viability and reliability of the Company's distribution system. Although these types of programs enable a utility to provide reliable and adequate water service, they do not generate additional sales or revenue. To be more precise, these types of replacements add to the Company's cost of providing service but they do not add any additional revenue to recover those costs.

As discussed earlier in this testimony, the Company is in critical financial condition due to rising costs and declining customer sales which taken together severely restrict the Company's ability to issue additional debt due to the minimum interest coverage ratio provisions of its General Mortgage Bond Indenture.

Not only is the Company's ability to issue new debt severely restricted but it has been unable to recover its cost of service for a number of years. The infrastructure replacement program needed to ensure the integrity of its distribution system would simply add to the Company's debt and increase costs that cannot be recovered under current rates. This type of much-needed infrastructure replacement program cannot be undertaken without a change in the way these costs are recovered.

Q. ARE THERE RATEMAKING STRATEGIES THAT COULD BE EMPLOYED OTHER THAN ESTABLISHING A DSIC?

A. Other than basing rates on a future test year, no. When a utility is faced with a large capital project, its cost and construction timeline are usually well known in advance. With that knowledge, the utility can time its rate case filing to coincide with completion of the facility to minimize the amount of earnings erosion. But

the infrastructure replacement program needed by the Company does not lend itself to that type of timing strategy because it is made up of many smaller projects that will be constructed each year for a number of years. Most of these projects would likely have a very short construction timeline, meaning that they would either not qualify for accrual of Allowance for Funds Used During Construction ("AFUDC"), or the amount of AFUDC recorded would be very small. Because these replacement programs do not increase sales or revenues and since they will not accrue AFUDC, they neither generate cash returns nor AFUDC accruals. In order to generate any cash flow to support this type of program, the Company would be forced to file for annual rate increases to coincide with its capital expenditures, even though the ratemaking process takes longer than one year to complete. Even if this were possible, the amount of time and effort and the cost of filing and completing annual rate cases would cause further earnings erosion and make the strategy unworkable.

Q. WHAT ARE THE ELEMENTS OF THE COMPANY'S PROPOSED DSIC?

A. As identified in the Company's initial form of the DSIC study, the following elements comprise the Company's proposed DSIC:

1. The DSIC will recover the fixed costs associated with DSIC-eligible utility plant additions net of retirements placed in service between rate cases. Utility plant additions eligible for the DSIC will be limited to those additions which are properly classified in the following NARUC Uniform System of Accounts for Class A and B Water Utilities (1976).

343 – Transmission and Distribution Mains

344 – Fire Mains

345 – Services

346 – Meters

347 – Meter Installations

348 – Hydrants

2. The DSIC will be filed on a semi-annual basis to reflect eligible utility plant additions placed in service during the six-month period ending two months prior to each DSIC update as illustrated below:

Effective Date Of Update	Period In Which DSIC-Eligible Plant Additions Made
July 1	November 1 – April 30
January 1	May 1 – October 31

3. Supporting data, as described below, for each semi-annual filing will be filed with the Commission at least 30 days prior to the effective date of the update. Exhibit JDH-5 contains examples of the following schedules:

Schedule 1: The Company's most recent balance sheet at the time of filing for a DSIC step increase.

Schedule 2: The most recent income statement for the Company and those systems for which the Company requests a DSIC step increase.

Schedule 3: An earnings test schedule for each system where the Company is requesting a DSIC step increase. The earnings test will reflect the Company's most recent financial data.

Schedule 4: A rate review schedule for each system showing the incremental and pro forma effects of the step increase associated with the eligible DSIC capital costs on the financial data provided in Schedules 2 and 3.

Schedule 5: A revenue requirement schedule showing the calculation of the required increase related to eligible DSIC capital costs for each system. The schedule will also indicate the current incremental increase, proposed monthly fixed basic service and volumetric charges for a customer with a 5/8 x 3/4-inch meter. The required rate of return, gross conversion factor and depreciation rate would be the same rates approved in that system's last rate case.

Schedule 6: A schedule showing the surcharge calculation for eligible DSIC capital costs for each system. Fifty percent of recoverable capital costs will be in the form of a monthly fixed surcharge and fifty percent will be in the form of a volumetric surcharge. The monthly fixed surcharge will be scaled to each meter size based on the approved 5/8 x 3/4-inch equivalent capacity ratio. This schedule will also provide information related to the number of customers by meter size and the number of gallons sold.

Schedule 7: A rate base schedule for each system showing the rate base determined in the most recent rate case as well as the most recent rate base calculated as of the date of the information provided in Schedules 1 and 2, both adjusted to reflect the inclusion of completed and in-service eligible DSIC facilities.

Schedule 8: A Construction Work In Progress ledger showing monthly charges related to the construction of eligible DSIC facilities.

Schedule 9: A schedule showing the calculation of the Company's three-factor allocation methodology.

Schedule 10: A typical bill analysis comparing bills for customers with a 5/8 x 3/4-inch meter under present and proposed rates.

4. The DSIC surcharge will be shown as a separate line item on each customer's bill. At least twice per year, the Company will print a message on each customer's bill which explains the DSIC surcharge and indicates the progress being made on replacing aging infrastructure.

5. The DSIC will be phased in each year and capped at 7.5 percent of the annual amount billed to customers under otherwise applicable rates and charges.

6. The DSIC will be reset to zero, as of the effective date of each new general rate case, by inclusion of the DSIC-eligible plant in rate base used to set base rates in the general rate case approved by the Commission. Thereafter, new DSIC-eligible utility plant additions not included in the general rate case will

form the basis for the new semi-annual DSIC filing. No DSIC filing will be made if, in any semi-annual period, the system for which the filing would otherwise be made is earning a rate of return that exceeds the rate of return that would be used to calculate the revenue requirement under the DSIC.

Q. HAS THE COMPANY PREPARED AN EXAMPLE CALCULATION OF THE DSIC USING THE COMPANY'S ENGINEERING COST ESTIMATE OF $2.5 MILLION TO REPLACE AGING INFRASTRUCTURE?

A. Yes. A worksheet for the Pinal Valley water system showing the calculation of the revenue requirement for an infrastructure investment of approximately $2.5 million and the impact on a typical residential monthly bill is attached as Exhibit JDH-6.

Q. WHAT IS THE ESTIMATED EFFECT ON AN AVERAGE RESIDENTIAL BILL FROM THE DSIC SURCHARGE?

A. Based on the water main and service line replacement program described in Section X and Exhibit 10 of Mr. Schneider's direct testimony, at an estimated annual cost of $2.5 million, the Company estimates that the impact on a typical residential customer's monthly bill in Pinal Valley would be $0.87. Even at the maximum capped amount of 7.5 percent, the average monthly residential bill would not increase by more than $2.58.

Q. HOW DOES A DSIC BENEFIT CUSTOMERS?

A. There are a number of customer benefits highlighted by the initial form of the DSIC study. Primary among them are improved water quality and fire protection, decreased water loss, increased water pressure, fewer service interruptions, and the potential for a longer period of time between general rate cases, thus leading to greater rate stability and lower rate case expenses.

Failing distribution infrastructure causes a number of customer service issues such as degradation of water quality and service interruptions. Service interruptions can affect hundreds of customers when water mains fail.

Additionally, leaking water mains and services result in millions of gallons of treated water failing to reach customers every year. While the Company's leak detection and repair program has made progress in reducing the amount of water lost to leaks, the DSIC being proposed by the Company is a way to make real progress in improving the integrity and reliability of its distribution systems and take positive steps forward in eliminating customer outages caused by distribution system failures.

Implementation of the DSIC will provide the necessary financial resources for the Company to invest in replacing its aging infrastructure and allow it to make these investments in incremental steps. Additionally, implementing a DSIC will limit the rate impact on customers to small, regular increases rather than large irregular increases that make customer affordability and acceptance more difficult.

VII. Off-Site Facilities Fee

Q. WHAT IS THE PURPOSE OF THE OFF-SITE FACILITIES FEE?

A. The purpose of the Off-Site Facilities Fee is to equitably apportion the costs of constructing additional off-site facilities to provide water production, treatment, delivery, storage and pressure facilities among all new customers whose water supply requirements make these facilities necessary. The fee would be applicable to all new service connections in the service area.

Q. WHAT IS THE AMOUNT OF THE PROPOSED FEE?

A. The proposed fee is $3,500 for each new service connection with a 5/8 x 3/4-inch meter, and is graduated in amount for larger meter sizes. Exhibit JDH-7 shows the estimated funds needed by meter size and a projection of the amount collected and expended to construct the necessary off-site facilities.

Q. HOW DID THE COMPANY ARRIVE AT THIS AMOUNT?

A. The Company arrived at this amount by determining the cost, in current dollars, of off-site infrastructure facilities that will not be provided by developers, and dividing it by the number of new 5/8 x 3/4-inch meter equivalents.

Q. HAS THIS TYPE OF FEE BEEN APPROVED BY THE COMMISSION BEFORE?

A. Yes. Off-site facilities fees have been approved in Docket Nos. W-01303A-05-0718, W-02859A-99-0101, W-02234A-00-0706 and WS-02987A-99-0745.

Q. WOULD THIS FEE BE A REPLACEMENT FOR ADVANCES OR CONTRIBUTIONS IN AID OF CONSTRUCTION TYPICALLY ASSOCIATED WITH EXTENDING OR PROVIDING WATER INFRASTRUCTURE FACILITIES?

A. No. This fee is intended to fund off-site facilities which would be in addition to an applicant's advance or contribution of the cost of extending and providing on-site water infrastructure facilities to the applicant's premises or development.

Q. WHAT FACILITIES DOES THE COMPANY INTEND TO FUND WITH THIS OFF-SITE FACILITIES FEE?

A. The facilities, more thoroughly discussed by Mr. Schneider in Section VIII of his direct testimony are primarily the Pinal Valley CAP Treatment Plant and the necessary transmission and distribution mains, water storage tanks and booster stations needed to provide water service in this growing area, that are not otherwise supported by developer contributions.

Q. WHEN DOES THE COMPANY PLAN TO CONSTRUCT THESE FACILITIES?

A. The preliminary schedule of construction is detailed by Mr. Schneider in his direct testimony. It is the Company's policy that construction of a particular phase will not commence until sufficient off-site facilities fees have been collected to offset the costs associated with that phase. This will eliminate the possibility that the Company will face large off-site infrastructure investments that are not fully

funded by contributions, which would lead to large increases in rate base and ultimately rates.

Q. DOES THIS MEAN THAT NO PLANT WILL BE CONSTRUCTED UNTIL ALL OFF-SITE FACILITIES FEES HAVE BEEN COLLECTED?

A. No. As shown on the facilities phasing schedule, off-site facilities will be constructed in phases to serve customers long before the Pinal Valley CAP Treatment Plant is constructed. As indicated above, construction of these preliminary phases will be fully funded in advance of actual construction.

Q. HOW WOULD THE OFF-SITE FACILITIES FEES COLLECTED BE ACCOUNTED FOR?

A. When fees are received from developers, the amounts would be recorded in an off-site facilities fees deferred liability account. Once the off-site facilities are constructed with these fees and placed in service, the equivalent amount will be transferred from the deferred liability account to Contributions in Aid of Construction ("CIAC").

Q. WOULD IT BE APPROPRIATE TO OFFSET RATE BASE WITH UNEXPENDED FEES?

A. No. Since these fees are not available to the Company, except for the purpose of constructing off-site facilities, it would not be appropriate to include these unexpended fees as either CIAC or as a reduction to the cash working capital component of rate base, as they are not available for the Company's use except to build off-site facilities.

Q. HOW DOES THIS FEE COMPARE TO THE SAME TYPES OF FEES CHARGED BY OTHER COMPANIES AND MUNICIPALITIES?

A. Exhibit JDH-8 shows that the Company's proposed fee is at the midpoint of similar fees charged in communities similarly located.

Q. WHAT IS THE FORM OF TARIFF FOR THIS FEE?

A. The proposed tariff is attached as Exhibit JDH-9.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

ARIZONA WATER COMPANY
DOCKET NO. W-01445A-10-0517
REVENUE REQUIREMENT
AS OF DECEMBER 2010

Line No.		[A]	[B]	[C]	[D]
1		PINAL			
2	Arsenic Compliance Revenue Requirement:	VALLEY			
3					
4	Test Year Data:				
5	Arsenic Plant in Service	$ 2,400,000			
6	Accumulated Depreciation	-			
7	Arsenic Rate Base	$ 2,400,000			
8	Required Rate of Return	9.51%			
9	Required Operating Income	$ 228,240			
10	Gross Revenue Conversion Factor	1.65690			
11	Revenue Required - Return on Arsenic Treatment Plant	$ 378,171			
12	Depreciation on Arsenic Treatment Plant (Sch. 8, p. 1)	$ 68,627			
13					
14	Revenue Required - Capital Costs (Ln. 11 + Ln. 12 + Ln. 13)	$ 446,798			
15					
16	Revenue Required - Capital Costs & Recurring O&M Expenses (Ln. 14 + Ln. 15)	$ 446,798			
17	Revenue Required - Deferred O&M Expenses	$ -			
18	Total Revenue Required - Step 1 (Ln. 16 + Ln. 17)	$ 446,798			
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JDH-1

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

RECEIVED

2010 SEP 30 P 4: 37

DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY, AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE AND FOR CERTAIN RELATED APPROVALS BASED THEREON.

Docket No. W-01445A-08-0440

CERTIFICATE OF COMPLIANCE FILING

In Decision No. 71845 of the Arizona Corporation Commission (the "Commission") entered on August 24, 2010, in the above-captioned docket, the Commission ordered Arizona Water Company (the "Company"), at page 94 of the Decision, to "... prepare a study outlining consolidation proposals, inclusive of a full-system-wide single-tariff consolidation option, which details possible timelines and pursues paths of least impact for customers...and file a report detailing the results of the study by June 30, 2011, but no later than three months prior to filing its next rate case with Docket Control as a compliance item in this docket...".

The Company hereby files its Consolidation Study in compliance with the foregoing order.

RESPECTFULLY SUBMITTED this 30th day of September 2010.

ARIZONA WATER COMPANY

By: Robert W. Geake

Robert W. Geake
Vice President and General Counsel
Arizona Water Company
P. O. Box 29006
Phoenix, AZ 85038
Attorney for Applicant

AN ORIGINAL and thirteen (13) copies of the foregoing filed this 30th day of September, 2010 with:

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

A copy of the foregoing was mailed this 30th day of September, 2010 to:

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Assistant Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
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By: Robert Geake

Arizona Water Company
Consolidation Study
Docket W-01445A-08-0440
September 30, 2010

In Decision No. 71845, the Arizona Corporation Commission (the "Commission") directed Arizona Water Company ("Company") to prepare a study outlining consolidation options, including an option for full, system-wide, single-tariff consolidation. A report of the study is to be filed with the Commission by June 30, 2011, but no later than 90 days prior to filing its next rate case. This consolidation study complies with Decision No. 71845 and addresses the following: (1) two different consolidation options; (2) impacts on residential customers; (3) possible timelines for implementation; and (4) potential efficiencies from consolidation.

The Company is a public service corporation engaged in providing public utility water service in portions of Cochise, Coconino, Gila, Maricopa, Navajo, Pima, Pinal and Yavapai Counties, Arizona, pursuant to certificates of convenience and necessity granted by the Commission. Currently, the Company operates 19 water systems which serve approximately 84,500 customers.

The Company's 19 water systems are organized into three groups: Northern, Eastern and Western. In Decision No. 58120, the Commission expressly authorized the Company to implement and utilize the three groups for filing rate applications to simplify processing and increase administrative efficiency. For management purposes, these three groups are further subdivided into six divisions, 11 systems and 13 sub-systems. Each division shares managerial, operating and customer service employees within each water system they manage. Additionally, the water systems within each division are located in the same general area of the state and share similarities in water resources. The chart below shows each of the systems by division and group. Note that several divisions have been renamed to better identify consolidated systems within the divisions.

Arizona Water Company
Consolidation Study
Docket W-01445A-08-0440
September 30, 2010

Group	Division	System (• Sub-system)
Northern Group		
	Navajo Division	
	(formerly Lakeside Division)	Navajo • Lakeside[1] • Overgaard[1]
	Verde Valley Division	
	(formerly Sedona Division)	Verde Valley • Sedona[2] • Rimrock[1] • Pinewood[1]
Eastern Group		
	Superstition Division	
		Superstition • Apache Junction[1] • Superior[1] • Miami[1]
	Cochise Division	
	(formerly Bisbee Division)	Cochise • Bisbee[2] • Sierra Vista[2]
	Falcon Valley Division	
	(formerly San Manuel Division)	San Manuel
		Oracle
		SaddleBrooke
		Winkelman
Western Group		
	Pinal Valley Division	
	(formerly Casa Grande Division)	Pinal Valley • Casa Grande[1] • Coolidge[1] • Stanfield[2]
		White Tank
		Ajo

[1]Fully consolidated in Decision No. 71845
[2]Partially consolidated in Decision No. 71845

Prior to Decision No. 71845, these 19 systems and sub-systems all had separate rates. However, in Decision No. 71845, the Commission authorized five full system consolidations and three partial consolidations, thereby reducing the number of separate systems for rate purposes from 19 to 14. When the current partially consolidated systems achieve full consolidation, the number of systems with separate rates will be reduced to 11.

Study Methodology and Company's Consolidation Principles

To develop the options in this study, the Company relied on the same rate design model that it used in Docket W-01445A-08-0440, which the Commission adopted in Decision No. 71845. The starting point for the comparison is the current rate for each system that was determined using a 2007 test year. The options were developed on the basis of a 2009 test year, to reflect the effects of the Company's greater investment in utility plant, higher operating expenses, and more up-to-date customer counts than in the recently adopted 2007 test year.

In Decision No. 71845, the Commission approved the Company's proposed rate consolidation which was based on the following principles:

- Rate consolidation should produce average residential bills that are at or below the cost of service.[1]
- Changes to rate design should reflect gradualism.[2]
- Operational consolidation (which would include regulatory, accounting, operations, and ratemaking functions) should be implemented when the Commission approves the consolidation.
- Rates should be consolidated partially where full rate consolidation is not yet feasible.
- Systems with higher rates should have their rates frozen until the rates in the other systems in the consolidated group reach that level.
- Consolidation is ideally made along functional relationships which share management, operating employees, and customer service.[3]
- Areas consolidated should share similarities in water resources.
- Areas consolidated should have similar rate structures.

[1] Docket W-01445A-08-0440 Direct Testimony of Joseph D. Harris, pg, 14, lines 1-9
[2] Docket W-01445A-08-0440 Direct Testimony of Joel M. Reiker, pg, 35, lines 6-25
[3] Docket W-01445A-08-0440 Direct Testimony of William M. Garfield, pg, 34, lines 1-8

The Company followed these same principles in formulating the consolidation options in this study.

The Consolidation Options

Option 1: Company Proposed – Continue Consolidating Within Systems in Phases

A. Northern Group
   i. The Navajo system would remain fully consolidated.
   ii. Verde Valley system (Sedona, Rimrock, Pinewood)
      a. Fully consolidate rates in phases until all sub-systems' rates can be equalized without rate reductions
B. Eastern Group
   i. The Superstition system would remain fully consolidated.
   ii. Cochise system (Bisbee, Sierra Vista)
      a. Fully consolidate rates in phases until both sub-systems' rates can be equalized without a rate reduction
   iii. Falcon Valley Division (San Manuel, Oracle, SaddleBrooke, Winkelman)
      a. Fully consolidate all systems in the Division operationally
      b. Fully consolidate rates in phases until all systems' rates can be equalized without rate reductions
C. Western Group
   i. Pinal Valley system (Casa Grande, Coolidge, Stanfield)
      a. Operationally consolidate the White Tank system into the Pinal Valley system
      b. Fully consolidate rates in phases until all sub-systems' rates can be equalized without rate reductions
   ii. Ajo system
      a. The Ajo system to remain operationally unconsolidated and will continue to have separate rates because it does not share similarities in water resources with the other systems in the Pinal Valley Division.

All of the Option 1 consolidations would occur along functional lines and combine sub-systems that share management, operations and customer service employees. The partial rate consolidations were created to minimize the impact on customers while still charting a path towards eventual full rate consolidation within a system.

Table 1 shows the Option 1 effect on monthly water bills for residential customers with a ⅝" x ¾" meter using 7,500 gallons of water per month and the annual revenue effect on each system.

Timeline and Customer Impact

Option 1 consolidations could begin with the Company's next rate filing. The Company will be filing the Western Group first, followed annually by the Eastern Group, then the Northern Group. If regulatory timelines for rate case proceedings are followed, the consolidations could be accomplished in four years. Option 1 produces typical residential bills that are equal to or less than the cost of service with the least impact on customers.

Option 2: Statewide Consolidation – Fully Consolidate All Systems

Option 2 of the study examined consolidating all of the Company's systems with a single set of statewide tariff rates for all systems. In many instances, Option 2 consolidation crosses management and operating lines, thereby requiring significant restructuring of the Company's management teams. Also, it would detrimentally alter customer water use patterns and encourage excessive water use by customers in the Northern Group systems which have limited groundwater supplies.

Table 1 shows the Option 2 effect on monthly water bills for residential customers with a ⅝" x ¾" meter using 7,500 gallons of water per month and the annual revenue effect on each system.

Timeline and Customer Impact

Option 2 consolidations could only be implemented with a Company-wide rate filing. If regulatory timelines for rate case proceedings are followed, full operational consolidation could be accomplished within a single three-year ratemaking cycle. Unlike Option 1, this consolidation option produces revenues that exceed the residential cost of service for several systems (Sierra Vista, Winkelman and Sedona). It also causes significantly larger revenue imbalances between a number of the consolidated systems which would cause the Pinal Valley system (Casa Grande, Coolidge, and Stanfield) to be burdened by more than $4 million in additional revenue requirements. Those additional revenues would be reallocated from the remaining systems, which would then have unjustifiably reduced rates. Besides the significant residential customer rate impacts, Option 2 deviates from and undermines the greater functional,

operational, and managerial efficiencies achievable under Option 1. Option 2 is not desirable because it causes significant revenue imbalances between some of the systems (because of unjustifiable rate reductions) and encourages higher customer water use in systems where water supplies are scarce.

Benefits of Consolidation

Benefits of rate consolidation for customers, regulators, and the Company as a whole, depend upon the approaches taken in consolidating systems. Primary among these benefits are:

- Mitigate rate impacts to utility customers by smoothing the effect of discrete cost spikes across systems and over time.
- Improve affordability of services in smaller systems.
- Achieve value of service parity to the extent that all customers in a specific geographic area pay the same rates for comparable service.
- Improve overall operational efficiency by encouraging utility plant investments in systems based on need and not based on whether an individual system could sustain the resulting costs of such investments.
- Streamline administrative and regulatory processes, thereby producing efficiencies that minimize costs, especially costs related to accounting and ratemaking.
- Improve and further ensure affordability of water service in all systems.

Efficiencies through Consolidation

Consolidating systems operationally offers a number of efficiencies which can produce long-term gains in productivity. These gains primarily are achieved by eliminating the need to maintain detailed cost records at a discrete individual system level and will result in significant reductions in employee man-hours each day. For example, consider the 125 employees who typically are involved in this type of operational reporting for payroll and invoice coding in the three groups. Assuming that each of these employees will save as little as 12 minutes every work day (which is a conservative assumption), the Company would achieve 25 hours per day in increased productivity. If a typical work year is 240 work days (excluding holidays and vacations), the Company would realize a productivity gain of 6,000 hours over the course of a year. Consolidating accounting records would lead to similar productivity gains. By consolidating systems, the number of cost reports, schedules and analytics is reduced. Assuming two hours saved per system per month, each consolidation of a system could lead to a productivity gain of 72 hours per year company-wide.

The regulatory and ratemaking process is another area where significant savings can be achieved. Of the Company's general rate case legal costs incurred in this Docket, approximately $18,000 were related to consolidation. Though likely to recur in future cases involving consolidation, these costs will decline and eventually be eliminated.

Also in this Docket, the Commission Staff required an additional 90 days to process the rate filing, in part due to the number of separate rate systems, and Staff and other parties required an additional four weeks of time to prepare rate-related testimony. In total, this represented four months of additional effort. Even achieving a 50% reduction in this effort would yield a substantial productivity gain for the Commission itself.

Conclusion

The Company remains committed to consolidations following a principled and conservative approach, having first proposed consolidations in its 2000 rate case for its Northern Group systems – Sedona, Rimrock, Pinewood, Lakeside and Overgaard. The Company's consolidation principles, which the Commission affirmed in Decision No. 71845, should be applied as guidelines in pursuing a path to further consolidations. For this reason, the Company recommends the consolidation strategy outlined in Option 1, which it will begin pursuing in its next rate case. Option 1 continues the work started in Decision No. 71845 and extends it in a logical and reasonable manner. It is preferable to Option 2 because, as the Commission required in Decision No. 71845 (page 94, line 13) it "pursues paths of least impact for customers."

Arizona Water Company
Consolidation Study
Docket W-01445A-08-0440
September 30, 2010

Arizona Water Company
Consolidation Study
W-01445A-08-0440

Table 1

Line No.	System / Sub-system	Monthly Residential Bills[1] Current	2009 Test Year Option 1	2009 Test Year Option 2	System / Sub-system	Annual Revenue Effect (From) / To Option 1	Annual Revenue Effect (From) / To Option 2
	Northern Group				Northern Group		
1.	Navajo System				Navajo System		
2.	Lakeside / Overgaard	$ 48.57	$ 50.81	$ 38.81	Lakeside / Overgaard	$ -	$ (484,950)
4.	Verde Valley System				Verde Valley System		
5.	Sedona	$ 36.31	$ 43.01	$ 38.81	Sedona	$ 248,837	$ (365,084)
6.	Rimrock / Pinewood	$ 52.33	$ 52.33	$ 38.81	Rimrock / Pinewood	$ (248,837)	$ (618,891)
7.							
8.	Eastern Group				Eastern Group		
9.	Superstition System				Superstition System		
10.	Apache Junction / Superior / Miami	$ 37.20	$ 42.90	$ 38.81	Apache Junction / Superior / Miami	$ -	$ (1,683,135)
11.	Cochise System				Cochise System		
12.	Bisbee	$ 44.44	$ 44.44	$ 38.81	Bisbee	$ (258,963)	$ (481,864)
13.	Sierra Vista	$ 25.11	$ 32.10	$ 38.81	Sierra Vista	$ 258,963	$ 610,458
14.	Falcon Valley Division				Falcon Valley Division		
15.	San Manuel	$ 44.83	$ 48.56	$ 38.81	San Manuel	$ 39,058	$ (196,835)
26.	Oracle	$ 55.12	$ 55.12	$ 38.81	Oracle	$ (9,253)	$ (282,667)
17.	SaddleBrooke	$ 45.75	$ 55.12	$ 38.81	SaddleBrooke	$ (52,320)	$ (86,220)
18.	Winkleman	$ 27.31	$ 36.59	$ 38.81	Winkleman	$ 22,515	$ 33,327
19.							
20.	Western Group				Western Group		
21.	Pinal Valley System				Pinal Valley System		
22.	Casa Grande / Coolidge	$ 27.61	$ 34.67	$ 38.81	Casa Grande / Coolidge	$ 541,014	$ 4,111,622
23.	Stanfield	$ 36.82	$ 36.82	$ 38.81	Stanfield	$ (46,879)	$ (32,212)
24.	White Tank	$ 36.94	$ 36.94	$ 38.81	White Tank	$ (494,135)	$ (357,774)
25.	Ajo	$ 66.72	$ 60.44	$ 38.81	Ajo	$ -	$ (165,775)
26.							
27.							
28.							
29.							
30.	[1] Monthly Residential bills based on 5/8" X 3/4" meter and 7,500 gallons of usage.						
31.							
32.							
33.							
34.							

Arizona Water Company
Initial Distribution System Improvement Charge Study

Background

In Decision No. 71845, the Arizona Corporation Commission (the "Commission") ordered Arizona Water Company (the "Company") to prepare a study on Distribution System Improvement Charges ("DSIC") designed to implement leak detection devices and make conservation based repairs to infrastructure, and to file a report detailing the findings of this study with the Commission. The Commission stated that an infrastructure funding mechanism may be reasonable for certain of the Company's aging systems, or for systems that face other unique challenges. Further, the Commission stated its intent that the information contained in the study should be used by the Company to further develop this issue for future Commission consideration.

This initial DSIC study addresses costs and rate impacts and takes into consideration how to balance the costs and benefits of such improvements for customers. It is submitted to the Commission to provide the information discussed above, to establish the basis and need for establishing a DSIC mechanism to address aging and failing infrastructure, and urge the Commission to approve such a mechanism in this general rate case.

The Company is a public service corporation which provides public utility water service in portions of Cochise, Coconino, Gila, Maricopa, Navajo, Pima, Pinal and Yavapai Counties in Arizona pursuant to certificates of convenience and necessity granted by the Commission. The Company operates nineteen (19) water systems that serve approximately 84,000 customers.

Historical Development of DSIC

The pressing problem of aging drinking water system infrastructure has been brought to the forefront of public attention by agencies such as the United States Environmental Protection Agency (the "EPA") and organizations such as the American Society of Civil Engineers (the "ASCE"). The ASCE's 2009 *Report Card for American Infrastructure* gave the nation's aging drinking water system infrastructure a grade of D minus.[1] In addition, the EPA, in its report entitled *Drinking Water Infrastructure Needs Survey and Assessment*, projected a twenty year capital improvement funding need of $334.8 billion.[2]

As the Commission noted in Decision No. 71845, aging infrastructure is often seen as an East Coast or Midwest phenomenon. But the same EPA report showed that Arizona needs

[1] Exhibit A: *2009 Report Card for American Infrastructure – Water And Environment, Drinking Water* produced by American Society of Civil Engineers.
[2] Exhibit B: *Drinking Water Infrastructure Needs Survey and Assessment, Fourth Report to Congress* by the United States Environmental Protection Agency.

nearly $7.5 billion of water system infrastructure funding over the next twenty years, with nearly half of that funding needed for transmission and distribution system replacements. The EPA report further categorized Arizona's water system infrastructure funding needs as $2.1 billion for medium-sized systems and $889 million for small-sized systems. All of the Company's water systems are classified as medium or small systems based on the EPA water system size categories, as follows:

Large	Systems serving over 100,000 persons
Medium	Systems serving 3,301 to 100,000 persons
Small	Systems serving less than 3,301 persons

In recognition of this growing crisis in the water industry, regulated water utilities began exploring ways to address the replacement and rehabilitation of failing water distribution system infrastructure while balancing financial stability with customer affordability with their state utility commissions. In 1996, Philadelphia Suburban Water Company ("PSWC") petitioned the Pennsylvania Public Utility Commission ("PPUC") seeking approval of a tariff that would establish a DSIC. The PSWC DSIC was designed to recover the fixed costs (depreciation and pre-tax return) of certain non-revenue producing, non-expense reducing infrastructure rehabilitation projects completed and placed in service between rate cases. In its petition to the PPUC, PSWC presented evidence that it was only able to replace/rehabilitate fifteen (15) miles out of a total of 3,130 miles of transmission and distribution ("T & D") mains or less than one-half of a percent each year, based on funding limitations, and at that pace it would take approximately 212 years to complete all of the needed replacements/rehabilitations to its T & D mains. PSWC also pointed out that the DSIC would help it to break out of a cycle of filing for general rate increases every fifteen (15) months, thus reducing the frequency of rate filings, which would benefit customers and the PPUC.

The DSIC proposed by PSWC restricted the type of utility plant eligible for cost recovery under the DSIC, required quarterly filings, set a cap on the maximum amount of revenue that could be collected by the DSIC, established an eligibility earnings test, and finally reset the DSIC to zero when the underlying utility plant was included in base rates in later rate cases.

In approving the DSIC in late 1996, the PPUC noted that: "PSWC and other Pennsylvania water companies had been required to make significant investments in new utility plant for projects such as the filtration of surface water supplies, the replacement of aging water distribution plant and the implementation of meter replacement programs. In addition, water companies face the daunting challenge of rehabilitating their existing distribution infrastructure before the property reaches the end of its service life to avoid serious public health and safety risks".[3]

[3] Exhibit C: *Petition of Philadelphia Suburban Water Company for Approval to Implement a Tariff Supplement Establishing a Distribution System Improvement Charge; Doc. No. P-00961036, Opinion and Order.*

Following its adoption by the PPUC, public utility commissions in many other jurisdictions including Delaware, California, Connecticut, Indiana, Illinois, Missouri, New York and Ohio adopted DSIC-type mechanisms.[4] In early 1999, the National Association of Regulatory Utility Commissioners ("NARUC") endorsed the mechanism as an example of an innovative regulatory tool that other public utility commissions should consider to solve infrastructure remediation challenges.[5] In 2005 NARUC adopted a resolution identifying the DSIC as a Regulatory Policy Best Practice.[6]

At the 1998 National Association of Water Companies Pennsylvania Forum, Commissioner Norma Brownell of the PPUC reported that implementation of the DSIC created little consumer reaction and resulted in infrastructure investment that otherwise would not have occurred. In a July 2007 Public Meeting PPUC, Chairman Wendell F. Holland further praised the DSIC mechanism as one of the most important regulatory tools of the past decade, and additionally noted the consumer safeguards that were established in conjunction with adoption of the DSIC.[7]

While the DSIC has become an important regulatory tool in other jurisdictions, it has not yet been approved in Arizona. However, in Docket No. W-01303A-05-0405, the Commission adopted a Public Safety Surcharge in Paradise Valley for Arizona American Water Company. This type of surcharge was specifically designed to provide funding for the replacement of undersized and inadequate water mains in the Town of Paradise Valley. While the Public Safety Surcharge collected funds in advance of construction, the DSIC is more like the Arsenic Cost Recovery Mechanism ("ACRM"), which was developed through the collective efforts of the Company, Commission Staff and the Residential Utility Consumers Office ("RUCO"). The ACRM allows utilities that have constructed arsenic treatment plants to seek recovery of capital costs and narrowly defined components of arsenic treatment plant operating costs incurred between formal rate filings. Without this progressive recovery method, a significant number of the State's water utilities would not have had the financial ability to comply with new, more stringent, safe drinking water standards for arsenic.

Assessment of the Company's Distribution Systems

Due to the phenomenal rate of growth seen in the last decade, there is a common misconception that water distribution systems in Arizona are relatively young and that there is no

[4] Exhibit D: *DSIC-type Mechanism by State.*
[5] Exhibit E: *National Association of Regulatory Utility Commissioners ("NARUC") Resolution Endorsing and Co-Sponsoring the Distribution System Improvement Charge, 1999.*
[6] Exhibit F: *National Association of Regulatory Utility Commissioners ("NARUC") Resolution. Supporting Consideration of Regulatory Policies Deemed as "Best Practices", 2005.*
[7] Exhibit G: *Motion of Chairman Wendell F. Holland, Docket No.: P-00062241, et al.*

aging infrastructure crisis in this state. In fact, many of the Company's water systems are comprised of a large percentage of aging waterlines and services that are approaching or have already exceeded their useful service lives, and many of those facilities are obsolete or failing. In the Bisbee system, for example, a significant portion of the water mains date back to the 1900s, and nearly thirty percent (30%) of that system's water mains (many of which have a history of chronic leaks) have reached the end of their useful service lives and must be replaced. Even systems viewed as more modern, such as the Company's Pinal Valley water system (Casa Grande, Coolidge and Stanfield), have a significant amount of water mains that were installed from the 1920s through the 1940s.

The materials used in the manufacture of pipe and services plays a significant role in determining the useful service lives of water mains, service lines and other distribution system components. For water mains constructed of ferrous pipe materials, such as cast iron, steel, galvanized steel or ductile iron, corrosion causes pitting of the pipe material. Eventually, the corrosion continues until a hole is formed in the pipe wall leading to a water leak. In advanced stages of corrosion, water mains can fail completely, resulting in a water main break, often causing costly damage to the water facilities, the roadway, and nearby property. In addition, corrosion can lead to the formation of tuberculation, which restricts the flow of water.

Water mains constructed of non-ferrous pipe materials, such as polyvinyl chloride ("PVC") and cement asbestos ("CA"), can become brittle or lose their physical integrity over time through various physical and chemical causes and effects. Even the gasket materials made to seal the joints between pipes fail through degradation of gasket materials. CA pipe, which has been used since the 1930s, loses physical strength through the leaching of cement or binding agents caused by corrosive soil conditions. This loss of physical strength or integrity leads to increased frequencies of water main leaks and breaks.

Water service lines are typically constructed of copper or polyethylene. Other materials have also been used, such as galvanized steel and PVC. Copper service lines can become pitted by internal or external corrosion leading to leaks or breaks. In the 1970s, the use of polyethylene for water service lines became commonplace. These materials become brittle and split longitudinally as they age, making repairs impractical and requiring complete replacement as leaks are discovered. Corrosion of galvanized steel service lines leads to similar signs of failure as seen in galvanized steel water mains, including pitting and tuberculation.

As an example of the factors that contribute to corrosion of water mains, when it first contemplated the use of ductile iron pipe, the Company conducted a number of soil surveys with help from professional engineers working for the Ductile Iron Pipe Research Association ("DIPRA"). Those soil surveys looked for certain soil attributes or conditions that could lead to corrosion. For water mains made from ferrous materials, such as ductile iron pipe, the presence of water, oxygen, conductive soils, sulfate reducing bacteria and nearby cathodic protection

systems were found to accelerate or promote corrosion. Field tests were conducted as part of these soil surveys to classify whether the soil would conduct electricity. Since corrosion is essentially an electrochemical process, if the soil is likely to conduct electricity, it is more likely to lead to corrosion. The existence of cathodic protection systems, such as those used to protect steel gas mains against corrosion, can lead to increased rates of corrosion for water distribution systems. The DIPRA study concluded that wrapping ductile iron pipe with a polywrap material would help protect the pipe against corrosion by providing a non-conductive barrier and by providing a barrier against the transfer of oxygen to the pipe.

As a benefit of the DIPRA study, the Company developed specifications for new installations that required the use of polywrap (or encasement of ductile iron pipe with a plastic barrier) in nearly all of its water systems. The plastic barrier limits oxygen transfer to the pipe material, thereby reducing the rates of corrosion. The Company even requires polywrap to be used on copper service lines in certain instances based on its experience with corrosion in some of its water systems. These measures have helped to prolong the life of infrastructure installed since 1986, when ductile iron was first used by the Company in its water systems. When the Company is able to replace aging pre-1986 infrastructure, it will use these materials to maximize the useful life of the new infrastructure.

Additional environmental factors such as vegetation growth can also act to shorten the life of distribution systems. In downtown Coolidge, for example, the Company is replacing more than a mile of CA pipe due in part to the destructive effects of tamarack tree roots that have grown into the couplings of the mains and have caused the couplings to leak or fail. These types of leaks can go undetected for years. CA pipe accounts for forty-six percent (46%) of the water distribution system in the Pinal Valley water system.

An EPA research program titled "Aging Water Infrastructure Research Program" found that the earliest signs of aging pipe are increasing frequencies of water main leaks. Pipe leakage is an inherent aspect of operating a water distribution system, and every water system has measurable system water losses. As pipes age, the frequencies of water main and service line breaks and leaks increase. When reduction of system water losses through leak detection and repairs cannot reasonably keep pace with the increasing rates of leaks or breaks, replacement of water mains becomes necessary.

In Decision No. 71845, the Commission ordered the Company to reduce water loss in all of its systems to less than ten percent (10%) by July 2011. If it is not possible to comply with that standard by that date, the Company is required to submit a report demonstrating how the Company intends to reduce water losses to less than ten percent (10%). If the Company contends that reducing water losses to less than ten percent (10%) is not cost effective, it must submit a report demonstrating why this reduction is not cost effective. Absent extraordinary

circumstances, the Commission requires that no system should be permitted to maintain water losses above fifteen percent (15%).

Mitigating water loss requires an aggressive program of water and service line maintenance and replacement, leak detection, correctly sizing meters and a meter maintenance program. The Company has followed such a program for a number of years. As an example of the Company's efforts to reduce water losses, for the period October 2009 through September 2010, water system operators in the Pinal Valley water system spent nearly 16,000 hours monitoring, detecting and repairing water leaks and breaks. However, even with such an aggressive water loss reduction program, infrastructure does not last forever and eventually fails and needs to be replaced.

As part of its efforts to monitor and identify the sources and remedies for water loss, the Company has conducted a detailed analysis of its Pinal Valley service area and concluded that based upon water main repair logs and the age of the distribution system, approximately 287,000 feet of water main needs to be replaced. Additionally, service line repair records indicate that approximately 3,700 service lines need to be replaced.[8] The preliminary cost estimate for these improvements is nearly $41,000,000 as shown in the table below:

QUANTITY	DESCRIPTION	ESTIMATED COST
14,800	Replace Failing Water Mains 1920 - 1929	$ 736,880
7,116	Replace Failing Water Mains 1930 - 1939	301,470
246,150	Replace Failing Problematic Water Mains 1940 and later	11,205,230
19,304	Replace Failing Large Diameter Water Mains	2,386,230
3,500	Replace Services on Failing Water Mains	7,700,000
3,700	Replace Failing Plastic Services	8,140,000
(1) **SUBTOTAL - MATERIALS AND LABOR**		$ 30,469,810
(2) PERFOMANCE BONDS, SURVEYING, RIGHT OF WAY PERMITTING, TESTING, FIELD INSPECTION AND OVERHEAD		10,524,272
ESTIMATED COST OF CONSTRUCTION		**$ 40,994,082**

To reduce water losses in the Coolidge sub-system, the Company has three water main replacement projects under design and construction. These projects will cost nearly $1.4 million,

[8] The study titled "Water Loss Reduction Program for the Pinal Valley Service Area" is attached to Mr. Schneider's direct testimony as Exhibit FKS-10

or an almost thirty-two percent (32%) increase of the rate base approved in Decision No. 71845 for that system.

Economic Discussion

One of the important economic considerations in distribution system improvements is the fact that replacement costs increase dramatically over time. For example, in the Pinal Valley water system, nearly 14,000 feet of cast iron water mains were installed in the period 1921 – 1929. Using the Handy-Whitman engineering cost index (an index that tracks construction costs over time), the index for 1921 for cast iron water mains is 27, while the 2010 index for cast iron water mains is 587. This means that the replacement cost for these water mains in 2010 dollars is 22 times greater than the original installation costs of the water mains installed in 1921. Even though this is a significant increase, the index still fails to fully account for the full increase in construction costs over time. Specifically, it fails to consider that waterline installation in the 1920s was much less complicated than it is today, with the multitude of competing underground infrastructure such as sewer and power lines, fiber optic networks, cable and gas lines which must be accommodated. Another important consideration is that these water mains are in service and that service must be continued during the replacement project, which complicates the process and adds significant additional cost.

As stated above, following a detailed study of its Pinal Valley distribution system, the Company has determined that it needs to replace approximately 287,000 feet of failing water mains and 3,700 services. As noted above, this infrastructure replacement program has an initial cost estimate of $41,000,000. However, identifying the need for capital funding and having access to necessary funding under reasonable terms are two different matters. Based on its current limited financial resources, the Company does not have the ability to fund the type of infrastructure replacement program required to ensure the long-term viability and reliability of the Company's distribution system and ensure reliable and adequate service. Although these types of replacement programs help the Company to provide reliable and adequate water service, they do not generate additional sales or revenue. In other words, these types of replacements add to the Company's cost of providing service, but do not provide any additional revenue to recover those costs. The Company is already in a critical financial condition due to rising operating and maintenance costs and declining water sales and, in fact, is not able to issue additional long-term debt, because it is not able to generate sufficient earnings to meet the minimum interest coverage ratio provision of its General Mortgage Bond Indenture[9].

The infrastructure replacement program needed by the Company to ensure the integrity of its distribution system simply adds to the amount of debt that the Company has and contributes

[9] The Company's General Mortgage Bond Indenture requires that times interest earnings ratio be two (2.0) times the amount of interest on funded debt including the interest on any new bond before any additional long term debt can be issued. Based on its latest financial results the Company's times interest earning ratio is below 2.0, without considering any additional interest.

additional costs that will not be recovered in a timely manner. This type of infrastructure replacement program, as much as it may be needed, cannot be undertaken without a change in the way these costs are recovered.

Typically, when a utility is faced with a large capital project, its cost and construction timeline are usually well known in advance. With that knowledge, the utility can time its rate case filing to coincide with completion of the facility to minimize the amount of earnings erosion. But the infrastructure replacement program needed by the Company does not lend itself to that type of timing strategy because it is made up of many smaller projects that will be constructed every year for a number of years. Most of these projects would likely have a very short construction timeline, meaning that they would either not qualify for Allowance for Funds Used During Construction ("AFUDC"), or the amount of AFUDC recorded would be very small. Because these replacement programs do not increase sales or revenues, and since they will not generate AFUDC, they will not generate additional revenues or AFUDC accruals. In order to generate a financial return, the Company would be forced to file for annual rate increases to coincide with these capital expenditures. Even if this were possible, the amount of time and the cost of preparing and presenting an annual rate case would cause further earnings erosion, making this strategy unworkable.

DSIC Details

The Company proposes a DSIC being implemented in Arizona under the following guidelines:

1. The DSIC would recover the fixed costs associated with DSIC-eligible utility plant additions, net of retirements placed in service between rate cases. Utility plant additions eligible for the DSIC would be limited to those additions net of retirements which are properly classified in the following NARUC Uniform System of Accounts for Class A and B Water Utilities (1976):

343	Transmission and Distribution Mains
344	Fire Mains
345	Services
346	Meters
347	Meter Installations
348	Hydrants
398	Miscellaneous Equipment (Leak Detection Equipment)

2. The Company would file DSIC updates with the Commission on a semi-annual basis to reflect eligible utility plant placed in service during the six-month period ending two months prior to each DSIC update as illustrated below:

Effective Date of Update	Period in Which DSIC-Eligible Plant Additions Made
July 1	November 1 – April 30
January 1	May 1 – October 31

3. The Company would file supporting data, as described below, for each semi-annual filing with the Commission at least 30 days prior to the effective date of the update:

Schedule 1: The Company's most recent balance sheet at the time of filing for a DSIC step increase.

Schedule 2: The Company's most recent income statement, including those systems for which the Company requests a DSIC step increase.

Schedule 3: An earnings test schedule for each system where the Company is requesting a DSIC step increase. The earnings test will reflect the Company's most recent financial data.

Schedule 4: A rate review schedule for each system showing the incremental and pro forma effects of the step increase associated with the eligible DSIC capital costs on the financial data provided in Schedules 2 and 3.

Schedule 5: A revenue requirement schedule showing the calculation of the required increase related to eligible DSIC capital costs for each system. The schedule would also indicate the current incremental increase, proposed monthly fixed basic service and volumetric charges for a customer with a 5/8" x 3/4" meter. The required rate of return, gross conversion factor and depreciation rate would be the same rates approved in that system's last rate case.

Schedule 6: A schedule showing the surcharge calculation for eligible DSIC capital costs for each system. Fifty percent (50%) of recoverable capital costs would be in the form of a monthly fixed surcharge, and fifty percent (50%) would be in the form of a volumetric surcharge. The monthly fixed surcharge would be scaled to each meter size based on the approved 5/8" x 3/4" equivalent capacity ratio. This schedule would also provide information related to the number of customers by meter size and the number of gallons sold.

Schedule 7: A rate base schedule for each system showing the rate base determined in the most recent rate case, as well as the most recent rate base calculated as of the date of the information provided in Schedules 1 and 2, both adjusted to reflect the inclusion of completed and in-service eligible DSIC facilities.

Schedule 8: A Construction Work In Progress ledger showing monthly charges related to the construction of eligible DSIC facilities.

Schedule 9: A schedule showing the calculation of the Company's general plant allocation methodology.

Schedule 10: A typical bill analysis comparing bills for customers with a 5/8" x 3/4" meter under present and proposed rates.

4. The DSIC surcharge would be shown as a separate line item on each customer's bill. At least twice per year, the Company would be required to print a message on each customer's bill explaining the DSIC surcharge and indicating the progress being made on replacing aging infrastructure.

5. The DSIC would be phased-in over time and capped at seven and one-half percent (7.5%) of the annual amount billed to customers under otherwise applicable rates and charges.

6. The DSIC would be reset to zero, as of the effective date of each new general rate case, by inclusion of the DSIC-eligible plant in rate base used to set base rates in the general rate case. Thereafter, new DSIC-eligible utility plant additions not included in the general rate case would form the basis for the new semi-annual DSIC filings. No DSIC filing would be made if, in any semi-annual period, the system for which the filing is made is earning a rate of return that exceeds the rate of return that would be used to calculate the revenue requirement under the DSIC.

Customer Benefits

Customer benefits associated with a DSIC include improved water quality, fire protection and public safety, increased water pressure, decreased water loss, reduced main breaks, and fewer service interruptions. Additionally, implementation of a DSIC would help lead to rate stability, improve affordability and avoid large or sudden rate increases.

Failing distribution infrastructure often results in a number of customer service issues ranging from service interruptions for a single customer to larger problems involving service outages for hundreds of customers. Additionally, leaking water mains and services result in millions of gallons of treated water lost every year. While the Company's leak detection and repair program has made progress in reducing the amount of water lost to leaks and breaks, the distribution system replacement plan and the DSIC mechanism proposed here by the Company are practical ways to make real progress towards updating and improving integrity and reliability of the distribution system, as well as reducing customer outages caused by distribution system failures.

Implementation of a DSIC would help to provide the Company with the necessary financial means to invest in replacing its aging infrastructure, and would allow it to make these investments in orderly, scheduled incremental steps. Additionally, implementing a DSIC would mitigate the rate impact on customers by providing small, regular rate increases, rather than large irregular increases that make customer affordability and acceptance more difficult.

Based on $2.5 million of infrastructure to be replaced, the impact on a typical residential customer's monthly bill in the Pinal Valley water system would be $0.87.[10] Even at the maximum capped amount of seven and one-half percent (7.5%), the average monthly residential bill would not increase by more than $2.58. In a recent ITT Value of Water Survey, nearly one in four American voters is "very concerned" about the state of the nation's water infrastructure, and when asked, two-thirds responded that they were willing to pay an average of $6.20 more per month to upgrade water infrastructure.[11] While each customer has a different view of how much they would be willing to pay to replace infrastructure, it is interesting to note that in this survey and the comments expressed by PPUC Commissioner Brownell, customers appear to support increased water rates for necessary infrastructure replacement.

Conclusion

Distribution systems have a limited life and must eventually be replaced. The replacement of aging infrastructure, however, requires the replacement of all utility plant, whether funded initially by contributions, refundable advances, or utility investments. This single issue is a primary focus of discussions at the NARUC, the American Water Works Association, the ASCE, the EPA and other organizations. The scope of this issue is so large, in fact, that the capital investments identified by the EPA in recent national surveys show that hundreds of billions of dollars are needed to replace aging water system infrastructure in this country.

In a detailed study focusing on the Pinal Valley service area, the Company identified $41,000,000 million in critically needed waterline and service replacements. These replacements are needed to improve service reliability, increase pressure, decrease water losses and to enhance fire protection and public safety. The current rate structure will not allow for these critically-needed investments. The Company is unable to issue additional long-term debt due to its inability to meet the interest coverage ratio requirement in its General Mortgage Bond Indenture. The Company's ability to issue even short-term debt has been questioned by Commission Staff, which raised concerns about the Company's continued ability to refinance its line of credit. Battered in recent years by steep increases in debt and expenses, the Company has been unable to recover its cost of service for a number of years. In this type of financial environment,

[10] Exhibit H: *DSIC Revenue Requirement*
[11] Exhibit I: *ITT Corporation Value of Water Survey, Americans on the U.S. Water Crisis, 2010*

prudent management would lead the Company to slash capital spending to the minimum, not to increase its capital spending. Yet, it is in this environment that the Company faces an order from the Commission to reduce its water losses, which requires replacement of aging water distribution infrastructure. Analyses conducted by the Company's engineering staff indicate that significant water line and service replacements are immediately necessary for a number of its systems and, ultimately, for all of its systems to ensure the integrity of the distribution system.

Even if it were possible for the Company to fund these improvements under traditional rate making, the resulting steep increases in customer rates could create a hardship for customers. A better way to achieve these goals is the adoption of the DSIC as outlined in this study. This would result in gradual increases in customers' bills without the impacts resulting from traditional ratemaking, while providing the Company a way to recover its cost of these investments. Therefore, the Company urges the Commission to carefully consider the information presented in this study to develop a DSIC procedure as a ratemaking tool to address the urgent need for water distribution system replacements.

EXHIBIT A

Report Card for American Infrastrucure *produced by American Society of Civil Engineers*

Drinking Water

America's drinking water systems face an annual shortfall of at least $11 billion to replace aging facilities that are near the end of their useful lives and to comply with existing and future federal water regulations. This does not account for growth in the demand for drinking water over the next 20 years. Leaking pipes lose an estimated 7 billion gallons of clean drinking water a day.

Solutions

- Increase funding for water infrastructure system improvements and associated operations through a comprehensive federal program;
- Create a Water Infrastructure Trust Fund to finance the national shortfall in funding of infrastructure systems under the Clean Water Act and the Safe Drinking Water Act, including storm-water management and other projects designed to improve the nation's water quality;
- Employ a range of financing mechanisms, such as appropriations from general treasury funds, issuance of revenue bonds and tax exempt financing at state and local levels, public-private partnerships, state infrastructure banks, and user fees on certain consumer products as well as innovative financing mechanisms, including broad-based environmental restoration taxes to address problems associated with water pollution, wastewater management and treatment, and storm-water management.

Conditions

The nation's drinking-water systems face staggering public investment needs over the next 20 years. Although America spends billions on infrastructure each year, drinking water systems face an annual shortfall of at least $11 billion in funding needed to replace aging facilities that are near the end of their useful life and to comply with existing and future federal water regulations. The shortfall does not account for any growth in the demand for drinking water over the next 20 [tip:years.=Fix that leak!
A faucet dripping just once per second will waste as much as 2,700 gallons of water per year. Fix any leaking faucets.]

Of the nearly 53,000 community water systems, approximately 83% serve 3,300 or fewer people. These systems provide water to just 9% of the total U.S. population served by all community systems. In contrast, 8% of community water systems serve more than 10,000 people and provide water to 81% of the population served. Eighty-five percent (16,348) of nontransient, noncommunity water systems and 97% (83,351) of transient noncommunity water systems serve 500 or fewer people. These smaller systems face huge financial, technological, and managerial challenges in meeting a growing number of federal drinking-water regulations.

In 2002, the U.S. Environmental Protection Agency (EPA) issued The Clean Water and Drinking Water Infrastructure Gap Analysis, which identified potential funding gaps between projected needs and spending from 2000 through 2019. This analysis estimated a potential 20 -year funding gap for drinking water capital expenditures as well as operations and maintenance, ranging from $45 billion to $263 billion, depending on spending levels. Capital needs alone were pegged at $161 billion.

The Congressional Budget Office (CBO) concluded in 2003 that "current funding from all levels of government and current revenues generated from ratepayers will not be sufficient to meet the nation's future demand for water infrastructure." The CBO estimated the nation's needs for drinking water investments at between $10 billion and $20 billion over the next 20 years.

ESTIMATED 5-YEAR FUNDING REQUIREMENTS FOR **DRINKING WATER AND WASTEWATER**

Total investment needs
$255 BILLION

Estimated spending
$146.4 BILLION

Projected shortfall
$108.6 BILLION

Case Studies

LOUISVILLE, KENTUCKY
American Recovery and Reinvestment Act Funding (/case-study/american-recovery-and-reinvestment-act-funding)

PORT ANGELES, WASHINGTON
Downtown Water Main Project (/case-study/downtown-water-main-project)

ORANGE COUNTY, CALIFORNIA
Groundwater Replenishment System (/case-study/groundwater-replenishment-system)

In 1996, Congress enacted the drinking-water state revolving loan fund (SRF) program. The program authorizes the EPA to award annual capitalization grants to states. States then use their grants (plus a 20% state match) to provide loans and other assistance to public water systems. Communities repay loans into the fund, thus replenishing the fund and making resources available for projects in other communities. Eligible projects include installation and replacement of treatment facilities, distribution systems, and some storage facilities. Projects to replace aging infrastructure are eligible if they are needed to maintain compliance or to further public health protection goals.

Federal assistance has not kept pace with demand, however. Between FY 1997 and FY 2008, Congress appropriated approximately $9.5 billion for the SRF. This 11-year total is only slightly more than the annual capital investment gap for each of those years as calculated by the EPA in 2002.

Design Life of Drinking Water Systems

COMPONENTS	YEARS OF DESIGN LIFE
Reservoirs and Dams	50–80
Treatment Plants—Concrete Structures	60–70
Treatment Plants—Mechanical and Electrical	15–25
Trunk Mains	65–95
Pumping Stations—Concrete Structures	60–70
Pumping Stations—Mechanical and Electrical	25
Distribution	60–95

SOURCE US EPA Clean Water and Drinking Water Infrastructure Gap Analysis Report, September 2002

Water Usage: 1950 and 2000

	1950	2000	PERCENT CHANGE
Population (Millions)	93.4	242	159%
Usage (Billions of Gallons per Day)	14	43	207%
Per Capita Usage (Gallons per Person per Day)	149	179	20%

SOURCE US EPA Clean Water and Drinking Water Infrastructure Gap Analysis Report, September 2002

Resilience

Drinking water systems provide a critical public health function and are essential to life, economic development, and growth. Disruptions in service can hinder disaster response and recovery efforts, expose the public to water-borne contaminants, and cause damage to roadways, structures, and other infrastructure, endangering lives and resulting in billions of dollars in losses.

The nation's drinking-water systems are not highly resilient; present capabilities to prevent failure and properly maintain or reconstitute services are inadequate. Additionally, the lack of investment and the interdependence on the energy sector contribute to the lack of overall

system resilience. These shortcomings are currently being addressed through the construction of dedicated emergency power generation at key drinking water utility facilities, increased connections with adjacent utilities for emergency supply, and the development of security and criticality criteria. Investment prioritization must take into consideration system vulnerabilities, interdependencies, improved efficiencies in water usage via market incentives, system robustness, redundancy, failure consequences, and ease and cost of recovery.

Conclusion

The nation's drinking-water systems face staggering public investment needs over the next 20 years. Although America spends billions on infrastructure each year, drinking water systems face an annual shortfall of at least $11 billion in funding needed to replace aging facilities that are near the end of their useful life and to comply with existing and future federal water regulations. The shortfall does not account for any growth in the demand for drinking water over the next 20 years.

Of the nearly 53,000 community water systems, approximately 83% serve 3,300 or fewer people. These systems provide water to just 9% of the total U.S. population served by all community systems. In contrast, 8% of community water systems serve more than 10,000 people and provide water to 81% of the population served. Eighty-five percent (16,348) of nontransient, noncommunity water systems and 97% (83,351) of transient noncommunity water systems serve 500 or fewer people. These smaller systems face huge financial, technological, and managerial challenges in meeting a growing number of federal drinking-water regulations.

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In 1996, Congress enacted the drinking-water state revolving loan fund (SRF) program. The program authorizes the EPA to award annual capitalization grants to states. States then use their grants (plus a 20% state match) to provide loans and other assistance to public water systems. Communities repay loans into the fund, thus replenishing the fund and making resources available for projects in other communities. Eligible projects include installation and replacement of treatment facilities, distribution systems, and some storage facilities. Projects to replace aging infrastructure are eligible if they are needed to maintain compliance or to further public health protection goals.

Federal assistance has not kept pace with demand, however. Between FY 1997 and FY 2008, Congress appropriated approximately $9.5 billion for the SRF. This 11-year total is only slightly more than the annual capital investment gap for each of those years as calculated by the EPA in 2002.

Sources

1. Congressional Research Service, Safe Drinking Water Act: Selected Regulatory and Legislative Issues, April 2008.
2. U.S. Environmental Protection Agency, The Clean Water and Drinking Water Infrastructure Gap Analysis, September 2002.
3. U.S. Congressional Budget Office, Future Investment in Drinking Water and Wastewater Infrastructure, May 2002.
4. G. Tracy Mehan, Testimony before the Subcommittee on Water Resources and Environment, U.S. House Transportation and Infrastructure Committee, February 2009.

Report Card for American Infrastrucure *produced by American Society of Civil Engineers*

Arizona

Top Three Infrastructure Concerns:

1. Roads
2. Drinking Water
3. Mass Transit

Key Infrastructure Facts

Arizona Transportation Report Card - 2004
(http://www.azsce.org/downloads/AZSCE_2004_Infrastructure_Report_Card_f3.pdf)

- 12% of Arizona's bridges are structurally deficient or functionally obsolete.
- There are 96 high hazard dams in Arizona. A high hazard dam is defined as a dam whose failure would cause a loss of life and significant property damage.
- 43 of Arizona's 248 dams are in need of rehabilitation to meet applicable state dam safety standards.
- 29% of high hazard dams in Arizona have no emergency action plan (EAP). An EAP is a predetermined plan of action to be taken including roles, responsibilities and procedures for surveillance, notification and evacuation to reduce the potential for loss of life and property damage in an area affected by a failure or mis-operation of a dam.
- Arizona's drinking water infrastructure needs an investment of $9.12 billion over the next 20 years.
- Arizona ranked 33rd in the quantity of hazardous waste produced and 27th in the total number of hazardous waste producers.
- Arizona reported an unmet need of $8.6 million for its state public outdoor recreation facilities and parkland acquisition.
- 21% of Arizona's roads are in poor or mediocre condition.
- 41% of Arizona's major urban highways are congested.
- Vehicle travel on Arizona's highways increased by 78% from 1990 to 2007.
- Arizona has $4.57 billion in wastewater infrastructure needs.

Sources

***Survey of the state's ASCE members conducted in September 2008**

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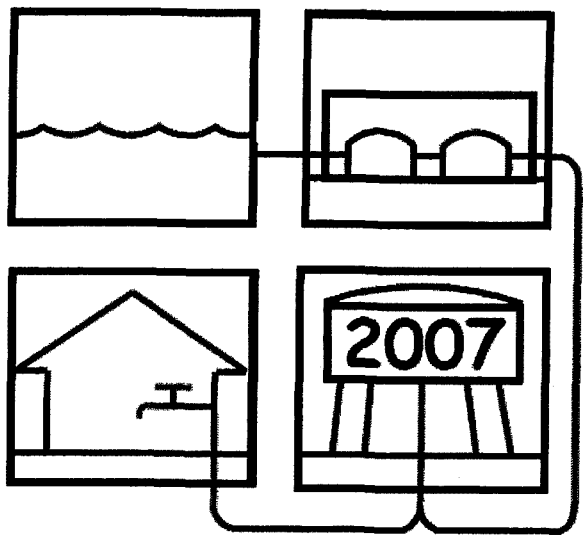
EXHIBIT B

Drinking Water Infrastructure Needs Survey and Assessment

Fourth Report to Congress

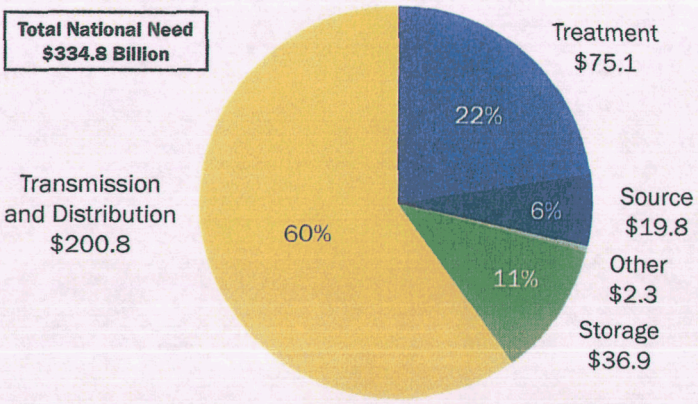


U.S. Environmental Protection Agency
Office of Water
Office of Ground Water and Drinking Water
Drinking Water Protection Division
Washington, D.C. 20460

Total National Need by Project Type

Infrastructure needs of water systems can be grouped into four major categories based on project type. These project types are source, transmission and distribution, treatment, and storage. Each category fulfills an important function in delivering safe drinking water to the public. Most needs were assigned to one of these categories. An additional "other" category is composed of projects that do not fit into one of the four categories. Exhibit 1.4 shows the total national need by project type. Exhibit 1.5 shows the total national need by water system size and type, as well as by project type.

Exhibit 1.4: Total 20-Year Need by Project Type (in billions of January 2007 dollars)



Note: Numbers may not total due to rounding.

Exhibit 1.5: Total 20-Year Need by System Size and Type and Project Type (in billions of January 2007 dollars)

System Size and Type	Distribution and Transmission	Treatment	Storage	Source	Other	Total Need
Large Community Water Systems (serving over 100,000 persons)*	$72.5	$26.6	$9.9	$6.5	$0.9	$116.3
Medium Community Water Systems (serving 3,301 to 100,000 persons)*	$91.5	$29.8	$15.9	$7.1	$0.8	$145.1
Small Community Water Systems (serving 3,300 and fewer persons)	$34.7	$10.3	$8.5	$5.2	$0.6	$59.4
Not-for-Profit Noncommunity Water Systems†	$0.5	$0.8	$1.9	$0.8	$0.0	$4.1
Total State Need	**$199.2**	**$67.6**	**$36.3**	**$19.6**	**$2.3**	**$324.9**
American Indian and Alaskan Native Village Water Systems†	$1.6	$0.6	$0.6	$0.2	$0.0	$2.9
Costs Associated with Proposed and Recently Promulgated Regulations (taken from EPA economic analyses)		$7.0				$7.0
Total National Need	**$200.8**	**$75.1**	**$36.9**	**$19.8**	**$2.3**	**$334.8**

Note: Numbers may not total due to rounding.
* "Large" and "medium" community water systems are defined differently for this Assessment than in previous Assessments. See Appendix A for more information.
† Based on 1999 Assessment findings adjusted to 2007 dollars.

Exhibit 2.1: State 20-Year Need Reported by Project Type (in millions of January 2007 dollars)

State	Transmission/ Distribution	Source	Treatment	Storage	Other	Total
Alabama	$3,343.9	$71.6	$386.5	$285.3	$12.0	$4,099.4
Alaska	$478.2	$56.4	$121.3	$150.0	$6.5	$812.4
Arizona	$3,819.0	$460.3	$2,150.2	$900.1	$81.1	$7,410.7
Arkansas	$3,667.5	$149.3	$966.0	$478.3	$17.4	$5,278.5
California	$22,988.5	$2,515.3	$7,549.7	$5,735.6	$257.3	$39,046.3
Colorado	$3,156.7	$371.7	$2,150.2	$696.7	$24.8	$6,400.1
Connecticut	$807.1	$134.9	$280.6	$151.6	$19.7	$1,394.0
District of Columbia	$836.8	$0.0	$0.4	$35.5	$1.5	$874.2
Florida	$7,234.9	$887.3	$3,552.1	$975.4	$173.5	$12,823.1
Georgia	$6,295.6	$406.2	$1,390.5	$751.5	$93.9	$8,937.7
Illinois	$8,982.0	$1,576.3	$2,907.8	$1,386.7	$164.2	$15,017.1
Indiana	$3,814.2	$353.8	$1,096.1	$648.5	$31.8	$5,944.4
Iowa	$4,356.8	$271.9	$990.8	$467.2	$26.4	$6,113.1
Kansas	$2,784.4	$187.1	$684.1	$339.7	$35.0	$4,030.2
Kentucky	$3,643.6	$121.7	$699.0	$474.8	$38.9	$4,978.1
Louisiana	$5,100.7	$305.7	$1,024.8	$427.4	$41.3	$6,900.1
Maryland	$3,497.6	$180.6	$1,134.5	$606.0	$24.7	$5,443.4
Massachusetts	$4,456.4	$340.9	$1,130.1	$823.4	$39.1	$6,790.0
Michigan	$7,657.6	$529.6	$2,548.5	$1,035.8	$71.3	$11,842.8
Minnesota	$2,819.3	$372.0	$1,982.9	$770.3	$43.9	$5,988.4
Mississippi	$1,604.4	$284.7	$907.2	$429.8	$17.2	$3,243.3
Missouri	$4,801.8	$324.7	$1,281.2	$635.7	$42.3	$7,085.6
Nebraska	$1,017.7	$140.5	$309.2	$300.8	$8.4	$1,776.6
Nevada	$1,116.4	$892.3	$202.2	$460.6	$19.8	$2,691.3
New Jersey	$4,722.9	$307.1	$1,850.4	$1,056.7	$24.7	$7,961.6
New York	$15,417.0	$1,915.5	$6,986.2	$2,707.8	$110.9	$27,137.3
North Carolina	$6,037.1	$670.7	$2,237.7	$1,032.7	$77.1	$10,055.2
Ohio	$8,374.2	$564.2	$2,235.6	$1,330.4	$94.6	$12,599.0
Oklahoma	$2,603.5	$142.0	$858.9	$493.5	$14.1	$4,112.1
Oregon	$1,520.6	$156.3	$546.1	$536.0	$26.2	$2,785.3
Pennsylvania	$7,644.9	$557.1	$1,834.5	$1,284.2	$58.7	$11,379.3
Puerto Rico	$1,079.5	$80.6	$1,037.4	$325.2	$14.8	$2,537.5
South Carolina	$1,102.7	$75.2	$222.3	$210.2	$17.9	$1,628.3
Tennessee	$2,356.3	$109.2	$692.8	$368.0	$21.2	$3,547.6
Texas	$15,950.2	$1,600.3	$5,785.2	$2,695.8	$99.2	$26,130.8
Virginia	$3,806.3	$196.0	$1,293.3	$722.8	$43.6	$6,061.9
Washington	$5,765.5	$717.3	$1,580.0	$1,502.7	$190.6	$9,756.0
Wisconsin	$3,550.5	$385.1	$1,467.5	$758.7	$24.2	$6,186.0
Partially Surveyed States*	$10,478.1	$1,131.1	$3,347.3	$2,099.5	$136.3	$17,192.4
Subtotal	***$198,690.3***	***$19,542.3***	***$67,421.3***	***$36,091.3***	***$2,246.3***	***$323,991.4***
American Samoa	$43.7	$10.6	$15.9	$22.0	$0.6	$92.8
Guam	$223.6	$2.0	$8.6	$29.7	$0.0	$263.9
Commonwealth of the Northern Mariana Islands	$123.2	$28.7	$61.8	$65.8	$9.7	$289.3
U.S. Virgin Islands	$138.3	$7.1	$45.9	$59.8	$2.3	$253.3
Subtotal	***$528.8***	***$48.4***	***$132.2***	***$177.2***	***$12.7***	***$899.4***
Total State Need	**$199,219.1**	**$19,590.7**	**$67,553.5**	**$36,268.5**	**$2,259.0**	**$324,890.8**

* For the 2007 DWINSA the need for states that opt out of the medium system portion of the survey is presented cumulatively and not by state. The list of the 14 partially surveyed states can be seen in Exhibit 2.4.

EXHIBIT C

NOTICES

Petition of Philadelphia Suburban Water Company for Approval to Implement a Tariff Supplement Establishing a Distribution System Improvement Charge; Doc. No. P-00961036

[26 Pa.B. 4490]

***Commissioners Present*: John M. Quain, Chairperson; Lisa Crutchfield, Vice Chairperson; John Hanger; Robert K. Bloom**

Public meeting held
August 22, 1996

Opinion and Order

By the Commission:

I. *Background*

On March 20, 1996, the Philadelphia Suburban Water Company (PSWC or company) filed the above-referenced petition with this Commission requesting regulatory approval to file and implement an automatic adjustment clause tariff that would establish a Distribution System Improvement Charge (DSIC or surcharge) under section 1307(a) of the Public Utility Code. 66 Pa.C.S. § 1307(a). Section 1307 (a) provides statutory authority for a utility to establish, subject to Commission review and approval, a tariffed automatic adjustment clause mechanism designed to provide "a just and reasonable return on the rate base" of the public utility.

As proposed by PSWC, the DSIC would operate to recover the fixed costs (depreciation and pre-tax return) of certain nonrevenue producing, nonexpense reducing infrastructure rehabilitation projects completed and placed in service between section 1308 base rate cases. The company maintains that the property additions eligible for the DSIC will be limited to revenue neutral infrastructure projects, consisting principally of replacement investments in so-called "mass property" accounts. The DSIC is designed to provide the company with the resources it needs to accelerate its investment in new utility plant to replace aging water distribution infrastructure, facilitating compliance with evolving regulatory requirements imposed by the Safe Drinking Water Act (SDWA) and the implementation of solutions to regional water supply problems.

To illustrate its point, the company states that it has 3,180 miles of mains, that it is currently rehabilitating approximately 15 miles of main each year, and that, at that pace, it would require approximately 212 years to make all of the needed improvements to existing facilities. The company also states that water service, more than any other utility service, is critical to maintaining public health as water is "a necessity of life and vital for public fire protection services." Petition at 3.

The company alleges that the DSIC may enable it to break out of a cycle, imposed on it by its capital investment needs, of filing base rate relief every 15 months. Any reduction in rate case filing frequency would generate costs savings which would inure to the benefit of customers and the Commission. In its petition, the company proposes certain accounts for recovery, time-frames and other procedures to be followed in implementing the DSIC. The details of those procedures will be discussed below.

To begin with, the company proposes that the DSIC become effective for service rendered on and after July 1, 1996. The company also proposes that the initial charge to be calculated would recover the fixed costs of eligible plant additions that have not previously been reflected in the company's rate base and will have been placed in service between January 1, 1996 and May 31, 1996. Thereafter, the company proposes to update the DSIC on a quarterly basis to reflect eligible plant additions placed in service during the 3-month periods ending 1 month prior to the effective date of each DSIC update. Petition at 3-4.

The company also proposes that the DSIC be capped at 5% of the amount billed to customers under otherwise applicable rates and charges, exclusive of amounts recovered under the State Tax Adjustment Surcharge (STAS). If the cap is reached, the company would not seek any additional increases. Petition at 4.

As with any section 1307 automatic adjustment clause, the DSIC will be subject to an annual reconciliation, whereby the revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between such revenues and costs will be recouped or refunded to customers, as appropriate, in accordance with section 1307(e). Petition at 5.

Lastly, in terms of procedures, the company proposes that the DSIC will be reset to zero as of the effective date of new section 1308 base rates that provide for prospective recovery of the annual costs that had previously been recovered under the DSIC. Petition at 5. And to avoid over recovery of costs in the absence of a base rate case, the company also proposed that the DSIC will be reset to zero if, in any quarter, data filed with the Commission in the company's then most recent Annual or Quarterly Earnings Report shows that the company will earn a rate of return that would exceed the rate of return used to calculate its fixed costs under the DSIC. Petition at 5.

In terms of the legal issues raised by its petition, the company also states that its proposed automatic adjustment clause and procedures are lawful for a number of reasons found in statutory and case law. With regard to statutory law, PSWC states that section 1307(a) of the Public Utility Code, 66 Pa.C.S. § 1307(a), provides that a company may establish a sliding scale of rates or such other method for the automatic adjustment of the rates to recover a variety of costs. Petition at 19. Moreover, the company has cited circumstances in which the Commission has authorized the use of section 1307(a) automatic adjustment clauses to recover a wide array of expenses, depreciation and capital costs. See *Pennsylvania Industrial Energy Coalition v. Pa. P.U.C.*, 653 A.2d 1336 (Pa. Cmwlth. 1995) (PIEC) (recovery of electric utilities' demand-side management costs); 52 Pa. Code § 69.181 (recovery of gas utilities' take or pay liabilities to pipeline suppliers); 52 Pa. Code § 69.341(b) (recovery of gas utilities' gas supply realignment costs and stranded costs resulting from Federal Energy Regulatory Commission Order 636); and 52 Pa. Code § 69.353 (recovery of water utilities' principal and interest due on PennVEST obligations). Petition at 20-21.

Answers were filed by the Office of Trial Staff (OTS) (Answer filed April 9, 1996), the Office of Small Business Advocate (OSBA) (Answer filed May 3, 1996) and the Office of Consumer Advocate (OCA) (Comments and testimony filed May 6, 1996). Protests to the petition were also filed by many individual customers.

In its answer, the OTS requests that the Commission deny the company's petition based on legal and technical grounds. With regard to the legal objections, the OTS argues that, since the facilities are "new" facilities, the company is attempting to circumvent a base rate review through the use of a surcharge, in violation of the Court's decision in *PIEC*.

The OSBA's answer did not submit legal arguments opposing the implementation of the DSIC. Rather, the OSBA has requested that the Commission conduct a thorough investigation regarding the reasonableness and lawfulness of the proposed tariff supplement as they affect the company's various customer classes.

In its comments, the OCA argues against the implementation of the DSIC alleging that the company

does not need the DSIC mechanism and that implementation of a DSIC mechanism would provide in excess of a fair return to the company. With regard to legal arguments, OCA challenges the legality of the surcharge based upon the same arguments outlined in OTS' answer based on its interpretation of section 1307(a) and the *PIEC* decision.

On May 30, 1996, the company filed a reply with the Commission addressing the comments raised in the answers filed by OTS, OSBA and OCA. The OCA then filed a response to this reply on June 19, 1996. In PSWC's reply to the various parties concerning the legality of the DSIC, the company continued to support the legality of a surcharge under section 1307(a) of the Public Utility Code and the Commonwealth Court decision in *PIEC*, and supplied rebuttal arguments in support of its need for the DSIC and the legality of its proposal.

II. *Discussion*

At the outset of this discussion regarding the PSWC petition, we believe it necessary to clarify the Commission's view of the scope of this proceeding and the nature of the PSWC proposal. Because the PSWC petition requests regulatory approval to file and implement a certain type of automatic adjustment clause, we will not address, in this order, the specific factual issues that may be raised by the proposed tariff supplement submitted as Exhibit A to the petition. The Commission views the tariff supplement in Exhibit A as no more than the company's proposal as to how such an automatic adjustment clause should be structured. Indeed, as explained below, the specific tariff supplement proposed by PSWC will not be approved by this order.

Therefore, to the extent that parties have objections and/or complaints to the rates to be charged by means of an automatic adjustment clause that provides for the recovery of a water company's infrastructure improvement costs, those objections and/or complaints would be appropriately addressed to an actual PSWC tariff filing that contains specific rates to be charged to consumers based on specific distribution system improvement expenditures. A section 701 complaint would be the appropriate procedural vehicle to challenge such a tariff filing and, provided that factual issues are raised, the filing of such a complaint will entitle the complainant to a hearing before an administrative law judge and an adjudication of the complaint.

Thus, the key issues raised by the PSWC petition, and to be resolved in this order, are generic threshold issues regarding (1) the legality of the type of automatic adjustment clause proposed by the company and (2) the appropriate general structure of such an automatic adjustment clause that conforms to the requirement of the statute and Pennsylvania case law. In other words, this proceeding will address the legal issue concerning the adoption of the surcharge under section 1307(a) of the Code. In addition, the Commission will outline the general parameters of a surcharge mechanism that meets the requirement of the statute, that is consistent with the case law, that has adequate safeguards to protect consumers' interests and, therefore, constitutes a surcharge that is likely to receive regulatory approval when filed.

To begin with, we applaud companies who present this Commission with innovative ideas to address recurring problems for their respective industries. In the water industry, companies are faced with the dual tasks of improving the quality of the water delivered to customers due to the new mandates of the SDWA and other governmental requirements and, at the same time, maintaining an aging water utility infrastructure. We recognize that, in recent years, PSWC and other Pennsylvania water companies have been required to make significant investments in new utility plant for projects such as the filtration of surface water supplies, the replacement of aging water distribution plant and the implementation of meter replacement programs. In addition, water companies face the daunting challenge of rehabilitating their existing distribution infrastructure before the property reaches the end of its service life to avoid serious public health and safety risks.

In the Commission's judgment, the establishment of a DSIC along the lines proposed by PSWC can substantially aid the water company in meeting these challenges on behalf of the water consuming public. We agree with the company that the establishment of a DSIC would enable the company to address, in an orderly and comprehensive manner, the problems presented by its aging water distribution

system, and would have a direct and positive effect upon water quality, water pressure and service reliability. For these reasons, we endorse the concept of using an automatic adjustment clause to address this regulatory problem for the water industry in Pennsylvania and, in particular, the type of DSIC proposed by PSWC.

A. *Legal Issues*

In Pennsylvania, utility costs are recovered from customers through section 1308 base rates and through section 1307 automatic adjustment clauses. The purpose of a section 1307 automatic adjustment clause is to provide an automatic mechanism enabling utilities to recover specific costs not covered by general rates. *Allegheny Ludlum Steel Corporation v. Pa. P.U.C.* 501 Pa. 71, 75 n.3, 459 A.2d 1218, 1220 n.3 (1983). Moreover, section 1307(e), 66 Pa.C.S. § 1307(e), provides that the automatic adjustment clause procedures shall include an annual report detailing the revenues collected and the expenses incurred under the automatic adjustment clause, followed by a public hearing to reconcile the amounts and to determine any refunds owed to customers or additional recovery due from customers.

Until recently, an automatic adjustment clause has usually been applied only to gas and electric companies. However, the Commission has provided for the recovery of capital costs in at least one instance to date, i.e., for PECO Energy's costs to convert oil-fired units to units which burn natural gas. *Philadelphia Electric Co. ECR No. 3*, Docket No. M-00920312 (Order adopted April 1, 1993). The Commission has also adopted a policy statement which encourages water companies to seek section 1307(a) cost recovery for their PENNVEST debt costs, 52 Pa. Code § 69.361, and policy statements approving section 1307 cost recovery for certain FERC Order 636 stranded costs, 52 Pa. Code § 69.341 (b)(4), and electric utility coal uprating costs, 52 Pa. Code § 57.124(a). Moreover, since 1970, the Commission has authorized all utilities to use an automatic adjustment clause mechanism to recover certain incremental changes in State tax rates. 52 Pa. Code § 69.44.

Pennsylvania case law regarding the permissible scope of section 1307 cost recovery, while not extensive, supports a broad interpretation of that section. In *National Fuel Gas Distribution Corp. v. Pa. P.U.C.*, 473 A.2d 1109, 1121 (Pa. Cmwlth. 1984), the Commonwealth Court held that the purpose of section 1307 of the code is to permit reflection in customer charges of changes in one component of a utility's cost of providing public service without the necessity of the "broad, costly and time-consuming inquiry" required in a section 1308 base rate case. Moreover, under the 1995 *PIEC* decision, the Commonwealth Court adopted the Commission's legal position that its use of section 1307 was not limited to fuel and purchased power costs. At the same time, the Commonwealth Court cautioned that section 1307 should have limited application and should not override the traditional ratemaking process. *PIEC* at 1349. In determining whether DSM costs could be recovered through the section 1307 mechanism, the Court wrote:

> Although we agree that Section 1307 should have limited application and the PUC should not use it to disassemble the traditional rate-making process, *the General Assembly did not limit the allowance of automatic adjustment to only fuel costs and taxes which are generally beyond the control of the utility. Instead, the General Assembly specifically allowed the recovery of fuel costs and also allowed the PUC or the utilities to initiate the automatic adjustment of costs within specific procedures* . . . In this case, Section 1319 of the Code specifically states that all prudent and reasonable costs should be recovered and sets forth requirements that the proposed programs be determined to be "prudent and cost-effective" by the PUC (or the Bureau of Conservation, Economics and Energy Planning as designated by the PUC), before any costs may be recovered through the surcharge mechanism.

PIEC at 1349 (emphasis added). The Court then concluded that the recovery of DSM costs under section 1307 was lawful because the language of section 1307 gives the Commission discretion to establish automatic adjustment clauses for the recovery of prudently incurred costs, and because in section 1319 the legislature specifically identified and provided for the recovery of prudent and reasonable costs for developing DSM programs.

Clearly, the Court in *PIEC* recognized the importance of the statute (section 1319) in providing for the

recovery of development costs of the DSM programs via section 1307. However, the Court also recognized that the language of section 1307 is not limited to a narrow set of costs (as advocated by the industrials), that whether the costs at issue should be recovered via an automatic adjustment clause is a matter of Commission discretion, and that the court "is not free to substitute its discretion for the discretion properly exercised by the PUC in establishing the surcharge method." *PIEC* at 1349.

Turning to the PSWC proposal to file and implement an automatic adjustment clause to recover its distribution system improvement costs, we find that the proposal is appropriately limited and narrowly tailored to recover a specific category of utility costs--the incremental fixed costs (depreciation and pre-tax return) associated with nonrevenue producing, nonexpense reducing distribution system improvement projects completed and placed in service between base rate cases. Recovery of this narrow set of costs is clearly permitted under section 1307(a) (which has no cost category limitation in its language) and Pennsylvania case law; and, in the Commission's judgment, this proposal is in no way a mechanism to "disassemble" the traditional ratemaking process for several reasons: first, the DSIC is designed to identify and recover the distribution system improvement costs incurred between rate cases; second, the costs to be recovered represent a narrow subset of the company's total cost of service; and third, the DSIC amount will be capped at a relatively low level to prevent any long-term evasion of a base rate review of these plant costs. Indeed, the company's proposal recognizes that there will be a full review of these costs in a subsequent section 1308 base rate proceeding. We also note that the DSIC is designed to reflect only the costs of the eligible plant additions that are actually placed in service during the 3-month periods ending 1 month prior to the effective date of each surcharge update; this key provision serves to avoid any potential violation of section 1315 and this State's long-standing "used and useful" rule.

Additionally, we find that sections 1307(d) and (e) provide broad auditing powers to the Commission and a formal reconciliation mechanism to carefully monitor the operation of such a surcharge. While admittedly section 1307(d) is addressed to fuel cost adjustment audits, we do not view the Commission's auditing power over automatic adjustment clauses as limited to only fuel costs, given the broad auditing and investigative powers granted to the Commission via sections 504, 505, 506, and 516 of the Public Utility Code. 66 Pa.C.S. §§ 504, 505, 506, 516. Nor would we be likely to approve a utility's request for approval of an automatic adjustment clause in the absence of its complete agreement that the Commission has such auditing powers. Moreover, section 1307(e) provides for a mandatory annual reconciliation report regarding the revenues and expenses recovered via an automatic adjustment clause and a "public hearing on the substance of the report and any matters pertaining to the use by such public utility" of the automatic adjustment clause. As such, the costs to be recovered via the company's DSIC proposal will be subject to the Commission's auditing powers, an annual reconciliation report and public hearings.

B. *General Tariff Parameters*

The basic elements of a tariff supplement to implement a lawful DSIC mechanism include a statement of purpose and description of eligible property, a specification of its effective date and the dates of its subsequent quarterly updates, details regarding the computation methodology and appropriate consumer safeguards. The proposed tariff supplement included with the PSWC petition, as Exhibit A, includes most of these elements but, in the Commission's judgment, certain elements should be modified in order to adequately protect consumer interests and to comply with section 1307. In order to provide guidance to PSWC and any other water utility that may need to implement a DSIC, the Commission has developed sample tariff language that, if used in a water utility's section 1307 proposed tariff supplement, is likely to receive the Commission's approval. The sample tariff language is contained in Appendix A to this order.

The major differences between the tariff supplement proposed by PSWC and the sample tariff language in Appendix A can be summarized as follows:

--specification of the eligible plant accounts by type and account number;

--provision to include recovery of main extensions installed to implement solutions to regional water

supply problems that have been documented as presenting a significant public health and safety concern to existing customers;

--specification that the costs of projects funded by PENNVEST loans are not eligible;

--provision of a prospective January 1, 1997 effective date for the tariff supplement and the property eligible for the initial filing;

--if more than 2 years have elapsed since the utility's last base rate case, use of the equity return rate determined by staff and specified in the latest Quarterly Earnings Report released by the Commission;

--greater specification of the depreciation and pretax return elements in the formula to calculate the DSIC;

--added provision to provide interest to consumers for any over recoveries during operation of the DSIC; and

--provision for customer notice of any DSIC changes.

Thus, use of the sample tariff language will fully explain the DSIC computation, including a listing of DSIC eligible property and related account numbers, so that in future years the purpose and intent of the DSIC surcharge will be apparent from reading only the tariff supplement. Additionally, the inclusion of plant account numbers and descriptions of property eligible for DSIC cost recovery parallels the format used for other section 1307 surcharges, such as the ECR for electric utilities, the GCR for gas distribution utilities and the SCR for steam heat companies.

With these changes to PSWC's proposal, the eligible property, filing dates, parameters, and consumer safeguards have been significantly strengthened. In particular, we note here that the provisions (1) for resetting the DSIC to zero if the company's rate of return exceeds its allowable rate of return, and (2) for resetting the DSIC to zero as of the effective date of new section 1308 base rates that provide for prospective recovery of the eligible plant costs both serve as effective and reliable rate mechanisms to insure that the DSIC automatic adjustment clause will not produce rates in excess of a fair return to the utility, as required by section 1307(a). We also note that the provision of a 5% of billed revenues cap on the maximum amount of any DSIC insures that the surcharge mechanism will not evade the section 1308 base rate process and its intensive top-to-bottom review of all company revenue, expense, rate base and return claims. See Appendix A. In other words, the 5% cap will insure that the surcharge will not allow the company to avoid a base rate review of the eligible property in perpetuity.

Accordingly, although we are denying the PSWC petition to the extent that it requests permission to file and implement a section 1307(a) tariff supplement to implement a surcharge as set forth in its Exhibit A, we invite the company to file a new tariff supplement consistent with the parameters outlined in the sample tariff language set forth in Appendix A to this order. The sample tariff language in Appendix A is identical to that recommended for the Pennsylvania-American Water Company at Docket No. P-00961031 which has also requested permission to file a DSIC surcharge.

As with other section 1307 tariff filings, the new tariff supplement would provide for a notice period of no less than 60 days to allow sufficient time for staff review of the proposed tariff supplement and its initial rates for consistency with the sample tariff language and for accuracy of the plant account, depreciation, pre-tax return and other elements of the DSIC calculation. If recommended for approval by staff and formally approved by the Commission, the tariff supplement and initial rates to implement the DSIC will be permitted to go into effect, subject to the outcome of any timely filed complaints. Subsequent quarterly updates, however, may be filed on 10 days notice as originally proposed by the company. *Therefore,*

It Is Ordered That:

1. The petition filed by the Philadelphia Suburban Water Company (PSWC) to file and implement a

section 1307(a) automatic adjustment clause tariff that would establish a Distribution System Improvement Charge (DSIC) is hereby approved in part and denied in part consistent with this order.

2. All protests, answers and other objections filed with respect to the PSWC petition are hereby granted in part and denied in part consistent with this order.

3. Any complaints regarding the rates to be charged pursuant to a DSIC tariff supplement may be filed if and when PSWC files a tariff supplement with specific rates in accordance with the tariff parameters outlined by this order.

4. The parameters set forth in the Appendix A are hereby adopted to serve as sample tariff language to be implemented for tariff supplements to establish a DSIC.

5. The normal auditing, reconciliation, reporting and public hearing procedures applicable to all 1307 (e) filings will likewise apply to all DSIC tariff supplements.

6. This order be published in the *Pennsylvania Bulletin.*

7. This order be served upon Philadelphia Suburban Water Company, the Office of Consumer Advocate, the Office of Small Business Advocate, the Office of Trial Staff and the National Association of Water Companies.

JOHN G. ALFORD,
Secretary

APPENDIX A

Sample Tariff Language

Distribution System Improvement Charge (DSIC)

I. *General Description*

Purpose: To recover the fixed costs (depreciation and pre-tax return) of certain nonrevenue producing, nonexpense reducing distribution system improvement projects completed and placed in service and to be recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the replacement of aging water distribution infrastructure, to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act and to develop and implement solutions to regional water supply problems. The costs of extending facilities to serve new customers are not recoverable through the DSIC. Also, Company projects receiving PENNVEST funding are not DSIC-eligible property.

Eligible Property: The DSIC-eligible property will consist of the following:

--services (account 323), meters (account 324) and hydrants (account 325) installed as in-kind replacements for customers;

--mains and valves (account 322) installed as replacements for existing facilities that have worn out, are in deteriorated condition, or upgraded to meet Chapter 65 regulations of Title 52;

--main extensions (account 322) installed to eliminate dead ends and to implement solutions to regional water supply problems that have been documented as presenting a significant health and safety concern for customers currently receiving service from the company or the acquired Company;

--main cleaning and relining (account 322) projects; and

--unreimbursed funds related to capital projects to relocate Company facilities due to highway relocations.

Effective Date: The DSIC will become effective for bills rendered on and after January 1, 1997.

II. *Computation of the DSIC*

Calculation: The initial charge, effective January 1, 1997, shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base and will have been placed in service between September 1, 1996, and November 30, 1996. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the 3-month periods ending 1 month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows:

Effective Date of Change	**Date To Which DSIC-Eligible Plant Addition Reflected**
April 1	February 28
July 1	May 30
October 1	August 31
January 1	November 30

The fixed costs of eligible distribution system improvement projects will consist of depreciation and pre-tax return, calculated as follows:

Depreciation: The depreciation expense will be calculated by applying to the original cost of DSIC-eligible property the annual accrual rates employed in the Company's last base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded.

Pre-tax return: The pre-tax return will be calculated using the State and Federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day of the 3-month period ending 1 month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the Company's last fully-litigated base rate proceeding for which a final order was entered not more than 2 years prior to the effective date of the DSIC. If more than 2 years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission Staff in the latest Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission.

DISC Surcharge Amount: The charge will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer under the Company's otherwise applicable rates and charges, excluding amounts billed for public fire protection service and the State Tax Adjustment Surcharge (STAS). To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected revenue for sales of water for the quarterly period during which the charge will be collected, exclusive of revenues from public fire protection service and the STAS.

Formula: The formula for calculation of the DISC surcharge is as follows:

$$DSIC = \frac{(DSI \times PTRR) + Dep + e}{PQR}$$

Where:

DSI = the original cost of eligible distribution system improvement projects.

PTRR = the pre-tax return rate applicable to eligible distribution system improvement projects.

Dep = Depreciation expense related to eligible distribution system improvement projects.

e = the amount calculated under the annual reconciliation feature as described below.

PQR = Projected quarterly revenue including any revenue from acquired companies that are now being charged the rates of the acquiring company.

Quarterly updates: Supporting data for each quarterly update will be filed with the Commission and served upon the Office of Trial Staff, the Office of Consumer Advocate and the Office of Small Business Advocate at least 10 days prior to the effective date of the update.

III. *Safeguards*

Cap: The DSIC will be capped at 5% of the amount billed to customers under otherwise applicable rates and charges.

Audit/Reconciliation: The DSIC will be subject to audit at intervals determined by the Commission. It will also be subject to annual reconciliation based on a reconciliation period consisting of the 12 months ending December 31 of each year. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with section 1307(e), over a 1 year period commencing on April 1 of each year. If DSIC revenues exceed DSIC-eligible costs, such overcollections will be refunded with interest. Interest on the overcollections will be calculated at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P. S. § 101, et seq.) and will be refunded in the same manner as an overcollection.

New Base Rates: The charge will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions, that have not previously been reflected in the Company's rate base, would be reflected in the quarterly updates of the DSIC.

Earning Reports: The charge will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings reports show that the Company will earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the Pre-tax return section.

Customer Notice: Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.

[Pa.B. Doc. No. 96-1560. Filed for public inspection September 13, 1996, 9:00 a.m.]

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ARIZONA WATER COMPANY
DSIC-type Mechanisms by State

Line No.	State	Program	Frequency	Surcharge Cap	Included Plant
1					
2	Indiana	Distribution System Improvement Charge (DSIC)	Annually	5.0%	Mains, hydrants, services, meters
3					
4	Illinois	Qualifying Infrastructure Plant Surcharge (QIPS)	Annually	5.0%	Mains, hydrants, services, meters
5					
6	Missouri	Infrastructure System Replacement Surcharge (ISRS)	Semi-Annually	10.0%	Mains (includes relining), valves, hydrants, facility relocations
7					
8	Ohio	System Infrastructure Charge	Annually	3.0%	Mains (includes cleaning, relining, & extensions), valves, hydrants, services, land/land rights, rel
9					
10	Pennsylvania	Distribution System Improvement Charge (DSIC)	Quarterly	7.5%	Mains, valves, services, meters
11					
12	California	Distribution System Improvement Charge (DSIC)	Quarterly	7.0%	Wells, pumps, mains, hydrants, services, meters, tools & equipment
13					
14	Delaware	Distribution System Improvement Charge (DSIC)	Semi-Annually	7.5%	Mains, valves, hydrants, services, meters
15					
16	Connecticut	Water Infrastructure Conservation Adjustment (WICA)	Semi-Annually	5.0%	Mains (includes cleaning & relining), valves, services, hydrants, meters, leak detection equipmen
17					
18					
19					
20					
21					
22					

EXHIBIT D

EXHIBIT E

Resolution Endorsing and Co-Sponsoring "The Distribution System Improvement Charge"

WHEREAS, The Pennsylvania Public Utility Commission and the Pennsylvania Legislature have adopted a promising and unique regulatory approach that encourages the acceleration of the needed remediation of aging water utility infrastructures; *and*

WHEREAS, The Distribution System Improvement Charge is an automatic adjustment charge that enables recovery of infrastructure improvement costs on a quarterly basis in between rate cases for projects that are non-revenue producing and non-expense reducing such as main cleaning and relining, fire hydrant replacement and main extensions to eliminate dead ends; *and*

WHEREAS, A videotape which explains this unique approach is being prepared by the National Association of Water Companies to help educate and inform other regulatory agencies and legislatures about the benefits of this unique approach; *and*

WHEREAS, The U.S. EPA within its Drinking Water Infrastructure Needs Survey has identified a magnitude of national infrastructure needs of $77.2 billion in pending expenditures; *and*

WHEREAS, As the magnitude of need may be too great to be accomplished under traditional ratemaking methodologies; *and*

WHEREAS, The Distribution System Improvement Charge provides benefits to ratepayers such as improved water quality, increased pressure, fewer main breaks, fewer service interruptions, lower levels of unaccounted for water, and more time between rate cases which leads to greater rate stability; *and*

WHEREAS, Ratepayer protections are incorporated in the Pennsylvania approach: the surcharge is limited to a maximum of 5% of the water bill, annual reconciliation audits are conducted where overcollections will be refunded with interest and undercollections will be billed into future rates without interest recovery, the surcharge is reset to zero at the time of the next rate case, the charge is reset to zero if the company is over-earning, customer notice is provided, and all charges reflect used and useful plant; *now, therefore, be it*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened at its 1999 Winter Meetings in Washington, D.C, agrees to endorse the mechanism as an example of an innovative regulatory tool that other Public Utility Commissions may consider to solve infrastructure remediation challenges in their States; *now be it further*

RESOLVED, That NARUC agrees to co-sponsor with the National Association of Water Companies the videotape of the Distribution System Improvement Charge as an educational tool to inform other regulatory agencies and legislatures about this promising new mechanism.

Sponsored by the Committee on Water
Adopted February 24, 1999

EXHIBIT F

Resolution Supporting Consideration of Regulatory Policies Deemed as "Best Practices"

WHEREAS, A number of innovative regulatory policies and mechanisms have been implemented by public utility commissions throughout the United States which have contributed to the ability of the water industry to effectively meet water quality and infrastructure challenges; *and*

WHEREAS, The capacity of such policies and mechanism to facilitate resolution of these challenges in appropriate circumstances supports identification of such policies and mechanisms as "best practices"; *and*

WHEREAS, During a recent educational dialogue, the "2005 NAWC Water Policy Forum," held among representatives from the water industry, State economic regulators, and State and federal drinking water program administrators, participants discussed (consensus was not sought nor determined) and identified over 30 innovative policies and mechanisms that have been summarized in a report of the Forum to be available on the website of the Committee on Water at www.naruc.org; *and*

WHEREAS, As public utility commissions continue to grapple with finding solutions to meet the myriad water and wastewater industry challenges, the Committee on Water hereby acknowledges the Forum's *Summary Report* as a starting point in a commission's review of available and proven regulatory mechanisms whenever additional regulatory policies and mechanisms are being considered; *and*

WHEREAS, To meet the challenges of the water and wastewater industry which may face a combined capital investment requirement nearing one trillion dollars over a 20-year period, the following policies and mechanisms were identified to help ensure sustainable practices in promoting needed capital investment and cost-effective rates: a) the use of prospectively relevant test years; b) the distribution system improvement charge; c) construction work in progress; d) pass-through adjustments; e) staff-assisted rate cases; f) consolidation to achieve economies of scale; g) acquisition adjustment policies to promote consolidation and elimination of non-viable systems; h) a streamlined rate case process; i) mediation and settlement procedures; j) defined timeframes for rate cases; k) integrated water resource management; l) a fair return on capital investment; *and* m) improved communications with ratepayers and stakeholders; *and*

WHEREAS, Due to the massive capital investment required to meet current and future water quality and infrastructure requirements, adequately adjusting allowed equity returns to recognize industry risk in order to provide a fair return on invested capital was recognized as crucial; *and*

WHEREAS, In light of the possibility that rate increases necessary to remediate aging infrastructure to comply with increasing water quality standards could aversely affect the affordability of water service to some customers, the following were identified as best practices to address these concerns: a) rate case phase-ins; b) innovative payment arrangements; c) allowing the consolidation of rates ("Single Tariff Pricing") of a multi-divisional water utility to spread capital costs over a larger base of customers; *and* d) targeted customer assistance programs; *and*

WHEREAS, Small water company viability issues continue to be a challenge for regulators, drinking water program administrators and the water industry; best practices identified by Forum participants include: a) stakeholder collaboration; b) a memoranda of understanding among relevant

State agencies and health departments; c) condemnation and receivership authority; and d) capacity development planning; *and*

WHEREAS, The U.S. Environmental Protection Agency's "Four-Pillar Approach" was discussed as yet another best practice essential for water and wastewater systems to sustain a robust and sustainable infrastructure to comprehensively ensure safe drinking water and clean wastewater, including: a) better management at the local or facility level; b) full-cost pricing; c) water efficiency or water conservation; *and* d) adopting the watershed approach, all of which economic regulators can help promote; *and*

WHEREAS, State drinking water program administrators emphasized the following mechanisms which Forum participants identified as best practices: a) active and effective security programs; b) interagency coordination to assist with new water quality regulation development and implementation, such as a memorandum of understanding; c) expanded technical assistance for small water systems; d) data system modernization to improve data reliability; e) effective administration and oversight of the Drinking Water State Revolving Fund to maximize infrastructure remediation, along with permitting investor owned water companies access in all States; f) the move from source water assessment to actual protection; *and* g) providing State drinking water programs with adequate resources to carry out their mandates; *now therefore be it*

RESOLVED, That the National Association of Regulatory Utility Commissioners (NARUC), convened in its July 2005 Summer Meetings in Austin, Texas, conceptually supports review and consideration of the innovative regulatory policies and practices identified herein as "best practices;" *and be it further*

RESOLVED, That NARUC recommends that economic regulators consider and adopt as many as appropriate of the regulatory mechanisms identified herein as best practices; *and be it further*

RESOLVED, That the Committee on Water stands ready to assist economic regulators with implementation of any of the best practices set forth within this Resolution.

Sponsored by the Committee on Water
Adopted by the NARUC Board of Directors July 27, 2005

EXHIBIT G

PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17105-3265

Petition of Pennsylvania-American Water Company for Approval to Implement a Tariff Supplement...Revising the Distribution Distribution System Improvement Charge	**Public Meeting held July 11, 2007** **JUL-2007-OSA-0161*** **Docket No.: P-00062241, *et al.***

MOTION OF CHAIRMAN WENDELL F. HOLLAND

Before us for consideration is the Petition filed by the Pennsylvania American Water Company for approval to implement a tariff supplement revising the distribution system improvement charge ("DSIC"). The revision being sought is a request to raise the DSIC cap from 5% of billed revenues to 7.5% on DSIC eligible infrastructure.[1] Administrative Law Judge Wayne L. Weismandel issued a Recommended Decision which denied the Petition. I disagree with the Recommended Decision and instead will move to grant Pennsylvania-American's Exceptions which succinctly clarify the Petition's consistency with the purpose of DSIC, along with providing ample support as to the benefits expected to accrue to ratepayers with a 7.5% DSIC cap.

If there were ever a regulatory tool literally created right here in Pennsylvania that is recognized as a best practice around the country it is the DSIC. Its main features are that it is:

- Pro-environmental as it significantly decreases line loss of one of our most precious resources;
- Promotes a major objective of this Administration and this Legislature which is to fix Pennsylvania's aging infrastructure; and
- Promotes economic development as it creates hundreds of jobs.

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[1] Revenue neutral projects allowed under DSIC include: main and valve replacement, main cleaning and relining, fire hydrant replacement, main extensions to eliminate dead ends, solutions to regionalization projects and meter change outs.

Background

1. National View

The DSIC mechanism is one of the most important regulatory tools of the past decade. It has been cited by the National Association of Regulatory Utility Commissioners as a "Best Practice"[2] and it has been designated by the Council of State Governments as "Model Legislation."[3] Nationwide, it is common knowledge that infrastructure is deteriorating throughout the country and this dilemma must be addressed in a timely, cost-effective manner.[4] The U.S. Environmental Protection Agency cites a $276.8 billion need to upgrade or replace drinking water infrastructure over the next 20 years.[5] Here in the Commonwealth, the state's portion of drinking water infrastructure needs over 20 years totals $10.8 billion.[6]

Many utilities were built more than a century ago and much of today's plant in service requires expensive upgrading. The unprecedented magnitude of the extent of needed infrastructure upgrades, along with the high cost, call for innovative solutions. Mains that were first placed into the ground a century ago cost approximately $1 a foot. Today, the remediation or replacement costs range from $61 to $100 per foot. Under traditional ratemaking, the pace of remediation ranged from a few hundred years to 900 years, or not in any way nearing a realistic timeframe to match the actual service lives of mains (approximately 75-125 years, with exceptions based on materials and soils). Legislatures in six other states recognized that a new regulatory mechanism was needed to accelerate the pace of infrastructure upgrades at a reasonable cost. DSIC has been a key response toward resolving this challenge.

2. Pennsylvania Perspective

Prior to DSIC's implementation in 1997, Pennsylvania-American's timeframe to upgrade its existing, aging infrastructure was 225 years.[7] Following DSIC's implementation, the timeframe was reduced by nearly 25% to 170 years. A critical factor is that with its current increased investments in DSIC eligible projects over the 5% cap (the most recent[8] quarterly filing reached 6.36%), the Company estimates a 33%

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[2] NARUC Board of Directors, "Resolution Supporting Consideration of Regulatory Policies Deemed as Best Practices," July 27, 2005.

[3] Council of State Governments, "Suggested State Legislation," 2000 Volume 59, pages 44-45.

[4] Innumerable articles have documented this situation, among the most well known is the American Society of Civil Engineers, "Report Card for America's Infrastructure," 2005; water and wastewater infrastructure received grades of "D minus; the grade for American's infrastructure overall was a "D."

[5] U.S. Environmental Protection Agency, "Drinking Water Infrastructure Needs Survey and Assessment," 2003.

[6] *Ibid.*

[7] Other jurisdictional water companies faced similar or worse timeframes.

[8] As of January 1, 2007.

reduction to 112 years, which more realistically reflects actual service lives.[9] Matching replacement with service life substantially improves service reliability.

Infrastructure remediation and improved service and service reliability directly benefits customers. Upgrades of deteriorated mains are essential to reduce main breaks, service interruptions and unaccounted for water; and improve water quality, improve pressure, enhance fire protection, and achieve rate stability. Additional ratepayer benefits include these essential goals; DSIC:

- Promoted the acquisition of small and non-viable water systems, consistent with Commission policy (see 52 Pa. Code §§ 69.711 (relating to small and nonviable systems));
- Promoted the regionalization of water systems, consistent with Commission policy (see 52 Pa. Code §69.721 (relating to acquisitions));
- Reduced rate case expense by decreasing the frequency of base rate case filings;
- Allowed water utilities to afford remediation projects that would have otherwise been cost-prohibitive; and
- Decreased main breaks, service interruptions, low pressure problems, and discolored water.[10]

When DSIC's implementation was approved by the Commission, several critical safeguards were established, including a cap of 5% of billed revenues.[11] Additional safeguards include: resetting the DSIC to zero at the time of the next base rate case or if the utility is over-earning; providing notice to customers of any change in the DSIC rate; audits are conducted as needed, and an annual reconciliation audit is conducted to ascertain any over or under-collections, with any over-collections being refunded with interest at the time of the next DSIC calculation. All mains or other DSIC eligible projects have been placed into service prior to DSIC charges being issued to customers and meet used and useful parameters, which are among the foundations of utility ratemaking principles. These safeguards remain untouched by the Company's requested higher cap.

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[9] Pennsylvania-American Main Brief, page 9.

[10] Aqua Pennsylvania, Inc. Correction to Amicus Curiae Brief, Docket Nos. P-00062241 and P-00062241C-0001, p. 4.

[11] Petition of Pennsylvania-American Water Company for Approval to Implement a Tariff Supplement Establishing a Distribution System Improvement Charge, Docket No. P-00961031, Order entered August 16, 1996, see Attachment A, "Sample Tariff Language," p. 4. The Petition was undergoing an appeal in Commonwealth Court when an amendment was enacted by the Legislature to add a section to the Public Utility Code to expressly provide for the allowance of an automatic adjustment charge for infrastructure remediation at 66 Pa. C.S. §1307 (g). The new section of the Statute was signed into law on December 18, 1996.

The Company points out that:

> . . . under the ALJ's criteria, there would not be a need for a DSIC at all, so long as a minimal level of adequate service was being rendered. Fortunately, the General Assembly had a broader vision and has provided the Commission with the tools to replace aging infrastructure in the Commonwealth. PAWC simply requests that the Commission use this tool and permit the Company to increase its DSIC percentage so that the purpose of the law can be realized.[12]

Goal of An Increased Cap

Pennsylvania-American recognized that its ideal spending level for infrastructure remediation "should be adequate to keep pace with the anticipated remaining useful life of the distribution system infrastructure."[13] The Company explained that in 2006 it accelerated its infrastructure upgrade program by over 50% and replaced 82 miles of mains. This can be compared with the pre-DSIC figure of replacing 25 miles per year. From DSIC's inception in1997 until 2005, the Company replaced 47 miles of main, or 0.56%. The 2006 increased rate of 0.90% has been maintained in 2007 at a DSIC level of 6.36% for all of 2007, although it is only allowed to collect at 5%. As previously stated, the current accelerated rate should enable the Company to significantly reduce by 34% the amount of time it would take to make all of the needed improvements, from approximately170 years to 112 years.[14]

The Company also noted its current focus on replacing smaller diameter mains due to its discovery that they were found to be a more frequent source of main breaks than larger diameter mains.[15] The Company states that an increased DSIC cap to 7.5% will support its efforts to accelerate the systematic replacement of its older small diameter mains. The company estimates it can reduce by about 20 years the time in which it will be able to make the needed improvements to this segment of its distribution system. The Company points out that in comparison, "an under-funded DSIC is more likely to result in more significant costs associated with unplanned or more extensive system repairs in the future (e.g., more main breaks and service interruptions, higher levels of unaccounted for water, etc.).[16]

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12 Pennsylvania-American Water Company Exceptions, Docket No. P-00062241, p. 11.
13 Pennsylvania-American Water Company Main Brief, p. 9.
14 *Ibid.*, pp. 8-9.
15 *Ibid.*, p. 11.
16 *Ibid.*, p. 12.

The Company has determined that a higher investment level is essential for it to keep pace with the anticipated remaining useful life of the distribution system infrastructure.[17] In fact, the Company summarizes the evidence presented in the instant case as revealing a choice between:

> . . . (1) providing the Company with adequate resources (a 7.5% DSIC cap) to support a three-year or more base rate case filing cycle, or (2) providing the Company with more limited resources (a 5% DSIC cap) that would encourage a more frequent base rate case cycle – every year or two.[18]

The Company summarizes further that:

> . . . the current DSIC cap of 5% will still be inadequate to provide the Company with resources adequate to achieve the Commission's long term objective – to accelerate the replacement of PAWC's efforts to accelerate its distribution system improvement program and encouraging the Company to make reasonable frequent base rate case filings.[19]

A higher DSIC rate today is consistent with the legislative intent to economically accelerate infrastructure remediation:

> The DSIC more accurately reflects the ongoing investments and improvements that are made in the water distribution system versus the less frequent but larger step increases that would result from base rate increases without an appropriately funded DSIC. The timely recovery of the fixed costs of infrastructure replacement through the DSIC provides an incentive for increased and continued levels of capital infusion. This results in a stronger and more reliable water distribution system for both current and future customers.[20]

Moreover, I note that Pennsylvania-American's customers' rates at the 5% DSIC rate average $1.75 a month. With a 7.5% DSIC, that rate will increase by $1.00 a month. It should be kept in mind that this rate will be reset to zero following the next base rate case (or at any time that the Company is over-earning) and it takes a number of billing cycles of progressive increases over a few years to rise to the allowed level of the cap.

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17 *Ibid.*, p. 9

18 Pennsylvania-American Exceptions, p. 12.

19 *Ibid.*

20 Pennsylvania-American Main Brief, p. 13.

Most importantly, DSIC represents a dollar-for-dollar recovery of prudent expenses incurred for improving reliability to customers.

In addition, a response is necessary to the argument put forth by the Office of Consumer Advocate ("OCA") that simple presentation of expenses virtually guarantees recovery.[21] Expense recovery is granted only for those DSIC eligible projects that are prudently incurred, in service and used and useful. In raising the level of DSIC expense recovery, we clearly intend to continue its cautious use. Contrary to the OCA's reference to the reasoning of the Commonwealth Court in the recent Collection System Improvement Charge Appeal,[22] the DSIC review and audit process includes a determination of compliance and prudency. Hence, the Court's reference to recovery of projects being relatively automatic (using the example of a solid gold manhole cover being allowed, provided the expense was made and submitted) is simply not accurate nor reflective of the extensive and thorough DSIC review process.

Finally, I am mindful of the value of DSIC: "its success cannot be denied. It is now time to improve upon that success by allowing an incremental increase in the cap."[23] I wholeheartedly agree.

THEREFORE, I MOVE:

1. That the Recommended Decision of Administrative Law Judge Wayne L. Weismandel is rejected, consistent with this Motion;

2. That the Exceptions of the Pennsylvania-American Water Company are granted;

3. That the Petition of Pennsylvania-American Water Company to implement a tariff supplement revising the distribution system improvement charge is granted.

4. That the Office of Special Assistants shall prepare the appropriate order consistent with this Motion.

_____ _____

DATE **WENDELL F. HOLLAND, CHAIRMAN**

---

21 Office of Consumer Advocate Main Brief, p. 12.

22 *Popowsky v. Pa. PUC,* 869 A.2d 1144, 1156 (2005).

23 Aqua Pennsylvania Amicus Curiae Brief, p. 3.

EXHIBIT H

ARIZONA WATER COMPANY
Docket No. W-01445A-10-0517
DSIC Revenue Requirement
As of December 31, 2010

Line No.		[A] Pinal Valley
1	TEST YEAR DATA	
2		
3	Eligible DSIC Plant in Service	$ 7,400,000
4	Accumulated Depreciation	-
5	(Sch. 8, p. 1)	
6	Eligible DSIC Plant Rate Base	$ 7,400,000
7	Required Rate of Return	9.51%
8	(Proposed)	
9	Required Operating Income	$ 703,740
10	(Ln. 6 x Ln. 7)	
11	Revenue Conversion Factor	1.6569
12	(Decision No. 71845)	
13	Revenue Requirement - Return on Eligible DSIC Plant	$ 1,166,023
14	(Ln. 9 x Ln. 11)	
15		
16	Depreciation on Eligible DSIC Plant	$ 132,958
17	(Sch. 8, p. 1)	
18		
19	Total Revenue Requirement	$ 1,298,981
20	(Ln. 13 + Ln. 16)	
21		
22	Total Operating Revenue	17,358,501
23		
24	Maximum increase cap	7.5%
25		
26	Total Operating Revenue Limited by cap	$ 1,301,888
27	(Ln. 22 X Ln. 24)	
28		
29	Total Revenue Requirement lesser of L 19 or 26	$ 1,298,981
30		
31		
32		
33		
34		
35		
36		
37	5/8 X 3/4-INCH RESIDENTIAL METER	
38	Basic Service Charge	
39	Commodity Rate (Per M Gallon)	
40	0 - 3,000 Gallons	
41	3,001 - 10,000 Gallons	
42	Over 10,000 Gallons	
43		
44		
45		
46		
47		
48		
49		
50		
51	5/8 X 3/4-INCH RESIDENTIAL METER	
52	Basic Service Charge	
53	Commodity Rate (Per M Gallon)	
54	0 - 3,000 Gallons	
55	3,001 - 10,000 Gallons	
56	Over 10,000 Gallons	
57		
58		
59	Average Residential Bill (5/8 x 3/4 meter) - Casa Grande / Coolidge (8,522 gallons of usage)	
60		
61	Average Residential Bill (5/8 x 3/4 meter) - Stanfield (8,522 gallons of usage)	
62		
63		

	PINAL VALLEY (CASA GRANDE/COOLIDGE)		
	Current Rates	Proposed Rates	
	Decision No. 71845	DSIC	Total [B + C]
5/8 X 3/4-INCH RESIDENTIAL METER			
Basic Service Charge	$ 15.79	$ 1.48	$ 17.27
Commodity Rate (Per M Gallon)			
0 - 3,000 Gallons	$ 1.3700	$ 0.1293	1.4993
3,001 - 10,000 Gallons	$ 1.7123	$ 0.1293	1.8416
Over 10,000 Gallons	$ 2.1406	$ 0.1293	2.2699

	PINAL VALLEY (STANFIELD)		
	Current Rates	Proposed Rates	
	Decision No. 71845	DSIC	Total [B + C]
5/8 X 3/4-INCH RESIDENTIAL METER			
Basic Service Charge	$ 15.79	$ 1.48	$ 17.27
Commodity Rate (Per M Gallon)			
0 - 3,000 Gallons	$ 2.4379	$ 0.1293	2.5672
3,001 - 10,000 Gallons	$ 3.0476	$ 0.1293	3.1769
Over 10,000 Gallons	$ 3.8097	$ 0.1293	3.9390
Average Residential Bill (5/8 x 3/4 meter) - Casa Grande / Coolidge (8,522 gallons of usage)	$ 29.36	$ 2.58	$ 31.94
Average Residential Bill (5/8 x 3/4 meter) - Stanfield (8,522 gallons of usage)	$ 39.93	$ 2.58	$ 42.51

EXHIBIT I

ITT

VALUE OF WATER SURVEY

AMERICANS ON THE U.S. WATER CRISIS

650
WATER MAIN BREAKS PER DAY

$2.6
BILLION IN LOST WATER EVERY YEAR

AT RISK
OUR NATION'S CLEAN WATER

EXECUTIVE SUMMARY

95% of American voters value water over any other service they receive, including heat and electricity

Our nation's industrial and agricultural businesses—among the heaviest water users—rank it second, after only electricity

About three out of four American voters and businesses* say disruptions in the water system would have direct and personal consequences

Too many take clean water for granted: 69% of voters, 72% of businesses*

When asked, U.S. voters and businesses* do express concern about our nation's water.

- Nearly one in four American voters is "very concerned" about the state of the nation's water infrastructure
- 29% percent of voters agree that water pipes and systems in America are crumbling and approaching a state of crisis
- 80% of voters say water infrastructure needs reform; about 40% say major reform

*INDUSTRIAL AND AGRICULTURAL BUSINESSES ONLY

EXECUTIVE SUMMARY

People understand that fixing our nation's water infrastructure problems is a shared responsibility:

- 85% of voters, 83% of businesses* agree federal, state and local governments should invest money in upgrading our water pipes and systems
- 79% of voters, 75% of businesses* agree and think government officials need to spend more time addressing water issues
- Both citizens and businesses* understand and accept responsibility
- 63% of American voters, and 57% of businesses* say they are willing to pay a little more each month to upgrade our water system

People everywhere are willing to pay more, regardless of region, residence, gender, age or political affiliation

- Voters are willing to pay on average $6.20 more per month
- If we took them up on their offer, the United States could invest about $5.4 billion more per year in our nation's water infrastructure**
- This is more than four times the FY09 federal investment in our nation's drinking water systems

*INDUSTRIAL AND AGRICULTURAL BUSINESSES ONLY
**BASED ON 2010 CENSUS U.S. BUREAU PROJECTIONS: 114,200,000 U.S. HOUSEHOLDS

Exhibit 2.1: State 20-Year Need Reported by Project Type (in millions of January 2007 dollars)

State	Transmission/ Distribution	Source	Treatment	Storage	Other	Total
Alabama	$3,343.9	$71.6	$386.5	$285.3	$12.0	$4,099.4
Alaska	$478.2	$56.4	$121.3	$150.0	$6.5	$812.4
Arizona	$3,819.0	$460.3	$2,150.2	$900.1	$81.1	$7,410.7
Arkansas	$3,667.5	$149.3	$966.0	$478.3	$17.4	$5,278.5
California	$22,988.5	$2,515.3	$7,549.7	$5,735.6	$257.3	$39,046.3
Colorado	$3,156.7	$371.7	$2,150.2	$696.7	$24.8	$6,400.1
Connecticut	$807.1	$134.9	$280.6	$151.6	$19.7	$1,394.0
District of Columbia	$836.8	$0.0	$0.4	$35.5	$1.5	$874.2
Florida	$7,234.9	$887.3	$3,552.1	$975.4	$173.5	$12,823.1
Georgia	$6,295.6	$406.2	$1,390.5	$751.5	$93.9	$8,937.7
Illinois	$8,982.0	$1,576.3	$2,907.8	$1,386.7	$164.2	$15,017.1
Indiana	$3,814.2	$353.8	$1,096.1	$648.5	$31.8	$5,944.4
Iowa	$4,356.8	$271.9	$990.8	$467.2	$26.4	$6,113.1
Kansas	$2,784.4	$187.1	$684.1	$339.7	$35.0	$4,030.2
Kentucky	$3,643.6	$121.7	$699.0	$474.8	$38.9	$4,978.1
Louisiana	$5,100.7	$305.7	$1,024.8	$427.4	$41.3	$6,900.1
Maryland	$3,497.6	$180.6	$1,134.5	$606.0	$24.7	$5,443.4
Massachusetts	$4,456.4	$340.9	$1,130.1	$823.4	$39.1	$6,790.0
Michigan	$7,657.6	$529.6	$2,548.5	$1,035.8	$71.3	$11,842.8
Minnesota	$2,819.3	$372.0	$1,982.9	$770.3	$43.9	$5,988.4
Mississippi	$1,604.4	$284.7	$907.2	$429.8	$17.2	$3,243.3
Missouri	$4,801.8	$324.7	$1,281.2	$635.7	$42.3	$7,085.6
Nebraska	$1,017.7	$140.5	$309.2	$300.8	$8.4	$1,776.6
Nevada	$1,116.4	$892.3	$202.2	$460.6	$19.8	$2,691.3
New Jersey	$4,722.9	$307.1	$1,850.4	$1,056.7	$24.7	$7,961.6
New York	$15,417.0	$1,915.5	$6,986.2	$2,707.8	$110.9	$27,137.3
North Carolina	$6,037.1	$670.7	$2,237.7	$1,032.7	$77.1	$10,055.2
Ohio	$8,374.2	$564.2	$2,235.6	$1,330.4	$94.6	$12,599.0
Oklahoma	$2,603.5	$142.0	$858.9	$493.5	$14.1	$4,112.1
Oregon	$1,520.6	$156.3	$546.1	$536.0	$26.2	$2,785.3
Pennsylvania	$7,644.9	$557.1	$1,834.5	$1,284.2	$58.7	$11,379.3
Puerto Rico	$1,079.5	$80.6	$1,037.4	$325.2	$14.8	$2,537.5
South Carolina	$1,102.7	$75.2	$222.3	$210.2	$17.9	$1,628.3
Tennessee	$2,356.3	$109.2	$692.8	$368.0	$21.2	$3,547.6
Texas	$15,950.2	$1,600.3	$5,785.2	$2,695.8	$99.2	$26,130.8
Virginia	$3,806.3	$196.0	$1,293.3	$722.8	$43.6	$6,061.9
Washington	$5,765.5	$717.3	$1,580.0	$1,502.7	$190.6	$9,756.0
Wisconsin	$3,550.5	$385.1	$1,467.5	$758.7	$24.2	$6,186.0
Partially Surveyed States*	$10,478.1	$1,131.1	$3,347.3	$2,099.5	$136.3	$17,192.4
Subtotal	***$198,690.3***	***$19,542.3***	***$67,421.3***	***$36,091.3***	***$2,246.3***	***$323,991.4***
American Samoa	$43.7	$10.6	$15.9	$22.0	$0.6	$92.8
Guam	$223.6	$2.0	$8.6	$29.7	$0.0	$263.9
Commonwealth of the Northern Mariana Islands	$123.2	$28.7	$61.8	$65.8	$9.7	$289.3
U.S. Virgin Islands	$138.3	$7.1	$45.9	$59.8	$2.3	$253.3
Subtotal	***$528.8***	***$48.4***	***$132.2***	***$177.2***	***$12.7***	***$899.4***
Total State Need	**$199,219.1**	**$19,590.7**	**$67,553.5**	**$36,268.5**	**$2,259.0**	**$324,890.8**

* For the 2007 DWINSA the need for states that opt out of the medium system portion of the survey is presented cumulatively and not by state. The list of the 14 partially surveyed states can be seen in Exhibit 2.4.

Exhibit 2.2: State 20-Year Need Reported by System Size (in millions of January 2007 dollars)

State	Large	Medium	Small	NPNCWS	Total
Alabama	$998.5	$2,709.8	$387.2	$3.8	$4,099.4
Alaska	$85.1	$302.3	$363.8	$61.1	$812.4
Arizona	$4,381.4	$2,121.3	$889.4	$18.5	$7,410.7
Arkansas	$443.6	$3,854.3	$973.3	$7.3	$5,278.5
California	$21,345.9	$14,098.1	$3,500.9	$101.4	$39,046.3
Colorado	$2,079.0	$3,246.6	$1,073.2	$1.3	$6,400.1
Connecticut	$288.3	$451.2	$627.0	$27.5	$1,394.0
District of Columbia	$874.2	$0.0	$0.0	$0.0	$874.2
Florida	$5,135.7	$5,769.3	$1,790.4	$127.7	$12,823.1
Georgia	$2,663.4	$4,716.0	$1,544.5	$13.8	$8,937.7
Illinois	$5,248.1	$7,006.7	$2,652.2	$110.2	$15,017.1
Indiana	$1,417.2	$3,291.0	$1,059.9	$176.3	$5,944.4
Iowa	$458.2	$4,190.3	$1,446.2	$18.4	$6,113.1
Kansas	$766.5	$2,017.8	$1,242.3	$3.5	$4,030.2
Kentucky	$757.5	$3,879.0	$340.5	$1.1	$4,978.1
Louisiana	$3,354.7	$2,249.4	$1,281.0	$14.9	$6,900.1
Maryland	$3,924.1	$853.3	$567.8	$98.2	$5,443.4
Massachusetts	$1,683.3	$4,649.7	$424.0	$32.9	$6,790.0
Michigan	$4,952.6	$4,677.0	$1,740.9	$472.2	$11,842.8
Minnesota	$672.0	$3,631.7	$1,416.5	$268.3	$5,988.4
Mississippi	$227.0	$1,432.2	$1,574.5	$9.6	$3,243.3
Missouri	$1,342.2	$3,860.3	$1,844.0	$39.1	$7,085.6
Nebraska	$379.0	$632.2	$749.4	$16.0	$1,776.6
Nevada	$2,098.2	$291.2	$287.7	$14.2	$2,691.3
New Jersey	$3,636.5	$3,502.2	$619.4	$203.6	$7,961.6
New York	$17,956.6	$5,434.9	$3,619.7	$126.2	$27,137.3
North Carolina	$3,043.9	$4,907.5	$1,734.1	$369.7	$10,055.2
Ohio	$3,172.1	$7,449.7	$1,695.0	$282.2	$12,599.0
Oklahoma	$714.8	$1,917.2	$1,457.9	$22.3	$4,112.1
Oregon	$674.2	$958.2	$1,097.3	$55.6	$2,785.3
Pennsylvania	$3,950.8	$4,542.2	$2,604.6	$281.8	$11,379.3
Puerto Rico	$823.6	$1,109.4	$603.3	$1.2	$2,537.5
South Carolina	$295.4	$806.1	$510.6	$16.2	$1,628.3
Tennessee	$555.8	$2,224.9	$738.1	$28.8	$3,547.6
Texas	$7,614.8	$13,376.3	$5,091.9	$47.7	$26,130.8
Virginia	$2,474.4	$2,216.5	$1,279.4	$91.7	$6,061.9
Washington	$2,686.7	$4,586.7	$2,366.6	$116.1	$9,756.0
Wisconsin	$1,299.2	$3,074.9	$1,328.4	$483.5	$6,186.0
Partially Surveyed States*	$1,664.1	$8,537.0	$6,686.7	$304.5	$17,192.4
Subtotal	***$116,139.0***	***$144,574.7***	***$59,209.6***	***$4,068.2***	***$323,991.4***
American Samoa	$0.0	$59.5	$33.3	$0.0	$92.8
Guam	$203.1	$60.8	$0.0	$0.0	$263.9
Commonwealth of the Northern Mariana Islands	$0.0	$158.6	$130.6	$0.0	$289.3
U.S. Virgin Islands	$0.0	$197.4	$55.9	$0.0	$253.3
Subtotal	***$203.1***	***$476.4***	***$219.9***	***$0.0***	***$899.4***
Total State Need	**$116,342.1**	**$145,051.1**	**$59,429.5**	**$4,068.2**	**$324,890.8**

* For the 2007 DWINSA the need for states that opt out of the medium system portion of the survey is presented cumulatively and not by state. The list of the 14 partially surveyed states can be seen in Exhibit 2.4.

ARIZONA WATER COMPANY
Docket No. W-01445A-10-0517
Balance Sheet
As of December 31, 2010

Line No.		[A] TOTAL COMPANY	[B] WESTERN GROUP[1]	[C] PINAL VALLEY
1	ASSETS			
2				
3	UTILITY PLANT			
4	Gross Utility Plant	$ 396,423,070		
5	Less: Accumulated Depreciation	95,226,394		
6	Net Utility Plant	$ 301,196,676		
7				
8	CURRENT ASSETS			
9	Cash on Hand and in Banks	10,327,173		
10	Investments and Special Deposits	2,703		
11	Accounts Receivable	3,442,787		
12	Materials & Supplies	301,494		
13	Other	454,306		
14	Total Current Assets	$ 14,528,463		
15				
16	DEFERRED DEBITS	$ 7,248,596		
17				
18	TOTAL ASSETS	$ 322,973,735		
19				
20				
21	LIABILITIES			
22				
23	CAPITALIZATION			
24	Common Stock	2,700,000		
25	Capital Surplus	19,309,347		
26	Retained Earnings	55,965,991		
27	Common Stockholders Equity	$ 77,975,338	$ 28,507,784	$ 21,084,531
28	Long-Term Debt	75,000,000	27,420,000	20,280,000
29	Total Capitalization	$ 152,975,338	$ 55,927,784	$ 41,364,531
30				
31	CURRENT LIABILITIES			
32	Notes Payable	-		
33	Accounts Payable	5,918,922		
34	Accrued Expenses	3,668,998		
35	Other	-		
36	Total Current Liabilities	$ 9,587,920		
37				
38	DEFERRED CREDITS			
39	Advances for Construction	77,869,922		
40	Contributions in Aid of Construction	51,183,775		
41	Deferred Income Taxes	25,368,073		
42	Other	5,988,707		
43	Total Deferred Credits	$ 160,410,477		
44				
45	TOTAL CAPITAL AND LIABILITIES	$ 322,973,735		
46				
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55	[1]Allocated based on percentage of rate base to total company rate base.			

JDH-5

Supporting Schedules:

N:\2011_Rate_Case\Work Papers\DSIC Support\DSIC Schedules.xlsx\1-Balance Sht
Processing Date: 4/27/2011 4:30 PM

Recap Schedules:

ARIZONA WATER COMPANY
Docket No. W-01445A-10-0517
Income Statement
12 Months Ending December 2010

Line No.		[A] TOTAL COMPANY	[B] WESTERN GROUP	[C] PINAL VALLEY
1				
2	OPERATING REVENUE	$ 52,189,106	$ 19,568,633	$ 17,358,501
3				
4	OPERATING EXPENSES			
5	Operation and Maintenance	25,643,099	9,614,766	8,536,752
6	Depreciation	8,506,196	3,586,696	3,104,883
7	Taxes Other than Income	7,180,690	2,848,136	2,610,433
8	Income Taxes	2,381,535	771,768	681,278
9	Total Operating Expenses	$ 43,711,520	$ 16,821,366	$ 14,933,346
10				
11	OPERATING INCOME	$ 8,477,586	$ 2,747,267	$ 2,425,155
12				
13	OTHER (INCOME) AND DEDUCTIONS			
14	Other (Income) - Net	(195,900)	(74,481)	(67,057)
15				
16	Interest on Long-Term Debt	5,115,500	1,944,913	1,751,036
17	Other Interest and Amortization	(197,694)	(75,163)	(67,671)
18	Total Interest	$ 4,917,806	$ 1,869,750	$ 1,683,365
19				
20	Total Other (Income) and Deductions	$ 4,721,906	$ 1,795,269	$ 1,616,308
21				
22	NET INCOME	$ 3,755,680	$ 951,998	$ 808,847
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Line No.		[A] PINAL VALLEY
1		
2	REVENUE	
3	Total Operating Revenue	$ 17,358,501
4		
5	OPERATING EXPENSES	
6	Operation and Maintenance	8,536,752
7	Depreciation	3,104,883
8	Taxes Other than Income	2,610,433
9	Income Taxes	681,278
10	Total Operating Expenses	$ 14,933,346
11		
12	OPERATING INCOME/(LOSS)	$ 2,425,155
13		
14	RATE BASE - O.C.L.D. (Includes DSIC Plant)	47,436,649
15	(Sch. 7, Ln. 33)	
16		
17	RATE OF RETURN - O.C.L.D	5.11%
18	(Ln. 12 / Ln. 14)	
19		
20	AUTHORIZED RATE OF RETURN	7.87%
21	(Decision No. 71845)	
22		
23	OPERATING MARGIN	13.97%
24	(Ln. 12 / Ln. 3)	
25		
26	Interest Expense - Net	$ 1,683,365
27		
28	INEREST COVERAGE	1.85
29	[(Ln. 12 + Ln. 9) / Ln. 26]	
30		
31	Other (Income) and Deductions	$ (67,057)
32		
33	Equity Ratio	45.9%
34	(Decision 71845)	
35		
36	Allocated Equity	$ 21,749,704
37	(Ln. 14 x Ln. 33)	
38		
39	RETURN ON EQUITY	3.72%
40	[(Ln. 12 - Ln. 26 - Ln. 31) / Ln. 36]	
41		
42	AUTHORIZED RETURN ON EQUITY	9.50%
43	(Decision No. 71845)	
44		
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ARIZONA WATER COMPANY
Docket No. W-01445A-10-0517
Rate Review
12 Months Ending December 2010

Line No.		[A] PINAL VALLEY Per Dec. No. 71845	[B] PINAL VALLEY 12 Mos. Ending 12/31/2010	[C] PINAL VALLEY DSIC Increase	[D] PINAL VALLEY Adjusted with DSIC
1					
2	REVENUE				
3	Total Operating Revenue	$ 17,114,071	$ 17,358,501	$ 439,175	$ 17,797,676
4					
5	OPERATING EXPENSES				
6	Operation and Maintenance	8,627,086	8,536,752	-	8,536,752
7	Depreciation	2,762,625	3,104,883	45,248	3,150,131
8	Taxes Other than Income	960,877	2,610,433	-	2,610,433
9	Income Taxes	1,229,441	681,278	156,177	837,455
10	Total Operating Expenses	$ 13,580,029	$ 14,933,346	$ 201,425	$ 15,134,771
11					
12	OPERATING INCOME/(LOSS)	$ 3,534,042	$ 2,425,155	$ 237,750	$ 2,662,905
13					
14	RATE BASE - O.C.L.D.	44,904,721	44,936,649	2,500,000	47,436,649
15	(Sch. 7, Ln. 33)				
16					
17	RATE OF RETURN - O.C.L.D	7.87%	5.40%	9.51%	5.61%
18	(Ln. 12 / Ln. 14)				
19					
20	AUTHORIZED RATE OF RETURN	9.50%	9.50%	9.50%	9.50%
21	(Decision No. 71845)				
22					
23	OPERATING MARGIN	20.65%	13.97%	54.14%	14.96%
24	(Ln. 12 / Ln. 3)				
25					
26	Interest Expense - Net	$ 1,578,311	$ 1,683,365	87,750	1,771,115
27					
28	INEREST COVERAGE	3.02	1.85	4.49	1.98
29	[(Ln. 12 + Ln. 9) / Ln. 26]				
30					
31					
32					
33	Equity Ratio	45.9%	45.9%	45.9%	45.9%
34	(Decision 71845)				
35					
36	Allocated Equity	$ 20,588,815	$ 20,603,454	$ 1,146,250	$ 21,749,704
37	(Ln. 14 x Ln. 33)				
38					
39	RETURN ON EQUITY	9.50%	3.60%	13.10%	4.10%
40	[(Ln. 12 - Ln. 26) / Ln. 36]				
41					
42	AUTHORIZED RETURN ON EQUITY	9.50%	9.50%	9.50%	9.50%
43	(Decision No. 71845)				
44					
45	THREE FACTOR RATIO	0.3209	0.3426	0.3426	0.3426
46					
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55					

Line No.		[A] PINAL VALLEY
1	TEST YEAR DATA	
2		
3	Eligible DSIC Plant in Service	$ 2,500,000
4	Accumulated Depreciation	-
5	(Sch. 8, p. 1)	
6	Eligible DSIC Plant Rate Base	$ 2,500,000
7	Required Rate of Return	9.51%
8		
9	Required Operating Income	$ 237,750
10	(Ln. 6 x Ln. 7)	
11	Revenue Conversion Factor	1.6569
12		
13	Revenue Requirement - Return on Eligible DSIC Plant	$ 393,927
14	(Ln. 9 x Ln. 11)	
15		
16	Depreciation on Eligible DSIC Plant	$ 45,248
17	(Sch. 8, p. 1)	
18		
19	Total Revenue Requirement	$ 439,175
20	(Ln. 13 + Ln. 16)	

	PINAL VALLEY (CASA GRANDE/COOLIDGE)		
	Current Rates	Proposed Rates	
	Decision No. 71845	DSIC	Total [B + C]
5/8 X 3/4-INCH RESIDENTIAL METER			
Basic Service Charge	$ 15.79	$ 0.50	$ 16.29
Commodity Rate (Per M Gallon)			
0 - 3,000 Gallons	$ 1.3700	$ 0.0437	1.4137
3,001 - 10,000 Gallons	$ 1.7123	$ 0.0437	1.7560
Over 10,000 Gallons	$ 2.1406	$ 0.0437	2.1843

	PINAL VALLEY (STANFIELD)		
	Current Rates	Proposed Rates	
	Decision No. 71845	DSIC	Total [B + C]
5/8 X 3/4-INCH RESIDENTIAL METER			
Basic Service Charge	$ 15.79	$ 0.50	$ 16.29
Commodity Rate (Per M Gallon)			
0 - 3,000 Gallons	$ 2.4379	$ 0.0437	2.4816
3,001 - 10,000 Gallons	$ 3.0476	$ 0.0437	3.0913
Over 10,000 Gallons	$ 3.8097	$ 0.0437	3.8534

ARIZONA WATER COMPANY
Docket No. W-01445A-10-0517
Surcharge Calculation
As of December 31, 2010

PINAL VALLEY

Line No.	GROWTH	Customers	M Gallons Sold	M Gallons Sold Per Cust.
4	12/31/2009 (Year 1)	27,973	5,134,786.7	183.6
5	12/31/2010 (Year 2)	27,997	4,912,395.0	175.5
6	Increase/(Decrease)	24	(222,392)	(8.1)
7	Percentage Change	0.09%	-4.33%	-4.41%
8	Average M Gallons		5,023,590.8	

INCREMENTAL FIXED COSTS TO BE RECOVERED PER BILL

Size	Customers by Meter Size 12/31/2010	12/31/2011	Est. Average Customers (A + B) / 2	Basic Service Charge	Meter Multiples	Equivalent Meters (C X F)	Fixed Increment Monthly (G39 X F)	Fixed Increment Annual (C X G) X 12
5/8"	26,334	26,357	26,346	**varies**	1.0	26,346	$ 0.50	$ 158,145
1"	967	968	968	**varies**	2.5	2,419	1.25	14,519
1.5"	-	-	-	**varies**	n/a	-	-	-
2"	587	588	588	**varies**	8.0	4,700	4.00	28,213
3"	47	47	47	**varies**	16.0	752	8.00	4,514
4"	33	33	33	**varies**	25.0	825	12.51	4,952
6"	26	26	26	**varies**	50.0	1,300	25.01	7,804
8"	3	3	3	**varies**	80.0	240	40.02	1,441
10"	-	-	-	**varies**	115.0	-	57.53	-
Totals	27,997	28,022	28,010			36,581		$ 219,587

CALCULATION OF SURCHARGE

		Minimum Surcharge (F34 X .5)	Commodity Surcharge (F34 X .5)
Total Revenue Requirement of DSIC Eligible Plant Capital Costs	$ 439,175		
50% of Total Revenue Requirement on Line 34 Recoverable through Basic Service Charge		$ 219,587	
50% of Total Revenue Requirement on Line 34 Recoverable through Commodity Charge			$ 219,587
Equivalent Meters (Col. G, Ln. 26 X 12 Mos.)		438,975	
Increment Per Equivalent 5/8" Meter (Col. G, Ln. 35 / Col. G, Ln. 38)		$ 0.50	
Average M Gallons (Col. C, Ln. 8)			5,023,590.8
Increment Per M Gallon (Col. H, Ln. 36 / Col. H, Ln. 41)			$ 0.0437

ARIZONA WATER COMPANY
Docket No. W-01445A-10-0517
Rate Base
As of December 31, 2010

Line No.		[A] PINAL VALLEY Per Dec. No. 71845	[B] PINAL VALLEY DSIC Plant Increase	[C] PINAL VALLEY Dec. Plus DSIC Plant (A + B)	[D] PINAL VALLEY Actual Balance 12/31/2010	[E] PINAL VALLEY DSIC Plant Increase	[F] PINAL VALLEY Actual Plus DSIC Increase (D + E)
1							
2	DSIC Eligible Plant	$ -	$ 2,500,000	$ 2,500,000	$ -	$ 2,500,000	$ 2,500,000
3							
4	Other Utility Plant in Service	120,143,397	-	120,143,397	142,089,974	-	142,089,974
5	Total Plant in Service	$ 120,143,397	$ 2,500,000	$ 122,643,397	$ 142,089,974	$ 2,500,000	$ 144,589,974
6	(Ln. 2 + Ln. 4)						
7							
8	Accumulated Depreciation	20,198,728.0	-	20,198,728	28,880,112	-	28,880,112
9	Net Utility Plant	$ 99,944,669	$ 2,500,000	$ 102,444,669	$ 113,209,862	$ 2,500,000	$ 115,709,862
10	(Ln. 5 - Ln. 8)						
11							
12	Advances	36,902,330	-	36,902,330	45,465,736	-	45,465,736
13							
14	Contributions - Net	12,403,783	-	12,403,783	16,161,299	-	16,161,299
15							
16	Deferred Income Tax	6,150,049	-	6,150,049	8,683,491	-	8,683,491
17							
18	Customer Deposits	324,478					
19							
20	Working Capital Allowance	179,178	-	179,178	179,178	-	179,178
21	(Per Dec. 71845)						
22							
23	Net Regulatory Asset/(Liability)	561,514					
24							
25	Subtotal Rate Base	$ 44,904,721	$ 2,500,000	$ 47,167,685	$ 43,078,514	$ 2,500,000	$ 45,578,514
26	(Ln. 9 - Ln. 12 - Ln. 14 - Ln. 16 + Ln. 18)						
27							
28	Phoenix Office Allocation	- [1]	-	-	1,858,135 [2]	-	1,858,135
29							
30	Meter Shop Allocation	- [1]	-	-	-	-	-
31							
32	Total Rate Base	44,904,721	2,500,000	47,167,685	44,936,649	2,500,000	47,436,649
33	(Ln. 21 + Ln. 24 + Ln. 26)						
34							
35							
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53							
54	[1]Phoenix Office and Meter Shop allocation included in line 4.						
55	[2]Includes Meter Shop allocation.						

Supporting Schedules:

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Recap Schedules:

ARIZONA WATER COMPANY
Docket No. W-01445A-10-0517
CWIP Ledger
As of December 31, 2010

Line No.	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[I]
1					PINAL VALLEY					
2	W.A. No.	Month/Year	Date	Description	Vendor Name	Invoice No.	34301	34501	34801	Total
3										
4	1-5000	May-10	5/30/2008	JV-1 PAYROLL			1,341.00	45.00	114.00	1,500.00
5			5/30/2008	JV-2 PAYROLL TAXES			107.00	4.00	9.00	120.00
6			5/30/2008	JV-9 TRANSPORTATION			268.00	9.00	23.00	300.00
7							$ 1,716.00	$ 58.00	$ 146.00	$ 1,920.00
8										
13										
14		Jun-10	6/30/2008	JV-1 PAYROLL			7,154.00	240.00	607.00	8,001.00
15			6/30/2008	JV-2 PAYROLL TAXES			501.00	17.00	42.00	560.00
16			6/30/2008	JV-9 TRANSPORTATION			1,431.00	48.00	121.00	1,600.00
17			6/30/2008	Payables Trx Entry	ABC CONTRACTING	0100004	2,235,000.00	75,000.00	177,919.00	2,487,919.00
18							$ 2,244,086.00	$ 75,305.00	$ 178,689.00	$ 2,498,080.00
19										
20						Project Totals	$ 2,245,802.00	$ 75,363.00	$ 178,835.00	$ 2,500,000.00
21										
22						Depreciation Rate	1.79%	2.38%	1.82%	
23										
24						Annual Depreciation Expense	$ 40,200	$ 1,794	$ 3,255	$ 45,248
25										

Supporting Schedules:

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Recap Schedules:

ARIZONA WATER COMPANY
Docket No. W-01445A-10-0517
Three Factor Calculation
Fiscal Year 2010

Line No.	System	2009 Customers	2009 Gross Plant Less Intangibles	2009 Gross Payroll	Ratios Customers	Ratios Gross Plant Less Intangibles	Ratios Gross Payroll	Total	Three Factor Ratio
1									
2	Superstition	23,773	$ 108,837,070	$ 2,172,879	0.2840	0.2876	0.2879	0.8595	0.2865
3	Cochise	6,414	19,658,590	657,500	0.0766	0.0520	0.0871	0.2157	0.0719
4	San Manuel	1,489	4,226,549	153,175	0.0178	0.0112	0.0203	0.0493	0.0164
5	Oracle	1,532	8,307,835	157,598	0.0183	0.0220	0.0209	0.0611	0.0204
6	Winkelman	159	572,771	16,356	0.0019	0.0015	0.0022	0.0056	0.0019
7	Saddlebrooke	60	1,114,424	6,172	0.0007	0.0029	0.0008	0.0045	0.0015
8	Pinal Valley	27,973	140,027,938	2,442,393	0.3342	0.3701	0.3236	1.0278	0.3426
9	White Tank	1,905	17,911,330	159,034	0.0228	0.0473	0.0211	0.0912	0.0304
10	Ajo	684	2,246,782	57,102	0.0082	0.0059	0.0076	0.0217	0.0072
11	Navajo	9,142	28,950,560	741,677	0.1092	0.0765	0.0983	0.2840	0.0947
12	Verde Valley	10,576	46,514,813	984,665	0.1263	0.1229	0.1304	0.3797	0.1266
13					-	-	-	-	-
14					-	-	-	-	-
15					-	-	-	-	-
16					-	-	-	-	-
17					-	-	-	-	-
18					-	-	-	-	-
19					-	-	-	-	-
20					-	-	-	-	-
21	Totals	83,707	$ 378,368,662	$ 7,548,551	1.0000	1.0000	1.0000	3.0000	1.0000
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ARIZONA WATER COMPANY
Docket No. W-01445A-10-0517
Typical Bill Analysis
As of December 2010

Line No.	Gallons Consumption	[A] PINAL VALLEY (CASA GRANDE/COOLIDGE) Present Rates	[B] Proposed Rates	[C] DSIC Increase	[D] Percent Increase	[E] PINAL VALLEY (STANFIELD) Present Rates	[F] Proposed Rates	[G] DSIC Increase	[H] Percent Increase
1									
2	-	$ 15.79	$ 16.29	$ 0.50	3.2%	$ 15.79	$ 16.29	$ 0.50	3.2%
3	1,000	17.16	17.70	0.54	3.2%	18.23	18.77	0.54	3.0%
4	2,000	18.53	19.12	0.59	3.2%	20.67	21.25	0.59	2.8%
5	3,000	19.90	20.53	0.63	3.2%	23.10	23.74	0.63	2.7%
6	4,000	21.61	22.29	0.68	3.1%	26.15	26.83	0.68	2.6%
7	5,000	23.32	24.04	0.72	3.1%	29.20	29.92	0.72	2.5%
8	6,000	25.04	25.80	0.76	3.0%	32.25	33.01	0.76	2.4%
9	7,000	26.75	27.56	0.81	3.0%	35.29	36.10	0.81	2.3%
10	8,000	28.46	29.31	0.85	3.0%	38.34	39.19	0.85	2.2%
11	9,000	30.17	31.07	0.89	3.0%	41.39	42.28	0.89	2.2%
12	10,000	31.89	32.82	0.94	2.9%	44.44	45.37	0.94	2.1%
13	11,000	34.03	35.01	0.98	2.9%	48.25	49.23	0.98	2.0%
14	12,000	36.17	37.19	1.02	2.8%	52.06	53.08	1.02	2.0%
15	13,000	38.31	39.38	1.07	2.8%	55.87	56.93	1.07	1.9%
16	14,000	40.45	41.56	1.11	2.7%	59.68	60.79	1.11	1.9%
17	15,000	42.59	43.74	1.16	2.7%	63.49	64.64	1.16	1.8%
18	20,000	53.29	54.67	1.37	2.6%	82.53	83.91	1.37	1.7%
19	25,000	64.00	65.59	1.59	2.5%	101.58	103.18	1.59	1.6%
20									
21									
22	Average Residential Consumption	8,522	8,522			8,522	8,522		
23									
24	Residential Bill at Average Consumption	$ 29.36	$ 30.23	$ 0.87	3.0%	$ 39.93	$ 40.81	$ 0.87	2.2%
25									
26									
27									
28									
29									
30	Basic Service Charge	$ 15.79	$ 16.29	$ 0.50	3.2%	$ 15.79	$ 16.29	$ 0.50	3.2%
31									
32	Commodity Rate (per M Gallon)								
33	0 - 3,000 Gallons	1.3700	1.4137	0.0437	3.2%	2.4379	2.4816	0.0437	1.8%
34	3,001 - 10,000 Gallons	1.7123	1.7560	0.0437	2.6%	3.0476	3.0913	0.0437	1.4%
35	Over 10,000 Gallons	2.1406	2.1843	0.0437	2.0%	3.8097	3.8534	0.0437	1.1%
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ARIZONA WATER COMPANY
Docket No. W-01445A-10-0517
DSIC Revenue Requirement
As of December 31, 2010

Line No.		[A] Pinal Valley
1	TEST YEAR DATA	
2		
3	Eligible DSIC Plant in Service	$ 2,500,000
4	Accumulated Depreciation	-
5	(Sch. 8, p. 1)	
6	Eligible DSIC Plant Rate Base	$ 2,500,000
7	Required Rate of Return	9.51%
8	(Proposed)	
9	Required Operating Income	$ 237,750
10	(Ln. 6 x Ln. 7)	
11	Revenue Conversion Factor	1.6569
12	(Decision No. 71845)	
13	Revenue Requirement - Return on Eligible DSIC Plant	$ 393,927
14	(Ln. 9 x Ln. 11)	
15		
16	Depreciation on Eligible DSIC Plant	$ 45,248
17	(Sch. 8, p. 1)	
18		
19	Total Revenue Requirement	$ 439,175
20	(Ln. 13 + Ln. 16)	
21		
22	Total Operating Revenue	17,358,501
23		
24	Maximum increase cap	7.5%
25		
26	Total Operating Revenue Limited by cap	$ 1,301,888
27	(Ln. 22 X Ln. 24)	
28		
29	Total Revenue Requirement lesser of L 19 or 26	$ 439,175
30		
31		
32		
33		
34		
35		
36		
37	5/8 X 3/4-INCH RESIDENTIAL METER	
38	Basic Service Charge	
39	Commodity Rate (Per M Gallon)	
40	0 - 3,000 Gallons	
41	3,001 - 10,000 Gallons	
42	Over 10,000 Gallons	
43		
44		
45		
46		
47		
48		
49		
50		
51	5/8 X 3/4-INCH RESIDENTIAL METER	
52	Basic Service Charge	
53	Commodity Rate (Per M Gallon)	
54	0 - 3,000 Gallons	
55	3,001 - 10,000 Gallons	
56	Over 10,000 Gallons	
57		
58		
59	Average Residential Bill (5/8 x 3/4 meter) - Casa Grande / Cooldige (8,522 gallons of usage)	
60		
61	Average Residential Bill (5/8 x 3/4 meter) - Stanfield (8,522 gallons of usage)	
62		
63		

	PINAL VALLEY (CASA GRANDE/COOLIDGE)		
	Current Rates	Proposed Rates	
	Decision No. 71845	DSIC	Total [B + C]
37	5/8 X 3/4-INCH RESIDENTIAL METER		
38	Basic Service Charge		
39	Commodity Rate (Per M Gallon)		
40	0 - 3,000 Gallons	$ 15.79	$ 0.50	$ 16.29
41	3,001 - 10,000 Gallons	$ 1.3700	$ 0.0437	1.4137
42	Over 10,000 Gallons	$ 1.7123	$ 0.0437	1.7560
43		$ 2.1406	$ 0.0437	2.1843

	PINAL VALLEY (STANFIELD)		
	Current Rates	Proposed Rates	
	Decision No. 71845	DSIC	Total [B + C]
51	5/8 X 3/4-INCH RESIDENTIAL METER		
52	Basic Service Charge		
53	Commodity Rate (Per M Gallon)		
54	0 - 3,000 Gallons	$ 15.79	$ 0.50	$ 16.29
55	3,001 - 10,000 Gallons	$ 2.4379	$ 0.0437	2.4816
56	Over 10,000 Gallons	$ 3.0476	$ 0.0437	3.0913
57		$ 3.8097	$ 0.0437	3.8534
58				
59	Average Residential Bill (5/8 x 3/4 meter) - Casa Grande / Cooldige (8,522 gallons of usage)	$ 29.36	$ 0.87	$ 30.23
60				
61	Average Residential Bill (5/8 x 3/4 meter) - Stanfield (8,522 gallons of usage)	$ 39.93	$ 0.87	$ 40.81
62				
63				

JDH-6

Supporting Schedules:

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Recap Schedules:

ARIZONA WATER COMPANY
Docket No. W-01445A-10-0517
Off-site Facilities Fee Overview

Line No.	[A]	[B]	[C]	[D]	[E]
1	ESTIMATED OFF-SITE FACILITIES				
2					Estimated
3					Cost
4					
5		Wells			4,070,000
6		Pumping and Treatment Structures			
7		and Equipment			50,190,000
8		Storage Tanks			4,910,000
9		Booster Stations			3,330,000
10		Transmission and Distribution Mains			19,290,000
11				Total:	$81,790,000
12					
13					
14		Off-Site Facilities Fee			
15		by Meter Size			
16		Meter	Meter		
17		Size	Multiplier	Fee	
18					
19		5/8 & 3/4-inch	1	$3,500	
20		3/4-inch	1.5	$5,250	
21		1-inch	2.5	$8,750	
22		1.5-inch	5	$17,500	
23		2-inch	8	$28,000	
24		3-inch	16	$56,000	
25		4-inch	25	$87,500	
26		6-inch & Larger	50	$175,000	
27					
28					
29					
30					
31					
32					
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36					
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38					
39					
40	[1] Future year construction expenditures at projected future costs				

			Estimated		
Year	No. of Customers	Annual Fees	Cumulative Fees	Construction Expenditures[1]	Fund Balance
2012	28,558	-	-	-	-
2013	28,872	1,098,350	1,098,350	-	1,098,350
2014	29,189	1,110,419	2,208,768	-	2,208,768
2015	29,510	1,122,621	3,331,389	1,753,640	1,577,749
2016	30,158	2,269,914	5,601,303	1,771,172	2,076,491
2017	30,821	2,319,801	7,921,104	1,788,884	2,607,408
2018	31,499	2,370,784	10,291,888	1,806,773	3,171,419
2019	32,191	2,422,887	12,714,775	3,411,763	2,182,543
2020	32,898	2,476,136	15,190,911	1,843,089	2,815,590
2021	33,621	2,530,555	17,721,465	3,895,368	1,450,776
2022	34,360	2,586,169	20,307,635	3,973,275	63,671
2023	35,881	5,323,676	25,631,310	3,656,796	1,730,550
2024	37,470	5,559,343	31,190,654	3,166,796	4,123,098
2025	39,128	5,805,443	36,996,097	6,200,755	3,727,786
2026	40,860	6,062,438	43,058,535	4,249,153	5,541,071
2027	43,035	7,612,504	50,671,039	-	13,153,575
2028	45,326	8,017,718	58,688,757	4,014,449	17,156,844
2029	47,915	9,060,031	67,748,787	7,324,051	18,892,824
2030	50,751	9,927,946	77,676,733	6,525,755	22,295,015
2031	53,929	11,121,398	88,798,131	22,476,793	10,939,619
2032	57,423	12,229,461	101,027,592	23,169,080	-

JDH-7

ARIZONA WATER COMPANY
Docket No. W-01445A-10-0517
Off-site Facilities Fee Overview

Line No.	Community/City	Facilities Fee
1		
2	Tempe	$ 1,266
3		
4	Buckeye	1,331
5		
6	Mesa	2,220
7		
8	Anthem	3,000
9		
10	Phoenix Metro Average	3,094
11		
12	***Pinal Valley System(Proposed)***	***3,500***
13		
14	City of Peoria	3,905
15		
16	Scottsdale	4,408
17		
18	Gilbert	4,652
19		
20	Avondale	5,251
21		
22	Chandler	5,542
23		
24		
25		
26		
27		
28	Source:	
29	City of Mesa 2007 Impact Fee Study, City of Peoria, City of Scottsdale, City of Avondale	

JDH-8

TARIFF SCHEDULE

ARIZONA WATER COMPANY *Phoenix, Arizona*		A.C.C. No.	
		Cancelling A.C.C. No.	None
Filed by:	William M. Garfield	Tariff or Schedule No.	
Title:	President	Filed:	December 29, 2010
Date of Original Filing:	December 29, 2010	Effective:	
System:	**PINAL VALLEY (COOLIDGE, CASA GRANDE, STANFIELD, ARIZONA CITY)**		

OFF-SITE FACILITIES FEE

I. APPLICABILITY

An Off-site Facilities Fee ("Facilities Fee") is payable by all Applicants for Service Connections: (a) to premises not previously served, (b) to premises in residential subdivision developments, (c) to all newly created lots or parcels resulting from lot splits or further subdivision of land parcels, (d) for additional Service Connections to existing premises and, (e) for increases in size of meters or Service Connections to existing premises.

II. PURPOSE

The purpose of this Tariff Schedule is to authorize the Company to collect a Facilities Fee from applicants for Service Connections for the costs of designing and constructing, or acquiring, future Water Infrastructure Facilities to provide water supply, production, treatment, transmission, distribution, storage, pressure, and flow for the Pinal Valley System. The Facilities Fee is applicable to all Service Connections established after the effective date of this tariff schedule.

III. DEFINITIONS

Except as set forth below, the definitions provided in R-14-2-401 of the Arizona Corporation Commission ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with the Company for the installation of a Service Connection or for the increase in meter size of an existing Service Connection.

"Water Infrastructure Facilities" means water treatment and supply facilities, including but not limited to, wells, booster pumps, transmission and distribution mains larger than 10 inches in diameter, storage and pressure tanks, and related real property, rights-of-way and appurtenances constructed after the effective date of this Tariff.

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"Company" means Arizona Water Company.

"Main Extension Agreement" means any agreement with the Company for the installation of water facilities which requires Commission approval.

"Service Connection" means and includes all new, permanent service connections for general metered service purposes. Should a temporary service later become a permanent service it will be considered a Service Connection at that time and be subject to this tariff.

IV. AMOUNT OF FACILITIES FEE

Applicants for Service Connections shall pay Facilities Fees based on the meter sizes shown in the following table:

GENERAL METERED SERVICES		
Meter Size	**Factor**	**Fee**
⅝" x ¾"	**1**	**$3,500**
¾"	**1.5**	**$5,250**
1"	**2.5**	**$8,750**
1-1/2"	**5**	**$17,500**
2"	**8**	**$28,000**
3"	**16**	**$56,000**
4"	**25**	**$87,500**
6" or larger	**50**	**$175,000**

V. TERMS AND CONDITIONS

(A) Time of Payment:

(1) Applicants entering into a Main Extension Agreement with the Company shall pay the total amount of the Facilities Fee within 15 calendar days after receipt of notification from the Company that the Commission has approved the Main Extension Agreement. If an Applicant fails to pay the Facilities Fees within such 15 calendar days, the Company may suspend or terminate the Main Extension Agreement.

(2) If an Applicant is not required to enter into a Main Extension Agreement, the applicant shall pay in full all Facilities Fees at the time of application for service.

(B) Payment for increased meter or Service Connection size: Facilities Fees shall be paid for all increases in size of existing meters or Service Connections, with the amount of the Facilities Fee being the difference between the Facilities Fee previously paid for the existing meter or Service Connection and the Facilities Fee applicable to the increased meter or Service Connection size.

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(C) Failure to Pay Facilities Fees: The Company will not be obligated to install a meter or otherwise be required to establish service if the Applicant has not paid in full all Facilities Fees as required under this tariff schedule.

(D) Accounting for Facilities Fees: Facilities Fees shall be recorded in a deferred liability account until recorded in contributions in aid of construction when the Water Infrastructure Facilities have been completed and recorded as utility plant. The Company shall maintain in its accounting records the amount of Facilities Fees collected and their application to Water Infrastructure Facilities. Facilities Fees shall be non-refundable and all Facilities Fees collected will be applied to the cost of designing and constructing, or acquiring, Water Infrastructure Facilities.

(E) Facilities Fees are in Addition to Other Charges: Facilities Fees are in addition to the amounts to be advanced or contributed pursuant to any agreement for the installation of water facilities, including water infrastructure facilities required for an Applicant's specific project, and are in addition to other charges and fees required to be paid pursuant to other applicable Company tariffs.

(F) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the Facilities Fee, or if the Facilities Fee has been terminated by order of the Commission, any funds remaining shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(G) Status Reporting Requirements to the Commission: The Company will submit a calendar year Facilities Fee status report each April 15th to Docket Control for the prior twelve (12) month period until the Facilities Fee is no longer in effect. This status report will contain a list of all customers that have paid the Facilities Fee, the amount each has paid, the amount of money spent from the account, the amount of interest earned on the account, and a list of all facilities that have been installed utilizing the Facilities Fee during the 12-month period.

DRAFT

ARIZONA WATER COMPANY

Docket No. W-01445A-10-0517

2010 RATE HEARING

(*AMENDED*)

For Test Year Ending 12/31/10

PREPARED

DIRECT TESTIMONY & EXHIBITS

OF

Joel M. Reiker

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ARIZONA WATER COMPANY

Direct Testimony of

Joel M. Reiker

I. **Introduction and Qualifications**

Q. PLEASE STATE YOUR NAME, EMPLOYER, AND OCCUPATION.

A. My name is Joel M. Reiker. I am employed by Arizona Water Company (the "Company") as Manager of Rates and Regulatory Accounting. In this role, my responsibilities include the preparation and support of regulatory filings related to the Company's rates and charges for service.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A. In 1998, I graduated from the Arizona State University School of Management, receiving a Bachelor of Science degree in global business with a specialization in financial management. I have since attended various educational programs and classes on public utility and regulatory issues, including the National Association of Regulatory Utility Commissioners ("NARUC") and the Institute of Public Utilities' Regulatory Studies program at Michigan State University. From 1999 to 2005, I was employed by the Arizona Corporation Commission ("Commission") as a Staff Rate Analyst in the Utilities Division. During my employment with the Commission, my responsibilities included providing recommendations on behalf of Staff regarding rate of return, mergers and acquisitions, divestitures, financings, affiliated interests issues, and I occasionally acted as arbitrator in disputes brought before the Utilities Division. Subsequent to my employment with the Commission, I was employed by the American Water Works Service Company ("American Water") as Senior Regulatory Analyst. My responsibilities with American Water

included the preparation and support of regulatory filings, including rate cases, on behalf of utility subsidiaries in the states of Arizona, California, New Mexico and Hawaii. In 2007, I joined the Company in my current position as Manager of Rates and Regulatory Accounting. I am a member of the American Water Works Association ("AWWA") and the Society of Utility and Regulatory Financial Analysts ("SURFA"), and I am a SURFA Certified Rate of Return Analyst. Appendix A contains a listing of my relevant regulatory experience.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. Yes. I have testified before the Commission in cases involving rates, mergers and acquisitions, financings, complaints, and the affiliated interests rules. I have also testified in California before the California Public Utilities Commission on issues regarding rate of return, risk and revenue decoupling, and I have prepared pre-filed testimony addressing marginal cost-based special contracts with the New Mexico Public Regulation Commission.

II. <u>Purpose and Scope of Testimony</u>

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

A. I address several issues and specific adjustments in this general rate case application, including the development of rate base, working capital requirement, and net operating income for the Company's Western Group for the historical twelve month period ending December 31, 2010 ("Test Year"). I also sponsor the calculation of the associated increase in gross revenue requirement, as well as the Company's cost of service study and proposed rate design for each system in the Western Group.

Q. DOES YOUR TESTIMONY IN THIS PROCEEDING INCORPORATE THE RECOMMENDATIONS OF OTHER COMPANY WITNESSES?

A. Yes. My testimony in this proceeding incorporates recommendations sponsored in the direct testimonies of William M. Garfield, Joseph D. Harris, Fredrick K. Schneider and Thomas M. Zepp.

Q. WHICH OF THE COMPANY'S SYSTEMS ARE INCLUDED IN THIS GENERAL RATE CASE APPLICATION?

A. This application includes all of the Company's water systems located in its Western Group. The Company's Western Group includes the Pinal Valley, White Tank, and Ajo water systems.

The Pinal Valley Water System was formed as a result of consolidating the water systems formerly known as Casa Grande, Coolidge, and Stanfield. Decision No. 71845, dated August 24, 2010 ("Decision 71845") approved the phased consolidation of these systems, under which the accounting records for Casa Grande, Coolidge and Stanfield were fully consolidated into Pinal Valley.

Q. WERE THE GENERAL SERVICE RATES FOR CASA GRANDE, COOLIDGE, AND STANFIELD FULLY CONSOLIDATED IN DECISION 71845?

A. No. Decision 71845 fully consolidated the fixed basic service charges of all three systems, but only the commodity rates, tariffs, and billing records for Casa Grande and Coolidge were fully consolidated. The Stanfield water system retained separate commodity rates, which were to be fully consolidated into Pinal Valley in a future rate proceeding. As more fully discussed by Mr. Harris, in this proceeding the Company proposes to complete the consolidation of the Pinal Valley system by designing a single fixed basic service charge and commodity rate for the Pinal Valley system, consistent with Decision 71845.

Q. PLEASE IDENTIFY THE EXHIBITS AND ASSOCIATED SCHEDULES YOU ARE SPONSORING.

A. I sponsor the rate case exhibits and schedules marked A through C and E through H accompanying the Company's application in this proceeding, while Mr. Harris sponsors the D Schedules. These schedules constitute all of the information required from Class A utilities pursuant to Arizona Administrative Code ("A.A.C.") R14-2-103.B. I also sponsor Exhibits JMR-1 through JMR-6 attached to this pre-filed testimony.

Q. MR. REIKER, WERE THESE EXHIBITS PREPARED BY YOU OR UNDER YOUR DIRECTION AND SUPERVISION?

A. Yes, they were.

Q. DID THE COMPANY FILE THE ADDITIONAL INFORMATION REQUIRED FOR CLASS A, B AND C UTILITIES PURSUANT TO A.A.C. R14-2-103.B.5?

A. Yes. These additional filing requirements are included as Attachment A to the Company's application.

III. <u>Central Arizona Project ("CAP") Hook-Up Fee</u>

Q. WHAT IS THE CAP HOOK-UP FEE?

A. The CAP hook-up fee was approved in Decision No. 68302 (November 14, 2005), and remains in effect for the Company's Pinal Valley (Casa Grande and Coolidge) and White Tank water systems for the purpose of recovering ongoing and deferred CAP Municipal and Industrial ("M&I") capital costs.

Q. DID THE COMMISSION REEVALUATE THE CAP HOOK-UP FEES IN DOCKET NO. W-01445A-08-0440?

A. Yes. The Company provided a true-up of the CAP hook-up fees in Docket No. W-01445A-08-0440 which showed that as of December 31, 2007, the amount of deferred CAP M&I capital charges recovered via the CAP hook-up fees was in line with projections and the Company requested that the fees be kept in place for

review in the next rate proceeding. Staff agreed with the Company's request, and recommended that the Company's CAP hook-up fees be reviewed in its next Western Group rate case, or by December 31, 2012.[1] In Decision 71845, the Commission authorized the Company to continue collecting the CAP hook-up fees until its next Western Group rate case, or December 31, 2012, whichever comes first.[2]

Q. IS THE COMPANY PROVIDING ANOTHER TRUE-UP OF THE CAP HOOK-UP FEES IN THIS PROCEEDING?

A. Yes. In order to facilitate the Commission's review of the CAP hook-up fees in this proceeding, the Company has prepared a true-up of the fees for the Pinal Valley and White Tank systems through the end of the Test Year. These schedules are attached hereto as Exhibits JMR-1 (Casa Grande), JMR-2 (Coolidge), and JMR-3 (White Tank). Page one, column G, line 43 of the respective Exhibits shows the balance of deferred CAP M&I capital charges as of December 31, 2010. As of that date, the Company had yet to recover $5,025,502 in previously deferred CAP M&I capital charges in the Pinal Valley and White Tank water systems via the CAP hook-up fees. The Company expects this balance to increase over the coming years, as actual customer growth has been, and is expected to continue to be, significantly below the levels assumed in the projections upon which the CAP hook-up fees are based.

Q. IS THE COMPANY REQUESTING COMMISSION AUTHORITY TO CONTINUE COLLECTING THE CAP HOOK-UP FEES IN THE PINAL VALLEY AND WHITE TANK WATER SYSTEMS?

A. Yes. However, the Company is requesting that the present CAP hook-up fees be consolidated into a single fee of $204 for a 5/8 by 3/4-inch meter (scaled higher for

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[1]See Igwe direct testimony, p. 29 at 5-9, Docket No. W-01445A-08-0440.
[2]See Decision No. 71845, p. 92 at 24-26.

larger meter sizes) in the Pinal Valley and White Tank systems. As discussed by Mr. Harris in his direct testimony and in Section IV below, the Company is requesting a phased consolidation of the Pinal Valley and White Tank systems in this proceeding. Under the Company's consolidation proposal, the general service rates of the Pinal Valley and White Tank water systems will ultimately be consolidated.[3] Consistent with this approach, the CAP hook-up fees for these systems should be consolidated into a single CAP hook-up fee at this time.

Q. HOW DID YOU ARRIVE AT A CONSOLIDATED CAP HOOK-UP FEE OF $204 FOR THE CONSOLIDATED PINAL VALLEY AND WHITE TANK WATER SYSTEMS?

A. The consolidated CAP hook-up fee of $204 in the Pinal Valley and White tank water systems is based upon the original customer growth projections and assumed CAP hook-up fee collections for the years 2006 through 2025, attached to Decision No. 68302. The Company is not requesting authority to increase or decrease the CAP hook-up fees. Rather, the Company is only requesting authority to consolidate the CAP hook-up fees. Exhibit JMR-4, page 1, column H, line 47 shows the calculation of the consolidated fee for a 5/8 by 3/4-inch meter. Page 2, lines 4–11 of Exhibit JMR-4 show the consolidated fees at increasing meter sizes, which are based upon the current CAP hook-up fee multiples in Casa Grande.

Q. WHY IS THE COMPANY NOT REQUESTING AUTHORITY TO INCREASE OR DECREASE THE CAP HOOK-UP FEES?

A. Although the Company expects the balance of deferred CAP M&I capital charges to increase in the near-term, the Commission will have an opportunity to review the CAP hook-up fees again in the next Western Group rate case which, other

[3] As discussed by Company witness Mr. Harris, the Company proposes to fully consolidate the residential and commercial rates of the Pinal Valley and White Tank systems, while industrial rates will remain separate.

things equal, the Company expects to file in 2013 with a 2012 Test Year. Additionally, the Company believes that any adjustment to the CAP hook-up fees should only take place after the affected service areas have experienced a more normalized level of customer growth compared to recent levels, thus allowing for a more useful evaluation.

IV. Summary of Revenue Requirement

Q. PLEASE EXPLAIN SCHEDULE A-1.

A. Schedule A-1 to the application is titled "Computation of Increase in Gross Revenue Requirement." The increase in gross revenues for each system in the Western Group represents the change in gross revenues that the Company has determined is necessary to recover the cost, including the cost of capital, of providing safe, reliable and adequate service to its customers. Page 1 of Schedule A-1 includes a summary for the Western Group. As shown on line 23 of page 1, the total required increase in gross revenues for the Western Group based on the historical Test Year ended December 31, 2010 is $4,564,110 or 24.45 percent over current base rates.

Q. WHAT IS THE CONSOLIDATED REVENUE ADJUSTMENT SHOWN ON LINE 21 OF SCHEDULE A-1?

A. The consolidated revenue adjustment represents the increase/(decrease) in the revenue requirement of each system resulting from the Company's proposed rate design. In systems where the Company is proposing rate consolidation, the adjustment will be positive or negative. The total (net) consolidated revenue adjustment for the Western Group is zero. As shown on Schedules A through H, the Company has provided revenue requirement data for each of the water systems included in this filing as they currently exist. As explained by Mr. Harris in his testimony, the Company is proposing a phased consolidation of the Pinal Valley and White Tank water systems, under which both systems will have

common residential and commercial rates, while retaining different general service rates for industrial customers. Under this approach, the financial and operating data of the White Tank and Pinal Valley water systems will be fully consolidated, while tariffs and billing records will remain separate until the industrial general service rates of these systems are fully consolidated in a future rate proceeding. I will address rate consolidation further in Section VII of this testimony.

V. Rate Base and Rate Base Adjustments

A. Rate Base

Q. HOW DID YOU ARRIVE AT THE TEST YEAR ORIGINAL COST RATE BASE SHOWN ON SCHEDULE B-1, LINE 23?

A. The original cost rate base was calculated by establishing the balance of utility plant in service at the end of the Test Year, per the Company's books, as shown in column A, lines 3–9 of Schedule B-2. Typical rate base deductions (accumulated depreciation, advances for construction, etc.) and additions (working capital, etc.) were then calculated to arrive at the actual end-of-Test Year rate base shown in column A, line 30 of Schedule B-2. Finally, the Company made various pro forma adjustments (columns B through J of Schedule B-2) to the actual end-of-Test Year rate base to arrive at the adjusted end-of-Test Year rate base shown in column L of Schedule B-2. As shown in column L, line 30 of Schedule B-2, and summarized on Schedule B-1, the Western Group's total adjusted end-of-Test Year rate base is $54,072,795. The Company's original cost rate base is used as its fair value rate base for the purposes of this proceeding.

Q. HOW DID YOU ESTIMATE THE WORKING CASH COMPONENT OF WORKING CAPITAL SHOWN ON SCHEDULE B-5, LINE 3?

A. The working cash component of required working capital was estimated using the "lead/lag study" methodology. A lead/lag study examines the net lag days between: (1) the time lag between services rendered and the receipt of revenues

for such services and (2) the time lag between the recording of costs and the payment of such costs. The lead/lag study submitted by the Company in its recently concluded 2007 Test Year rate case (Docket No. W-01445A-08-0440) was used as a starting point to estimate the working cash requirement in this case. Minor adjustments were made to reflect the actual number of Test Year revenue lag days for each system as well as the number of purchased water lag days in the White Tank system.[4]

Q. PLEASE RECONCILE THE REMAINING WORKING CAPITAL COMPONENTS LISTED ON LINES 5–9 OF SCHEDULE B-5 WITH THE COMPANY'S COMPARATIVE BALANCE SHEET SHOWN ON SCHEDULE E-1.

A. The amount of materials and supplies inventories, required bank balances, and prepayments included in the required working capital allowance shown on Schedule B-5 represent a thirteen-month average, whereas the balance sheet shown on Schedule E-1 represents a single point in time. A thirteen-month average balance of the aforementioned working capital components eliminates daily fluctuations and more accurately reflects ongoing balances.

B. <u>Rate Base Adjustments</u>

Q. PLEASE EXPLAIN RATE BASE ADJUSTMENT RB-1 – ADJUST RATE BASE TO INCLUDE POST-TEST YEAR PLANT.

A. Rate base adjustment RB-1, detailed on pages 1–3 of the Appendix to Schedule B-2, increases the end-of-Test Year balance of utility plant and accumulated depreciation to reflect revenue-neutral utility plant additions placed into service after the end of the Test Year. Revenue-neutral utility plant includes only those items required for the provision of service to customers during the Test Year.

[4]The adjusted Test Year operating expenses in Docket No. W-01445A-08-0440 did not include purchased water expense for the White Tank system. Thus, it was necessary to calculate the number of purchased water lag days for the Test Year in this case.

Rate base adjustment RB-1 increases the Western Group's gross utility plant in service by $1,290,912, and increases accumulated depreciation by $14,932. This adjustment assumes that these items were placed into service on December 31, 2010, and assumes for ratemaking purposes that the Company recorded a half-year of depreciation on these additions, consistent with standard utility plant accounting practices.

Q. PLEASE EXPLAIN RATE BASE ADJUSTMENT RB-2 – AMORTIZE REGULATORY ASSETS AND LIABILITIES APPROVED IN PRIOR RATE CASES.

A. Rate base adjustment RB-2, detailed on page 4 of the Appendix to Schedule B-2, is the adjustment necessary to amortize regulatory assets approved in Decision Nos. 68302 and 71845, the two most recent rate cases for the Western Group. Rate base adjustment RB-2 amortizes these items through the end of the Test Year, resulting in a net regulatory asset of $473,000 in the Pinal Valley system. This regulatory asset represents previously deferred CAP M&I capital charges that were deemed used and useful by the Commission in prior rate proceedings.

Q. PLEASE EXPLAIN RATE BASE ADJUSTMENT RB-3 – ALLOCATE PHOENIX OFFICE AND METER SHOP RATE BASE.

A. Rate base adjustment RB-3, detailed on page 5 of the Appendix to Schedule B-2, is the adjustment necessary to allocate rate base items related to the Phoenix office and meter shop to each system, consistent with previously approved allocation methods. Phoenix office and meter shop net rate base is allocated using a three-factor formula. The three-factor formula is based on the ratios of each system's number of customers, gross plant less intangibles, and payroll, to total-company customers, gross plant less intangibles, and payroll.

VI. Income Statement

A. Test Year Revenues and Revenue-Based Adjustments

Q. DID YOU VERIFY AND PROVE THE TEST YEAR REVENUES?

A. Yes. Schedule H-5 shows the Company's bill count. The bill count lists the number of bills by thousand-gallon block and the cumulative consumption by rate block for each rate schedule. The bill count was prepared using the methodology described in Appendix C of the AWWA's Manual of Water Supply Practices M1, and it is presented in a format consistent with A.A.C. R14-2-103 (Appendix), as well as prior rate case filings by the Company.

As shown on page 2 of Schedule H-2, column E, line 8, the Western Group's total billed water revenues during the Test Year were $17,906,691, compared to total adjusted general ledger ("GL") water revenues of $17,906,650 shown on page 2 of Schedule H-2, column K, line 8. The unreconciled difference of $41 ($17,906,691 - $17,906,650) represents 0.00 percent of adjusted GL water revenues. Revenues for each of the Western Group water systems are reconciled to within ±0.02 percent of adjusted GL water revenues on the remaining pages of Schedule H-2.[5]

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-1 – REMOVE SALES TAXES FROM REVENUES AND EXPENSES.

A. Income statement adjustment IS-1, detailed on page 1 of the Appendix to Schedule C-2, is a pro forma adjustment to remove revenue-based taxes from operating revenues and expenses. The purpose of the adjustment is to segregate revenues billed pursuant to the Company's tariffs, which exclude sales taxes and regulatory assessments, from total operating revenues, which include sales taxes and regulatory assessments. Because the Company's tariff rate for coin machine service includes sales tax, sales taxes on coin machine revenues were not removed. Income statement adjustment IS-1 reduces revenues and expenses by

[5]A correlation of bill count revenue to actual billed revenue of 3 percent or less generally indicates that the bill tabulation is sufficiently accurate for rate-design purposes. See AWWA M1 Manual, p. 315.

$1,938,249 in the Western Group, and has no effect on the Company's adjusted Test Year operating income.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-2 – ELIMINATE NET UNBILLED REVENUES AND EXPENSES.

A. Income statement adjustment IS-2, detailed on page 2 of the Appendix to Schedule C-2, removes the effect of the year-end accounting requirement to accrue revenues earned but not yet billed and expenses incurred but not yet invoiced. In January of each year, the prior year's unbilled revenue and expense accounting adjustments recorded in December are reversed. In December of each year, the revenues earned but not yet billed to customers and expenses incurred but not yet invoiced by suppliers are quantified and recorded as a year-end accounting adjustment. The net effect of the January and December accounting adjustments are removed from the adjusted operating income by including this pro forma adjustment. This adjustment reduces Test Year revenues by $89,687 and increases Test Year expenses by $69,128.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-3 – ELIMINATE MONITORING ASSISTANCE PROGRAM ("MAP") REVENUES AND EXPENSES.

A. Income statement adjustment IS-3, detailed on page 3 of the Appendix to Schedule C-2, removes the surcharge revenues and Test Year expenses associated with the Arizona Department of Environmental Quality's ("ADEQ") MAP. The MAP initially provided the required testing for three categories of constituents: inorganic, synthetic organic chemicals, and volatile organic chemicals. In addition to these constituents, the program now includes testing for asbestos, radionuclides, nitrite, and nitrate.

For each system that is required to participate in the MAP, the Company must pay an annual fee to the ADEQ based on a formula in that agency's

regulations covering the normal testing requirements. Pursuant to the Company's MAP Surcharge Tariff, MA-262, a filing is made with the Director of the Utilities Division in October of each year to establish the surcharge to be effective beginning the following January. The MAP surcharge revenues of $4,471 collected in 2010 and the MAP expenses of $6,850, recorded in 2010 for the Western Group, should be removed from the Test Year operating income to determine new base rates in this proceeding.

Q. WHAT ARE THE ADVANTAGES OF RETAINING THIS METHOD OF DEALING WITH MAP COSTS?

A. There are several benefits to retaining the procedure as currently designed. First, because the testing costs are outside the control of the Company and set by another State agency independent of the Commission, it is beneficial to inform customers on their bills that participation in MAP testing is required by the ADEQ and not the Commission. Additionally, the MAP surcharge procedure provides a direct benefit to customers when MAP program cost reductions realized in the past are passed on to customers by way of a reduced MAP surcharge, or a water system's requirement to participate in the MAP is eliminated altogether as a result of customer growth.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-4 – ELIMINATE ARSENIC COST RECOVERY MECHANISM ("ACRM") REVENUES.

A. Income statement adjustment IS-4, detailed on page 4 of the Appendix to Schedule C-2, removes the Test Year surcharge revenues collected pursuant to the Company's ACRM. In the Test Year, the Company had ACRMs approved for its Pinal Valley and White Tank water systems in the Western Group. This adjustment reduces revenues by $1,102,081, reflecting the recovery of capital costs (return and depreciation) and certain qualifying operating expenses related to arsenic treatment facilities. Because the capital and operating costs associated

with these facilities are reflected in the adjusted Test Year operating income, the Test Year revenue collected pursuant to the ACRM should be removed.

Q. IS THE COMPANY REQUESTING AUTHORITY TO FILE ADDITIONAL ACRMS IN THE FUTURE?

A. Yes. As explained by Mr. Harris and Mr. Schneider, the Company must design and construct additional arsenic treatment facilities in the Pinal Valley system. Without the continued authority to implement surcharges under the ACRM, the capital and operating costs related to these federally-mandated projects will go unrecovered for an extended period of time. It is for this reason that the Company requests authority in this docket to file additional ACRM surcharges, to be "trued-up" in a future rate proceeding.

Q. DID THE COMMISSION AUTHORIZE THE COMPANY TO FILE FOR ADDITIONAL ACRM SURCHARGES IN DECISION 71845?

A. Yes. In Decision 71845, the Commission recognized the ACRM's usefulness in providing the Company an opportunity to recover certain types of discrete cost increases associated with major plant investment, and authorized the Company to file for additional ACRM surcharges in the Sedona and Superstition systems.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-5 – ADJUST REVENUES TO REFLECT MISCELLANEOUS CREDITS AND COIN MACHINE SALES.

A. Income statement adjustment IS-5, detailed on page 5 of the Appendix to Schedule C-2, is a two-part "housekeeping" adjustment designed to (1) eliminate the disparity between G.L. revenues and bill count revenues caused by certain types of billing credits, and (2) adjust G.L. revenues to reflect the amount of water actually dispensed from the Company's coin operated machines. Income statement adjustment IS-5 increases revenues by $3,912 in the Western Group.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-6 – ANNUALIZE 2010 RATE ADJUSTMENT.

A. Income statement adjustment IS-6, detailed on page 6 of the Appendix to Schedule C-2, adjusts revenues to reflect 12 months of the rates approved in Decision 71845. These rates went into effect on July 1, 2010. This adjustment increases Test Year revenues in the Western Group by $2,194,461.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-7 – ANNUALIZE REVENUES AND EXPENSES TO REFLECT END OF TEST YEAR CUSTOMERS.

A. Income statement adjustment IS-7, detailed on pages 7–12 of the Appendix to Schedule C-2, is the adjustment necessary to match revenues and expenses with an end of Test Year rate base. This is accomplished by adjusting revenues and expenses to reflect the number of customers served by the Company on December 31, 2010, the last day of the Test Year. The adjustment to revenues of $33,597 in the Western Group is the difference between the revenues generated by the Test Year 2010 bill count, shown on Schedule H-5, and revenues generated by a bill count reflecting the number of customers actually served on December 31, 2010.

The additional $9,292 in expenses for source of supply, pumping, and water treatment were calculated by multiplying (1) the difference between (i) the number of gallons sold per the Test Year bill count, and (ii) the number of gallons sold per a bill count reflecting the number of customers served on December 31, 2010, by (2) the average costs shown on lines 30–32 of Schedule E-7.

The reduction in transmission and distribution, customer accounting, and administrative and general expenses of $224 was calculated by multiplying (1) the difference between (i) the number of customers reflected in the Test Year bill count and, (ii) a bill count reflecting the number of residential and commercial

customers served on December 31, 2010, by (2) the average costs shown on lines 35–37 of Schedule E-7.

B. <u>Expense-Based Adjustments</u>

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-8 – ANNUALIZE PAYROLL & RELATED EXPENSE.

A. Income statement adjustment IS-8, detailed on pages 13-16 of the Appendix to Schedule C-2, increases payroll & related expenses (i.e. payroll taxes and Company-funded 401(k)) to reflect known and measurable increases to hourly pay rates. This adjustment is intended to recognize currently known and measurable pay rates as though they were in effect from the beginning of the Test Year. The adjustment to annualize payroll & related expense is $190,056 in the Western Group.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-9 – ADJUST INSURANCE EXPENSE.

A. Income statement adjustment IS-9, detailed on page 17 of the Appendix to Schedule C-2, adjusts medical, dental, long-term disability, and life insurance expenses to reflect increases the associated premiums. The adjustment to annualize these expenses is $100,242 in the Western Group.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-10 – ADJUST ADMINISTRATIVE & GENERAL ("A&G") EXPENSE TO INCLUDE CUSTOMER DEPOSIT INTEREST EXPENSE.

A. Income statement adjustment IS-10, detailed on page 18 of the Appendix to Schedule C-2, is the pro forma adjustment necessary to recover interest expense related to customer deposits, as required by A.A.C. R14-2-403.B.3. Because customer deposits are deducted from the rate base, the interest expense related to such deposits will go unrecovered absent an adjustment to include this

component of the cost of service as an operating expense. This adjustment increases operating expenses by $21,462 in the Western Group.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-11 – NORMALIZE PUMPING AND TRANSMISSION & DISTRIBUTION ("T&D") MAINTENANCE EXPENSE.

A. Income statement adjustment IS-11, detailed on page 19 of the Appendix to Schedule C-2, is the pro forma adjustment necessary to reflect a normalized level of pumping and T&D maintenance expense. Pumping maintenance expenses include costs incurred by the Company for the purpose of maintaining pumping structures and equipment. T&D maintenance expenses include costs incurred by the Company for the purpose of maintaining tanks, mains, services, meters and hydrants. As explained by Mr. Harris in his direct testimony, the Company implemented a number of significant cost-cutting measures in response to the economic downturn beginning in 2008, including a focused reduction in the level of costs incurred in the maintenance of the Company's pumping and T&D systems to a minimum level sufficient to maintain adequate and reliable service. As a result, the Company succeeded in reducing pumping and T&D maintenance expenses by over $160,000 and $770,000, or 28.0 percent and 23.0 percent, from 2007 levels, respectively. Unfortunately, a consequence of the Company's cost-cutting measures was a further reduction in the Company's ability to proactively address and reduce lost and unaccounted for water ("water loss"), as costs related to these efforts are properly charged to maintenance expense when such repairs do not involve retirement units.

Because the Test Year level of pumping and T&D maintenance expense was abnormally low and not representative of the level of costs that would be prudently incurred during normal economic and business conditions (which include a proactive approach to reducing water loss) an adjustment to normalize these

expenses is necessary. To this end, the Company performed the statistical methodology of least-squares trend fitting, which relies on the use of historical costs to arrive at a normalized level of pumping and T&D maintenance expenses. This approach is consistent with Staff's recommendations in prior rate proceedings with respect to categories of expenses that are found to be extraordinary and nonrecurring in nature. Income statement adjustment IS-11 increases operating expenses by $592,629 in the Western Group.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-12 – ADJUST PURCHASED WATER & POWER EXPENSE.

A. Income statement adjustment IS-12, detailed on page 20 of the Appendix to Schedule C-2, is the pro forma adjustment necessary to reflect increases in the rates paid for purchased water and power in the Western Group. Income statement adjustment IS-12 increases operating expenses in the Western Group by $58,640.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-13 – ADJUST RATE CASE EXPENSE.

A. Income statement adjustment IS-13, detailed on page 21 of the Appendix to Schedule C-2, is the pro forma adjustment necessary to recover the cost of preparing this rate case. The Company requests recovery of rate case expense currently estimated at $626,156, amortized over three years. This adjustment increases operating expenses by $160,505 in the Western Group.

Q. HOW DID THE COMPANY ARRIVE AT ITS ESTIMATED RATE CASE EXPENSE OF $626,156?

A. The Company's estimated rate case expense is based upon a rate case budget prepared by the Company in consultation with outside counsel, cost of equity expert witness Dr. Zepp, and estimates of other costs such as public notice, printing, and other such expenses, in addition to costs already incurred.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-14 – ADJUST A&G EXPENSE TO REFLECT ADDITIONAL BEST MANAGEMENT PRACTICES ("BMP")?

A. Income statement adjustment IS-14, detailed on page 22 of the Appendix to Schedule C-2, is the adjustment necessary to recover the costs associated with implementing additional BMPs in the Pinal Valley and White Tank systems, as ordered by the Commission in Decision 71845. Mr. Garfield discusses the implementation of additional BMPs in his direct testimony. Income statement adjustment IS-14 increases operating expenses by $11,925 in the Western Group.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-15 – ADJUST FLEET FUEL EXPENSE?

A. Income statement adjustment IS-15, detailed on page 23 of the Appendix to Schedule C-2, is the adjustment necessary to reflect the current cost of gasoline used to fuel the Company's fleet of service vehicles. Income statement adjustment IS-15 increases operating expenses by $65,371 in the Western Group.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-16 – INCREASE A&G EXPENSE TO REFLECT THE COST OF NEW AS400 PRINTERS.

A. Income statement adjustment IS-16, detailed on page 24 of the Appendix to Schedule C-2, is the adjustment necessary to reflect rental costs related to the acquisition of two new AS400 printers in the Phoenix Office. The AS400 is a minicomputer used by the Company's data processing and billing department. Income statement adjustment IS-16 increases operating expenses by $4,334 in the Western Group.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-17 – ADJUST ARSENIC TREATMENT EXPENSE.

A. Income statement adjustment IS-17, detailed on page 25 of the Appendix to Schedule C-2, is the adjustment necessary to reflect increases in the costs

associated with operating the Company's arsenic treatment plants located in the Western Group. This adjustment recognizes increases in the per-acre-foot contractual rate related to media replacement, waste media disposal, and other operation and maintenance costs. Income statement adjustment IS-17 increases operating expenses by $102,778 in the Western Group.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-18 – ADJUST DEPRECIATION EXPENSE.

A. Income statement adjustment IS-18, detailed on pages 26–30 of the Appendix to Schedule C-2, adjusts depreciation and amortization expense to reflect the adjusted end-of-Test Year plant balances and current depreciation rates. The effect of this adjustment is to annualize depreciation expense related to utility plant placed in service during the Test Year, as well as post-Test Year utility plant. This adjustment to annualize depreciation and amortization expense increases operating expenses by $213,761 in the Western Group.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-19 – SYNCHRONIZE INTEREST EXPENSE WITH RATE BASE.

A. Income statement adjustment IS-19, detailed on page 31 of the Appendix to Schedule C-2, is the adjustment necessary to synchronize interest expense with the Test Year adjusted rate base. Although this adjustment is "below-the-line", it is required in order to properly calculate the adjustment to federal and state income taxes (income statement adjustment IS-22), as well as illustrate the effect of all other pro forma adjustments and the required increase in gross revenues on net income.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-20 – REMOVE OTHER INCOME AND DEDUCTIONS.

A. Income statement adjustment IS-20, detailed on page 32 of the Appendix to Schedule C-2, is another below-the-line adjustment required to properly illustrate

the effect of all other pro forma adjustments and the required increase in gross revenues on net income.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-21 – ADJUST PROPERTY TAXES.

A. Income statement adjustment IS-21, detailed on pages 33–34 of the Appendix to Schedule C-2, adjusts property taxes to reflect the effect of known and measurable changes in revenues, as reflected in the Company's rate application. The pro forma adjustment utilizes the current methodology used by the Arizona Department of Revenue to determine an amount that is referred to as "full cash value" for each of the Company's water systems. Income statement adjustment IS-21 increases Test Year property taxes by $209,821 in the Western Group.

Q. PLEASE EXPLAIN INCOME STATEMENT ADJUSTMENT IS-22 – ADJUST INCOME TAXES.

A. Income statement adjustment IS-22, detailed on pages 35–36 of the Appendix to Schedule C-2, adjusts Federal and state income taxes to reflect the tax-effect of all other pro forma adjustments. Income statement adjustment IS-22 decreases Test Year income tax expense by $407,935 in the Western Group.

VII. Cost of Service Study ("COSS") and Rate Design

Q. WHAT IS A COSS?

A. A COSS is a study which allocates a utility's investment and expenses to different classes of customers and provides a basis for allocating future revenues to customer classes via the rate design. Under cost of service ratemaking, each customer class should pay rates that are commensurate with the cost of providing service to that class. In reality, rates that are not consistent with cost of service principles can still be found to be in the public interest. Such rate structures may include the intended subsidization of one particular class of customers by another class of customers for the overall benefit of all customers, subsidization within a

customer class via a lifeline rate, or the subsidization of smaller volume users by larger volume users via a conservation-oriented rate design.

Q. WHY DID YOU PREPARE A COSS IN THIS PROCEEDING?

A. The COSS, set forth in Schedules G-1 through G-7 of the Company's application, provides a starting point for determining how proposed revenues should be allocated to the residential, commercial, industrial, and private fire service customer classes. Additionally, the COSS reveals how revenues should be allocated between fixed basic service charges and volumetric/commodity rates. The COSS is also useful in developing a residential rate structure that provides incentives for conservation in the form of increasing cost discounts for reduced usage.

Q. HOW DID YOU PREPARE THE COMPANY'S COSS?

A. I prepared the COSS using the "commodity demand" method, whereby costs (both capital-related and operating) are separated into four functions; commodity, demand, customer, and direct private fire. Commodity costs are costs that tend to vary with the quantity of water produced. Demand costs are associated with providing facilities to meet peak demands placed on the system by customers. Customer costs comprise those costs associated with serving customers regardless of the amount of water they use. These cost functions are then distributed to the residential, commercial and industrial customer classes to derive an estimate of the cost of providing service to each class. In separating the various costs into functions (Schedule G-7), I relied on the allocation factors utilized by the Company and accepted by Staff and RUCO in Docket W-01445A-08-0440.[6] The Company's COSS at present and proposed rates is summarized in Schedules G-1 and G-2, respectively.

[6]Certain allocation factors reflect those recommended by Staff and accepted by the Company in Docket No. W-01445A-08-0440.

Q. IN SECTION IV OF YOUR TESTIMONY YOU MENTIONED THAT THE COMPANY IS PROPOSING A PHASED CONSOLIDATION OF THE PINAL VALLEY AND WHITE TANK WATER SYSTEMS. IS THE COMPANY'S PROPOSED RATE CONSOLIDATION SUPPORTED BY THE COSS WITH RESPECT TO RESIDENTIAL CUSTOMERS?

A. Yes. The COSS provides the information necessary to design a consolidated water rate structure that protects residential customers located in the Pinal Valley and White Tank systems from paying any more than the cost of providing service on a stand-alone (unconsolidated) basis. As a result, the Company's proposed residential rate structure in each water system, including those systems where the Company is proposing rate consolidation, produces revenues that are equal to or below the residential cost of service. The result of this proposed rate structure is shown in Schedule G-2, column B, line 24.

Q. HOW DID YOU APPROACH THE COMPANY'S PROPOSED RATE DESIGN?

A. The COSS provides a basis for designing separate rate schedules for the residential, commercial and industrial customer classes. Once a target revenue requirement was determined for each customer class using the "commodity demand" method, and certain policy issues (discussed below) were taken into consideration, rates were developed to generate the revenue requirement. For water systems where the Company is proposing rate consolidation, as discussed by Mr. Harris in his direct testimony, rates were developed to provide the total revenue requirement of the combined systems. The consolidated revenue adjustment shown in column F, line 16, of Schedule H-2 (Summary) represents revenue shifting between systems that the Company proposes to consolidate. The Company's rate design for each water system is shown in Schedule H-3 and a typical bill analysis is shown in Schedule H-4.

Q. WHAT POLICY ISSUES WERE CONSIDERED WHEN DEVELOPING THE COMPANY'S PROPOSED RATES?

A. The Company took four policy issues into consideration when developing its proposed rate design in this proceeding. They are:

1. Gradualism – The Company proposes to bring rates for each customer class closer to the cost of providing service to that class in gradual steps rather than by drastic change.

2. Inter-system subsidies – The Company continues its policy, set forth and adopted by the Commission in its most recent companywide rate case, of avoiding inter-system residential rate subsidies between two or more service areas that are being consolidated for ratemaking purposes.

3. Affordability – The rate design should provide discounts to residential customers who use a minimal amount of water, without discrimination based on income or ability to pay.

4. Cost recovery – The rate design should provide reasonable assurance that the Company will recover its cost of providing service in an environment of declining usage.

Q. PLEASE DISCUSS GRADUALISM.

A. The first policy issue considered when developing the Company's proposed rate design was gradualism. As shown on page 1, column D, lines 36 and 38 of Schedule G-1, the required increase in gross revenues for the industrial class is negative, indicating that present rate revenues from this class are, on average, somewhat greater than its cost of service. However, the Company chose not to reduce the overall level of revenues allocated to the industrial class. Costs are expected to continue to increase in the future, and the Company instead proposes to bring rates closer to the cost of service by gradual steps rather than by drastic change.

The Company has proposed rates for private fire service customers consistent with this approach. The modest increase proposed by the Company, shown on lines 26 and 28 of Schedule G-2, brings rates for this class closer to the cost of service. This principle is a continuation of the approach taken by the Company in its last rate proceeding, which the Commission found to be just and reasonable in Decision 71845.[7]

Q. PLEASE DISCUSS INTER-SYSTEM SUBSIDIES.

A. The second policy issue considered when developing the Company's proposed rate design was residential inter-system subsidies. Residential inter-system subsidies have long been a concern preventing the consolidation of water systems with different unit costs of service. The Company's proposed rate design avoids these types of subsidies in systems where the Company is proposing rate consolidation. This goal is accomplished by holding residential revenues at or below the cost of service, meaning that residents of one service area will not subsidize the residents of another service area after their rates have been consolidated. This was the approach taken by the Company in Docket No. W-01445A-08-0440, in which the Company proposed rate consolidation of its Superstition and Miami; Bisbee and Sierra Vista; Casa Grande, Coolidge and Stanfield; Lakeside and Overgaard; and Sedona, Pinewood and Rimrock systems. The Commission adopted the Company's approach in Decision 71845, and as a result, residential customers in these systems enjoy the benefits of rate consolidation without the burden of providing subsidies.

Q. PLEASE DISCUSS AFFORDABILITY.

A. The third policy issue considered when developing the Company's proposed rate design was affordability. The Commission has become increasingly concerned with affordability and as a result has authorized various low-income assistance

[7]See Decision 71845, p. 84 at 21.

programs. To address this concern, the Company's proposed rate design includes a lifeline rate which provides a minimal amount of water at cost discounts ranging from 4.45 percent to 32.14 percent to all residential 5/8-inch customers independent of income level or ability to pay, thus helping to keep water bills affordable for basic needs. The Company's proposed rate design provides additional discounts for residential customers beyond the lifeline rate as well. Under the Company's proposed rate design, residential customers in each system will benefit from cost discounts ranging from 6.90 percent to 27.65 percent at the average level of consumption. These discounts are shown on lines 47 and 50 of Schedule H-4.

Q. PLEASE DISCUSS COST RECOVERY.

A. The fourth and final policy issue considered when developing the Company's proposed rate design was cost recovery in an environment of declining usage. Given state policy mandates for consumers to conserve precious water resources, the Commission has required conservation-oriented inverted tier rates to become the standard in Arizona. The Commission first implemented inverted tier rates in the Company's Eastern Group in 2004 and in the Western Group in 2005. Since that time, the Company has experienced a downward trend in average usage per customer in seven out of its eight systems that had inverted tier rates at the end of 2009.[8] The continuing decline in customer usage has made it increasingly difficult for the Company to recover its cost of providing service, and partly as a result of that decline, the Company began preparing a new rate application after the conclusion of its 2007 Test Year rate proceeding (Docket No. W-01445A-08-0440). In this proceeding, the Company addresses the issue of declining usage and its effect on the Company's ability to recover its cost of service, and proposes an approach designed to mitigate this problem.

[8]Superstition, Cochise, San Manuel, Oracle, Winkelman, Pinal Valley, and Ajo.

Q. HOW DOES THE COMPANY PROPOSE TO ADDRESS THE ISSUE OF DECLINING USAGE IN THIS PROCEEDING?

A. The Company proposes two separate methods to address the issue of declining customer usage and the detrimental effect it has on the Company's ability to recover the cost of service. The first method is to recover a greater portion of its fixed costs via the fixed basic service charge. The second approach is to incorporate known changes in residential and commercial customer usage patterns into the rate design.

Q. PLEASE DISCUSS THE COMPANY'S FIRST METHOD – RECOVER A GREATER PORTION OF FIXED COSTS VIA THE BASIC SERVICE CHARGE.

A. An approach similar to this method was proposed by the Global Water utilities for Santa Cruz Water Company in Docket No. W-20446A-09-0080 (et al.), and ultimately adopted by the Commission in Decision No. 71878 (September 14, 2010). In that case the Commission adopted, without the benefit of a COSS, a fixed basic service/monthly minimum charge designed to recover 50 percent of the utility's revenue requirement in conjunction with the transition from a flat commodity rate to a conservation-oriented inverted tier rate structure.

As mentioned above, the Commission directed the Company to implement a conservation-oriented inverted tier rate structure in the Eastern and Western Groups in 2004 and 2005, respectively. Additionally, effective July 1, 2010, the Commission directed the Company to implement an inverted tier rate structure in its Northern Group (see Decision 71845, Exhibit A). Inherent in this rate structure are monetary incentives for customers to conserve, which come in the form of cost discounts. Consequently, the Company has witnessed a steady decline in customer usage in the Eastern and Western Groups over the last several years, and expects usage in the Northern Group to decline as well. The deleterious effect this decline in usage has on the financial stability of the Company comes at

a time when the Company's earnings have fallen to a level that greatly restricts its ability to fund much needed infrastructure replacement programs. Over time, this can affect the Company's ability to provide reliable and adequate water service to its customers.

As shown on page 1, lines 48 and 49 of Schedule G-1, the COSS indicates that no less than 48 percent of the revenues in the Western Group should be recovered via the fixed basic service charge. To mitigate the effect of declining usage on the Company's ability to recover its cost of service, the Company is proposing a fixed basic service charge designed to recover 50 percent of the overall revenue requirement in the Western Group.

Q. HAVE YOU PERFORMED ANY STATISTICAL STUDIES WHICH SUPPORT THE COMPANY'S FINDING THAT CUSTOMER USAGE IS DECLINING?

A. Yes. In the Company's most recent rate case (Docket No. W-01445A-08-0440) I conducted a statistical study of the effect of an inverted tier rate design on residential consumption in the Western Group,[9] and two statistical studies of customer usage over time in each of the Company's systems that had inverted tier rates in effect at that time.[10] Each of those studies showed a marked decline in residential usage.

Q. HAVE YOU PERFORMED ANY ADDITIONAL STUDIES OF CUSTOMER USAGE?

A. Yes. Attached hereto as Exhibit JMR-5 is my most recent and comprehensive study of customer usage. Exhibit JMR-5 is a multiple regression analysis of monthly residential, commercial, and combined residential/commercial usage from January 2001 through December 2010 using the exponential trend model.[11] This model controls for average monthly temperature, total monthly precipitation,

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[9]See Docket No. W-01445A-08-0440, Reiker direct testimony, Exhibit JMR-4.

[10]See Docket No. W-01445A-08-0440, Reiker rebuttal testimony, Exhibits JMR-RB4 through JMR-RB7, and Reiker rate design and cost of service rebuttal testimony, Exhibit JMR-RBEX3.

[11]The exponential trend model is a linear trend regression model with a natural log transformation applied to the dependent variable.

drought conditions,[12] and seasonal variations not related to weather. In other words, the model holds all of these factors constant to determine whether residential and commercial customers are using more or less water on a monthly basis over time. The results of this study are summarized on page 1 of Exhibit JMR-5. Panel D, columns G, I, and K show the indicated annual growth rate in usage per residential, commercial, and combined residential/commercial customers, respectively. Columns H, J, and L report the t-statistic, or statistical significance, of the estimates.

Q. WHAT ARE THE RESULTS OF YOUR USAGE STUDY?

A. The results of this study, summarized in the table below, show that residential and combined residential/commercial per customer usage is declining in every water system that had tiered rates in effect at the beginning of 2010, except the White Tank system. The only two water systems that did not have statistically significant results indicating a decline in total per customer usage other than White Tank were the Navajo and Verde Valley systems in the Northern Group. This result is not surprising, as these two Northern Group systems did not have a conservation-oriented, inverted tier rate structure in effect during the study period.

[12]As measured by the Palmer Drought Severity Index.

Annual Growth/(Decline) in Usage Per Customer[13]

	Residential	Commercial	Combined Residential/ Commercial
Superstition	(1.376%)	(2.850%)	(1.732%)
Cochise	(2.708%)	2.443%	(1.484%)
San Manuel/Oracle/Winkelman	(3.093%)	(2.106%)	(2.805%)
Pinal Valley	(3.362%)	0.705%	(2.729%)
White Tank	2.235%	0.000%	2.924%
Ajo	(1.877%)	(0.822%)	(1.702)
Navajo	0.000%	(0.892%)	0.000%
Verde Valley	0.000%	0.000%	0.000%
Total Company	(1.371%)	0.000%	(1.095%)
Western Group	(2.781%)	0.979%	(2.194%)

The study shown in Exhibit JMR-5 and summarized in the table above indicates that customers who pay rates that are designed to encourage conservation do just that, they use less water. Based upon this evidence and the Company's past experience with inverted tier rates, it is imperative that analyses, such as the COSS presented here, be performed to assess the magnitude of the unrecovered costs resulting from customers' ongoing water conservation.

Q. THE COSS INDICATES THAT NO LESS THAN 48 PERCENT OF THE WESTERN GROUP'S REVENUES SHOULD BE RECOVERED VIA THE FIXED BASIC SERVICE CHARGE. THEREFORE, WOULDN'T IT SUFFICE TO DESIGN A BASIC SERVICE CHARGE TO RECOVER 48 PERCENT OF THE REVENUE REQUIREMENT, AND NO MORE?

A. No. A basic service charge designed to recover 48 percent of the revenue requirement would only be sufficient if implementing a flat volumetric/commodity rate. Under an inverted tier rate design, the highest tier commodity rate will always be higher than cost when the fixed basic service charge is set at or below

[13]Results are reported based on statistical significance, i.e. if the co-efficient was not statistically different from zero, then 0.000 percent is shown.

the level suggested by the COSS. As a result, a portion of the utility's costs will go unrecovered as customers continue to cut back their water usage. This result is illustrated in Exhibit JMR-6 as well as the graph below, both of which are based on the residential cost of service in the Pinal Valley Water System:

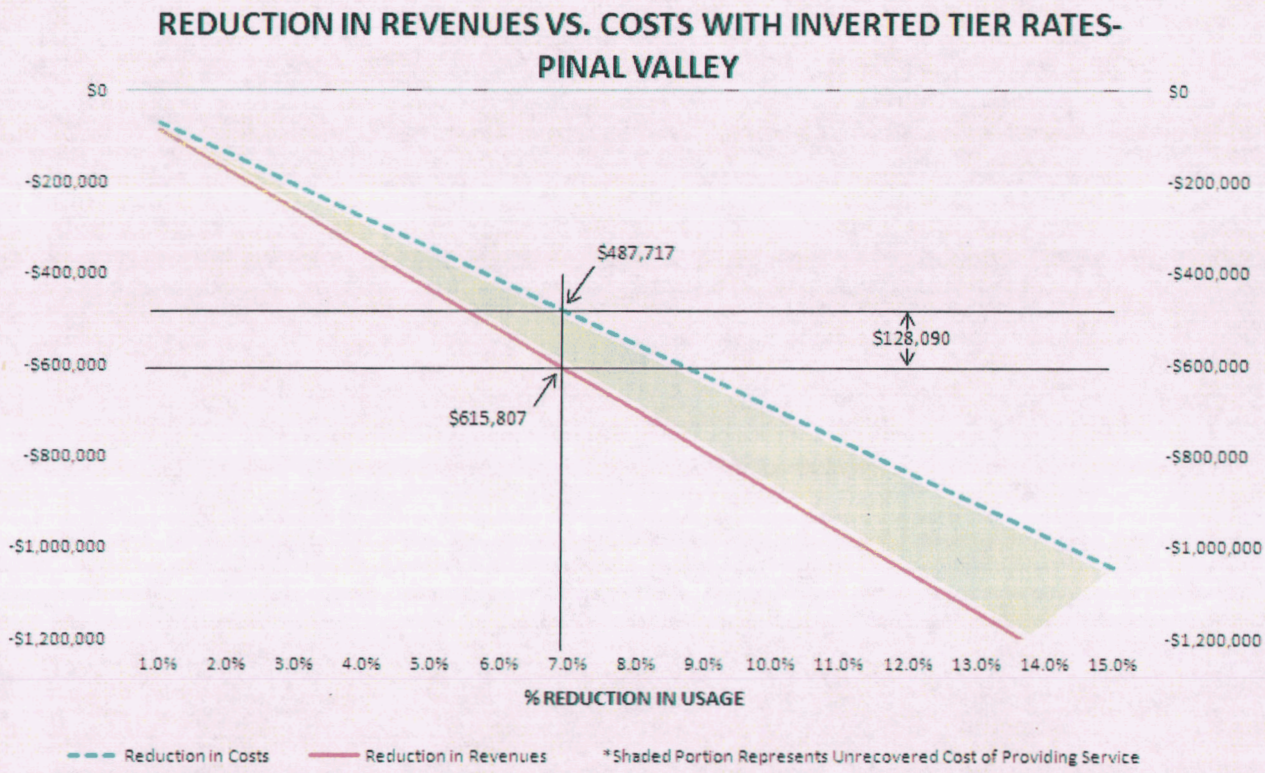

Exhibit JMR-6 and the graph shown above reflect an inverted tier rate design with a fixed basic service charge set at the level suggested by the COSS, and three commodity rate tiers with break-over points at 3,000 and 10,000 gallons, whose rates increase by 25 percent from one tier to the next. The dashed line in the above graph represents the reduction in adjusted Test Year costs, while the solid line represents the reduction in revenues at increasing percentage reductions in usage. The shaded portion in the above graph represents the amount of Pinal Valley's residential cost of service that goes unrecovered as a result of conservation. Based on the COSS and the rate design reflected in Exhibit JMR-6

and the graph shown above, a modest 7 percent reduction in customer usage reduces revenues and costs by $615,807 and $487,717, respectively. The difference, $128,090, represents unrecovered costs incurred by the Company in providing service to residential customers in the Pinal Valley Water System. That significant shortfall in cost recovery increases linearly from the first 1,000 gallons curtailed.

Q. WILL IMPLEMENTING A RATE DESIGN WITH A FIXED BASIC SERVICE CHARGE DESIGNED TO RECOVER 50 PERCENT OF THE OVERALL REVENUE REQUIREMENT IN THE WESTERN GROUP ENABLE THE COMPANY TO FULLY RECOVER ITS COST OF SERVICE IN AN ENVIRONMENT OF DECLINING USAGE?

A. No. Because the resulting rate design still incorporates a commodity rate in the highest tier which is higher than cost, the Company's first method, at best, can only lessen the problem.

Q. PLEASE DISCUSS THE COMPANY'S SECOND METHOD – INCORPORATE KNOWN CHANGES IN RESIDENTIAL AND COMMERCIAL CUSTOMER USAGE PATTERNS INTO THE RATE DESIGN.

A. The second method proposed to address the issue of declining customer usage and the detrimental effect it has on the Company's ability to recover the cost of service is based on demand forecasting. Demand forecasting is an essential tool for managers of unregulated firms, and is used by regulated power suppliers in the long-term planning process as well as in the development of integrated resource plans. As water utilities are increasingly faced with the issues of conservation, evolving customer usage characteristics and scarcity of supply in the twenty-first century, demand forecasting will undoubtedly become an essential tool for managers of our industry as well. The multiple regression analysis shown in Exhibit JMR-5 is such a tool. Perhaps more appropriately termed a "demand

normalization" model, Exhibit JMR-5 provides the unbiased data required to design a water rate structure that is based on normalized billing determinants, similar to weather normalization models commonly used in the electric and gas industries. As discussed above, this is accomplished by holding constant the variables of average monthly temperature, total monthly precipitation, drought conditions and seasonal variations not related to weather. Holding these variables constant by means of multiple regression allows the analyst to apply the observed increase or decrease in customer usage to the actual Test Year billing determinants to arrive at a normalized level of sales upon which rates can be designed. This was the approach taken by the Company when designing its proposed rates in this case.

Q. HOW DID THE COMPANY NORMALIZE THE BILLING DETERMINANTS WHEN DESIGNING ITS PROPOSED RATES?

A. In addition to incorporating the net increase in customers and sales resulting from customer growth (income statement adjustment IS-7), the Company incorporated a separate usage adjustment into the billing determinants used to design its proposed rates. This separate usage adjustment is *not* included as a pro forma adjustment to revenues, and is therefore not reflected in the Company's proposed revenue requirement. Rather, this adjustment to usage is reflected in the billing determinants used to design new rates shown in Schedule H-5 beginning at page 3, line 43.

Q. WHAT ADJUSTMENTS WERE MADE TO THE BILLING DETERMINANTS AND WHAT IS THE OVERALL EFFECT OF THESE ADJUSTMENTS ON USAGE?

A. The Company adjusted billing determinants by the amounts shown in the above table entitled "Annual Growth/(Decline) in Usage Per Customer". These adjustments are summarized below:

Adjustments to Billing Determinants

	Residential	Commercial
Pinal Valley	(3.362%)	0.705%
White Tank	2.235%	0.000%
Ajo	(1.877%)	(0.822%)

The overall effect of these adjustments is a net reduction in residential and commercial usage (at proposed rates) of 84,578.2 thousand gallons, or 1.80 percent.

Q. HAS THE COMPANY EXPLORED ANY OTHER METHODS OF ADDRESSING DECLINING CUSTOMER USAGE?

A. Yes. The Company has explored additional methods meant to address the effect of declining customer usage on its ability to recover the cost of service. These include mechanisms such as revenue stabilization funds and water revenue adjustment mechanisms designed to fully address the revenue effects resulting from reductions in usage. The Company understands that such mechanisms may be examined in a generic docket ordered by the Commission as a compliance item to Decision 71845. In that Decision, the Commission committed to opening a generic docket to examine the disincentives to the promotion of water conservation and methods to mitigate these disincentives.[14]

Q. WHAT ARE SOME OTHER ASPECTS OF THE COMPANY'S PROPOSED RATE DESIGN IN THIS PROCEEDING?

A. The Company's proposed rate design incorporates the same basic principles that were proposed by the Company, and adopted by the Commission, in Decision 71845. The fixed basic service charge for the residential, commercial, and industrial customer classes is based on the volumetric capacity of each meter size relative to a 5/8-inch meter. The residential 5/8-inch commodity rate is a three-tiered increasing block structure with break-over points set at 3,000 and 10,000

[14]See Decision 71845, p. 94 at 19-21.

gallons. Commodity rates increase at a rate of 25 percent from one rate tier to the next, consistent with the current rate design. For residential meters larger than 5/8-inch, a two-tiered structure was used with the break-over point set at 10,000 gallons for a 1-inch meter and scaled higher based on meter size for larger meters. The commercial rate design incorporates two tiers with the break-over point set at 10,000 gallons for a 5/8-inch meter and scaled higher based on meter size for larger meters. Consistent with the rate design approved for industrial customers and customers purchasing water for resale in Decision 71845, the Company proposes a single-tier commodity rate in this proceeding.

Q. WHAT IS THE COMPANY PROPOSING WITH RESPECT TO CUSTOMERS PURCHASING WATER FOR CONSTRUCTION?

A. The Company proposes to charge the same inverted-tier rates for construction water as those proposed for commercial customers with the corresponding meter size.

Q. IS THE COMPANY PROPOSING ANY CHANGES TO ITS COMPANY-WIDE PRIVATE FIRE SERVICE TARIFF?

A. Yes. In order to bring rates for private fire service closer to the cost of service, the Company is proposing a modest increase from current rates to a uniform monthly charge of $25.00 (for all meter connection sizes) in all systems in the Western Group.

Q. IS THE COMPANY PROPOSING ANY CHANGES TO ITS COMPANY-WIDE SERVICE CHARGE TARIFF?

A. Yes. The Company is proposing a number of changes to its service charges for the Western Group to bring them more in line with those charged by other Commission-regulated water utilities. The Company is proposing increases in its charges for service establishment, reconnection, service call-outs, and meter re-reads. The charges proposed by the Company are based on a study of 32

Commission rate decisions and are shown on page 17 of Schedule H-3. The Company is also proposing changes to its service line and meter installation charges.

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED CHANGES TO ITS SERVICE LINE AND METER INSTALLATION CHARGES.

A. In its most recent rate case (Docket No. W-01445A-08-0440) the Company proposed, and the Commission adopted, service line and meter installation charges recommended by Staff engineer Marlin Scott, Jr. in his memo dated February 21, 2008. Unfortunately, the Company has found that those charges, particularly for services 3-inches and larger and those which require boring under a road or highway, do not recover the actual costs of installing these services. As a result, the Company incurs additional costs which ultimately need to be recovered through general service rates from customers not connected to that particular service.[15] Therefore, the Company is proposing changes to its service line and meter installation tariff for the Western Group, consistent with prior Commission Decisions,[16] such that charges for services 3-inches and larger are based on actual cost. Additionally, the Company proposes to add a provision to its service line and meter installation tariff requiring parties to pay the actual cost of 5/8-inch through 2-inch service lines when boring is required.

Q. IS THE COMPANY PROPOSING TO CHANGE THE FORMAT OF ITS GENERAL SERVICE TARIFF?

A. No. The Company is not proposing changes to the format of its general service tariff in this proceeding.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

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[15]Per Commission rule, service line and meter installation charges are treated as refundable advances and have no effect on operating revenue. Any additional costs above and beyond what is recoverable via the service line and meter installation charges reflect the Company's own investment in plant.

[16]See Decision No. 71410, dated December 8, 2009, and Decision No. 71445, dated December 23, 2009.

Appendix A
Relevant Regulatory Experience

Jurisdiction	Company Name(s)	Case No.	Type of Proceeding
Arizona	Ajo Improvement Co. - Electric	99-0564	Cost of Capital
Arizona	Alltel Corp.	00-0874	Sale of Assets
Arizona	Anway Manville Water	99-0360	Financing
Arizona	Arizona Public Service Company	03-0437	Cost of Capital
Arizona	Arizona Public Service Company	01-0878	Financing
Arizona	Arizona Public Service Company	02-0125	Financing
Arizona	Arizona Water Company	99-0437	Monitoring Assistance Program Surcharge
Arizona	Arizona Water Company	00-0962	Cost of Capital / Arsenic Cost Recovery Mechanism (Sedona, Rimrock)
Arizona	Arizona Water Company	02-0619	Cost of Capital / Arsenic Cost Recovery Mechanism (Superstition, San Manuel)
Arizona	Arizona Water Company	04-0650	Arsenic Cost Recovery Mechanism (Casa Grande, Stanfield, White Tank)
Arizona	Arizona Water Company	07-0436	Purchased Power Adjuster
Arizona	Arizona Water Company	08-0440	Rates (Revenue Requirement, Cost of Service, Rate Design) / Arsenic Cost Recovery Mechanism
Arizona	Arizona American Water Company	02-0867	Cost of Capital
Arizona	Arizona American Water Company	01-0983	Restructure of Holding Co.
Arizona	Arizona American Water Company	05-0405	Rates (Paradise Valley)
Arizona	Arizona American Water Company	05-0718	Financing (White Tanks)
Arizona	Arizona American Water Company	06-0014	Rates (Mohave Water/Mohave Wastewater)
Arizona	Arizona American Water Company	06-0491	Rates (Sun City Wastewater/Sun City West Wastewater)
Arizona	Arizona American Water Company	05-0280 et al.	Arsenic Cost Recovery Mechanism - Havasu
Arizona	Arizona American Water Company	05-0280 et al.	Arsenic Cost Recovery Mechanism - Agua Fria
Arizona	Arizona American Water Company	05-0280 et al.	Arsenic Cost Recovery Mechanism - Sun City West
Arizona	Arizona American Water Company	05-0280 et al.	Arsenic Cost Recovery Mechanism - Paradise Valley
Arizona	Arizona American Water Company	07-0209	Rates (Sun City Water)
Arizona	Avra Water Co-op	00-0269	Rate of return
Arizona	Bella Vista Water	01-0776	Cost of Capital
Arizona	Bella Vista Water	99-0466	Financing
Arizona	Black Mountain Gas	00-0283	Cost of Capital
Arizona	Black Mountain Gas	01-0263	Cost of Capital
Arizona	Black Mountain Gas/Northern States	99-0525	Restructure of Holding Co.

	Pwr.		
Arizona	BLT, Touch One, MCI	00-0881	Merger
Arizona	Continental Divide Electric Co-op	00-0504	Sale of Assets
Arizona	Eschelon Telecom	01-0270	Financing
Arizona	Gateway Technologies/T-NETIX (COPT)	99-0459	Merger
Arizona	Gold Canyon Sewer Company	00-0638	Cost of Capital
Arizona	Golden Shores Water	99-0390	Financing
Arizona	Green Valley Water Co.	01-0559	Cost of Capital
Arizona	GST Net/Time Warner Telecom	00-0782	Sale of Assets
Arizona	Lago Del Oro Water Company	00-0206	Financing
Arizona	Litchfield Park Service Co.	01-0487	Cost of Capital
Arizona	Midvale Telephone	00-0512	Cost of Capital
Arizona	Mountain Pass Utility	01-0166	Financing
Arizona	Navopache Electric Co-op	00-0820	Financing
Arizona	New River Utility	01-0662	Cost of Capital
Arizona	North Mohave Valley Water	99-0295	Financing
Arizona	Picacho Sewer Co.	01-0165	Financing
Arizona	Picacho Water	01-0169	Financing
Arizona	Pine Water Company	03-0279	Cost of Capital
Arizona	Premiere Communications/Telecare	00-0787	Sale of Assets
Arizona	Qwest Communications	03-0454	Cost of Capital
Arizona	Ridgeview Utility	01-0167	Financing
Arizona	Rio Rico Utilities, Inc.	03-0434	Cost of Capital
Arizona	SBC Telecom	00-0762	Waiver
Arizona	Southwest Gas/Black Mountian Gas	02-0425	Merger
Arizona	Southwestern Telephone	00-0379	Cost of Capital
Arizona	Sulphur Springs Valley Electric Co-op	00-0629	Financing
Arizona	Table Top Telephone	99-0595	Cost of Capital
Arizona	Teligent	00-1521	Merger
Arizona	Trico/AEPCO	00-0660	Lease
Arizona	Tucson Electric Power Company	00-0550	Sale of Assets
Arizona	Tucson Electric Power Company	99-0573	Capital Lease Amendment
Arizona	Tucson Electric Power Company	02-0276	Financing
Arizona	UniSource Energy Corporation	03-0933	Reorganization/Merger
Arizona	Water Utility of Greater Buckeye	98-0326	Financing
Arizona	Winstar Wireless	00-0446	Encumbrance of Assets
Arizona	Yucca Water Co.	99-0260	Financing
Arizona	Graham Co. Utilities Water	97-0407	Financing
Arizona	Mount Tipton	01-0557	Financing
Arizona	Northern States Power/Black Mountain Gas	00-0235	FUCO Certification
Arizona	Valley Pioneers Water Company	00-0696	Financing
California	California American Water Company	A.06-01-005	Cost of Capital
California	California American Water Company	A.07-01-036	Cost of Equity
New Mexico	New Mexico American Water Co.	05-00353-UT	Approval of Special Contract

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Central Arizona Project ("CAP") Hook-up Fee & and Municipal & Industrial ("M&I") use Charge True-up

Pinal Valley System (Casa Grande)

Line No.	Description	[A] Projection Based on Dec. No. 68302 Cost/AF	[B] Customer Growth	[C] $ Amount	[D] Amt. Incl. in Rate Base	[E]	[F] Actual Activity AFUDC Rate	[G] Activity Thru. Dec. '10
1	M&I Balance as of 12/31/2003			$ 3,382,907				$ 3,525,803
2	Less: Amount Included in Rate Base - Dec. 68302				$ 142,896	279 AF[1]		(142,896)
3	2004 M&I charges on 8,605 AF	$ 30 /AF		258,150				266,520
4	NP-260 Tariff M&I charges			(98,370)				(98,371)
5	AFUDC			192,492			5.09%	186,400
6	Balacne as of 12/31/04			3,735,179				3,737,456
7								
8	2005 M&I charges on 8,605 AF	$ 28 /AF		240,940				230,984
9	NP-260 Tariff M&I charges			(63,812)				(87,372)
10	AFUDC			212,160			9.05%	366,382
11	Balacne as of 12/31/05			4,124,467				4,247,450
12								
13	2006 M&I charges on 8,605 AF	$ 24 /AF		206,520				199,890
14	NP-260 Tariff M&I charges			(54,696)				(76,340)
15	Hook-up Fees Collected ($208)		1,986	(413,088)				(1,400,058)
16	Interest Earned on CAP Chgs. Pd. from '87 - '94			-				(43,465)
17	AFUDC			201,312			8.62%	366,304
18	Balacne as of 12/31/06			4,064,515				3,293,781
19								
20	2007 M&I charges on 8,605 AF	$ 21 /AF		180,705				186,564
21	NP-260 Tariff M&I charges			(47,859)				(67,608)
22	Hook-up Fees Collected ($208)		2,202	(458,016)				(581,632)
23	AFUDC			194,857			7.09%	238,190
24	Less: Amount Included in Rate Base - Dec. 71845				$ 447,196	1,003 AF[2]		$ (447,196)
25	Balacne as of 12/31/07			3,934,202				2,622,099
26								
27	2008 M&I charges on 7,602 AF	$ 21 /AF		180,705				173,238
28	NP-260 Tariff M&I charges			(47,859)				(60,683)
29	Hook-up Fees Collected ($208)		2,202	(458,016)				(189,205)
30	AFUDC			188,067			6.89%	232,794
31	Balacne as of 12/31/08			3,797,099				2,778,243
32								
33	2009 M&I charges on 7,602 AF	$ 21 /AF		180,705				146,586
34	NP-260 Tariff M&I charges			(47,859)				(51,487)
35	Hook-up Fees Collected ($208)		2,202	(458,016)				(40,780)
36	AFUDC			180,922			6.89%	239,302
37	Balacne as of 12/31/09			3,652,851				3,071,864
38								
39	2010 M&I charges on 7,602 AF	$ 21 /AF		180,705				133,260
40	NP-260 Tariff M&I charges			(47,859)				(43,810)
41	Hook-up Fees Collected ($208)		2,202	(458,016)				(49,952)
42	AFUDC			173,405			6.89%	181,863
43	Balacne as of 12/31/10			3,501,086				3,293,226
44								
45	2011 M&I charges on 7,602 AF	$ 21 /AF		180,705				
46	NP-260 Tariff M&I charges			(47,859)				
47	Hook-up Fees Collected ($208)		2,202	(458,016)				
48	AFUDC			165,497				
49	Balacne as of 12/31/11			3,341,413				
50								
51	2012 M&I charges on 7,602 AF	$ 21 /AF		180,705				
52	NP-260 Tariff M&I charges			(47,859)				
53	Hook-up Fees Collected ($208)		2,202	(458,016)				
54	AFUDC			157,176				
55	Balacne as of 12/31/12			3,173,419				

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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Central Arizona Project ("CAP") Hook-up Fee & and Municipal & Industrial ("M&I") use Charge True-up

Pinal Valley System (Casa Grande)

Line No.	Description	[A] Projection Based on Dec. No. 68302 Cost/AF	[B] Customer Growth	[C] $ Amount	[D] Amt. Incl. in Rate Base	[E]	[F] Actual Activity AFUDC Rate	[G] Activity Thru. Dec. '10
1								
2	2013 M&I charges on 7,602 AF	$ 21 /AF		180,705				
3	NP-260 Tariff M&I charges			(47,859)				
4	Hook-up Fees Collected ($208)		2,202	(458,016)				
5	AFUDC			148,422				
6	Balacne as of 12/31/13			2,996,671				
7								
8	2014 M&I charges on 7,602 AF	$ 21 /AF		180,705				
9	NP-260 Tariff M&I charges			(47,859)				
10	Hook-up Fees Collected ($208)		2,202	(458,016)				
11	AFUDC			139,212				
12	Balacne as of 12/31/14			2,810,713				
13								
14	2015 M&I charges on 7,602 AF	$ 21 /AF		180,705				
15	NP-260 Tariff M&I charges			(47,859)				
16	Hook-up Fees Collected ($208)		2,202	(458,016)				
17	AFUDC			129,522				
18	Balacne as of 12/31/15			2,615,065				
19								
20	2016 M&I charges on 7,602 AF	$ 21 /AF		180,705				
21	NP-260 Tariff M&I charges			(47,859)				
22	Hook-up Fees Collected ($208)		2,202	(458,016)				
23	AFUDC			119,326				
24	Balacne as of 12/31/16			2,409,221				
25								
26	2017 M&I charges on 7,602 AF	$ 21 /AF		180,705				
27	NP-260 Tariff M&I charges			(47,859)				
28	Hook-up Fees Collected ($208)		2,202	(458,016)				
29	AFUDC			108,600				
30	Balacne as of 12/31/17			2,192,651				
31								
32	2018 M&I charges on 7,602 AF	$ 21 /AF		180,705				
33	NP-260 Tariff M&I charges			(47,859)				
34	Hook-up Fees Collected ($208)		2,202	(458,016)				
35	AFUDC			97,314				
36	Balacne as of 12/31/18			1,964,795				
37								
38	2019 M&I charges on 7,602 AF	$ 21 /AF		180,705				
39	NP-260 Tariff M&I charges			(47,859)				
40	Hook-up Fees Collected ($208)		2,202	(458,016)				
41	AFUDC			85,441				
42	Balacne as of 12/31/19			1,725,066				
43								
44	2020 M&I charges on 7,602 AF	$ 21 /AF		180,705				
45	NP-260 Tariff M&I charges			(47,859)				
46	Hook-up Fees Collected ($208)		2,202	(458,016)				
47	AFUDC			72,949				
48	Balacne as of 12/31/20			1,472,845				
49								
50	2021 M&I charges on 7,602 AF	$ 21 /AF		180,705				
51	NP-260 Tariff M&I charges			(47,859)				
52	Hook-up Fees Collected ($208)		2,202	(458,016)				
53	AFUDC			59,805				
54	Balacne as of 12/31/21			1,207,480				
55								

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Central Arizona Project ("CAP") Hook-up Fee & and Municipal & Industrial ("M&I") use Charge True-up

Pinal Valley System (Casa Grande)

Line No.	Description	[A] Projection Based on Dec. No. 68302 Cost/AF	[B] Customer Growth	[C] $ Amount	[D] Amt. Incl. in Rate Base	[E]	[F] Actual Activity AFUDC Rate	[G] Activity Thru. Dec. '10
1								
2	2022 M&I charges on 7,602 AF	$ 21 /AF		180,705				
3	NP-260 Tariff M&I charges			(47,859)				
4	Hook-up Fees Collected ($208)		2,202	(458,016)				
5	AFUDC			45,977				
6	Balacne as of 12/31/22			928,287				
7								
8	2023 M&I charges on 7,602 AF	$ 21 /AF		180,705				
9	NP-260 Tariff M&I charges			(47,859)				
10	Hook-up Fees Collected ($208)		2,202	(458,016)				
11	AFUDC			31,428				
12	Balacne as of 12/31/23			634,545				
13								
14	2024 M&I charges on 7,602 AF	$ 21 /AF		180,705				
15	NP-260 Tariff M&I charges			(47,859)				
16	Hook-up Fees Collected ($208)		2,202	(458,016)				
17	AFUDC			16,122				
18	Balacne as of 12/31/24			325,497				
19								
20	2025 M&I charges on 7,602 AF	$ 21 /AF		180,705				
21	NP-260 Tariff M&I charges			(47,859)				
22	Hook-up Fees Collected ($208)		2,202	(458,016)				
23	AFUDC			17				
24	Balacne as of 12/31/25			344				
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50 [1]During T.Y. 2003 279 AF of untreated CAP Water were sold to golf courses who were not contractually obligated to reimburse the Company for a portion of previously deferred M&I charges.
51 Per Dec. 68302 this 279 AF was deemed used & useful, therefore, (279/(8,884-2,000)=4.0529% X $3,525,803) = $142,896 in previously deferred M&I charges was included in rate base
52 to be amortized to expense over 20 years.
53 [2]During T.Y. 2007 1,003 AF of untreated CAP water were sold to golf courses who were not contractually obligated to reimburse the Company for a portion of previously deferred M&I charges.
54 Per Dec. 71845 this 1,003 was deemed used & useful, therefore, (1,003/(8,884 - 2,000) = 14.57% X $3,069,295 = $447,196 in previously deferred M&I charges was included in rate base
55 to be amortized to expense over 20 years.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Central Arizona Project ("CAP") Hook-up Fee & and Municipal & Industrial ("M&I") use Charge True-up

Pinal Valley System (Coolidge)

Line No.	Description	[A] Projection Based on Dec. No. 68302 Cost/AF	[B] Customer Growth	[C] $ Amount	[D] Amt. Incl. in Rate Base Dec. 68302	[E]	[F] Actual Activity AFUDC Rate	[G] Activity Thru. Dec. '10
1	M&I Balance as of 12/31/2003			$ 1,046,011	-			$ 1,046,011
2								
3	2004 M&I charges on 2,000 AF	$ 30 /AF		60,000				60,000
4	NP-260 Tariff M&I charges			-				-
5	AFUDC			57,634			5.09%	55,234
6	Balacne as of 12/31/04			1,163,645				1,161,245
7								
8	2005 M&I charges on 2,000 AF	$ 28 /AF		56,000				52,000
9	NP-260 Tariff M&I charges			-				-
10	AFUDC			63,556			9.05%	109,584
11	Balacne as of 12/31/05			1,283,201				1,322,829
12								
13	2006 M&I charges on 2,000 AF	$ 24 /AF		48,000				45,000
14	NP-260 Tariff M&I charges			-				-
15	Hook-up Fees Collected ($150)		1,000	(150,000)				(319,171)
16	Interest Earned on CAP Chgs. Pd. from '87 - '94			-				(9,785)
17	AFUDC			61,552			8.62%	113,418
18	Balacne as of 12/31/06			1,242,753				1,152,291
19								
20	2007 M&I charges on 2,000 AF	$ 21 /AF		42,000				42,000
21	NP-260 Tariff M&I charges			-				-
22	Hook-up Fees Collected ($150)		1,000	(150,000)				(200,550)
23	AFUDC			59,132			7.09%	78,304
24								
25	Balacne as of 12/31/07			1,193,885				1,072,045
26								
27	2008 M&I charges on 2,000 AF	$ 21 /AF		42,000				39,000
28	NP-260 Tariff M&I charges			-				-
29	Hook-up Fees Collected ($150)		1,000	(150,000)				(16,000)
30	AFUDC			56,585			6.89%	78,064
31	Balacne as of 12/31/08			1,142,470				1,173,109
32								
33	2009 M&I charges on 2,000 AF	$ 21 /AF		42,000				33,000
34	NP-260 Tariff M&I charges			-				-
35	Hook-up Fees Collected ($150)		1,000	(150,000)				(3,000)
36	AFUDC			53,906			6.89%	83,144
37	Balacne as of 12/31/09			1,088,376				1,286,253
38								
39	2010 M&I charges on 2,000 AF	$ 21 /AF		42,000				30,000
40	NP-260 Tariff M&I charges			-				-
41	Hook-up Fees Collected ($150)		1,000	(150,000)				(2,389)
42	AFUDC			51,087			6.89%	91,016
43	Balacne as of 12/31/10			1,031,463				1,404,880
44								
45	2011 M&I charges on 2,000 AF	$ 21 /AF		42,000				
46	NP-260 Tariff M&I charges			-				
47	Hook-up Fees Collected ($150)		1,000	(150,000)				
48	AFUDC			48,122				
49	Balacne as of 12/31/11			971,585				
50								
51	2012 M&I charges on 2,000 AF	$ 21 /AF		42,000				
52	NP-260 Tariff M&I charges			-				
53	Hook-up Fees Collected ($150)		1,000	(150,000)				
54	AFUDC			45,001				
55	Balacne as of 12/31/12			908,586				

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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Central Arizona Project ("CAP") Hook-up Fee & and Municipal & Industrial ("M&I") use Charge True-up

Pinal Valley System (Coolidge)

Line No.	Description	[A] Projection Based on Dec. No. 68302 Cost/AF	[B] Customer Growth	[C] $ Amount	[D] Amt. Incl. in Rate Base Dec. 68302	[E]	[F] Actual Activity AFUDC Rate	[G] Activity Thru. Dec. '10
1								
2	2013 M&I charges on 2,000 AF	$ 21 /AF		42,000				
3	NP-260 Tariff M&I charges			-				
4	Hook-up Fees Collected ($150)		1,000	(150,000)				
5	AFUDC			41,719				
6	Balacne as of 12/31/13			842,305				
7								
8	2014 M&I charges on 2,000 AF	$ 21 /AF		42,000				
9	NP-260 Tariff M&I charges			-				
10	Hook-up Fees Collected ($150)		1,000	(150,000)				
11	AFUDC			38,265				
12	Balacne as of 12/31/14			772,570				
13								
14	2015 M&I charges on 2,000 AF	$ 21 /AF		42,000				
15	NP-260 Tariff M&I charges			-				
16	Hook-up Fees Collected ($150)		1,000	(150,000)				
17	AFUDC			34,631				
18	Balacne as of 12/31/15			699,201				
19								
20	2016 M&I charges on 2,000 AF	$ 21 /AF		42,000				
21	NP-260 Tariff M&I charges			-				
22	Hook-up Fees Collected ($150)		1,000	(150,000)				
23	AFUDC			30,808				
24	Balacne as of 12/31/16			622,009				
25								
26	2017 M&I charges on 2,000 AF	$ 21 /AF		42,000				
27	NP-260 Tariff M&I charges			-				
28	Hook-up Fees Collected ($150)		1,000	(150,000)				
29	AFUDC			26,785				
30	Balacne as of 12/31/17			540,794				
31								
32	2018 M&I charges on 2,000 AF	$ 21 /AF		42,000				
33	NP-260 Tariff M&I charges			-				
34	Hook-up Fees Collected ($150)		1,000	(150,000)				
35	AFUDC			22,553				
36	Balacne as of 12/31/18			455,347				
37								
38	2019 M&I charges on 2,000 AF	$ 21 /AF		42,000				
39	NP-260 Tariff M&I charges			-				
40	Hook-up Fees Collected ($150)		1,000	(150,000)				
41	AFUDC			18,100				
42	Balacne as of 12/31/19			365,447				
43								
44	2020 M&I charges on 2,000 AF	$ 21 /AF		42,000				
45	NP-260 Tariff M&I charges			-				
46	Hook-up Fees Collected ($150)		1,000	(150,000)				
47	AFUDC			13,416				
48	Balacne as of 12/31/20			270,863				
49								
50	2021 M&I charges on 2,000 AF	$ 21 /AF		42,000				
51	NP-260 Tariff M&I charges			-				
52	Hook-up Fees Collected ($150)		1,000	(150,000)				
53	AFUDC			8,487				
54	Balacne as of 12/31/21			171,350				
55								

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Central Arizona Project ("CAP") Hook-up Fee & and Municipal & Industrial ("M&I") use Charge True-up

Pinal Valley System (Coolidge)

Line No.	Description	[A] Projection Based on Dec. No. 68302 Cost/AF	[B] Customer Growth	[C] $ Amount	[D] Amt. Incl. in Rate Base Dec. 68302	[E]	[F] Actual Activity AFUDC Rate	[G] Activity Thru. Dec. '10
1								
2	2022 M&I charges on 2,000 AF	$ 21 /AF		42,000				
3	NP-260 Tariff M&I charges			-				
4	Hook-up Fees Collected ($150)		1,000	(150,000)				
5	AFUDC			3,301				
6	Balacne as of 12/31/22			66,651				
7								
8	2023 M&I charges on 2,000 AF	$ 21 /AF		42,000				
9	NP-260 Tariff M&I charges			-				
10	Hook-up Fees Collected ($150)		1,000	(150,000)				
11	AFUDC			(2,155)				
12	Balacne as of 12/31/23			(43,504)				
13								
14	2024 M&I charges on 2,000 AF	$ 21 /AF		42,000				
15	NP-260 Tariff M&I charges			-				
16	Hook-up Fees Collected ($150)		1,000	(150,000)				
17	AFUDC			(7,895)				
18	Balacne as of 12/31/24			(159,399)				
19								
20	2025 M&I charges on 2,000 AF	$ 21 /AF		42,000				
21	NP-260 Tariff M&I charges			-				
22	Hook-up Fees Collected ($150)		1,000	(150,000)				
23	AFUDC			(13,934)				
24	Balacne as of 12/31/25			(281,333)				
25								
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Central Arizona Project ("CAP") Hook-up Fee & and Municipal & Industrial ("M&I") use Charge True-up

White Tank System

Line No.	Description	[A] Projection Based on Dec. No. 68302 Cost/AF	[B] Customer Growth	[C] $ Amount	[D] Amt. Incl. in Rate Base Dec. 68302	[E]	[F] Actual Activity AFUDC Rate	[G] Activity Thru. Dec. '10	
1	M&I Balance as of 12/31/2003			$ 506,268	-			$ 506,268	
2									
3	2004 M&I charges on 968 AF	$ 30 /AF		29,040				29,040	
4	NP-260 Tariff M&I charges			-				-	
5	AFUDC			29,408			5.09%	26,726	
6	Balacne as of 12/31/04			564,716				562,034	
7									
8	2005 M&I charges on 968 AF	$ 28 /AF		27,104				25,168	
9	NP-260 Tariff M&I charges			-				-	
10	AFUDC			30,840			9.05%	53,034	
11	Balacne as of 12/31/05			622,660				640,236	
12									
13	2006 M&I charges on 968 AF	$ 24 /AF		23,232				21,780	
14	NP-260 Tariff M&I charges			-				-	
15	Hook-up Fees Collected ($500)		141	(70,500)				(29,000)	
16	Interest Earned on CAP Chgs. Pd. from '87 - '94			-				(4,730)	
17	AFUDC			29,984			8.62%	56,370	
18	Balacne as of 12/31/06			605,376				684,656	
19									
20	2007 M&I charges on 968 AF	$ 21 /AF		20,328				20,328	
21	NP-260 Tariff M&I charges			-				-	
22	Hook-up Fees Collected ($500)		153	(76,500)				(542,838)	
23	AFUDC			28,619			7.09%	31,008	
24									
25	Balacne as of 12/31/07			577,823				193,154	
26									
27	2008 M&I charges on 968 AF	$ 21 /AF		20,328				18,876	
28	NP-260 Tariff M&I charges			-				-	
29	Hook-up Fees Collected ($500)		153	(76,500)				(94,667)	
30	AFUDC			27,183			6.89%	14,310	
31	Balacne as of 12/31/08			548,834				131,673	
32									
33	2009 M&I charges on 968 AF	$ 21 /AF		20,328				15,972	
34	NP-260 Tariff M&I charges			-				-	
35	Hook-up Fees Collected ($500)		153	(76,500)				131,669	(Refund of Hook-up fees to Pulte)
36	AFUDC			25,673			6.89%	14,252	
37	Balacne as of 12/31/09			518,335				293,566	
38									
39	2010 M&I charges on 968 AF	$ 21 /AF		20,328				14,520	
40	NP-260 Tariff M&I charges			-				-	
41	Hook-up Fees Collected ($500)		153	(76,500)				(1,651)	
42	AFUDC			24,083			6.89%	20,962	
43	Balacne as of 12/31/10			486,246				327,397	
44									
45	2011 M&I charges on 968 AF	$ 21 /AF		20,328					
46	NP-260 Tariff M&I charges			-					
47	Hook-up Fees Collected ($500)		153	(76,500)					
48	AFUDC			22,411					
49	Balacne as of 12/31/11			452,485					
50									
51	2012 M&I charges on 968 AF	$ 21 /AF		20,328					
52	NP-260 Tariff M&I charges			-					
53	Hook-up Fees Collected ($500)		153	(76,500)					
54	AFUDC			20,652					
55	Balacne as of 12/31/12			416,965					

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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Central Arizona Project ("CAP") Hook-up Fee & and Municipal & Industrial ("M&I") use Charge True-up

White Tank System

Line No.	Description	[A] Cost/AF	[B] Customer Growth	[C] $ Amount	[D] Amt. Incl. in Rate Base Dec. 68302	[E]	[F] AFUDC Rate	[G] Activity Thru. Dec. '10
		Projection Based on Dec. No. 68302					Actual Activity	
1								
2	2013 M&I charges on 968 AF	$ 21 /AF		20,328				
3	NP-260 Tariff M&I charges			-				
4	Hook-up Fees Collected ($500)		153	(76,500)				
5	AFUDC			18,801				
6	Balacne as of 12/31/13			379,594				
7								
8	2014 M&I charges on 968 AF	$ 21 /AF		20,328				
9	NP-260 Tariff M&I charges			-				
10	Hook-up Fees Collected ($500)		153	(76,500)				
11	AFUDC			16,854				
12	Balacne as of 12/31/14			340,276				
13								
14	2015 M&I charges on 968 AF	$ 21 /AF		20,328				
15	NP-260 Tariff M&I charges			-				
16	Hook-up Fees Collected ($500)		153	(76,500)				
17	AFUDC			14,805				
18	Balacne as of 12/31/15			298,909				
19								
20	2016 M&I charges on 968 AF	$ 21 /AF		20,328				
21	NP-260 Tariff M&I charges			-				
22	Hook-up Fees Collected ($500)		153	(76,500)				
23	AFUDC			12,649				
24	Balacne as of 12/31/16			255,386				
25								
26	2017 M&I charges on 968 AF	$ 21 /AF		20,328				
27	NP-260 Tariff M&I charges			-				
28	Hook-up Fees Collected ($500)		153	(76,500)				
29	AFUDC			10,381				
30	Balacne as of 12/31/17			209,595				
31								
32	2018 M&I charges on 968 AF	$ 21 /AF		20,328				
33	NP-260 Tariff M&I charges			-				
34	Hook-up Fees Collected ($500)		153	(76,500)				
35	AFUDC			7,995				
36	Balacne as of 12/31/18			161,418				
37								
38	2019 M&I charges on 968 AF	$ 21 /AF		20,328				
39	NP-260 Tariff M&I charges			-				
40	Hook-up Fees Collected ($500)		153	(76,500)				
41	AFUDC			5,484				
42	Balacne as of 12/31/19			110,730				
43								
44	2020 M&I charges on 968 AF	$ 21 /AF		20,328				
45	NP-260 Tariff M&I charges			-				
46	Hook-up Fees Collected ($500)		153	(76,500)				
47	AFUDC			2,843				
48	Balacne as of 12/31/20			57,401				
49								
50	2021 M&I charges on 968 AF	$ 21 /AF		20,328				
51	NP-260 Tariff M&I charges			-				
52	Hook-up Fees Collected ($500)		153	(76,500)				
53	AFUDC			64				
54	Balacne as of 12/31/21			1,293				
55								

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Central Arizona Project ("CAP") Hook-up Fee & and Municipal & Industrial ("M&I") use Charge True-up

White Tank System

Line No.	Description	[A] Projection Based on Dec. No. 68302 Cost/AF	[B] Customer Growth	[C] $ Amount	[D] Amt. Incl. in Rate Base Dec. 68302	[E]	[F] Actual Activity AFUDC Rate	[G] Activity Thru. Dec. '10
1								
2	2022 M&I charges on 968 AF	$ 21 /AF		20,328				
3	NP-260 Tariff M&I charges			-				
4	Hook-up Fees Collected ($500)		153	(76,500)				
5	AFUDC			(2,860)				
6	Balacne as of 12/31/22			(57,739)				
7								
8	2023 M&I charges on 968 AF	$ 21 /AF		20,328				
9	NP-260 Tariff M&I charges			-				
10	Hook-up Fees Collected ($500)		153	(76,500)				
11	AFUDC			(5,936)				
12	Balacne as of 12/31/23			(119,847)				
13								
14	2024 M&I charges on 968 AF	$ 21 /AF		20,328				
15	NP-260 Tariff M&I charges			-				
16	Hook-up Fees Collected ($500)		153	(76,500)				
17	AFUDC			(9,172)				
18	Balacne as of 12/31/24			(185,191)				
19								
20	2025 M&I charges on 968 AF	$ 21 /AF		20,328				
21	NP-260 Tariff M&I charges			-				
22	Hook-up Fees Collected ($500)		153	(76,500)				
23	AFUDC			(12,577)				
24	Balacne as of 12/31/25			(253,940)				
25								
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Central Arizona Project ("CAP") Hook-up Fee & and Municipal & Industrial ("M&I") use Charge True-up

Proposed - Pinal Valley (Casa Grande, Coolidge, White Tank)

Line No.	Description	[A] Projection Based on Dec. No. 68302 Cost/AF	[B] Customer Growth	[C] $ Amount	[D] Amt. Incl. in Rate Base	[E]	[F] Actual Activity AFUDC Rate	[G] Activity Thru. Dec. '10	[H]
1	M&I Balance as of 12/31/2003			$ 4,935,186				$ 5,078,082	
2	Less: Amount Included in Rate Base - Dec. 68302				$ 142,896	279 AF[1]		(142,896)	
3	2004 M&I charges on 11,573 AF	$ 30 /AF		347,190				355,560	
4	NP-260 Tariff M&I charges			(98,370)				(98,371)	
5	AFUDC			279,534			5.09%	268,360	
6	Balacne as of 12/31/04			5,463,540				5,460,735	
7									
8	2005 M&I charges on 11,573 AF	$ 28 /AF		324,044				308,152	
9	NP-260 Tariff M&I charges			(63,812)				(87,372)	
10	AFUDC			306,556			9.05%	529,000	
11	Balacne as of 12/31/05			6,030,328				6,210,515	
12									
13	2006 M&I charges on 11,573 AF	$ 24 /AF		277,752				266,670	
14	NP-260 Tariff M&I charges			(54,696)				(76,340)	
15	Hook-up Fees Collected		3,127	(633,588)				(1,748,229)	
16	Interest Earned on CAP Chgs. Pd. from '87 - '94			-				(57,980)	
17	AFUDC			292,848			8.62%	536,092	
18	Balacne as of 12/31/06			5,912,644				5,130,728	
19									
20	2007 M&I charges on 11,573 AF	$ 21 /AF		243,033				248,892	
21	NP-260 Tariff M&I charges			(47,859)				(67,608)	
22	Hook-up Fees Collected		3,355	(684,516)				(1,325,020)	
23	AFUDC			282,608			7.09%	347,502	
24	Less: Amount Included in Rate Base - Dec. 71845			-	$ 447,196	1,003 AF[2]		(447,196)	
25	Balacne as of 12/31/07			5,705,910				3,887,298	
26									
27	2008 M&I charges on 10,570 AF	$ 21 /AF		243,033				231,114	
28	NP-260 Tariff M&I charges			(47,859)				(60,683)	
29	Hook-up Fees Collected		3,355	(684,516)				(299,872)	
30	AFUDC			271,835			6.89%	325,168	
31	Balacne as of 12/31/08			5,488,403				4,083,025	
32									
33	2009 M&I charges on 10,570 AF	$ 21 /AF		243,033				195,558	
34	NP-260 Tariff M&I charges			(47,859)				(51,487)	
35	Hook-up Fees Collected		3,355	(684,516)				87,890	
36	AFUDC			260,501			6.89%	336,698	
37	Balacne as of 12/31/09			5,259,562				4,651,683	
38									
39	2010 M&I charges on 10,570 AF	$ 21 /AF		243,033				177,780	
40	NP-260 Tariff M&I charges			(47,859)				(43,810)	
41	Hook-up Fees Collected		3,355	(684,516)				(53,992)	
42	AFUDC			248,575			6.89%	293,841	
43	Balacne as of 12/31/10			5,018,795				5,025,502	
44									
45	2011 M&I charges on 10,570 AF	$ 21 /AF		243,033					
46	NP-260 Tariff M&I charges			(47,859)					
47	Hook-up Fees Collected		3,355	(684,516)					
48	AFUDC			236,030					
49	Balacne as of 12/31/11			4,765,483					
50									
51	2012 M&I charges on 10,570 AF	$ 21 /AF		243,033					
52	NP-260 Tariff M&I charges			(47,859)					
53	Hook-up Fees Collected		3,355	(684,516)					
54	AFUDC			222,829					
55	Balacne as of 12/31/12			4,498,970					

Proposed Pinal Valley CAP Hook-up Fee ([Col. C ÷ Col. F] x -1): $204
Proposed Fee by Meter Size is shown on next page

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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Central Arizona Project ("CAP") Hook-up Fee & and Municipal & Industrial ("M&I") use Charge True-up

Proposed - Pinal Valley (Casa Grande, Coolidge, White Tank)

Line No.	Description	[A] Cost/AF	[B] Customer Growth	[C] $ Amount	[D] Amt. Incl. in Rate Base	[E]	[F] AFUDC Rate	[G] Activity Thru. Dec. '10	[H]
		Projection Based on Dec. No. 68302					Actual Activity		
1									
2	2013 M&I charges on 10,570 AF	$ 21 /AF		243,033					
3	NP-260 Tariff M&I charges			(47,859)					
4	Hook-up Fees Collected		3,355	(684,516)					
5	AFUDC			208,942					
6	Balacne as of 12/31/13			4,218,570					
7									
8	2014 M&I charges on 10,570 AF	$ 21 /AF		243,033					
9	NP-260 Tariff M&I charges			(47,859)					
10	Hook-up Fees Collected		3,355	(684,516)					
11	AFUDC			194,331					
12	Balacne as of 12/31/14			3,923,559					
13									
14	2015 M&I charges on 10,570 AF	$ 21 /AF		243,033					
15	NP-260 Tariff M&I charges			(47,859)					
16	Hook-up Fees Collected		3,355	(684,516)					
17	AFUDC			178,958					
18	Balacne as of 12/31/15			3,613,175					
19									
20	2016 M&I charges on 10,570 AF	$ 21 /AF		243,033					
21	NP-260 Tariff M&I charges			(47,859)					
22	Hook-up Fees Collected		3,355	(684,516)					
23	AFUDC			162,783					
24	Balacne as of 12/31/16			3,286,616					
25									
26	2017 M&I charges on 10,570 AF	$ 21 /AF		243,033					
27	NP-260 Tariff M&I charges			(47,859)					
28	Hook-up Fees Collected		3,355	(684,516)					
29	AFUDC			145,766					
30	Balacne as of 12/31/17			2,943,040					
31									
32	2018 M&I charges on 10,570 AF	$ 21 /AF		243,033					
33	NP-260 Tariff M&I charges			(47,859)					
34	Hook-up Fees Collected		3,355	(684,516)					
35	AFUDC			127,862					
36	Balacne as of 12/31/18			2,581,560					
37									
38	2019 M&I charges on 10,570 AF	$ 21 /AF		243,033					
39	NP-260 Tariff M&I charges			(47,859)					
40	Hook-up Fees Collected		3,355	(684,516)					
41	AFUDC			109,025					
42	Balacne as of 12/31/19			2,201,243					
43									
44	2020 M&I charges on 10,570 AF	$ 21 /AF		243,033					
45	NP-260 Tariff M&I charges			(47,859)					
46	Hook-up Fees Collected		3,355	(684,516)					
47	AFUDC			89,208					
48	Balacne as of 12/31/20			1,801,109					
49									
50	2021 M&I charges on 10,570 AF	$ 21 /AF		243,033					
51	NP-260 Tariff M&I charges			(47,859)					
52	Hook-up Fees Collected		3,355	(684,516)					
53	AFUDC			68,356					
54	Balacne as of 12/31/21			1,380,123					
55									

Proposed Fee by Meter Size

Meter Size	Fee
5/8" X 3/4"	$204
3/4"	$204
1"	$204
1-1/2"	$714
2"	$1,142
3"	$2,305
4"	$3,590
6" or Larger	$7,191

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Central Arizona Project ("CAP") Hook-up Fee & and Municipal & Industrial ("M&I") use Charge True-up

Proposed - Pinal Valley (Casa Grande, Coolidge, White Tank)

Line No.	Description	[A] Projection Based on Dec. No. 68302 Cost/AF	[B] Customer Growth	[C] $ Amount	[D] Amt. Incl. in Rate Base	[E]	[F] Actual Activity AFUDC Rate	[G] Activity Thru. Dec. '10	[H]
1									
2	2022 M&I charges on 10,570 AF	$ 21 /AF		243,033					
3	NP-260 Tariff M&I charges			(47,859)					
4	Hook-up Fees Collected		3,355	(684,516)					
5	AFUDC			46,418					
6	Balacne as of 12/31/22			937,199					
7									
8	2023 M&I charges on 10,570 AF	$ 21 /AF		243,033					
9	NP-260 Tariff M&I charges			(47,859)					
10	Hook-up Fees Collected		3,355	(684,516)					
11	AFUDC			23,337					
12	Balacne as of 12/31/23			471,194					
13									
14	2024 M&I charges on 10,570 AF	$ 21 /AF		243,033					
15	NP-260 Tariff M&I charges			(47,859)					
16	Hook-up Fees Collected		3,355	(684,516)					
17	AFUDC			(945)					
18	Balacne as of 12/31/24			(19,093)					
19									
20	2025 M&I charges on 10,570 AF	$ 21 /AF		243,033					
21	NP-260 Tariff M&I charges			(47,859)					
22	Hook-up Fees Collected		3,355	(684,516)					
23	AFUDC			(26,494)					
24	Balacne as of 12/31/25			(534,929)					
25									
26									
27									
28									
29									
30									
31									
32									
33									
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43									
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49									

50 [1]During T.Y. 2003 279 AF of untreated CAP Water were sold to golf courses who were not contractually obligated to reimburse the Company for a portion of previously deferred M&I charges.
51 Per Dec. 68302 this 279 AF was deemed used & useful, therefore, (279/(8,884-2,000)=4.0529% X $3,525,803) = $142,896 in previously deferred M&I charges was included in rate base
52 to be amortized to expense over 20 years.
53 [2]During T.Y. 2007 1,003 AF of untreated CAP water were sold to golf courses who were not contractually obligated to reimburse the Company for a portion of previously deferred M&I charges.
54 Per Dec. 71845 this 1,003 was deemed used & useful, therefore, (1,003/(8,884 - 2,000) = 14.57% X $3,069,295 = $447,196 in previously deferred M&I charges was included in rate base
55 to be amortized to expense over 20 years.

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

[A] [B] [C] [D] [E] [F] [G] [H] [I] [J] [K] [L]

SUMMARY RESULTS FOR REGRESSION COEFFICIENT b_4 - ESTIMATED MONTHLY GROWTH IN M GALLONS USED PER CUSTOMER (JAN. 2001 TO DEC. 2010)

PANEL A: Regression Coefficient b_4 (slope of the coded month)

	Residential		Commercial		Total	
	b_4	t Stat	b_4	t Stat	b_4	t Stat
Superstition	-0.00050	-7.67	-0.00105	-12.33	-0.00063	-10.00
Cochise	-0.00099	-11.07	0.00087	7.73	-0.00054	-6.79
San Manuel/Oracle/Winkelman	-0.00114	-12.18	-0.00077	-4.04	-0.00103	-10.38
Eastern Group	-0.00064	-10.96	-0.00060	-8.13	-0.00064	-11.223
Pinal Valley	-0.00124	-16.19	0.00025	2.41	-0.00100	-12.05
White Tank	0.00080	6.93	0.00042	1.23	0.00104	8.94
Ajo	-0.00069	-6.48	-0.00030	-2.35	-0.00062	-6.48
Western Group	-0.00102	-14.44	0.00035	3.36	-0.00080	-10.40
Navajo	-0.00008	-0.59	-0.00032	-2.49	-0.00010	-0.87
Verde Valley	-0.00017	-1.85	-0.00010	-1.28	-0.00011	-1.31
Northern Group	-0.00016	-1.78	-0.000168	-2.05	-0.00014	-1.70
Total Company	-0.00050	-8.23	0.00003	0.47	-0.00040	-6.50

PANEL B: Regression Coefficent $\hat{B}_4$ (antilog of b_4)

	Residential		Commercial		Total	
	$\hat{B}_4$	t Stat	$\hat{B}_4$	t Stat	$\hat{B}_4$	t Stat
Superstition	0.99885	-7.67	0.99759	-12.33	0.99854	-10.00
Cochise	0.99771	-11.07	1.00201	7.73	0.99875	-6.79
San Manuel/Oracle/Winkelman	0.99739	-12.18	0.99823	-4.04	0.99763	-10.38
Eastern Group	0.99854	-10.96	0.99863	-8.13	0.99852	-11.22
Pinal Valley	0.99715	-16.19	1.00059	2.41	0.99770	-12.05
White Tank	1.00184	6.93	1.00097	1.23	1.00240	8.94
Ajo	0.99842	-6.48	0.99931	-2.35	0.99857	-6.48
Western Group	0.99765	-14.44	1.00081	3.36	0.99815	-10.40
Navajo	0.99983	-0.59	0.99925	-2.49	0.99976	-0.87
Verde Valley	0.99961	-1.85	0.99976	-1.28	0.99975	-1.31
Northern Group	0.99963	-1.78	0.99961	-2.05	0.99968	-1.70
Total Company	0.99885	-8.23	1.00008	0.47	0.99908	-6.50

PANEL C: Estimated Monthly Growth In Usage Per Customer (r) $(\hat{B}_4 - 1) \times 100$ %

	Residential		Commercial		Total	
	r	t Stat	r	t Stat	r	t Stat
Superstition	-0.115%	-7.67	-0.241%	-12.33	-0.146%	-10.00
Cochise	-0.229%	-11.07	0.201%	7.73	-0.125%	-6.79
San Manuel/Oracle/Winkelman	-0.261%	-12.18	-0.177%	-4.04	-0.237%	-10.38
Eastern Group	-0.146%	-10.96	-0.137%	-8.13	-0.148%	-11.22
Pinal Valley	-0.285%	-16.19	0.059%	2.41	-0.230%	-12.05
White Tank	0.184%	6.93	0.097%	1.23	0.240%	8.94
Ajo	-0.158%	-6.48	-0.069%	-2.35	-0.143%	-6.48
Western Group	-0.235%	-14.44	0.081%	3.36	-0.185%	-10.40
Navajo	-0.017%	-0.59	-0.075%	-2.49	-0.024%	-0.87
Verde Valley	-0.039%	-1.85	-0.024%	-1.28	-0.025%	-1.31
Northern Group	-0.037%	-1.78	-0.039%	-2.05	-0.032%	-1.70
Total Company	-0.115%	-8.23	0.008%	0.47	-0.092%	-6.50

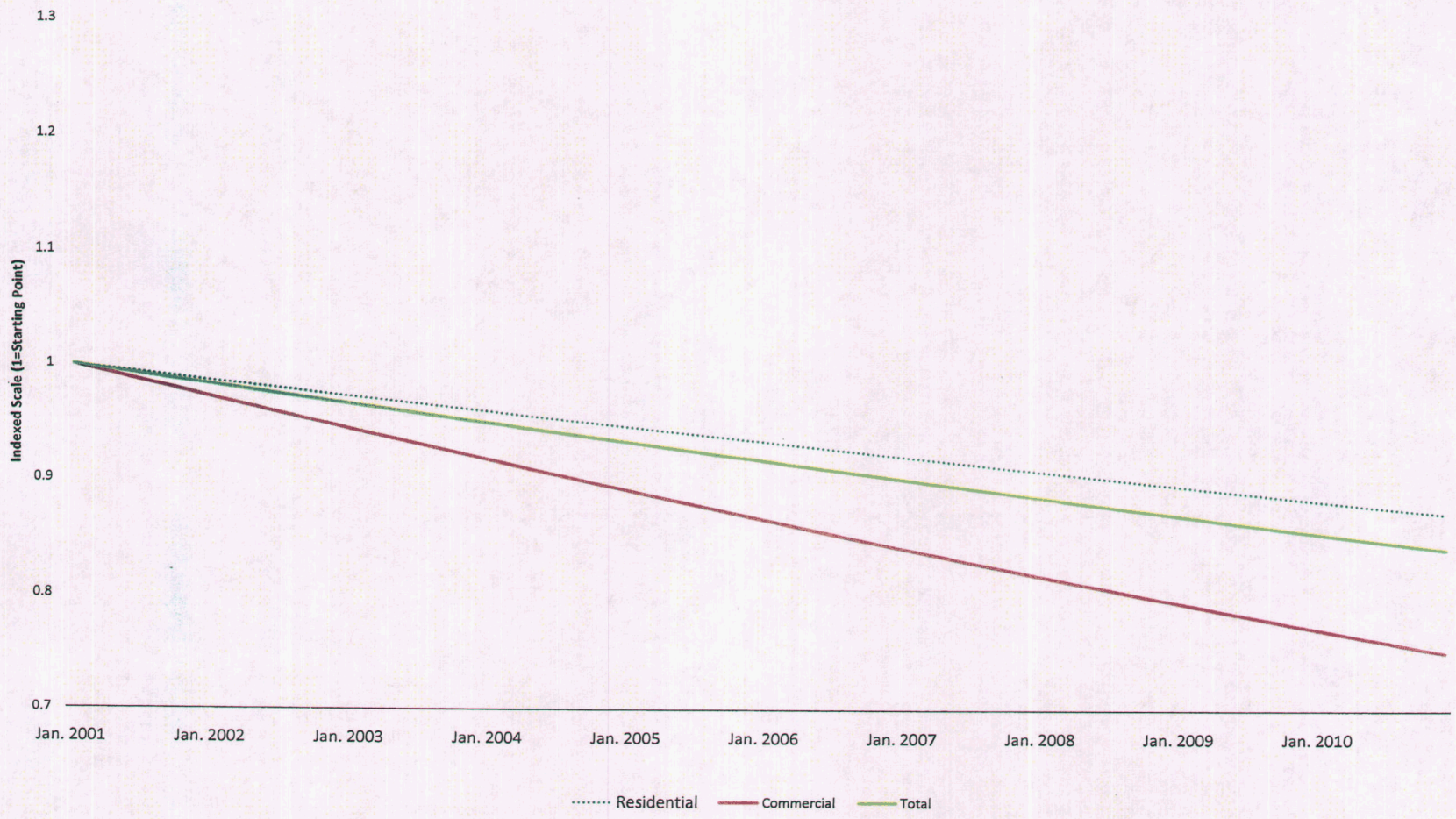
PANEL D: Estimated Annual Growth in Usage Per Customer (APR) $(1 + r)^{12} - 1$

	Residential		Commercial		Total	
	APR	t Stat	APR	t Stat	APR	t Stat
Superstition	-1.376%	-7.67	-2.850%	-12.33	-1.732%	-10.00
Cochise	-2.708%	-11.07	2.443%	7.73	-1.484%	-6.79
San Manuel/Oracle/Winkelman	-3.093%	-12.18	-2.106%	-4.04	-2.805%	-10.38
Eastern Group	-1.742%	-10.96	-1.633%	-8.13	-1.757%	-11.22
Pinal Valley	-3.362%	-16.19	0.705%	2.41	-2.729%	-12.05
White Tank	2.235%	6.93	1.169%	1.23	2.924%	8.94
Ajo	-1.877%	-6.48	-0.822%	-2.35	-1.702%	-6.48
Western Group	-2.781%	-14.44	0.979%	3.36	-2.194%	-10.40
Navajo	-0.209%	-0.59	-0.892%	-2.49	-0.282%	-0.87
Verde Valley	-0.466%	-1.85	-0.285%	-1.28	-0.305%	-1.31
Northern Group	-0.440%	-1.78	-0.464%	-2.05	-0.389%	-1.70
Total Company	-1.371%	-8.23	0.095%	0.47	-1.095%	-6.50

JMR-5

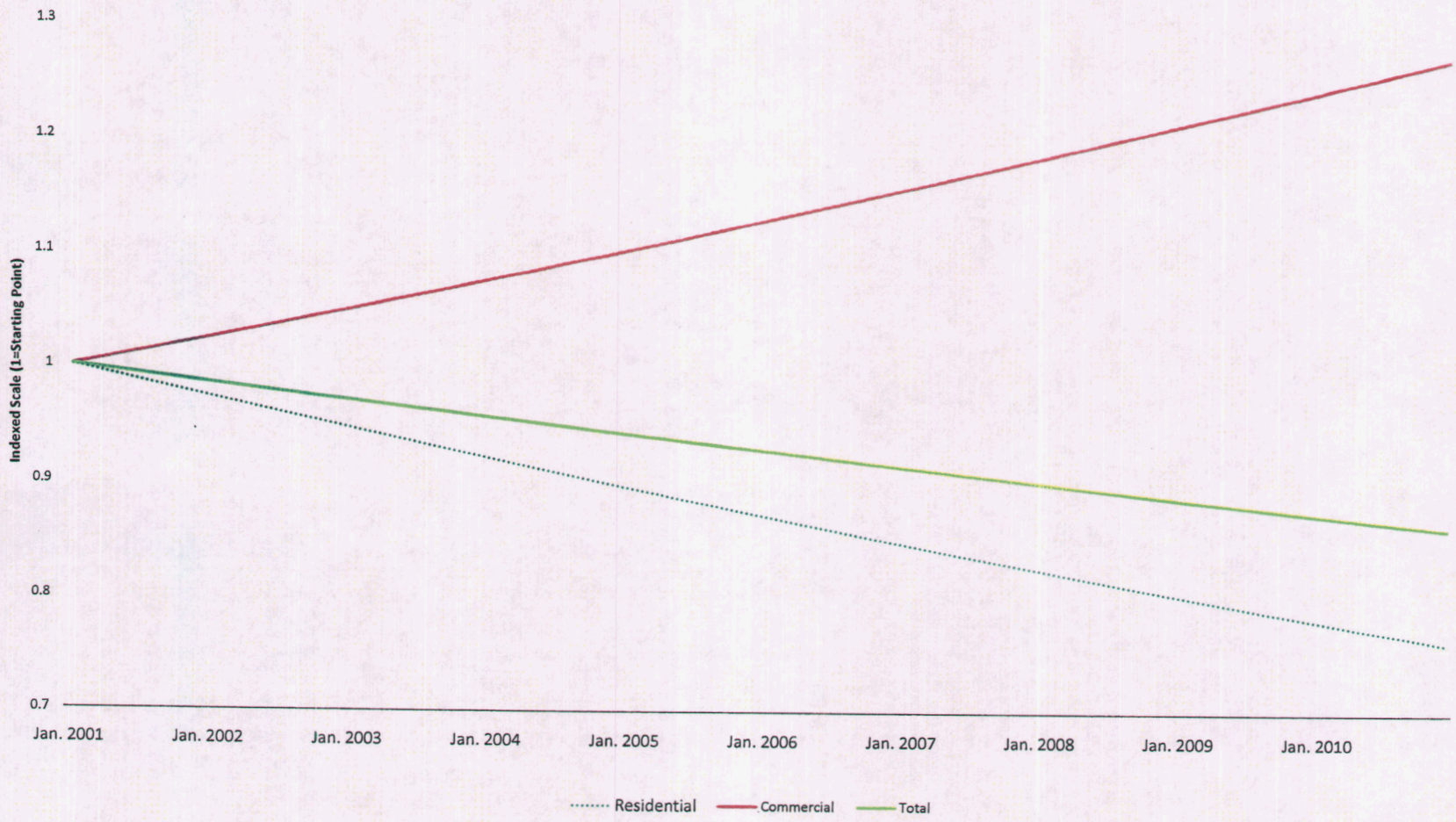
MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

SUPERSTITION
Indexed Average Usage Per Customer While Controlling for Weather Conditions and Seasonal Variations



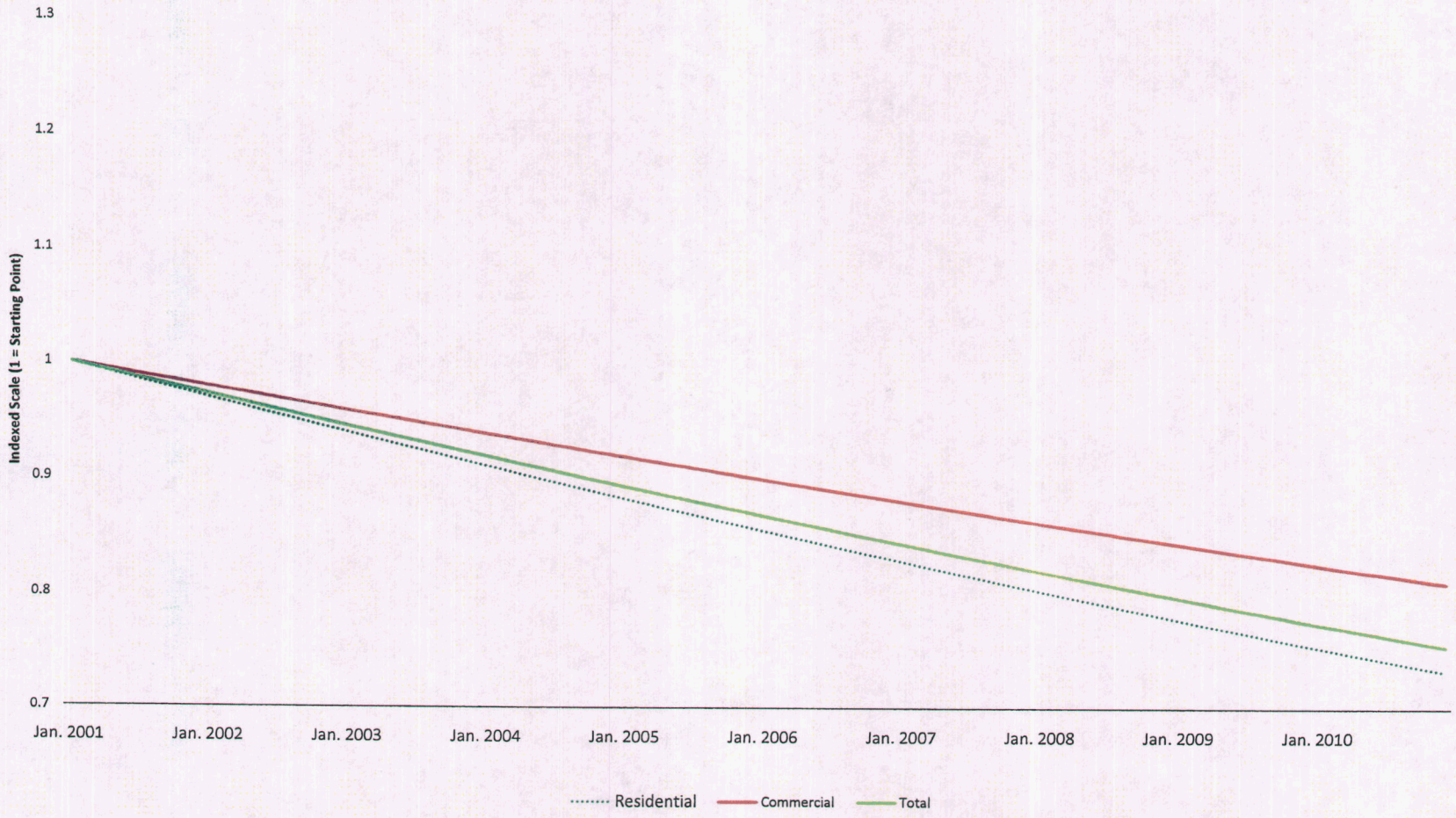
MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

COCHISE
Indexed Average Usage Per Customer While Controlling for Weather Conditions and Seasonal Variations



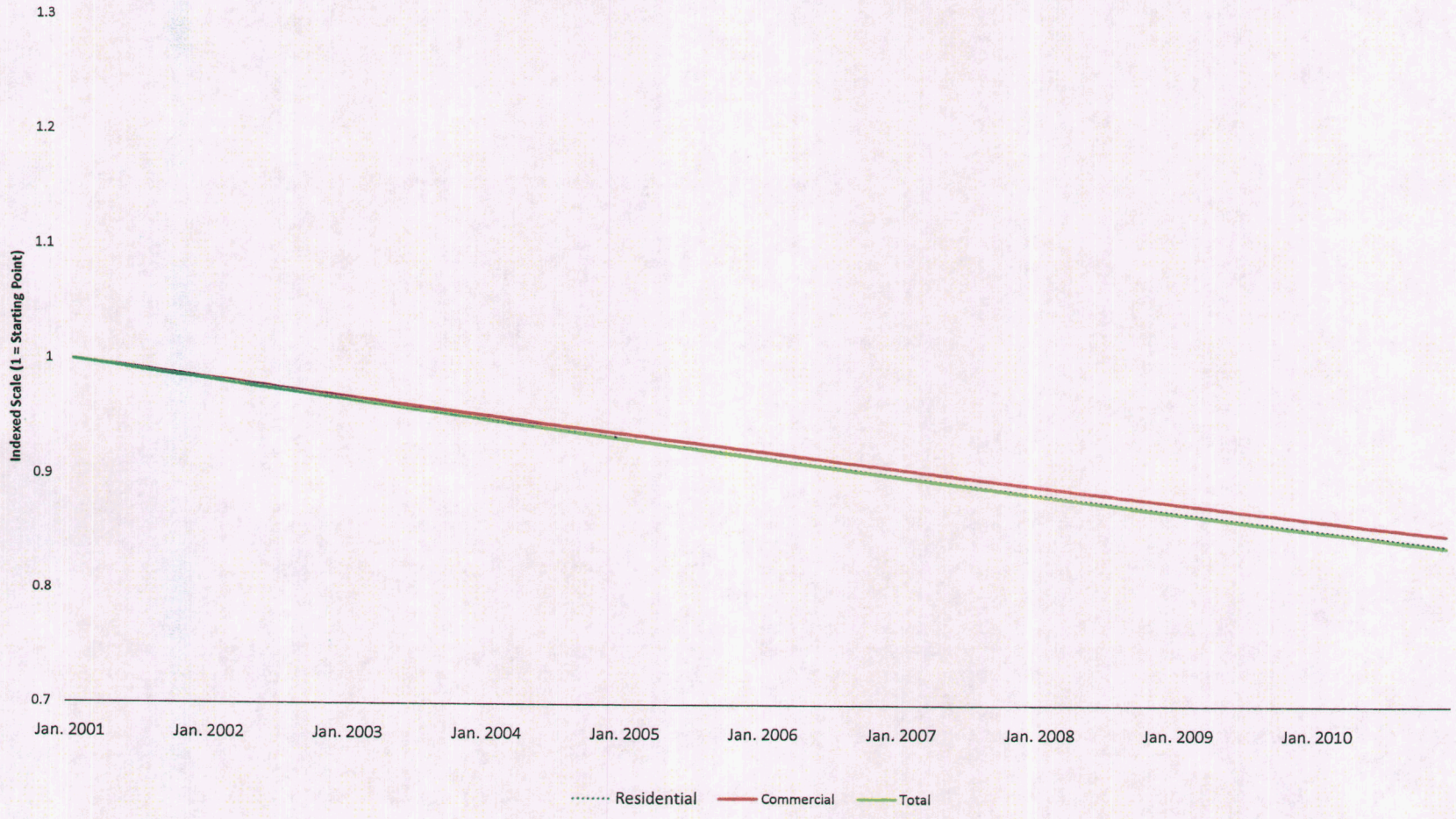
MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

SAN MANUEL/ORACLE/WINKELMAN
Indexed Average Usage Per Customer While Controlling for Weather Conditions and Seasonal Variations



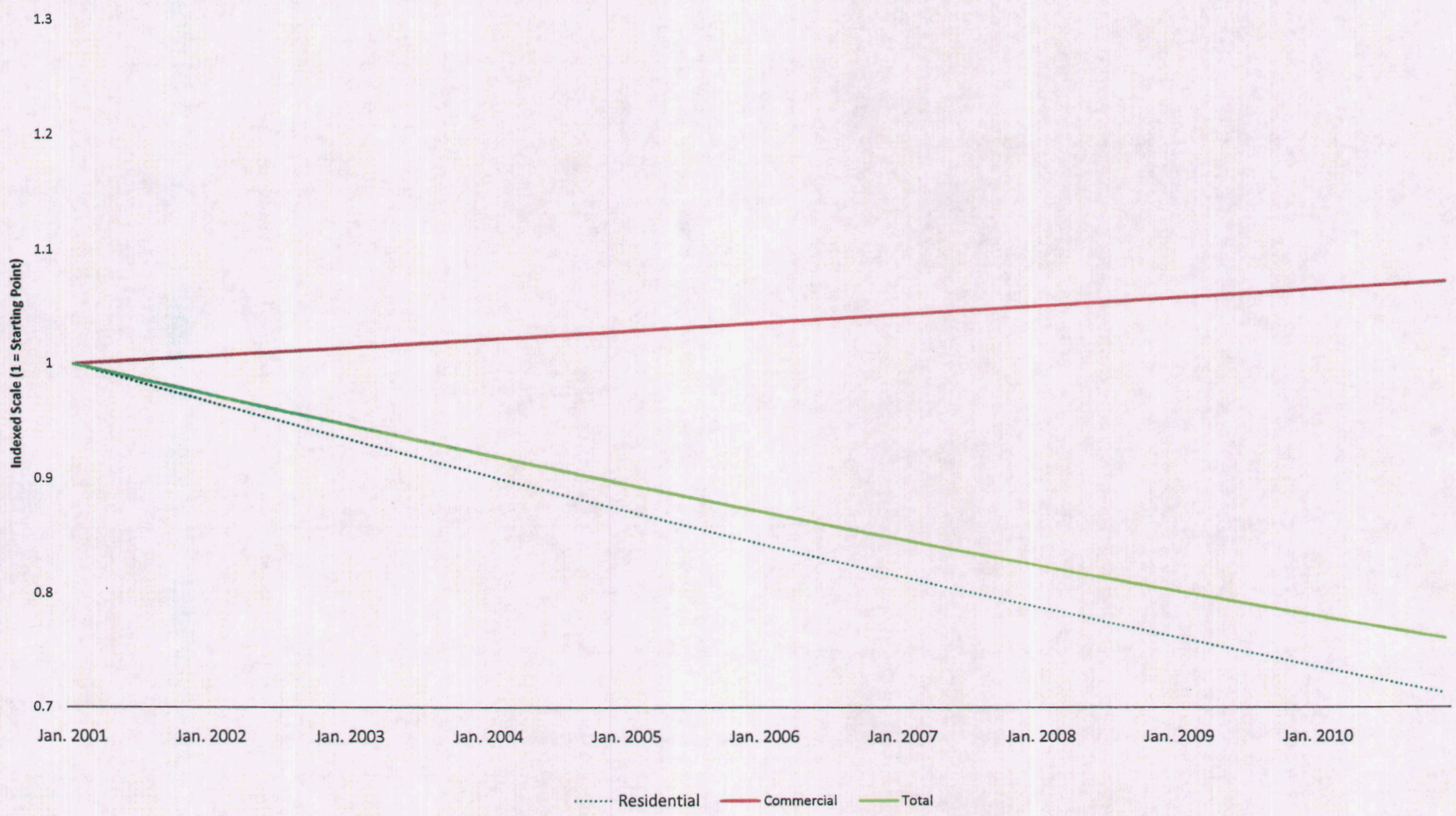
MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

EASTERN GROUP
Indexed Average Usage Per Customer While Controlling for Weather Conditions and Seasonal Variations

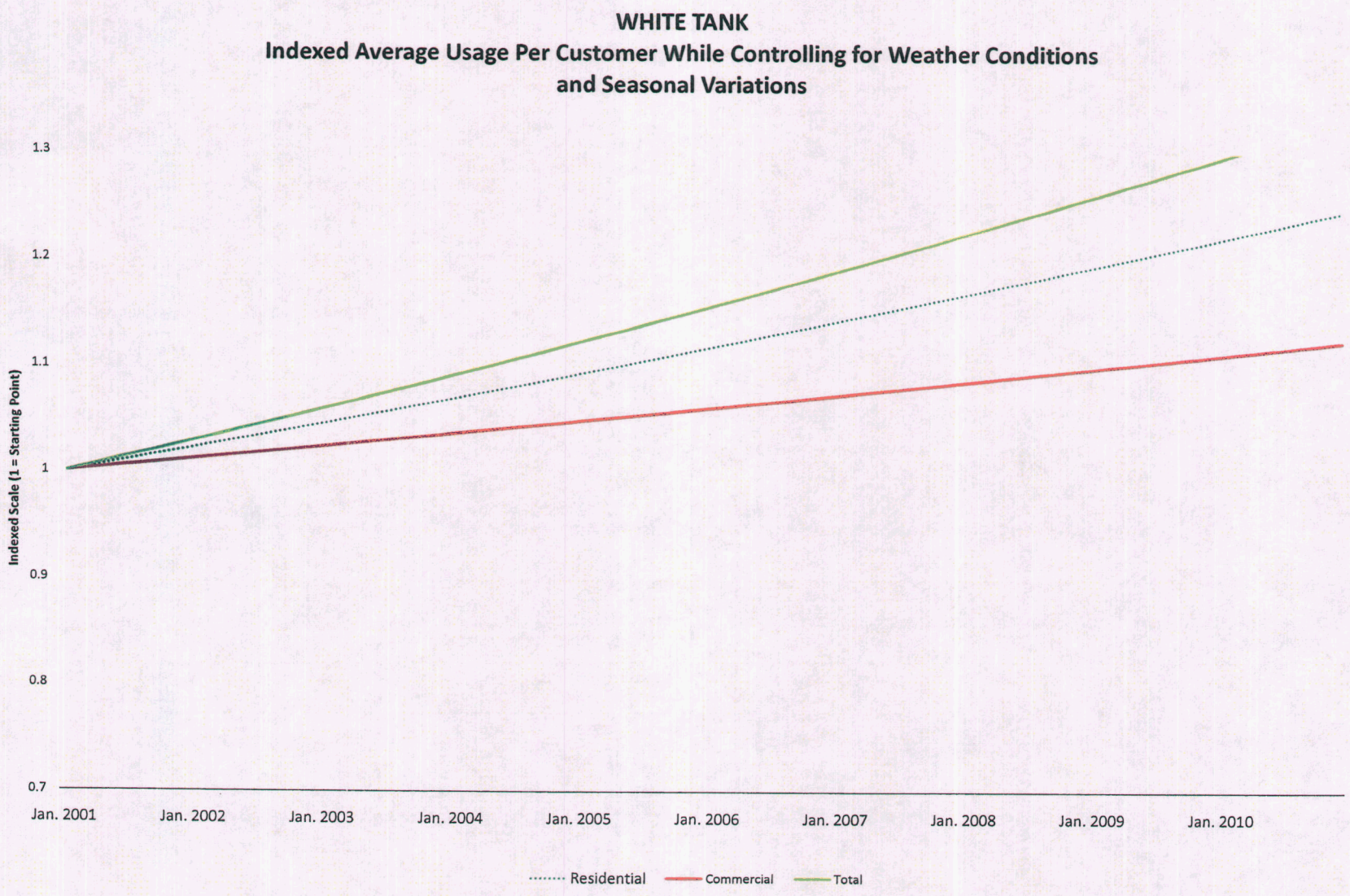


MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

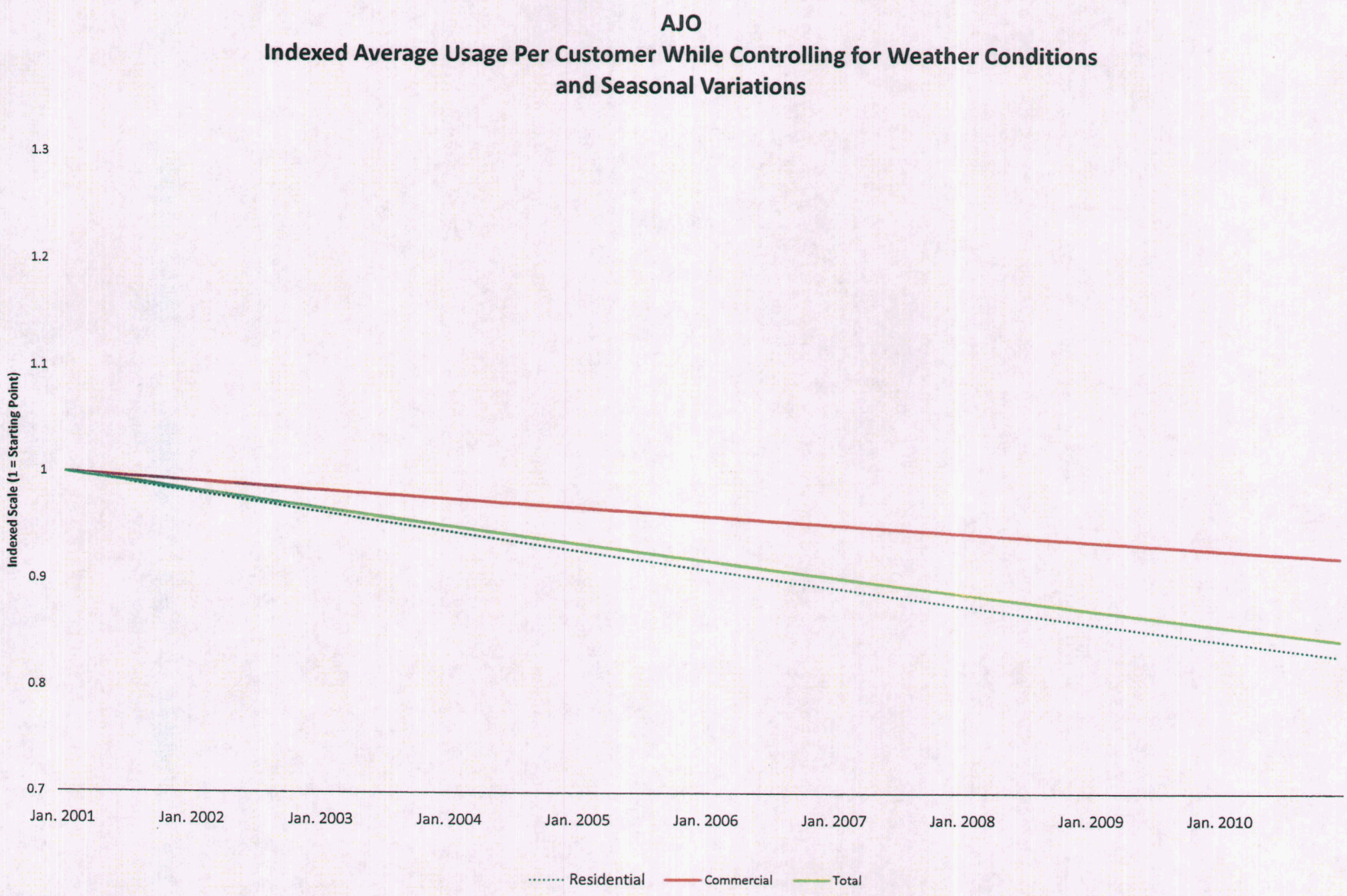
PINAL VALLEY
Indexed Average Usage Per Customer While Controlling for Weather Conditions and Seasonal Variations



MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

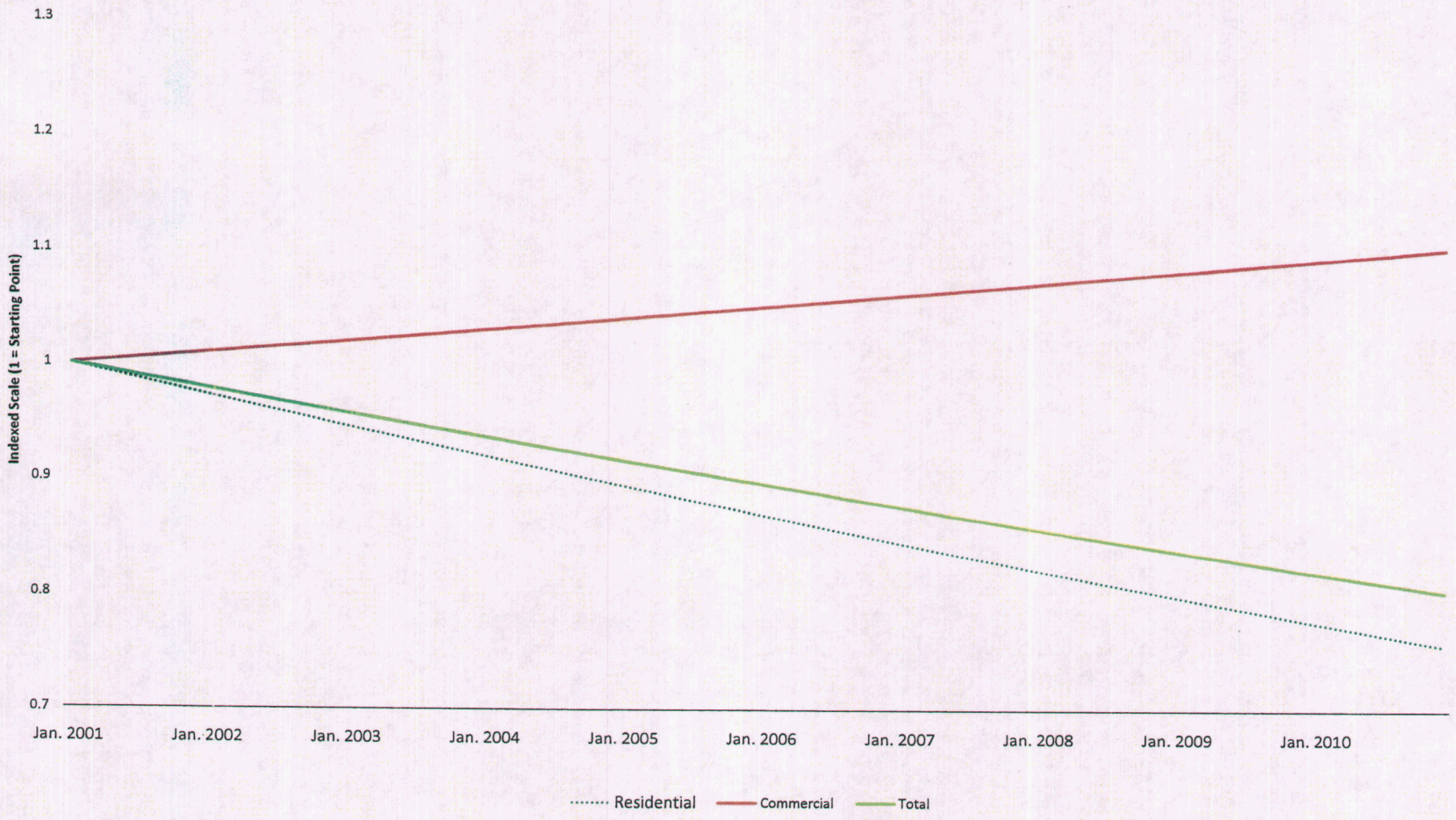


MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010



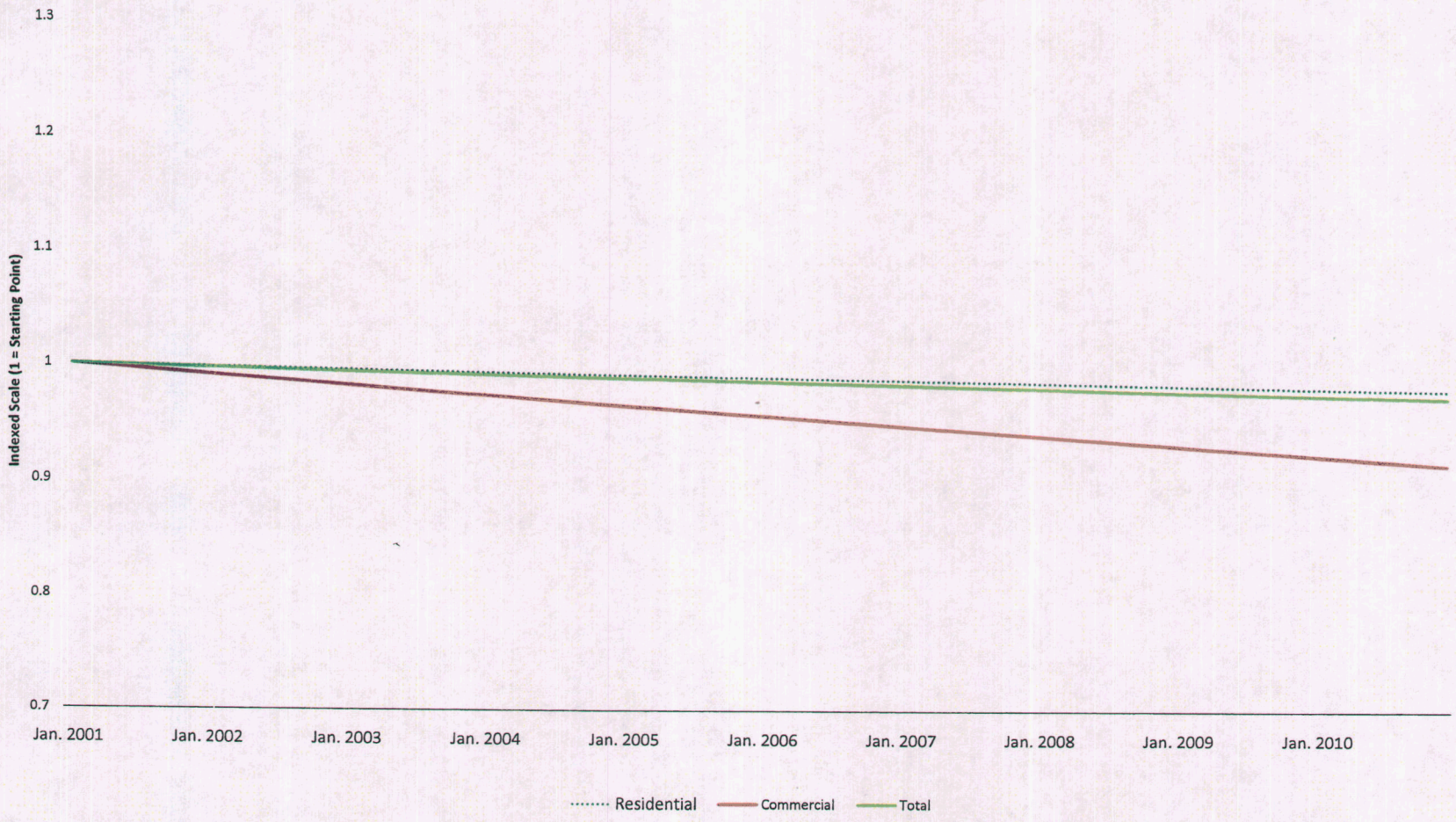
MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

WESTERN GROUP
Indexed Average Usage Per Customer While Controlling for Weather Conditions and Seasonal Variations



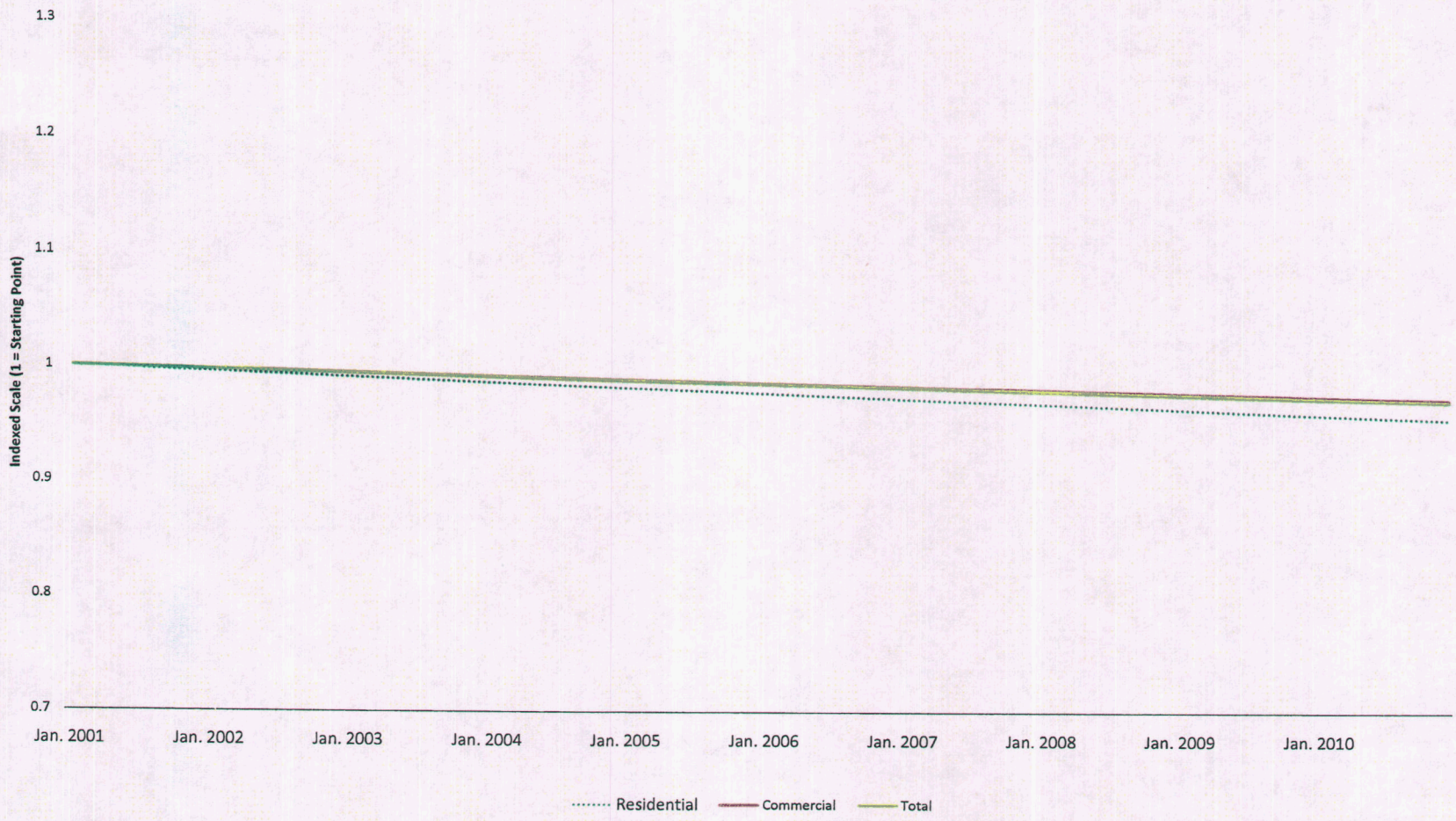
MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

NAVAJO
Indexed Average Usage Per Customer While Controlling for Weather Conditions and Seasonal Variations



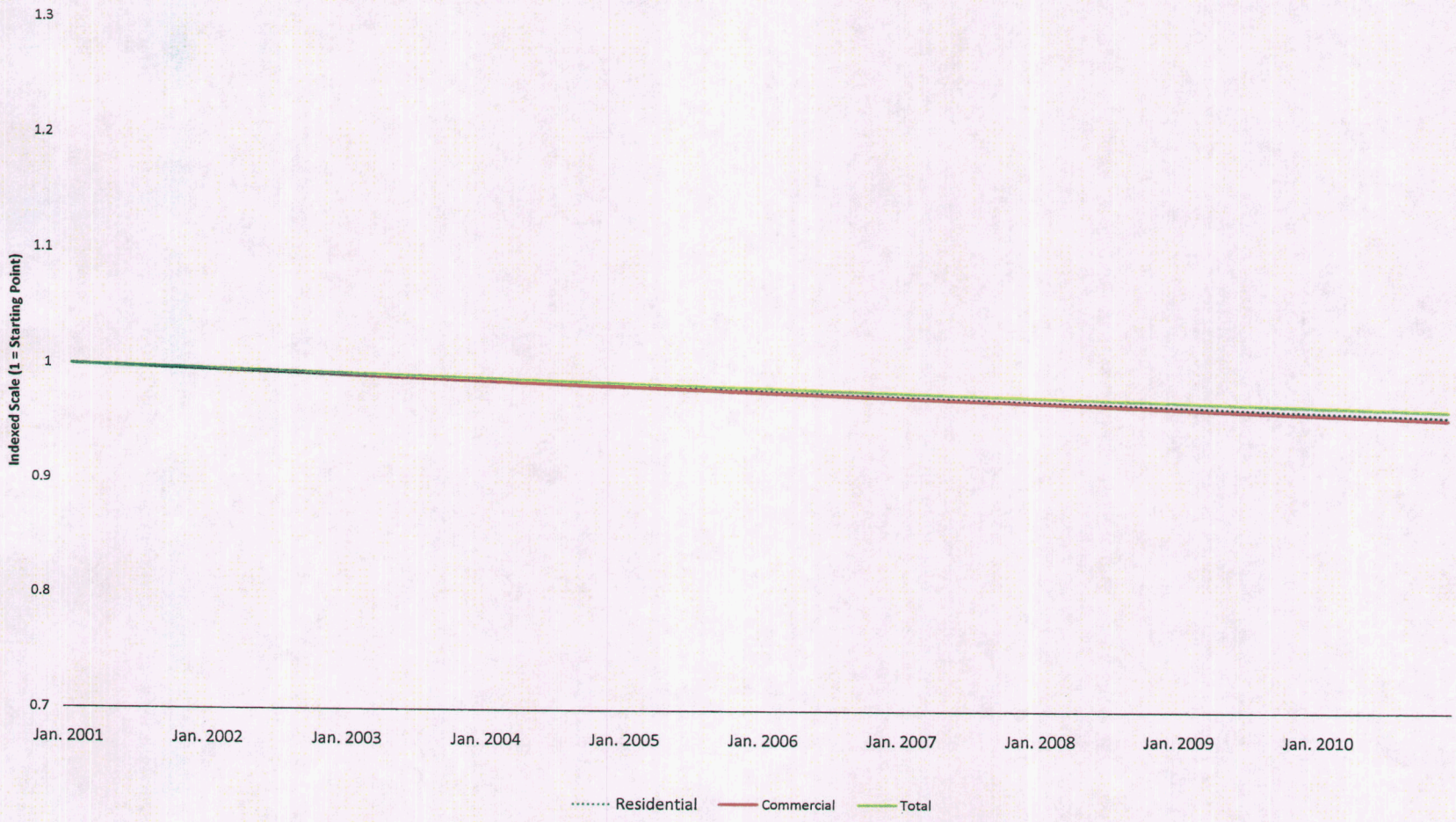
MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

VERDE VALLEY
Indexed Average Usage Per Customer While Controlling for Weather Conditions and Seasonal Variations



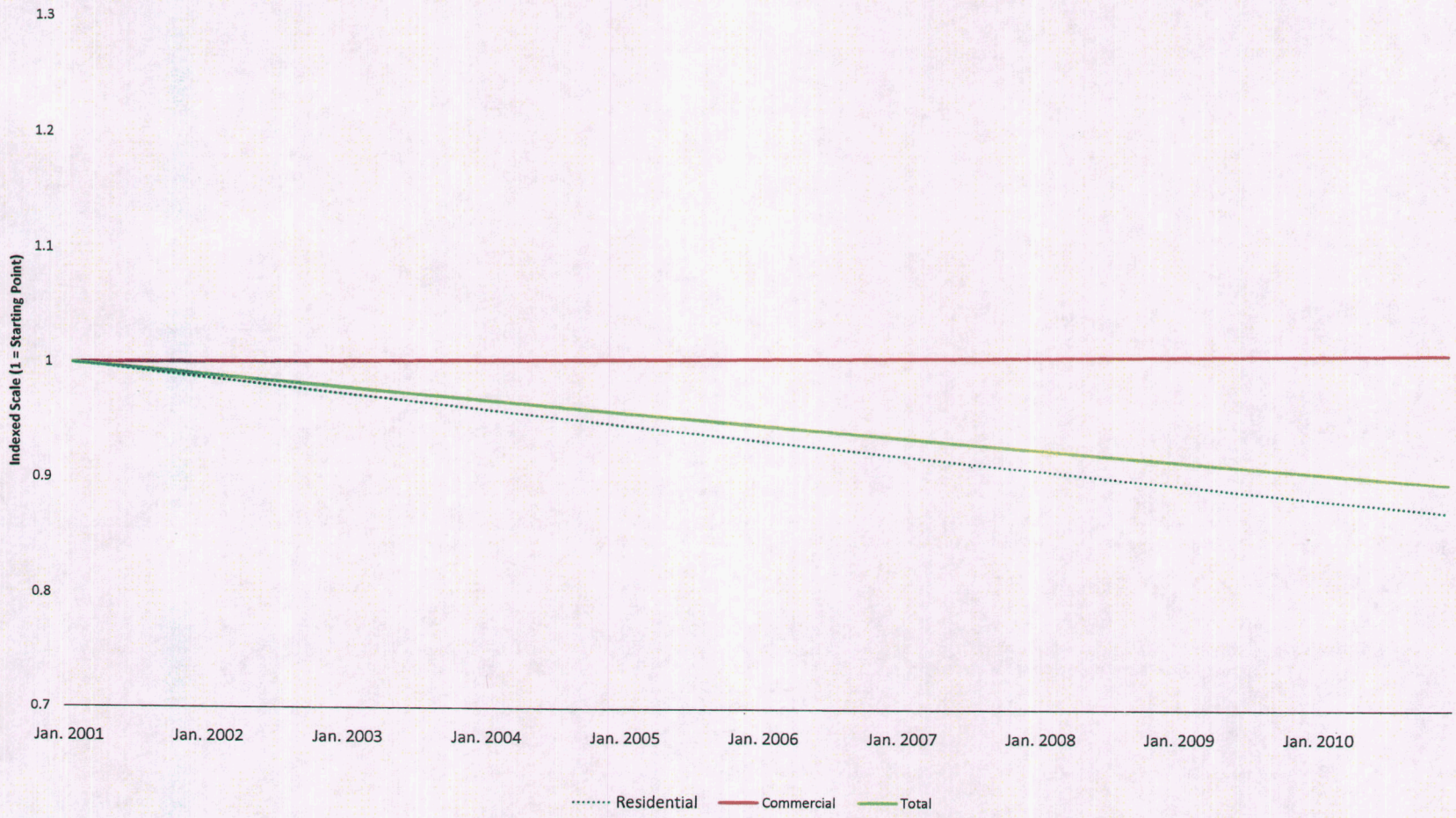
MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

NORTHERN GROUP
Indexed Average Usage Per Customer While Controlling for Weather Conditions and Seasonal Variations



MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

TOTAL COMPANY
Indexed Average Usage Per Customer While Controlling for Weather Conditions and Seasonal Variations



MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

DATA USED IN MODEL:

DEPENDENT VARIABLE log(Y): log10ofResMGals, log10ofComMGals, log10ofTotMGals (base-10 logarithm of monthly average usage per residential, commercial, and total customers in M gallons)
INDEPENDENT VARIABLE X_1: AvgTemp (monthly average temperature in degress Fahrenheit from the National Climatic Data Center, U.S. Dept. of Commerce)
INDEPENDENT VARIABLE X_2: TotPrecip (monthly total precipitation in inches from the National Climatic Data Center, U.S. Dept. of Commerce)
INDEPENDENT VARIABLE X_3: PDSI (monthly Palmer Drought Severity Index ranging from -6 to +6, with negative values denoting dry spells, from the National Climatic Data Center, U.S. Dept. of Commerce)
INDEPENDENT VARIABLE X_4: CodedMonth (coded monthly value, x_{4i} = 0, 1, 2,...)
INDEPENDENT VARIABLE M_2: FEB (categorical predictor variable for February; 1 if February, 0 if not February)
INDEPENDENT VARIABLE M_3: MAR (categorical predictor variable for March; 1 if March, 0 if not March)
INDEPENDENT VARIABLE M_4: APR (categorical predictor variable for April; 1 if April, 0 if not April)
INDEPENDENT VARIABLE M_5: MAY (categorical predictor variable for May; 1 if May, 0 if not May)
INDEPENDENT VARIABLE M_6: JUN (categorical predictor variable for June; 1 if June, 0 if not June)
INDEPENDENT VARIABLE M_7: JUL (categorical predictor variable for July; 1 if July, 0 if not July)
INDEPENDENT VARIABLE M_8: AUG (categorical predictor variable for August; 1 if August, 0 if not August)
INDEPENDENT VARIABLE M_9: SEP (categorical predictor variable for September; 1 if September, 0 if not September)
INDEPENDENT VARIABLE M_{10}: OCT (categorical predictor variable for October; 1 if October, 0 if not October)
INDEPENDENT VARIABLE M_{11}: NOV (categorical predictor variable for November; 1 if November, 0 if not November)
INDEPENDENT VARIABLE M_{12}: DEC (categorical predictor variable for December; 1 if December, 0 if not December)

FORECASTING EQUIATION:

$$\log\left(\hat{Y}_i\right) = b_0 + b_1X_{1_i} + b_2X_{2_i} + b_3X_{3_i} + b_4X_{4_i} + b_5M_2 + b_6M_3 + b_7M_4 + b_8M_5 + b_9M_6 + b_{10}M_7 + b_{11}M_8 + b_{12}M_9 + b_{13}M_{10} + b_{14}M_{11} + b_{15}M_{12}$$

where b_0 = estimate of $\log(B_0)$ and, thus, $10^{b_0} = \hat{B}_0$

b_1 = estimate of $\log(B_1)$ and, thus, $10^{b_1} = \hat{B}_1$

b_2 = estimate of $\log(B_2)$ and, thus, $10^{b_2} = \hat{B}_2$

b_3 = estimate of $\log(B_3)$ and, thus, $10^{b_3} = \hat{B}_3$

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b_{15} = estimate of $\log(B_{15})$ and, thus, $10^{b_{15}} = \hat{B}_{15}$

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Superstition Residential 2001 - 2010

Regression Statistics	
Multiple R	0.949234767
R Square	0.901046642
Adjusted R Square	0.886774523
Standard Error	0.024053903
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	0.547925098	0.03652834	63.13334754	3.55645E-45
Residual	104	0.060173387	0.00057859		
Total	119	0.608098485			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.82551245	0.058911694	14.01270944	1.07442E-25	0.708688353	0.942336546	0.708688353	0.942336546
AvgTemp b_1	0.000888937	0.001093114	0.81321511	0.417952574	-0.00127875	0.003056624	-0.00127875	0.003056624
TotPrecip b_2	0.004428096	0.003613384	1.225470677	0.223165935	-0.002737379	0.011593571	-0.002737379	0.011593571
PDSI b_3	-0.00482096	0.001087161	-4.434446322	2.29714E-05	-0.006976837	-0.002665076	-0.006976837	-0.002665076
CodedMonth b_4	-0.00050139	6.53566E-05	-7.671615284	9.52105E-12	-0.000630995	-0.000371786	-0.000630995	-0.000371786
FEB b_5	-0.01225908	0.011026389	-1.111794247	0.268790158	-0.034124819	0.009606667	-0.034124819	0.009606667
MAR b_6	-0.02679436	0.014083327	-1.902559091	0.059864061	-0.054722129	0.001133403	-0.054722129	0.001133403
APR b_7	0.03658095	0.019468318	1.878999014	0.063044538	-0.002025454	0.075187354	-0.002025454	0.075187354
MAY b_8	0.065356268	0.029291531	2.231234282	0.027811904	0.007270065	0.123442472	0.007270065	0.123442472
JUN b_9	0.116660719	0.038164507	3.056785723	0.002843693	0.040979072	0.192342366	0.040979072	0.192342366
JUL b_{10}	0.148129961	0.043584541	3.398681195	0.000960941	0.061700183	0.23455974	0.061700183	0.23455974
AUG b_{11}	0.09987179	0.041332064	2.416327192	0.01742046	0.017908758	0.181834821	0.017908758	0.181834821
SEP b_{12}	0.106498618	0.035938795	2.96333301	0.003772735	0.035230641	0.177766596	0.035230641	0.177766596
OCT b_{13}	0.068765743	0.023740697	2.896534318	0.004600342	0.021687052	0.115844434	0.021687052	0.115844434
NOV b_{14}	0.053051665	0.014217714	3.731377907	0.000310692	0.024857405	0.081245925	0.024857405	0.081245925
DEC b_{15}	0.020777745	0.010993009	1.890087114	0.061530476	-0.001021804	0.042577295	-0.001021804	0.042577295

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.

R SQUARE - The coefficient of determination, which measures the *percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.*

ADJUSTED R SQUARE - Version of r-squared that has been adjusted for the number of predictors in the model. R-squared tends to over estimate the strength of the association when there are more than one explanatory variables.

SS - The sum of the squares of the differences between values of y and the average y.

MS - SS divided by df (degrees of freedom)

F-STATISTIC - If the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables is true, then the F statistic will have come from an F distribution with k (the number of explanatory variables in the model) degrees of freedom in the numerator (15), and n (the number of observations) - k - 1 degrees of freedom in the denominator (104). At the 95% significance level the critical value of the F distribution with 15 and 104 degrees of freedom is 1.75. Because the calculated F value is much larger than the critical value, we can reject the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables.

SIGNIFICANCE F - The associated P-value for the F-statistic. We reject the null hypothesis (H_0) that there is no linear relationship between the dependent variable and the explanatory variables if P is less than α (.05).

STANDARD ERROR - Measure of the amount of variation there is in the estimate. The smaller the standard error, the more precise (believable) the estimate is. A general rule of thumb is that the width of the 95% confidence interval is four standard deviations (plus two and minus two from the estimated average).

t-STATISTIC - The ratio of the estimate to its standard error. If the absolute value of the t-statistic is bigger than 1.98, then we reject the null hypothesis (H0) that the estimate is not statistically different from zero, and condlude that the estimate is statistically different from zero.

P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Superstition Commercial 2001 - 2010

Regression Statistics	
Multiple R	0.949592006
R Square	0.901724978
Adjusted R Square	0.887550696
Standard Error	0.031231485
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	0.930785399	0.06205236	63.61697756	2.49892E-45
Residual	104	0.101442189	0.000975406		
Total	119	1.032227587			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	1.655646481	0.076490692	21.64507141	2.60649E-40	1.503962574	1.807330389	1.503962574	1.807330389
AvgTemp b_1	0.000510619	0.001419295	0.359769479	0.719749055	-0.002303896	0.003325134	-0.002303896	0.003325134
TotPrecip b_2	0.003206213	0.004691602	0.683394069	0.495877575	-0.006097409	0.012509835	-0.006097409	0.012509835
PDSI b_3	-0.00508732	0.001411565	-3.604030387	0.000482642	-0.007886509	-0.002288137	-0.007886509	-0.002288137
CodedMonth b_4	-0.00104643	8.48587E-05	-12.33137858	4.51325E-22	-0.001214703	-0.000878147	-0.001214703	-0.000878147
FEB b_5	-0.00701768	0.014316617	-0.490177378	0.625040903	-0.035408069	0.021372706	-0.035408069	0.021372706
MAR b_6	-0.0219982	0.018285732	-1.20302539	0.231698029	-0.058259492	0.014263092	-0.058259492	0.014263092
APR b_7	0.045963495	0.025277581	1.818350239	0.071888852	-0.004162895	0.096089884	-0.004162895	0.096089884
MAY b_8	0.082600102	0.038031999	2.171858027	0.032138707	0.007181223	0.158018981	0.007181223	0.158018981
JUN b_9	0.158367374	0.049552632	3.195942702	0.00184598	0.060102647	0.256632101	0.060102647	0.256632101
JUL b_{10}	0.201193245	0.056589982	3.555280216	0.000569752	0.088973189	0.3134133	0.088973189	0.3134133
AUG b_{11}	0.16386811	0.053665375	3.053516537	0.002872248	0.05744766	0.270288559	0.05744766	0.270288559
SEP b_{12}	0.166930455	0.046662778	3.577379261	0.000528568	0.074396417	0.259464492	0.074396417	0.259464492
OCT b_{13}	0.113203519	0.030824819	3.672479559	0.000381372	0.052076747	0.17433029	0.052076747	0.17433029
NOV b_{14}	0.098380864	0.01846022	5.32934422	5.75414E-07	0.061773557	0.134988171	0.061773557	0.134988171
DEC b_{15}	0.036238723	0.014273276	2.538921147	0.012600208	0.007934281	0.064543165	0.007934281	0.064543165

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.

R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.

ADJUSTED R SQUARE - Version of r-squared that has been adjusted for the number of predictors in the model. R-squared tends to over estimate the strength of the association when there are more than one explanatory variables.

SS - The sum of the squares of the differences between values of y and the average y.

MS - SS divided by df (degrees of freedom)

F-STATISTIC - If the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables is true, then the F statistic will have come from an F distribution with k (the number of explanatory variables in the model) degrees of freedom in the numerator (15), and n (the number of observations) - k - 1 degrees of freedom in the denominator (104). At the 95% significance level the critical value of the F distribution with 15 and 104 degrees of freedom is 1.75. Because the calculated F value is much larger than the critical value, we can reject the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables.

SIGNIFICANCE F - The associated P-value for the F-statistic. We reject the null hypothesis (H_0) that there is no linear relationship between the dependent variable and the explanatory variables if P is less than α (.05).

STANDARD ERROR - Measure of the amount of variation there is in the estimate. The smaller the standard error, the more precise (believable) the estimate is. A general rule of thumb is that the width of the 95% confidence interval is four standard deviations (plus two and minus two from the estimated average).

t-STATISTIC - The ratio of the estimate to its standard error. If the absolute value of the t-statistic is bigger than 1.98, then we reject the null hypothesis (H0) that the estimate is not statistically different from zero, and conclude that the estimate is statistically different from zero.

P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Superstition Total 2001 - 2010

Regression Statistics	
Multiple R	0.957166785
R Square	0.916168254
Adjusted R Square	0.904077137
Standard Error	0.023269417
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	0.615419259	0.041027951	75.77201041	7.11E-49
Residual	104	0.056312441	0.000541466		
Total	119	0.6717317			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.917165322	0.056990368	16.09333928	5.43148E-30	0.804151288	1.030179357	0.804151288	1.030179357
AvgTemp b_1	0.000814269	0.001057464	0.770020569	0.443033258	-0.001282722	0.002911259	-0.001282722	0.002911259
TotPrecip b_2	0.003761003	0.003495538	1.075943979	0.284441996	-0.00317078	0.010692786	-0.00317078	0.010692786
PDSI b_3	-0.00456801	0.001051705	-4.343436518	3.26889E-05	-0.006653582	-0.002482442	-0.006653582	-0.002482442
CodedMonth b_4	-0.00063248	6.32251E-05	-10.00359839	6.60621E-17	-0.000757856	-0.000507101	-0.000757856	-0.000507101
FEB b_5	-0.01134356	0.010666778	-1.063447171	0.290042229	-0.032496176	0.009809066	-0.032496176	0.009809066
MAR b_6	-0.02615389	0.013624019	-1.919689886	0.0576372	-0.05317083	0.000863049	-0.05317083	0.000863049
APR b_7	0.037653716	0.018833385	1.999306927	0.048183543	0.000306409	0.075001023	0.000306409	0.075001023
MAY b_8	0.068145401	0.028336227	2.404886186	0.017944916	0.011953601	0.1243372	0.011953601	0.1243372
JUN b_9	0.124515621	0.036919822	3.372595365	0.001046743	0.05130223	0.197729012	0.05130223	0.197729012
JUL b_{10}	0.159164718	0.04216309	3.774977567	0.000266585	0.075553731	0.242775705	0.075553731	0.242775705
AUG b_{11}	0.113137752	0.039984074	2.829570409	0.005594545	0.033847835	0.192427668	0.033847835	0.192427668
SEP b_{12}	0.11860201	0.034766699	3.411368124	0.000921641	0.049658342	0.187545678	0.049658342	0.187545678
OCT b_{13}	0.077453919	0.022966426	3.372484704	0.001047122	0.031910637	0.122997202	0.031910637	0.122997202
NOV b_{14}	0.062307936	0.013754023	4.530160986	1.57762E-05	0.035033194	0.089582679	0.035033194	0.089582679
DEC b_{15}	0.023630052	0.010634487	2.222020867	0.028447961	0.002541466	0.044718638	0.002541466	0.044718638

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MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Cochise Residential 2001 - 2010

Regression Statistics	
Multiple R	0.962405519
R Square	0.926224382
Adjusted R Square	0.915583668
Standard Error	0.033609992
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	1.474937155	0.098329144	87.04532191	9.91462E-52
Residual	104	0.117481683	0.001129632		
Total	119	1.592418838			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.618424496	0.07891121	7.83696637	4.17121E-12	0.461940611	0.774908382	0.461940611	0.774908382
AvgTemp b_1	0.004044856	0.001613139	2.507444729	0.013707528	0.000845942	0.00724377	0.000845942	0.00724377
TotPrecip b_2	-0.00065682	0.005677357	-0.115690987	0.90812054	-0.011915232	0.010601594	-0.011915232	0.010601594
PDSI b_3	-0.00504643	0.001523856	-3.311620479	0.001276156	-0.008068296	-0.002024569	-0.008068296	-0.002024569
CodedMonth b_4	-0.00099359	8.97658E-05	-11.06864648	2.77408E-19	-0.001171595	-0.000815577	-0.001171595	-0.000815577
FEB b_5	-0.04887866	0.015429419	-3.167887252	0.002016143	-0.079475775	-0.018281543	-0.079475775	-0.018281543
MAR b_6	-0.05146417	0.019405113	-2.652093445	0.009252122	-0.089945241	-0.012983107	-0.089945241	-0.012983107
APR b_7	0.031118351	0.02698788	1.153049112	0.25153348	-0.022399626	0.084636327	-0.022399626	0.084636327
MAY b_8	0.076206366	0.039429465	1.932726377	0.05598974	-0.001983739	0.154396472	-0.001983739	0.154396472
JUN b_9	0.143673949	0.053254525	2.697873048	0.008143849	0.038068229	0.249279668	0.038068229	0.249279668
JUL b_{10}	0.159765167	0.061680632	2.590199909	0.010967419	0.037450163	0.282080171	0.037450163	0.282080171
AUG b_{11}	0.000901818	0.056899992	0.015849171	0.987385086	-0.111932999	0.113736634	-0.111932999	0.113736634
SEP b_{12}	0.019258261	0.047804135	0.402857637	0.687879891	-0.075539131	0.114055652	-0.075539131	0.114055652
OCT b_{13}	0.041562864	0.031792684	1.307309072	0.193990667	-0.021483219	0.104608947	-0.021483219	0.104608947
NOV b_{14}	0.04984184	0.019906441	2.503804686	0.013841051	0.010366622	0.089317058	0.010366622	0.089317058
DEC b_{15}	0.005847193	0.015338714	0.381204914	0.703828851	-0.024570051	0.036264437	-0.024570051	0.036264437

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MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Cochise Commercial 2001 - 2010

Regression Statistics	
Multiple R	0.879469843
R Square	0.773467204
Adjusted R Square	0.740794205
Standard Error	0.04229171
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	0.635118342	0.042341223	23.67297825	6.82922E-27
Residual	104	0.186013231	0.001788589		
Total	119	0.821131573			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	1.248993551	0.099294579	12.57866808	1.30104E-22	1.05208868	1.445898422	1.05208868	1.445898422
AvgTemp b_1	0.002339994	0.002029825	1.152805978	0.251632831	-0.001685224	0.006365212	-0.001685224	0.006365212
TotPrecip b_2	0.004697332	0.007143862	0.657533894	0.512290362	-0.009469215	0.018863878	-0.009469215	0.018863878
PDSI b_3	-0.00492784	0.001917479	-2.569954811	0.011587794	-0.008730269	-0.001125402	-0.008730269	-0.001125402
CodedMonth b_4	0.000873631	0.000112953	7.734461911	6.96097E-12	0.000649641	0.001097621	0.000649641	0.001097621
FEB b_5	-0.03080892	0.019414956	-1.586865424	0.115578997	-0.069309507	0.007691663	-0.069309507	0.007691663
MAR b_6	-0.02230645	0.024417603	-0.913539776	0.363071741	-0.070727472	0.02611457	-0.070727472	0.02611457
APR b_7	0.016043776	0.033959055	0.472444719	0.637599294	-0.051298303	0.083385856	-0.051298303	0.083385856
MAY b_8	0.040982545	0.049614397	0.826021221	0.410682989	-0.057404663	0.139369753	-0.057404663	0.139369753
JUN b_9	0.072462497	0.067010577	1.081359096	0.282038505	-0.060421988	0.205346982	-0.060421988	0.205346982
JUL b_{10}	0.109645878	0.077613211	1.41272183	0.1607232	-0.044264028	0.263555783	-0.044264028	0.263555783
AUG b_{11}	0.006268822	0.071597696	0.087556197	0.930397784	-0.135712091	0.148249735	-0.135712091	0.148249735
SEP b_{12}	0.037047572	0.060152309	0.61589609	0.539308722	-0.082236711	0.156331855	-0.082236711	0.156331855
OCT b_{13}	0.02732274	0.040004977	0.682983524	0.496135895	-0.052008629	0.10665411	-0.052008629	0.10665411
NOV b_{14}	0.054188059	0.025048427	2.163331821	0.032805785	0.00451609	0.103860027	0.00451609	0.103860027
DEC b_{15}	0.009423847	0.019300821	0.488261448	0.626392556	-0.028850404	0.047698098	-0.028850404	0.047698098

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.
R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.
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MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Cochise Total 2001 - 2010

Regression Statistics	
Multiple R	0.961733806
R Square	0.924931913
Adjusted R Square	0.914104785
Standard Error	0.029854783
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	1.142130137	0.076142009	85.42726368	2.42452E-51
Residual	104	0.092696039	0.000891308		
Total	119	1.234826175			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.716106249	0.070094543	10.21629101	2.21073E-17	0.577106144	0.855106354	0.577106144	0.855106354
AvgTemp b_1	0.00356473	0.001432904	2.487765574	0.014443372	0.000723227	0.006406233	0.000723227	0.006406233
TotPrecip b_2	-0.00024298	0.005043032	-0.048181871	0.961663705	-0.010243505	0.009757539	-0.010243505	0.009757539
PDSI b_3	-0.00472922	0.001353597	-3.493814186	0.00070082	-0.00741345	-0.002044983	-0.00741345	-0.002044983
CodedMonth b_4	-0.00054118	7.97364E-05	-6.787172118	7.22967E-10	-0.000699305	-0.000383064	-0.000699305	-0.000383064
FEB b_5	-0.04388534	0.013705506	-3.202022909	0.001810911	-0.071063876	-0.016706812	-0.071063876	-0.016706812
MAR b_6	-0.04379741	0.017237	-2.540895108	0.01253352	-0.077979028	-0.009615792	-0.077979028	-0.009615792
APR b_7	0.027586621	0.023972552	1.150758615	0.252470538	-0.019951848	0.07512509	-0.019951848	0.07512509
MAY b_8	0.069650875	0.035024052	1.988658413	0.049365953	0.000196868	0.139104882	0.000196868	0.139104882
JUN b_9	0.129379329	0.047304453	2.735034879	0.007334402	0.035572826	0.223185833	0.035572826	0.223185833
JUL b_{10}	0.153647622	0.05478912	2.804345516	0.006017492	0.044998745	0.262296499	0.044998745	0.262296499
AUG b_{11}	0.005238841	0.050542616	0.103651965	0.917645166	-0.094989059	0.105466742	-0.094989059	0.105466742
SEP b_{12}	0.025716526	0.042463029	0.605621562	0.546085491	-0.058489252	0.109922305	-0.058489252	0.109922305
OCT b_{13}	0.038806233	0.028240521	1.374133051	0.172354595	-0.017195778	0.094808243	-0.017195778	0.094808243
NOV b_{14}	0.05133022	0.017682315	2.902912885	0.00451465	0.016265527	0.086394913	0.016265527	0.086394913
DEC b_{15}	0.007341972	0.013624935	0.538862899	0.591133084	-0.019676785	0.034360729	-0.019676785	0.034360729

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MS - SS divided by df (degrees of freedom)

F-STATISTIC - If the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables is true, then the F statistic will have come from an F distribution with k (the number of explanatory variables in the model) degrees of freedom in the numerator (15), and n (the number of observations) - k - 1 degrees of freedom in the denominator (104). At the 95% significance level the critical value of the F distribution with 15 and 104 degrees of freedom is 1.75. Because the calculated F value is much larger than the critical value, we can reject the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables.

SIGNIFICANCE F - The associated P-value for the F-statistic. We reject the null hypothesis (H_0) that there is no linear relationship between the dependent variable and the explanatory variables if P is less than α (.05).

STANDARD ERROR - Measure of the amount of variation there is in the estimate. The smaller the standard error, the more precise (believable) the estimate is. A general rule of thumb is that the width of the 95% confidence interval is four standard deviations (plus two and minus two from the estimated average).

t-STATISTIC - The ratio of the estimate to its standard error. If the absolute value of the t-statistic is bigger than 1.98, then we reject the null hypothesis (H0) that the estimate is not statistically different from zero, and condlude that the estimate is statistically different from zero.

P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

San Manuel/Oracle/Winkelman Residential 2001 - 2010

Regression Statistics	
Multiple R	0.965908017
R Square	0.932978298
Adjusted R Square	0.923311706
Standard Error	0.034942668
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	1.767671449	0.117844763	96.51574556	7.04859E-54
Residual	104	0.126982963	0.00122099		
Total	119	1.894654412			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.656421576	0.082040132	8.001225272	1.83019E-12	0.49373292	0.819110231	0.49373292	0.819110231
AvgTemp b_1	0.002719919	0.001677101	1.621797801	0.107874519	-0.000605836	0.006045674	-0.000605836	0.006045674
TotPrecip b_2	0.006448448	0.005902471	1.092499642	0.277137837	-0.005256374	0.01815327	-0.005256374	0.01815327
PDSI b_3	-0.00562109	0.001584279	-3.548042123	0.000583887	-0.008762771	-0.002479403	-0.008762771	-0.002479403
CodedMonth b_4	-0.00113708	9.33252E-05	-12.18406277	9.49164E-22	-0.001322147	-0.000952012	-0.001322147	-0.000952012
FEB b_5	-0.04198406	0.016041213	-2.617262414	0.010184922	-0.073794392	-0.010173738	-0.073794392	-0.010173738
MAR b_6	-0.0229731	0.020174549	-1.138716805	0.257437519	-0.062979984	0.017033789	-0.062979984	0.017033789
APR b_7	0.043382065	0.028057981	1.546157774	0.125104117	-0.012257962	0.099022092	-0.012257962	0.099022092
MAY b_8	0.132324512	0.040992889	3.227986971	0.001668036	0.051034077	0.213614947	0.051034077	0.213614947
JUN b_9	0.203229301	0.05536613	3.670643061	0.000383804	0.09343619	0.313022411	0.09343619	0.313022411
JUL b_{10}	0.214994706	0.064126341	3.35267382	0.001117058	0.087829768	0.342159643	0.087829768	0.342159643
AUG b_{11}	0.105348861	0.059156144	1.780860865	0.077854809	-0.011959988	0.222657711	-0.011959988	0.222657711
SEP b_{12}	0.116891021	0.049699625	2.351949749	0.020558512	0.018334802	0.215447241	0.018334802	0.215447241
OCT b_{13}	0.111436727	0.033053301	3.37142503	0.001050756	0.045890792	0.176982661	0.045890792	0.176982661
NOV b_{14}	0.062651142	0.020695755	3.027246089	0.003111536	0.021610685	0.103691599	0.021610685	0.103691599
DEC b_{15}	0.015630843	0.015946912	0.980179963	0.32927196	-0.01599248	0.047254167	-0.01599248	0.047254167

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.

R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.

ADJUSTED R SQUARE - Version of r-squared that has been adjusted for the number of predictors in the model. R-squared tends to over estimate the strength of the association when there are more than one explanatory variables.

SS - The sum of the squares of the differences between values of y and the average y.

MS - SS divided by df (degrees of freedom)

F-STATISTIC - If the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables is true, then the F statistic will have come from an F distribution with k (the number of explanatory variables in the model) degrees of freedom in the numerator (15), and n (the number of observations) - k - 1 degrees of freedom in the denominator (104). At the 95% significance level the critical value of the F distribution with 15 and 104 degrees of freedom is 1.75. Because the calculated F value is much larger than the critical value, we can reject the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables.

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MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

San Manuel/Oracle/Winkelman Commercial 2001 - 2010

Regression Statistics	
Multiple R	0.905986329
R Square	0.820811228
Adjusted R Square	0.794966694
Standard Error	0.071329584
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	2.423847116	0.161589808	31.75956727	5.05091E-32
Residual	104	0.5291426	0.00508791		
Total	119	2.952989717			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	1.165160649	0.167471143	6.957381604	3.18259E-10	0.833059097	1.4972622	0.833059097	1.4972622
AvgTemp b_1	0.002886597	0.003423521	0.843166391	0.401070456	-0.003902372	0.009675567	-0.003902372	0.009675567
TotPrecip b_2	0.006284882	0.012048903	0.521614442	0.603047892	-0.017608545	0.030178309	-0.017608545	0.030178309
PDSI b_3	-0.0122262	0.003234038	-3.780476041	0.000261466	-0.018639424	-0.005812985	-0.018639424	-0.005812985
CodedMonth b_4	-0.00077045	0.000190508	-4.044184467	0.00010099	-0.001148232	-0.000392664	-0.001148232	-0.000392664
FEB b_5	-0.02084221	0.032745442	-0.636491981	0.525854226	-0.085777648	0.044093227	-0.085777648	0.044093227
MAR b_6	0.000253744	0.041182952	0.006161377	0.995095767	-0.081413592	0.08192108	-0.081413592	0.08192108
APR b_7	0.065506196	0.057275653	1.143700567	0.255373546	-0.048073569	0.179085962	-0.048073569	0.179085962
MAY b_8	0.201311448	0.083680095	2.405726821	0.017905909	0.035370685	0.367252211	0.035370685	0.367252211
JUN b_9	0.246872535	0.11302065	2.18431352	0.031185413	0.02274835	0.47099672	0.02274835	0.47099672
JUL b_{10}	0.274279179	0.13090315	2.095283265	0.038574141	0.014693328	0.533865031	0.014693328	0.533865031
AUG b_{11}	0.187867578	0.120757327	1.555744757	0.122806766	-0.051598726	0.427333881	-0.051598726	0.427333881
SEP b_{12}	0.176194994	0.101453434	1.736708042	0.085399671	-0.024990966	0.377380954	-0.024990966	0.377380954
OCT b_{13}	0.206691081	0.06747276	3.063326311	0.00278735	0.07289007	0.340492092	0.07289007	0.340492092
NOV b_{14}	0.145365602	0.042246905	3.44085802	0.000836051	0.061588406	0.229142798	0.061588406	0.229142798
DEC b_{15}	0.03957648	0.03255294	1.215757448	0.226829805	-0.024977221	0.104130181	-0.024977221	0.104130181

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MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

San Manuel/Oracle/Winkelman Total 2001 - 2010

Regression Statistics	
Multiple R	0.963554803
R Square	0.928437858
Adjusted R Square	0.918116395
Standard Error	0.037146039
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	1.861777939	0.124118529	89.95215888	2.0651E-52
Residual	104	0.143502137	0.001379828		
Total	119	2.005280076			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.712565226	0.087213317	8.170371786	7.80683E-13	0.53961795	0.885512501	0.53961795	0.885512501
AvgTemp b_1	0.002694786	0.001782854	1.5115014	0.133693437	-0.00084068	0.006230252	-0.00084068	0.006230252
TotPrecip b_2	0.006704435	0.006274662	1.068493405	0.287771845	-0.005738455	0.019147325	-0.005738455	0.019147325
PDSI b_3	-0.00704584	0.001684178	-4.183546898	6.0096E-05	-0.010385626	-0.00370605	-0.010385626	-0.00370605
CodedMonth b_4	-0.00102969	9.921E-05	-10.37888222	9.57697E-18	-0.001226425	-0.000832951	-0.001226425	-0.000832951
FEB b_5	-0.03791625	0.01705272	-2.223472267	0.028346926	-0.071732434	-0.004100067	-0.071732434	-0.004100067
MAR b_6	-0.01842624	0.021446691	-0.859164828	0.392225595	-0.060955834	0.024103349	-0.060955834	0.024103349
APR b_7	0.048997727	0.029827226	1.642718201	0.103461512	-0.01015078	0.108146235	-0.01015078	0.108146235
MAY b_8	0.147859152	0.043577768	3.392995061	0.00097906	0.061442805	0.234275499	0.061442805	0.234275499
JUN b_9	0.213394981	0.058857339	3.625630791	0.000448216	0.096678672	0.330111289	0.096678672	0.330111289
JUL b_{10}	0.227415439	0.068169941	3.336007561	0.001179262	0.092231891	0.362598986	0.092231891	0.362598986
AUG b_{11}	0.122594661	0.062886339	1.949464121	0.053933033	-0.002111305	0.247300627	-0.002111305	0.247300627
SEP b_{12}	0.129767789	0.052833523	2.45616385	0.015699144	0.024996933	0.234538645	0.024996933	0.234538645
OCT b_{13}	0.131703509	0.035137535	3.748228423	0.000292881	0.062024459	0.201382558	0.062024459	0.201382558
NOV b_{14}	0.079228757	0.022000762	3.601182409	0.000487363	0.035600421	0.122857092	0.035600421	0.122857092
DEC b_{15}	0.019324437	0.016952472	1.13991852	0.25693877	-0.014292951	0.052941825	-0.014292951	0.052941825

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.

R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.

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MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Eastern Group Residential 2001 - 2010

Regression Statistics	
Multiple R	0.969311065
R Square	0.939563941
Adjusted R Square	0.930847201
Standard Error	0.021583084
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	0.753165701	0.050211047	107.7884639	3.40214E-56
Residual	104	0.048446268	0.00046583		
Total	119	0.801611969			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.757691305	0.053476649	14.16863835	5.02994E-26	0.651645106	0.863737504	0.651645106	0.863737504
AvgTemp b_1	0.001871989	0.001040697	1.798784547	0.074953308	-0.000191751	0.003935729	-0.000191751	0.003935729
TotPrecip b_2	0.004305329	0.003640542	1.182606791	0.239661635	-0.002914001	0.01152466	-0.002914001	0.01152466
PDSI b_3	-0.00607527	0.001042447	-5.827889286	6.35119E-08	-0.008142478	-0.004008055	-0.008142478	-0.004008055
CodedMonth b_4	-0.00063584	5.80151E-05	-10.95991693	4.84281E-19	-0.000750887	-0.000520795	-0.000750887	-0.000520795
FEB b_5	-0.02082926	0.009917922	-2.100164035	0.038133073	-0.040496873	-0.001161652	-0.040496873	-0.001161652
MAR b_6	-0.03323176	0.012736833	-2.609107111	0.010415248	-0.058489377	-0.007974144	-0.058489377	-0.007974144
APR b_7	0.031593178	0.017802166	1.774681672	0.078876365	-0.003709185	0.06689554	-0.003709185	0.06689554
MAY b_8	0.067060826	0.026546054	2.526206977	0.013037434	0.014419007	0.119702646	0.014419007	0.119702646
JUN b_9	0.120496507	0.035219841	3.421267789	0.00089203	0.050654243	0.190338771	0.050654243	0.190338771
JUL b_{10}	0.142317613	0.039995778	3.55831591	0.00056392	0.063004487	0.22163074	0.063004487	0.22163074
AUG b_{11}	0.069395561	0.037545002	1.848330203	0.067395795	-0.005057585	0.143848706	-0.005057585	0.143848706
SEP b_{12}	0.081907191	0.032271515	2.538064622	0.012629244	0.017911567	0.145902814	0.017911567	0.145902814
OCT b_{13}	0.061145944	0.02139158	2.858411768	0.005144408	0.018725639	0.103566249	0.018725639	0.103566249
NOV b_{14}	0.050040576	0.012965448	3.859533018	0.000197446	0.024329606	0.075751546	0.024329606	0.075751546
DEC b_{15}	0.017849062	0.009862575	1.809777065	0.073218554	-0.001708794	0.037406918	-0.001708794	0.037406918

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P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Eastern Group Commercial 2001 - 2010

Regression Statistics	
Multiple R	0.957680194
R Square	0.917151353
Adjusted R Square	0.905202029
Standard Error	0.027281745
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	0.856906043	0.05712707	76.75340865	3.87645E-49
Residual	104	0.077406533	0.000744294		
Total	119	0.934312576			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	1.518322806	0.067596285	22.46163087	1.08517E-41	1.38427684	1.652368773	1.38427684	1.652368773
AvgTemp b_1	0.001031126	0.001315476	0.783842838	0.434913908	-0.001577511	0.003639763	-0.001577511	0.003639763
TotPrecip b_2	0.002633027	0.004601767	0.572177387	0.568436576	-0.00649245	0.011758504	-0.00649245	0.011758504
PDSI b_3	-0.00607658	0.001317688	-4.611546651	1.14191E-05	-0.008689606	-0.003463556	-0.008689606	-0.003463556
CodedMonth b_4	-0.00059597	7.33331E-05	-8.126832728	9.72448E-13	-0.000741388	-0.000450543	-0.000741388	-0.000450543
FEB b_5	-0.01336683	0.012536587	-1.06622525	0.288790816	-0.038227348	0.011493696	-0.038227348	0.011493696
MAR b_6	-0.02087609	0.016099785	-1.296668969	0.197614746	-0.052802569	0.011050385	-0.052802569	0.011050385
APR b_7	0.04079696	0.022502537	1.812993803	0.072717264	-0.003826414	0.085420335	-0.003826414	0.085420335
MAY b_8	0.083809572	0.033555106	2.49766974	0.014068729	0.01726854	0.150350604	0.01726854	0.150350604
JUN b_9	0.148818815	0.044519065	3.342810914	0.001153487	0.060535842	0.237101788	0.060535842	0.237101788
JUL b_{10}	0.192058931	0.05055601	3.798933709	0.000244955	0.091804468	0.292313393	0.091804468	0.292313393
AUG b_{11}	0.135043835	0.047458146	2.845535408	0.005341106	0.040932553	0.229155118	0.040932553	0.229155118
SEP b_{12}	0.141661435	0.040792281	3.472750958	0.000751933	0.060768812	0.222554057	0.060768812	0.222554057
OCT b_{13}	0.102792388	0.027039677	3.80153901	0.000242706	0.049171695	0.156413081	0.049171695	0.156413081
NOV b_{14}	0.092554431	0.016388763	5.647432267	1.42578E-07	0.060054899	0.125053962	0.060054899	0.125053962
DEC b_{15}	0.029888937	0.012466627	2.397515989	0.018290153	0.005167149	0.054610725	0.005167149	0.054610725

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.

R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.

ADJUSTED R SQUARE - Version of r-squared that has been adjusted for the number of predictors in the model. R-squared tends to over estimate the strength of the association when there are more than one explanatory variables.

SS - The sum of the squares of the differences between values of y and the average y.

MS - SS divided by df (degrees of freedom)

F-STATISTIC - If the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables is true, then the F statistic will have come from an F distribution with k (the number of explanatory variables in the model) degrees of freedom in the numerator (15), and n (the number of observations) - k - 1 degrees of freedom in the denominator (104). At the 95% significance level the critical value of the F distribution with 15 and 104 degrees of freedom is 1.75. Because the calculated F value is much larger than the critical value, we can reject the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables.

SIGNIFICANCE F - The associated P-value for the F-statistic. We reject the null hypothesis (H_0) that there is no linear relationship between the dependent variable and the explanatory variables if P is less than α (.05).

STANDARD ERROR - Measure of the amount of variation there is in the estimate. The smaller the standard error, the more precise (believable) the estimate is. A general rule of thumb is that the width of the 95% confidence interval is four standard deviations (plus two and minus two from the estimated average).

t-STATISTIC - The ratio of the estimate to its standard error. If the absolute value of the t-statistic is bigger than 1.98, then we reject the null hypothesis (H0) that the estimate is not statistically different from zero, and condlude that the estimate is statistically different from zero.

P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Eastern Group Total 2001 - 2010

Regression Statistics	
Multiple R	0.970763066
R Square	0.94238093
Adjusted R Square	0.934070487
Standard Error	0.021269644
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	0.769509537	0.051300636	113.3971985	2.89786E-57
Residual	104	0.047049364	0.000452398		
Total	119	0.816558902			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.849739042	0.052700035	16.12406979	4.71169E-30	0.745232898	0.954245186	0.745232898	0.954245186
AvgTemp b_1	0.00168452	0.001025583	1.642499941	0.103506789	-0.00034925	0.00371829	-0.00034925	0.00371829
TotPrecip b_2	0.003451127	0.003587672	0.96194063	0.338310677	-0.00366336	0.010565615	-0.00366336	0.010565615
PDSI b_3	-0.00570791	0.001027308	-5.556184388	2.13617E-07	-0.007745105	-0.003670723	-0.007745105	-0.003670723
CodedMonth b_4	-0.00064164	5.71726E-05	-11.2227815	1.26035E-19	-0.000755011	-0.00052826	-0.000755011	-0.00052826
FEB b_5	-0.01929453	0.009773889	-1.974089697	0.0510236	-0.038676521	8.74545E-05	-0.038676521	8.74545E-05
MAR b_6	-0.03088442	0.012551862	-2.460544626	0.015519436	-0.055775229	-0.005993604	-0.055775229	-0.005993604
APR b_7	0.032922683	0.017543634	1.876617033	0.063373838	-0.001867001	0.067712366	-0.001867001	0.067712366
MAY b_8	0.070177811	0.026160539	2.682582772	0.008499834	0.018300482	0.12205514	0.018300482	0.12205514
JUN b_9	0.126100311	0.034708361	3.63313934	0.000436804	0.057272331	0.194928292	0.057272331	0.194928292
JUL b_{10}	0.153616134	0.03941494	3.897408836	0.00017236	0.075454832	0.231777436	0.075454832	0.231777436
AUG b_{11}	0.084087026	0.036999755	2.2726374	0.025104736	0.010715126	0.157458926	0.010715126	0.157458926
SEP b_{12}	0.094724567	0.031802852	2.978492848	0.003605116	0.03165832	0.157790815	0.03165832	0.157790815
OCT b_{13}	0.069797816	0.021080921	3.310947194	0.001278934	0.02799356	0.111602072	0.02799356	0.111602072
NOV b_{14}	0.058948014	0.012777158	4.613546733	1.13283E-05	0.033610432	0.084285597	0.033610432	0.084285597
DEC b_{15}	0.020201267	0.009719346	2.078459567	0.040128341	0.00092744	0.039475094	0.00092744	0.039475094

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.

R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.

ADJUSTED R SQUARE - Version of r-squared that has been adjusted for the number of predictors in the model. R-squared tends to over estimate the strength of the association when there are more than one explanatory variables.

SS - The sum of the squares of the differences between values of y and the average y.

MS - SS divided by df (degrees of freedom)

F-STATISTIC - If the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables is true, then the F statistic will have come from an F distribution with k (the number of explanatory variables in the model) degrees of freedom in the numerator (15), and n (the number of observations) - k - 1 degrees of freedom in the denominator (104). At the 95% significance level the critical value of the F distribution with 15 and 104 degrees of freedom is 1.75. Because the calculated F value is much larger than the critical value, we can reject the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables.

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STANDARD ERROR - Measure of the amount of variation there is in the estimate. The smaller the standard error, the more precise (believable) the estimate is. A general rule of thumb is that the width of the 95% confidence interval is four standard deviations (plus two and minus two from the estimated average).

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P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Pinal Valley Residential 2001 - 2010

Regression Statistics	
Multiple R	0.970078871
R Square	0.941053016
Adjusted R Square	0.932551047
Standard Error	0.028131099
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	1.31389065	0.08759271	110.6864808	9.39151E-57
Residual	104	0.082301305	0.000791359		
Total	119	1.396191956			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.903736376	0.06889737	13.11713897	8.83498E-24	0.76711031	1.040362442	0.76711031	1.040362442
AvgTemp b_1	0.001706535	0.0012784	1.334899324	0.184824186	-0.00082858	0.00424165	-0.00082858	0.00424165
TotPrecip b_2	-0.00151374	0.004225861	-0.358207604	0.720914003	-0.009893776	0.006866305	-0.009893776	0.006866305
PDSI b_3	-0.00352406	0.001271437	-2.771716293	0.006607908	-0.006045371	-0.001002756	-0.006045371	-0.001002756
CodedMonth b_4	-0.00123768	7.64347E-05	-16.19259266	3.43311E-30	-0.001389249	-0.001086103	-0.001389249	-0.001086103
FEB b_5	-0.03189686	0.012895389	-2.473508721	0.014998335	-0.057468898	-0.006324818	-0.057468898	-0.006324818
MAR b_6	-0.04591561	0.016470486	-2.787750869	0.006311462	-0.078577202	-0.013254021	-0.078577202	-0.013254021
APR b_7	0.044425939	0.022768245	1.951223687	0.053720584	-0.000724344	0.089576223	-0.000724344	0.089576223
MAY b_8	0.09539071	0.034256517	2.784600352	0.006368732	0.027458753	0.163322667	0.027458753	0.163322667
JUN b_9	0.153188211	0.044633484	3.432136549	0.000860552	0.06467834	0.241698082	0.06467834	0.241698082
JUL b_{10}	0.19155572	0.050972228	3.758040976	0.000282961	0.090475883	0.292635558	0.090475883	0.292635558
AUG b_{11}	0.134830805	0.04833795	2.78933646	0.006282817	0.03897484	0.23068677	0.03897484	0.23068677
SEP b_{12}	0.140227696	0.042030509	3.336331147	0.001178024	0.056879622	0.22357577	0.056879622	0.22357577
OCT b_{13}	0.106400508	0.027764803	3.832208311	0.000217665	0.051341864	0.161459153	0.051341864	0.161459153
NOV b_{14}	0.091269139	0.016627652	5.488997525	2.87095E-07	0.058295882	0.124242395	0.058295882	0.124242395
DEC b_{15}	0.024772868	0.012856351	1.926897298	0.056721395	-0.000721758	0.050267495	-0.000721758	0.050267495

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.

R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.

ADJUSTED R SQUARE - Version of r-squared that has been adjusted for the number of predictors in the model. R-squared tends to over estimate the strength of the association when there are more than one explanatory variables.

SS - The sum of the squares of the differences between values of y and the average y.

MS - SS divided by df (degrees of freedom)

F-STATISTIC - If the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables is true, then the F statistic will have come from an F distribution with k (the number of explanatory variables in the model) degrees of freedom in the numerator (15), and n (the number of observations) - k - 1 degrees of freedom in the denominator (104). At the 95% significance level the critical value of the F distribution with 15 and 104 degrees of freedom is 1.75. Because the calculated F value is much larger than the critical value, we can reject the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables.

SIGNIFICANCE F - The associated *P*-value for the F-statistic. We reject the null hypothesis (H_0) that there is no linear relationship between the dependent variable and the explanatory variables if P is less than α (.05).

STANDARD ERROR - Measure of the amount of variation there is in the estimate. The smaller the standard error, the more precise (believable) the estimate is. A general rule of thumb is that the width of the 95% confidence interval is four standard deviations (plus two and minus two from the estimated average).

t-STATISTIC - The ratio of the estimate to its standard error. If the absolute value of the t-statistic is bigger than 1.98, then we reject the null hypothesis (H0) that the estimate is not statistically different from zero, and condlude that the estimate is statistically different from zero.

P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Pinal Valley Commercial 2001 - 2010

Regression Statistics	
Multiple R	0.968749043
R Square	0.938474708
Adjusted R Square	0.929600868
Standard Error	0.038789168
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	2.386839166	0.159122611	105.7574502	8.5494E-56
Residual	104	0.156478352	0.0015046		
Total	119	2.543317518			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	1.445642174	0.095000615	15.21718761	3.28554E-28	1.257252395	1.634031952	1.257252395	1.634031952
AvgTemp b_1	0.002019721	0.001762749	1.145779275	0.254516129	-0.001475876	0.005515319	-0.001475876	0.005515319
TotPrecip b_2	0.00612008	0.005826919	1.0503115	0.296009423	-0.005434919	0.017675078	-0.005434919	0.017675078
PDSI b_3	-0.00544955	0.001753149	-3.108437602	0.002426051	-0.008926112	-0.001972994	-0.008926112	-0.001972994
CodedMonth b_4	0.000254121	0.000105394	2.411164157	0.017655422	4.51218E-05	0.000463121	4.51218E-05	0.000463121
FEB b_5	-0.0327643	0.017781084	-1.842649149	0.068228735	-0.068024854	0.002496256	-0.068024854	0.002496256
MAR b_6	-0.04677668	0.022710682	-2.059677296	0.041926846	-0.09181281	-0.001740543	-0.09181281	-0.001740543
APR b_7	0.04329822	0.031394483	1.379166528	0.170802143	-0.018958216	0.105554655	-0.018958216	0.105554655
MAY b_8	0.10489274	0.047235333	2.220641496	0.028544273	0.011223305	0.198562174	0.011223305	0.198562174
JUN b_9	0.224650481	0.061543835	3.650251559	0.000411814	0.102606749	0.346694212	0.102606749	0.346694212
JUL b_{10}	0.283955611	0.070284148	4.040108881	0.000102518	0.144579512	0.42333171	0.144579512	0.42333171
AUG b_{11}	0.247388155	0.066651817	3.71164906	0.000332853	0.115215104	0.379561206	0.115215104	0.379561206
SEP b_{12}	0.244485957	0.057954668	4.218572337	5.26551E-05	0.12955968	0.359412234	0.12955968	0.359412234
OCT b_{13}	0.211907989	0.038284093	5.535144514	2.34382E-07	0.135989197	0.28782678	0.135989197	0.28782678
NOV b_{14}	0.189694945	0.022927394	8.273724782	4.63074E-13	0.144229065	0.235160826	0.144229065	0.235160826
DEC b_{15}	0.065243755	0.017727255	3.680420557	0.000371024	0.030089943	0.100397566	0.030089943	0.100397566

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.
R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.
ADJUSTED R SQUARE - Version of r-squared that has been adjusted for the number of predictors in the model. R-squared tends to over estimate the strength of the association when there are more than one explanatory variables.
SS - The sum of the squares of the differences between values of y and the average y.
MS - SS divided by df (degrees of freedom)
F-STATISTIC - If the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables is true, then the F statistic will have come from an F distribution with k (the number of explanatory variables in the model) degrees of freedom in the numerator (15), and n (the number of observations) - k - 1 degrees of freedom in the denominator (104). At the 95% significance level the critical value of the F distribution with 15 and 104 degrees of freedom is 1.75. *Because the calculated F value is much larger than the critical value, we can reject the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables.*
SIGNIFICANCE F - The associated P-value for the F-statistic. We reject the null hypothesis (H_0) that there is no linear relationship between the dependent variable and the explanatory variables if P is less than α (.05).
STANDARD ERROR - Measure of the amount of variation there is in the estimate. The smaller the standard error, the more precise (believable) the estimate is. A general rule of thumb is that the width of the 95% confidence interval is four standard deviations (plus two and minus two from the estimated average).
t-STATISTIC - The ratio of the estimate to its standard error. If the absolute value of the t-statistic is bigger than 1.98, then we reject the null hypothesis (H0) that the estimate is not statistically different from zero, and condlude that the estimate is statistically different from zero.
P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Pinal Valley Total 2001 - 2010

Regression Statistics	
Multiple R	0.969502918
R Square	0.939935909
Adjusted R Square	0.931272819
Standard Error	0.030586139
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	1.522530414	0.101502028	108.4989189	2.47413E-56
Residual	104	0.097293236	0.000935512		
Total	119	1.61982365			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.969524586	0.074910139	12.94250142	2.10743E-23	0.820974972	1.118074199	0.820974972	1.118074199
AvgTemp b_1	0.001997769	0.001389968	1.437277709	0.153640986	-0.000758588	0.004754127	-0.000758588	0.004754127
TotPrecip b_2	-8.6455E-05	0.004594658	-0.018816374	0.985023644	-0.009197833	0.009024924	-0.009197833	0.009024924
PDSI b_3	-0.00350343	0.001382397	-2.534315	0.012757064	-0.006244776	-0.000762085	-0.006244776	-0.000762085
CodedMonth b_4	-0.00100142	8.31053E-05	-12.05006485	1.86916E-21	-0.001166225	-0.000836623	-0.001166225	-0.000836623
FEB b_5	-0.03258149	0.014020788	-2.323798941	0.022081189	-0.060385239	-0.004777744	-0.060385239	-0.004777744
MAR b_6	-0.04854412	0.017907888	-2.710767652	0.00785422	-0.084056137	-0.013032111	-0.084056137	-0.013032111
APR b_7	0.039807976	0.024755262	1.608061211	0.110853495	-0.009282635	0.088898587	-0.009282635	0.088898587
MAY b_8	0.092403431	0.037246131	2.480886688	0.014708804	0.018542957	0.166263905	0.018542957	0.166263905
JUN b_9	0.164883987	0.04852871	3.397658546	0.000964176	0.068649736	0.261118237	0.068649736	0.261118237
JUL b_{10}	0.209742623	0.055420645	3.784557596	0.000257726	0.099841407	0.319643839	0.099841407	0.319643839
AUG b_{11}	0.160078912	0.05255647	3.045845978	0.002940293	0.055857463	0.264300361	0.055857463	0.264300361
SEP b_{12}	0.163993839	0.04569857	3.588598918	0.000508752	0.073371862	0.254615815	0.073371862	0.254615815
OCT b_{13}	0.132410738	0.030187876	4.38622241	2.77083E-05	0.072547049	0.192274427	0.072547049	0.192274427
NOV b_{14}	0.117162541	0.01807877	6.480669915	3.11057E-09	0.081311662	0.153013419	0.081311662	0.153013419
DEC b_{15}	0.036554836	0.013978343	2.61510513	0.010245397	0.008835258	0.064274414	0.008835258	0.064274414

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.

R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.

ADJUSTED R SQUARE - Version of r-squared that has been adjusted for the number of predictors in the model. R-squared tends to over estimate the strength of the association when there are more than one explanatory variables.

SS - The sum of the squares of the differences between values of y and the average y.

MS - SS divided by df (degrees of freedom)

F-STATISTIC - If the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables is true, then the F statistic will have come from an F distribution with k (the number of explanatory variables in the model) degrees of freedom in the numerator (15), and n (the number of observations) - k - 1 degrees of freedom in the denominator (104). At the 95% significance level the critical value of the F distribution with 15 and 104 degrees of freedom is 1.75. Because the calculated F value is much larger than the critical value, we can reject the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables.

SIGNIFICANCE F - The associated P-value for the F-statistic. We reject the null hypothesis (H_0) that there is no linear relationship between the dependent variable and the explanatory variables if P is less than α (.05).

STANDARD ERROR - Measure of the amount of variation there is in the estimate. The smaller the standard error, the more precise (believable) the estimate is. A general rule of thumb is that the width of the 95% confidence interval is four standard deviations (plus two and minus two from the estimated average).

t-STATISTIC - The ratio of the estimate to its standard error. If the absolute value of the t-statistic is bigger than 1.98, then we reject the null hypothesis (H0) that the estimate is not statistically different from zero, and condlude that the estimate is statistically different from zero.

P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

White Tank Residential 2001 - 2010

Regression Statistics	
Multiple R	0.960520631
R Square	0.922599883
Adjusted R Square	0.911436405
Standard Error	0.042614609
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	2.251241721	0.150082781	82.6444815	1.17093E-50
Residual	104	0.188864507	0.001816005		
Total	119	2.440106228			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.888985084	0.103654882	8.57639376	9.968E-14	0.683433569	1.094536599	0.683433569	1.094536599
AvgTemp b_1	0.000246951	0.001877661	0.131520367	0.895617771	-0.003476522	0.003970423	-0.003476522	0.003970423
TotPrecip b_2	0.003587831	0.009181807	0.390754351	0.69677812	-0.014620036	0.021795698	-0.014620036	0.021795698
PDSI b_3	-0.00689708	0.001456619	-4.734991315	6.94951E-06	-0.009785606	-0.004008547	-0.009785606	-0.004008547
CodedMonth b_4	0.000799806	0.000115493	6.925174504	3.71907E-10	0.00057078	0.001028832	0.00057078	0.001028832
FEB b_5	-0.02776554	0.019917897	-1.393999381	0.166289105	-0.067263472	0.0117324	-0.067263472	0.0117324
MAR b_6	-0.02119405	0.026816088	-0.790348506	0.431122765	-0.074371362	0.031983252	-0.074371362	0.031983252
APR b_7	0.063604758	0.035052224	1.814571243	0.072472482	-0.005905116	0.133114631	-0.005905116	0.133114631
MAY b_8	0.179066642	0.051932377	3.448073294	0.00081628	0.076082793	0.282050491	0.076082793	0.282050491
JUN b_9	0.28575088	0.066683845	4.285159003	4.08783E-05	0.153514316	0.417987443	0.153514316	0.417987443
JUL b_{10}	0.335146387	0.077522138	4.323234594	3.53304E-05	0.181417083	0.488875691	0.181417083	0.488875691
AUG b_{11}	0.306267036	0.074153997	4.130148727	7.34157E-05	0.159216881	0.45331719	0.159216881	0.45331719
SEP b_{12}	0.276364227	0.063615889	4.344264152	3.25849E-05	0.150211535	0.402516919	0.150211535	0.402516919
OCT b_{13}	0.240681298	0.041458709	5.8053255	7.03149E-08	0.158467126	0.322895471	0.158467126	0.322895471
NOV b_{14}	0.176371915	0.02489798	7.08378408	1.723E-10	0.126998288	0.225745543	0.126998288	0.225745543
DEC b_{15}	0.084279939	0.019487395	4.324843849	3.51126E-05	0.045635705	0.122924173	0.045635705	0.122924173

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MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

White Tank Commercial 2001 - 2010

Regression Statistics	
Multiple R	0.793553633
R Square	0.629727369
Adjusted R Square	0.576322663
Standard Error	0.126099655
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	2.812497174	0.187499812	11.79160811	2.32587E-16
Residual	104	1.653716798	0.015901123		
Total	119	4.466213973			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	1.656906591	0.306722162	5.401978722	4.19915E-07	1.048665051	2.26514813	1.048665051	2.26514813
AvgTemp b_1	0.000623553	0.005556133	0.112227817	0.910859103	-0.010394467	0.011641572	-0.010394467	0.011641572
TotPrecip b_2	-0.04845988	0.027169619	-1.78360537	0.0774046	-0.102338253	0.005418494	-0.102338253	0.005418494
PDSI b_3	0.00291069	0.004310238	0.675296667	0.500985985	-0.005636674	0.011458053	-0.005636674	0.011458053
CodedMonth b_4	0.000420454	0.000341751	1.230295294	0.22136212	-0.00025725	0.001098158	-0.00025725	0.001098158
FEB b_5	-0.06371839	0.058938472	-1.081100191	0.2821531	-0.180595593	0.053158805	-0.180595593	0.053158805
MAR b_6	-0.04752259	0.079350709	-0.598893111	0.550546461	-0.204878023	0.109832837	-0.204878023	0.109832837
APR b_7	-0.00540303	0.103722022	-0.052091443	0.958555756	-0.211087685	0.200281626	-0.211087685	0.200281626
MAY b_8	0.113194437	0.153671593	0.736599618	0.463024228	-0.191542091	0.417930965	-0.191542091	0.417930965
JUN b_9	0.232509762	0.197322236	1.178325192	0.241356077	-0.158787626	0.62380715	-0.158787626	0.62380715
JUL b_{10}	0.318918993	0.229393514	1.390270318	0.167415058	-0.13597694	0.773814926	-0.13597694	0.773814926
AUG b_{11}	0.320168556	0.219426946	1.459112301	0.147547999	-0.1149633	0.755300412	-0.1149633	0.755300412
SEP b_{12}	0.292884835	0.188243937	1.55587925	0.122774777	-0.080409945	0.666179615	-0.080409945	0.666179615
OCT b_{13}	0.257803223	0.122679265	2.10144089	0.038018406	0.014525644	0.501080802	0.014525644	0.501080802
NOV b_{14}	0.245159984	0.073674892	3.327592022	0.001211891	0.099059912	0.391260057	0.099059912	0.391260057
DEC b_{15}	0.11479004	0.057664586	1.990650564	0.049142885	0.000439006	0.229141075	0.000439006	0.229141075

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MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

White Tank Total 2001 - 2010

Regression Statistics	
Multiple R	0.961714087
R Square	0.924893984
Adjusted R Square	0.914061386
Standard Error	0.043036368
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	2.372038863	0.158135924	85.38062156	2.48839E-51
Residual	104	0.192621415	0.001852129		
Total	119	2.564660278			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.925942685	0.104680761	8.84539504	2.52832E-14	0.718356813	1.133528556	0.718356813	1.133528556
AvgTemp b_1	-3.4999E-06	0.001896244	-0.001845708	0.998530875	-0.003763824	0.003756824	-0.003763824	0.003756824
TotPrecip b_2	-0.00233108	0.00927268	-0.251391861	0.802007221	-0.020719148	0.016056996	-0.020719148	0.016056996
PDSI b_3	-0.00635429	0.001471035	-4.319602886	3.58265E-05	-0.009271404	-0.003437169	-0.009271404	-0.003437169
CodedMonth b_4	0.001043112	0.000116636	8.943349028	1.53224E-14	0.00081182	0.001274405	0.00081182	0.001274405
FEB b_5	-0.02927253	0.020115026	-1.455256921	0.148610015	-0.06916138	0.010616319	-0.06916138	0.010616319
MAR b_6	-0.02067097	0.027081488	-0.763287793	0.447019791	-0.074374576	0.033032637	-0.074374576	0.033032637
APR b_7	0.061944406	0.035399138	1.749884578	0.083087718	-0.008253411	0.132142223	-0.008253411	0.132142223
MAY b_8	0.179954903	0.052446355	3.431218487	0.00086317	0.075951816	0.28395799	0.075951816	0.28395799
JUN b_9	0.289993183	0.067343819	4.306158841	3.77224E-05	0.156447866	0.423538501	0.156447866	0.423538501
JUL b_{10}	0.344405329	0.078289379	4.39913221	2.63552E-05	0.189154557	0.499656102	0.189154557	0.499656102
AUG b_{11}	0.31911289	0.074887904	4.261207408	4.47882E-05	0.170607371	0.467618409	0.170607371	0.467618409
SEP b_{12}	0.287625538	0.0642455	4.476975657	1.94507E-05	0.160224305	0.415026772	0.160224305	0.415026772
OCT b_{13}	0.247416585	0.041869028	5.9092985	4.39302E-08	0.164388733	0.330444436	0.164388733	0.330444436
NOV b_{14}	0.185250254	0.025144397	7.367456625	4.29444E-11	0.135387973	0.235112536	0.135387973	0.235112536
DEC b_{15}	0.084226565	0.019680263	4.279747976	4.17318E-05	0.045199866	0.123253263	0.045199866	0.123253263

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MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Ajo Residential 2001 - 2010

Regression Statistics	
Multiple R	0.907488277
R Square	0.823534973
Adjusted R Square	0.798083286
Standard Error	0.038982586
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	0.737561151	0.049170743	32.35679363	2.32S9E-32
Residual	104	0.158042771	0.001519642		
Total	119	0.895603921			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.734271194	0.095474326	7.690771197	8.65477E-12	0.544942028	0.923600359	0.544942028	0.923600359
AvgTemp b_1	-0.00056761	0.001771539	-0.320404975	0.749304225	-0.004080638	0.002945418	-0.004080638	0.002945418
TotPrecip b_2	-0.01330665	0.005855974	-2.272320038	0.025124574	-0.024919264	-0.001694031	-0.024919264	-0.001694031
PDSI b_3	-0.00247737	0.00176189	-1.40608581	0.162679423	-0.005971264	0.001016526	-0.005971264	0.001016526
CodedMonth b_4	-0.00068587	0.000105919	-6.475423534	3.18854E-09	-0.000895913	-0.00047583	-0.000895913	-0.00047583
FEB b_5	-0.02146147	0.017869747	-1.200994797	0.232481354	-0.056897852	0.013974905	-0.056897852	0.013974905
MAR b_6	-0.03220021	0.022823927	-1.410809279	0.16128514	-0.07746091	0.013060494	-0.07746091	0.013060494
APR b_7	0.059426825	0.031551028	1.883514697	0.062424199	-0.003140046	0.121993696	-0.003140046	0.121993696
MAY b_8	0.109630908	0.047470867	2.309435556	0.022895794	0.0154944	0.203767416	0.0154944	0.203767416
JUN b_9	0.17106818	0.061850718	2.765823688	0.006720004	0.048415889	0.29372047	0.048415889	0.29372047
JUL b_{10}	0.209349157	0.070634613	2.963832437	0.0037671	0.069278073	0.349420242	0.069278073	0.349420242
AUG b_{11}	0.146441738	0.06698417	2.186214121	0.031042135	0.013609619	0.279273857	0.013609619	0.279273857
SEP b_{12}	0.125666538	0.058243653	2.157600572	0.033260921	0.010167193	0.241165884	0.010167193	0.241165884
OCT b_{13}	0.081608858	0.038474993	2.121088309	0.036291139	0.005311505	0.157906211	0.005311505	0.157906211
NOV b_{14}	0.022537361	0.023041719	0.978111107	0.330289152	-0.023155231	0.068229953	-0.023155231	0.068229953
DEC b_{15}	-0.02473222	0.01781565	-1.388230145	0.168033521	-0.060061326	0.010596879	-0.060061326	0.010596879

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STANDARD ERROR - Measure of the amount of variation there is in the estimate. The smaller the standard error, the more precise (believable) the estimate is. A general rule of thumb is that the width of the 95% confidence interval is four standard deviations (plus two and minus two from the estimated average).

t-STATISTIC - The ratio of the estimate to its standard error. If the absolute value of the t-statistic is bigger than 1.98, then we reject the null hypothesis (H0) that the estimate is not statistically different from zero, and condlude that the estimate is statistically different from zero.

P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Ajo Commercial 2001 - 2010

Regression Statistics	
Multiple R	0.671719996
R Square	0.451207753
Adjusted R Square	0.372055025
Standard Error	*0.046708049*
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	0.186545757	0.012436384	5.700470033	2.22642E-08
Residual	104	0.226890749	0.002181642		
Total	119	0.413436506			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	1.197025337	0.114395167	10.46395026	6.18328E-18	0.970175435	1.42387524	0.970175435	1.42387524
AvgTemp b_1	-0.00067898	0.002122618	-0.319876648	0.749703563	-0.004888206	0.003530254	-0.004888206	0.003530254
TotPrecip b_2	-0.01265947	0.007016495	-1.804243657	0.074087587	-0.02657344	0.001254506	-0.02657344	0.001254506
PDSI b_3	0.000982386	0.002111057	0.465352683	0.642651893	-0.003203919	0.005168691	-0.003203919	0.005168691
CodedMonth b_4	-0.0002986	0.00012691	-2.352860582	0.020510835	-0.000550269	-4.69342E-05	-0.000550269	-4.69342E-05
FEB b_5	0.048399271	0.021411125	2.260473043	0.025875034	0.005940208	0.090858334	0.005940208	0.090858334
MAR b_6	0.021294406	0.02734711	0.778671164	0.437941555	-0.032935938	0.075524751	-0.032935938	0.075524751
APR b_7	0.010272346	0.037803725	0.271728403	0.786369537	-0.064693857	0.085238548	-0.064693857	0.085238548
MAY b_8	0.019659773	0.056878514	0.345644988	0.730307711	-0.093132451	0.132451997	-0.093132451	0.132451997
JUN b_9	0.063581908	0.074108124	0.857961375	0.392886731	-0.083377279	0.210541095	-0.083377279	0.210541095
JUL b_{10}	0.096096273	0.084632788	1.135449688	0.258796916	-0.071733717	0.263926262	-0.071733717	0.263926262
AUG b_{11}	0.05605846	0.08025891	0.698470236	0.486442088	-0.103097966	0.215214885	-0.103097966	0.215214885
SEP b_{12}	0.051091704	0.069786221	0.732117357	0.465743601	-0.087296987	0.189480394	-0.087296987	0.189480394
OCT b_{13}	0.024536899	0.046099862	0.532255366	0.595684428	-0.066880855	0.115954653	-0.066880855	0.115954653
NOV b_{14}	-0.04304016	0.027608064	-1.55897068	0.122041291	-0.097787987	0.011707663	-0.097787987	0.011707663
DEC b_{15}	-0.06729675	0.021346307	-3.152617804	0.002114785	-0.109627277	-0.024966221	-0.109627277	-0.024966221

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.
R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.
ADJUSTED R SQUARE - Version of r-squared that has been adjusted for the number of predictors in the model. R-squared tends to over estimate the strength of the association when there are more than one explanatory variables.
SS - The sum of the squares of the differences between values of y and the average y.
MS - SS divided by df (degrees of freedom)
F-STATISTIC - If the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables is true, then the F statistic will have come from an F distribution with k (the number of explanatory variables in the model) degrees of freedom in the numerator (15), and n (the number of observations) - k - 1 degrees of freedom in the denominator (104). At the 95% significance level the critical value of the F distribution with 15 and 104 degrees of freedom is 1.75. Because the calculated F value is much larger than the critical value, we can reject the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables.
SIGNIFICANCE F - The associated P-value for the F-statistic. We reject the null hypothesis (H_0) that there is no linear relationship between the dependent variable and the explanatory variables if P is less than α (.05).
STANDARD ERROR - Measure of the amount of variation there is in the estimate. The smaller the standard error, the more precise (believable) the estimate is. A general rule of thumb is that the width of the 95% confidence interval is four standard deviations (plus two and minus two from the estimated average).
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P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Ajo Total 2001 - 2010

Regression Statistics	
Multiple R	0.893587023
R Square	0.798497767
Adjusted R Square	0.769434945
Standard Error	0.035288207
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	0.513199673	0.034213312	27.47488752	1.89586E-29
Residual	104	0.129506787	0.001245258		
Total	119	0.64270646			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.817192956	0.086426226	9.455381757	1.10864E-15	0.645806512	0.9885794	0.645806512	0.9885794
AvgTemp b_1	-0.00047201	0.00160365	-0.294336361	0.769087565	-0.003652111	0.002708086	-0.003652111	0.002708086
TotPrecip b_2	-0.01296609	0.005301004	-2.445968646	0.01612458	-0.023478178	-0.002454	-0.023478178	-0.002454
PDSI b_3	-0.00147985	0.001594916	-0.927855642	0.355630861	-0.00464263	0.001682926	-0.00464263	0.001682926
CodedMonth b_4	-0.00062142	9.58812E-05	-6.481145914	3.10359E-09	-0.000811556	-0.000431284	-0.000811556	-0.000431284
FEB b_5	-0.00145414	0.016176232	-0.089893698	0.928544585	-0.033532215	0.030623932	-0.033532215	0.030623932
MAR b_6	-0.01772142	0.020660904	-0.857727067	0.393015531	-0.058692762	0.02324993	-0.058692762	0.02324993
APR b_7	0.043744173	0.028560938	1.531608432	0.128655384	-0.012893237	0.100381583	-0.012893237	0.100381583
MAY b_8	0.083076083	0.042972054	1.933258389	0.055923362	-0.002139109	0.168291276	-0.002139109	0.168291276
JUN b_9	0.139289812	0.055989126	2.487801148	0.01444201	0.028261277	0.250318347	0.028261277	0.250318347
JUL b_{10}	0.17533684	0.063940572	2.742184421	0.00718734	0.04854029	0.302133391	0.04854029	0.302133391
AUG b_{11}	0.118165955	0.060636081	1.948772956	0.054016678	-0.002077666	0.238409577	-0.002077666	0.238409577
SEP b_{12}	0.102573052	0.052723903	1.94547533	0.054417272	-0.001980423	0.207126527	-0.001980423	0.207126527
OCT b_{13}	0.063949451	0.034828719	1.836112651	0.069197702	-0.005117203	0.133016105	-0.005117203	0.133016105
NOV b_{14}	0.003613392	0.020858056	0.173237246	0.862801672	-0.037748914	0.044975698	-0.037748914	0.044975698
DEC b_{15}	-0.03680177	0.016127262	-2.281960354	0.024528074	-0.068782736	-0.004820808	-0.068782736	-0.004820808

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.
R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.
ADJUSTED R SQUARE - Version of r-squared that has been adjusted for the number of predictors in the model. R-squared tends to over estimate the strength of the association when there are more than one explanatory variables.
SS - The sum of the squares of the differences between values of y and the average y.
MS - SS divided by df (degrees of freedom)
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P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Western Group Residential 2001 - 2010

Regression Statistics	
Multiple R	0.97400165
R Square	0.948679214
Adjusted R Square	0.941277177
Standard Error	0.026113243
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	1.31093467	0.087395645	128.164623	7.35041E-60
Residual	104	0.070917753	0.000681901		
Total	119	1.381852423			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.925359714	0.06482832	14.27400422	3.0165E-26	0.796802726	1.053916702	0.796802726	1.053916702
AvgTemp b_1	0.00098594	0.001188353	0.829669032	0.408626278	-0.001370609	0.003342488	-0.001370609	0.003342488
TotPrecip b_2	-0.00120154	0.004856568	-0.247405929	0.805081855	-0.0108323	0.008429212	-0.0108323	0.008429212
PDSI b_3	-0.00380102	0.00104441	-3.63939006	0.000427514	-0.005872121	-0.001729912	-0.005872121	-0.001729912
CodedMonth b_4	-0.00102066	7.06907E-05	-14.43842401	1.3617E-26	-0.001160844	-0.00088048	-0.001160844	-0.00088048
FEB b_5	-0.0305801	0.01209581	-2.528156687	0.012969514	-0.054566545	-0.006593658	-0.054566545	-0.006593658
MAR b_6	-0.03962683	0.015989488	-2.478304992	0.014809543	-0.07133458	-0.007919074	-0.07133458	-0.007919074
APR b_7	0.054499518	0.021582049	2.525224458	0.013071782	0.011701506	0.09729753	0.011701506	0.09729753
MAY b_8	0.11716394	0.032316005	3.62557003	0.00044831	0.053080091	0.181247789	0.053080091	0.181247789
JUN b_9	0.184480468	0.041822841	4.410998051	2.51678E-05	0.101544208	0.267416728	0.101544208	0.267416728
JUL b_{10}	0.2255735	0.048162028	4.683637937	8.55218E-06	0.130066394	0.321080606	0.130066394	0.321080606
AUG b_{11}	0.169688583	0.045878309	3.698666902	0.000348245	0.078710177	0.260666988	0.078710177	0.260666988
SEP b_{12}	0.169790257	0.039621395	4.285317538	4.08536E-05	0.091219547	0.248360967	0.091219547	0.248360967
OCT b_{13}	0.129348199	0.025961297	4.982347252	2.51263E-06	0.077865973	0.180830425	0.077865973	0.180830425
NOV b_{14}	0.104045685	0.015481729	6.72054674	9.9488E-10	0.073344836	0.134746535	0.073344836	0.134746535
DEC b_{15}	0.028068099	0.011929398	2.352851224	0.020511324	0.004411655	0.051724542	0.004411655	0.051724542

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.

R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.

ADJUSTED R SQUARE - Version of r-squared that has been adjusted for the number of predictors in the model. R-squared tends to over estimate the strength of the association when there are more than one explanatory variables.

SS - The sum of the squares of the differences between values of y and the average y.

MS - SS divided by df (degrees of freedom)

F-STATISTIC - If the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables is true, then the F statistic will have come from an F distribution with k (the number of explanatory variables in the model) degrees of freedom in the numerator (15), and n (the number of observations) - k - 1 degrees of freedom in the denominator (104). At the 95% significance level the critical value of the F distribution with 15 and 104 degrees of freedom is 1.75. Because the calculated F value is much larger than the critical value, we can reject the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables.

SIGNIFICANCE F - The associated P-value for the F-statistic. We reject the null hypothesis (H_0) that there is no linear relationship between the dependent variable and the explanatory variables if P is less than α (.05).

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P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Western Group Commercial 2001 - 2010

Regression Statistics	
Multiple R	0.968248001
R Square	0.937504191
Adjusted R Square	0.928490373
Standard Error	0.038736351
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	2.340955039	0.156063669	104.0074394	1.91659E-55
Residual	104	0.156052506	0.001500505		
Total	119	2.497007546			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	1.471990059	0.096166245	15.30672282	2.15109E-28	1.281288791	1.662691326	1.281288791	1.662691326
AvgTemp b_1	0.001290904	0.001762801	0.732302717	0.465630966	-0.002204797	0.004786605	-0.002204797	0.004786605
TotPrecip b_2	0.003927114	0.007204226	0.545112524	0.586843256	-0.010359137	0.018213365	-0.010359137	0.018213365
PDSI b_3	-0.00445648	0.001549277	-2.876492549	0.004879406	-0.007528757	-0.001384209	-0.007528757	-0.001384209
CodedMonth b_4	0.000352427	0.000104862	3.360853367	0.001087668	0.000144481	0.000560374	0.000144481	0.000560374
FEB b_5	-0.03114456	0.017942908	-1.735758956	0.085568214	-0.066726023	0.004436896	-0.066726023	0.004436896
MAR b_6	-0.04156511	0.023718785	-1.752412915	0.082650032	-0.088600344	0.005470134	-0.088600344	0.005470134
APR b_7	0.049028986	0.032014783	1.531448336	0.128694898	-0.014457528	0.112515501	-0.014457528	0.112515501
MAY b_8	0.118387061	0.04793752	2.46961173	0.015153309	0.023325163	0.213448959	0.023325163	0.213448959
JUN b_9	0.243371618	0.062039947	3.922821176	0.000157266	0.120344078	0.366399157	0.120344078	0.366399157
JUL b_{10}	0.308813514	0.071443489	4.322486467	3.5432E-05	0.167138398	0.450488629	0.167138398	0.450488629
AUG b_{11}	0.271123338	0.068055823	3.983837451	0.000126007	0.13616609	0.406080586	0.13616609	0.406080586
SEP b_{12}	0.263782815	0.058774325	4.488062013	1.86223E-05	0.147231126	0.380334504	0.147231126	0.380334504
OCT b_{13}	0.222446263	0.038510955	5.776181476	8.01699E-08	0.146077597	0.298814929	0.146077597	0.298814929
NOV b_{14}	0.19468256	0.022965577	8.477146485	1.65105E-13	0.149140961	0.24022416	0.149140961	0.24022416
DEC b_{15}	0.064406699	0.017696053	3.639608064	0.000427193	0.029314762	0.099498636	0.029314762	0.099498636

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.

R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.

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MS - SS divided by df (degrees of freedom)

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SIGNIFICANCE F - The associated P-value for the F-statistic. We reject the null hypothesis (H_0) that there is no linear relationship between the dependent variable and the explanatory variables if P is less than α (.05).

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P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Western Group Total 2001 - 2010

Regression Statistics	
Multiple R	0.97308539
R Square	0.946895176
Adjusted R Square	0.939235826
Standard Error	0.028511772
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	1.507473523	0.100498235	123.6260549	4.29358E-59
Residual	104	0.0845438	0.000812921		
Total	119	1.592017323			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.997030411	0.07078287	14.08575852	7.52685E-26	0.856665328	1.137395494	0.856665328	1.137395494
AvgTemp b_1	0.001116788	0.001297504	0.860720406	0.39137203	-0.001456211	0.003689788	-0.001456211	0.003689788
TotPrecip b_2	-0.00024964	0.005302649	-0.047078848	0.962540672	-0.010764994	0.010265709	-0.010764994	0.010265709
PDSI b_3	-0.00388385	0.00114034	-3.405871036	0.00093848	-0.00614519	-0.001622515	-0.00614519	-0.001622515
CodedMonth b_4	-0.00080295	7.71837E-05	-10.40308197	8.45608E-18	-0.000956007	-0.00064989	-0.000956007	-0.00064989
FEB b_5	-0.03075716	0.013206822	-2.328884558	0.021798955	-0.056946789	-0.004567541	-0.056946789	-0.004567541
MAR b_6	-0.04106154	0.017458139	-2.351999623	0.020555898	-0.07568168	-0.006441393	-0.07568168	-0.006441393
APR b_7	0.051498677	0.023564383	2.185445592	0.031100002	0.004769622	0.098227731	0.004769622	0.098227731
MAY b_8	0.116177864	0.035284264	3.292625359	0.001356739	0.046207845	0.186147882	0.046207845	0.186147882
JUN b_9	0.197580395	0.045664313	4.326801025	3.48496E-05	0.107026352	0.288134438	0.107026352	0.288134438
JUL b_{10}	0.245913801	0.052585761	4.676433257	8.80391E-06	0.141634267	0.350193335	0.141634267	0.350193335
AUG b_{11}	0.195837533	0.05009228	3.909535209	0.000164993	0.096502664	0.295172401	0.096502664	0.295172401
SEP b_{12}	0.194034996	0.043260662	4.485252616	1.8829E-05	0.108247483	0.279822508	0.108247483	0.279822508
OCT b_{13}	0.153547519	0.02834587	5.416927345	3.93448E-07	0.097336596	0.209758441	0.097336596	0.209758441
NOV b_{14}	0.127677337	0.016903743	7.55319933	1.7148E-11	0.094156582	0.161198091	0.094156582	0.161198091
DEC b_{15}	0.037597873	0.013025126	2.886565049	0.004737269	0.01176856	0.063427186	0.01176856	0.063427186

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.

R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.

ADJUSTED R SQUARE - Version of r-squared that has been adjusted for the number of predictors in the model. R-squared tends to over estimate the strength of the association when there are more than one explanatory variables.

SS - The sum of the squares of the differences between values of y and the average y.

MS - SS divided by df (degrees of freedom)

F-STATISTIC - If the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables is true, then the F statistic will have come from an F distribution with k (the number of explanatory variables in the model) degrees of freedom in the numerator (15), and n (the number of observations) - k - 1 degrees of freedom in the denominator (104). At the 95% significance level the critical value of the F distribution with 15 and 104 degrees of freedom is 1.75. Because the calculated F value is much larger than the critical value, we can reject the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables.

SIGNIFICANCE F - The associated P-value for the F-statistic. We reject the null hypothesis (H_0) that there is no linear relationship between the dependent variable and the explanatory variables if P is less than α (.05).

STANDARD ERROR - Measure of the amount of variation there is in the estimate. The smaller the standard error, the more precise (believable) the estimate is. A general rule of thumb is that the width of the 95% confidence interval is four standard deviations (plus two and minus two from the estimated average).

t-STATISTIC - The ratio of the estimate to its standard error. If the absolute value of the t-statistic is bigger than 1.98, then we reject the null hypothesis (H0) that the estimate is not statistically different from zero, and condlude that the estimate is statistically different from zero.

P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Navajo Residential 2001 - 2010

Regression Statistics	
Multiple R	0.976448797
R Square	0.953452253
Adjusted R Square	0.946738635
Standard Error	0.041801098
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	3.722279603	0.248151974	142.0176631	4.73888E-62
Residual	104	0.181722503	0.001747332		
Total	119	3.904002107			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.212292769	0.085117231	2.494122122	0.014201912	0.04350211	0.381083428	0.04350211	0.381083428
AvgTemp b_1	0.003922225	0.001798264	2.18111672	0.031427705	0.000356199	0.00748825	0.000356199	0.00748825
TotPrecip b_2	0.000936821	0.003521543	0.266025774	0.790746034	-0.00604653	0.007920172	-0.00604653	0.007920172
PDSI b_3	-0.00544042	0.001498526	-3.630511745	0.000440766	-0.008412051	-0.002468784	-0.008412051	-0.002468784
CodedMonth b_4	-7.5864E-05	0.000128286	-0.591368728	0.555556596	-0.000330259	0.000178531	-0.000330259	0.000178531
FEB b_5	-0.05646384	0.019122945	-2.952674876	0.003894849	-0.094385355	-0.018542323	-0.094385355	-0.018542323
MAR b_6	-0.13141059	0.024000122	-5.475413298	3.04713E-07	-0.179003731	-0.083817447	-0.179003731	-0.083817447
APR b_7	-0.08350387	0.032815616	-2.544638238	0.012407932	-0.148578468	-0.018429275	-0.148578468	-0.018429275
MAY b_8	0.05996597	0.048235078	1.243202518	0.216588566	-0.035685996	0.155617937	-0.035685996	0.155617937
JUN b_9	0.232763861	0.062321776	3.734872087	0.000306916	0.109177444	0.356350278	0.109177444	0.356350278
JUL b_{10}	0.290944067	0.070279506	4.139813775	7.08115E-05	0.151577173	0.430310962	0.151577173	0.430310962
AUG b_{11}	0.124027292	0.065509501	1.893271829	0.061101296	-0.005880502	0.253935086	-0.005880502	0.253935086
SEP b_{12}	0.136232155	0.056647517	2.404909543	0.017943831	0.023898006	0.248566304	0.023898006	0.248566304
OCT b_{13}	0.106452788	0.039489857	2.695699534	0.008193613	0.028142923	0.184762654	0.028142923	0.184762654
NOV b_{14}	-0.00560589	0.024159382	-0.232037612	0.816964774	-0.053514846	0.042303075	-0.053514846	0.042303075
DEC b_{15}	-0.05869186	0.018834275	-3.11622634	0.002368257	-0.096040937	-0.021342791	-0.096040937	-0.021342791

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.

R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.

ADJUSTED R SQUARE - Version of r-squared that has been adjusted for the number of predictors in the model. R-squared tends to over estimate the strength of the association when there are more than one explanatory variables.

SS - The sum of the squares of the differences between values of y and the average y.

MS - SS divided by df (degrees of freedom)

F-STATISTIC - If the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables is true, then the F statistic will have come from an F distribution with k (the number of explanatory variables in the model) degrees of freedom in the numerator (15), and n (the number of observations) - k - 1 degrees of freedom in the denominator (104). At the 95% significance level the critical value of the F distribution with 15 and 104 degrees of freedom is 1.75. Because the calculated F value is much larger than the critical value, we can reject the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables.

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t-STATISTIC - The ratio of the estimate to its standard error. If the absolute value of the t-statistic is bigger than 1.98, then we reject the null hypothesis (H0) that the estimate is not statistically different from zero, and conclude that the estimate is statistically different from zero.

P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Navajo Commercial 2001 - 2010

Regression Statistics	
Multiple R	0.95718044
R Square	0.916194394
Adjusted R Square	0.904107047
Standard Error	0.042488195
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	2.052506103	0.13683374	75.7978072	6.9969E-49
Residual	104	0.187745655	0.001805247		
Total	119	2.240251758			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	1.000001626	0.086516328	11.55853058	2.26997E-20	0.828436506	1.171566747	0.828436506	1.171566747
AvgTemp b_1	0.003630789	0.001827823	1.986400828	0.049619783	6.14762E-06	0.007255431	6.14762E-06	0.007255431
TotPrecip b_2	0.003100974	0.003579427	0.866332519	0.388302111	-0.003997164	0.010199113	-0.003997164	0.010199113
PDSI b_3	-0.00193221	0.001523158	-1.26855517	0.207431897	-0.004952689	0.001088269	-0.004952689	0.001088269
CodedMonth b_4	-0.00032434	0.000130394	-2.4874079	0.014457067	-0.00058292	-6.5767E-05	-0.00058292	-6.5767E-05
FEB b_5	-0.04072175	0.019437274	-2.095034015	0.038596782	-0.079266594	-0.002176908	-0.079266594	-0.002176908
MAR b_6	-0.07169773	0.024394619	-2.939079756	0.004055898	-0.120073177	-0.023322288	-0.120073177	-0.023322288
APR b_7	-0.06073575	0.033355016	-1.820887937	0.071499124	-0.126879994	0.0054085	-0.126879994	0.0054085
MAY b_8	0.011548621	0.049027932	0.235551871	0.814243643	-0.085675605	0.108772847	-0.085675605	0.108772847
JUN b_9	0.142560588	0.063346177	2.250500253	0.02652194	0.016942745	0.268178432	0.016942745	0.268178432
JUL b_{10}	0.172624008	0.071434711	2.416528397	0.01741136	0.030966299	0.314281717	0.030966299	0.314281717
AUG b_{11}	0.119786479	0.0665863	1.798965843	0.074924423	-0.012256649	0.251829606	-0.012256649	0.251829606
SEP b_{12}	0.112750865	0.057578649	1.958206146	0.0528845	-0.001429754	0.226931484	-0.001429754	0.226931484
OCT b_{13}	0.093231464	0.040138963	2.322717302	0.022141631	0.013634396	0.172828532	0.013634396	0.172828532
NOV b_{14}	0.009873965	0.024556497	0.402091758	0.688441677	-0.038822489	0.058570419	-0.038822489	0.058570419
DEC b_{15}	-0.05606794	0.01914386	-2.928769128	0.004182103	-0.094030936	-0.018104954	-0.094030936	-0.018104954

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MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Navajo Total 2001 - 2010

Regression Statistics	
Multiple R	0.978117754
R Square	0.95671434
Adjusted R Square	0.950471216
Standard Error	0.038518487
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	3.410436885	0.227362459	153.2428843	1.10735E-63
Residual	104	0.15430208	0.001483674		
Total	119	3.564738965			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.282165019	0.078433035	3.597527733	0.000493486	0.126629372	0.437700667	0.126629372	0.437700667
AvgTemp b_1	0.003892025	0.001657048	2.348770082	0.020725717	0.000606037	0.007178013	0.000606037	0.007178013
TotPrecip b_2	0.001012774	0.003244998	0.312103106	0.755587039	-0.005422179	0.007447728	-0.005422179	0.007447728
PDSI b_3	-0.00454872	0.001380848	-3.294148811	0.001350105	-0.007286993	-0.001810446	-0.007286993	-0.001810446
CodedMonth b_4	-0.00010231	0.000118211	-0.865483052	0.388765826	-0.000336728	0.000132108	-0.000336728	0.000132108
FEB b_5	-0.05420492	0.017621233	-3.076113696	0.002680173	-0.089148484	-0.019261351	-0.089148484	-0.019261351
MAR b_6	-0.12155624	0.02211541	-5.496449808	2.77858E-07	-0.165411926	-0.077700553	-0.165411926	-0.077700553
APR b_7	-0.08034147	0.030238629	-2.656915118	0.009129276	-0.140305805	-0.020377136	-0.140305805	-0.020377136
MAY b_8	0.051350065	0.044447211	1.155304541	0.250613176	-0.03679042	0.13949055	-0.03679042	0.13949055
JUN b_9	0.217964507	0.057427691	3.795460057	0.000247984	0.104083244	0.33184577	0.104083244	0.33184577
JUL b_{10}	0.273022461	0.064760506	4.215879046	5.31943E-05	0.144599951	0.401444972	0.144599951	0.401444972
AUG b_{11}	0.12255868	0.060365086	2.030290833	0.044879495	0.002852453	0.242264908	0.002852453	0.242264908
SEP b_{12}	0.131237737	0.052199028	2.514179707	0.013463518	0.027725108	0.234750365	0.027725108	0.234750365
OCT b_{13}	0.103189689	0.036388746	2.835758299	0.005495036	0.031029442	0.175349936	0.031029442	0.175349936
NOV b_{14}	-0.00390572	0.022262163	-0.175442216	0.861073304	-0.048052427	0.04024098	-0.048052427	0.04024098
DEC b_{15}	-0.05886115	0.017355233	-3.391550427	0.000983715	-0.093277224	-0.02444507	-0.093277224	-0.02444507

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.

R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.

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P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Verde Valley Residential 2001 - 2010

Regression Statistics	
Multiple R	0.98058038
R Square	0.961537883
Adjusted R Square	0.955990462
Standard Error	0.032183862
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	2.693040302	0.17953602	173.3306196	2.45492E-66
Residual	104	0.107723299	0.001035801		
Total	119	2.8007636			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.609558915	0.06443183	9.460524582	1.07972E-15	0.481788181	0.737329649	0.481788181	0.737329649
AvgTemp b_1	0.00168438	0.00142479	1.182195127	0.23982418	-0.001141032	0.004509792	-0.001141032	0.004509792
TotPrecip b_2	0.007537759	0.003240621	2.326022822	0.021957377	0.001111486	0.013964032	0.001111486	0.013964032
PDSI b_3	-0.00943539	0.001287777	-7.326882503	5.24365E-11	-0.011989096	-0.006881678	-0.011989096	-0.006881678
CodedMonth b_4	-0.00016922	9.16627E-05	-1.846082842	0.067724277	-0.000350988	1.25536E-05	-0.000350988	1.25536E-05
FEB b_5	-0.03800722	0.014692042	-2.586925546	0.011065682	-0.067142091	-0.008872349	-0.067142091	-0.008872349
MAR b_6	-0.05267634	0.018317886	-2.875677925	0.004891071	-0.089001393	-0.016351286	-0.089001393	-0.016351286
APR b_7	0.063864581	0.02401533	2.659325524	0.009068419	0.016241281	0.111487881	0.016241281	0.111487881
MAY b_8	0.153029939	0.036426918	4.201012496	5.62675E-05	0.080793995	0.225265883	0.080793995	0.225265883
JUN b_9	0.267481714	0.047653964	5.613000351	1.66138E-07	0.172982119	0.361981309	0.172982119	0.361981309
JUL b_{10}	0.322122981	0.055740516	5.778973773	7.91698E-08	0.211587449	0.432658514	0.211587449	0.432658514
AUG b_{11}	0.24814577	0.051593535	4.809629161	5.12825E-06	0.145833857	0.350457683	0.145833857	0.350457683
SEP b_{12}	0.252329341	0.043733703	5.769677036	8.2548E-08	0.16560377	0.339054913	0.16560377	0.339054913
OCT b_{13}	0.213607855	0.029663611	7.201006494	9.72315E-11	0.154783803	0.272431907	0.154783803	0.272431907
NOV b_{14}	0.144366571	0.018418608	7.83808262	4.14797E-12	0.107841781	0.180891361	0.107841781	0.180891361
DEC b_{15}	0.049430739	0.014548547	3.397640857	0.000964232	0.020580424	0.078281054	0.020580424	0.078281054

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.

R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.

ADJUSTED R SQUARE - Version of r-squared that has been adjusted for the number of predictors in the model. R-squared tends to over estimate the strength of the association when there are more than one explanatory variables.

SS - The sum of the squares of the differences between values of y and the average y.

MS - SS divided by df (degrees of freedom)

F-STATISTIC - If the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables is true, then the F statistic will have come from an F distribution with k (the number of explanatory variables in the model) degrees of freedom in the numerator (15), and n (the number of observations) - k - 1 degrees of freedom in the denominator (104). At the 95% significance level the critical value of the F distribution with 15 and 104 degrees of freedom is 1.75. Because the calculated F value is much larger than the critical value, we can reject the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables.

SIGNIFICANCE F - *The associated P-value for the F-statistic.* We reject the null hypothesis (H_0) that there is no linear relationship between the dependent variable and the explanatory variables if P is less than α (.05).

STANDARD ERROR - Measure of the amount of variation there is in the estimate. The smaller the standard error, the more precise (believable) the estimate is. A general rule of thumb is that the width of the 95% confidence interval is four standard deviations (plus two and minus two from the estimated average).

t-STATISTIC - The ratio of the estimate to its standard error. If the absolute value of the t-statistic is bigger than 1.98, then we reject the null hypothesis (H0) that the estimate is not statistically different from zero, and condlude that the estimate is statistically different from zero.

P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Verde Valley Commercial 2001 - 2010

Regression Statistics	
Multiple R	0.972086814
R Square	0.944952774
Adjusted R Square	0.93701327
Standard Error	0.028410436
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	1.440999371	0.096066625	119.0191224	2.7442E-58
Residual	104	0.083943897	0.000807153		
Total	119	1.524943268			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	1.395793617	0.056877462	24.54036382	4.6432E-45	1.283003478	1.508583756	1.283003478	1.508583756
AvgTemp b_1	0.002135394	0.001257739	1.69780347	0.092535244	-0.00035875	0.004629538	-0.00035875	0.004629538
TotPrecip b_2	0.007018548	0.002860672	2.45346166	0.015810917	0.001345729	0.012691367	0.001345729	0.012691367
PDSI b_3	-0.00530335	0.00113679	-4.665195454	9.21095E-06	-0.007557645	-0.00304905	-0.007557645	-0.00304905
CodedMonth b_4	-0.00010347	8.09157E-05	-1.278707791	0.203846057	-0.000263926	5.69913E-05	-0.000263926	5.69913E-05
FEB b_5	-0.04481911	0.012969461	-3.455741805	0.000795749	-0.070538034	-0.019100181	-0.070538034	-0.019100181
MAR b_6	-0.02936028	0.016170189	-1.815704494	0.07229705	-0.061426374	0.002705806	-0.061426374	0.002705806
APR b_7	0.087136147	0.021199631	4.110267128	7.90644E-05	0.045096484	0.129175811	0.045096484	0.129175811
MAY b_8	0.133090531	0.032156011	4.138900484	7.10537E-05	0.069323956	0.196857107	0.069323956	0.196857107
JUN b_9	0.173585504	0.042066732	4.126431925	7.44414E-05	0.090165599	0.257005409	0.090165599	0.257005409
JUL b_{10}	0.209662612	0.049205169	4.260987528	4.48257E-05	0.112086918	0.307238306	0.112086918	0.307238306
AUG b_{11}	0.16009691	0.045544404	3.515182872	0.000652326	0.06978065	0.250413171	0.06978065	0.250413171
SEP b_{12}	0.167832977	0.038606105	4.347316955	3.22038E-05	0.091275623	0.24439033	0.091275623	0.24439033
OCT b_{13}	0.142951136	0.026185674	5.459135244	3.27223E-07	0.091023963	0.194878309	0.091023963	0.194878309
NOV b_{14}	0.135534849	0.016259102	8.335937103	3.37963E-13	0.103292441	0.167777257	0.103292441	0.167777257
DEC b_{15}	0.057281207	0.01284279	4.460184115	2.07736E-05	0.031813474	0.082748941	0.031813474	0.082748941

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.

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MS - SS divided by df (degrees of freedom)

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SIGNIFICANCE F - The associated P-value for the F-statistic. We reject the null hypothesis (H_0) that there is no linear relationship between the dependent variable and the explanatory variables if P is less than α (.05).

STANDARD ERROR - Measure of the amount of variation there is in the estimate. The smaller the standard error, the more precise (believable) the estimate is. A general rule of thumb is that the width of the 95% confidence interval is four standard deviations (plus two and minus two from the estimated average).

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MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Verde Valley Total 2001 - 2010

Regression Statistics	
Multiple R	0.980575153
R Square	0.961527631
Adjusted R Square	0.955978732
Standard Error	0.02953625
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	2.267550083	0.151170006	173.2825864	2.48901E-66
Residual	104	0.090728566	0.00087239		
Total	119	2.35827865			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.734560983	0.059131333	12.42253378	2.85168E-22	0.617301334	0.851820633	0.617301334	0.851820633
AvgTemp b_1	0.001757961	0.001307579	1.344439204	0.181731524	-0.000835018	0.00435094	-0.000835018	0.00435094
TotPrecip b_2	0.007154771	0.002974031	2.405748846	0.017904888	0.001257157	0.013052386	0.001257157	0.013052386
PDSI b_3	-0.00809178	0.001181837	-6.846776942	5.42843E-10	-0.010435404	-0.005748149	-0.010435404	-0.005748149
CodedMonth b_4	-0.00011039	8.41221E-05	-1.31220445	0.192339995	-0.000277203	5.64319E-05	-0.000277203	5.64319E-05
FEB b_5	-0.03784723	0.013483399	-2.806950507	0.005972498	-0.064585318	-0.011109148	-0.064585318	-0.011109148
MAR b_6	-0.04318791	0.016810961	-2.569032764	0.011616786	-0.076524676	-0.009851144	-0.076524676	-0.009851144
APR b_7	0.073818701	0.022039704	3.349350752	0.00112921	0.030113141	0.11752426	0.030113141	0.11752426
MAY b_8	0.149549912	0.033430251	4.473490589	1.97184E-05	0.083256472	0.215843352	0.083256472	0.215843352
JUN b_9	0.243388398	0.043733701	5.565236736	2.05248E-07	0.156662831	0.330113966	0.156662831	0.330113966
JUL b_{10}	0.293515827	0.051155012	5.737772658	9.52535E-08	0.192073522	0.394958132	0.192073522	0.394958132
AUG b_{11}	0.225864862	0.047349183	4.770195597	6.02348E-06	0.131969659	0.319760066	0.131969659	0.319760066
SEP b_{12}	0.229806052	0.040135941	5.725692375	1.0055E-07	0.150214977	0.309397128	0.150214977	0.309397128
OCT b_{13}	0.195485352	0.027223328	7.180802854	1.0733E-10	0.141500473	0.249470232	0.141500473	0.249470232
NOV b_{14}	0.143497326	0.016903398	8.489259346	1.55251E-13	0.109977255	0.177017397	0.109977255	0.177017397
DEC b_{15}	0.053250031	0.013351708	3.988256038	0.00012399	0.026773093	0.079726969	0.026773093	0.079726969

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P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Northern Group Residential 2001 - 2010

Regression Statistics	
Multiple R	0.984488087
R Square	0.969216794
Adjusted R Square	0.964776909
Standard Error	0.02990798
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	2.928967648	0.19526451	218.2977034	2.41349E-71
Residual	104	0.093026673	0.000894487		
Total	119	3.021994321			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.442627694	0.062466434	7.085848617	1.70577E-10	0.318754415	0.566500973	0.318754415	0.566500973
AvgTemp b_1	0.002912584	0.001350517	2.156644346	0.033337388	0.000234459	0.005590709	0.000234459	0.005590709
TotPrecip b_2	0.005124887	0.002877077	1.781282388	0.077785522	-0.000580465	0.010830239	-0.000580465	0.010830239
PDSI b_3	-0.00838612	0.001194925	-7.018114031	2.37099E-10	-0.0107557	-0.006016538	-0.0107557	-0.006016538
CodedMonth b_4	-0.0001597	8.94906E-05	-1.784524048	0.077254381	-0.000337162	1.77651E-05	-0.000337162	1.77651E-05
FEB b_5	-0.043489	0.013676574	-3.17981714	0.001942074	-0.070610162	-0.016367846	-0.070610162	-0.016367846
MAR b_6	-0.07978523	0.017340346	-4.601132272	1.19036E-05	-0.114171783	-0.045398671	-0.114171783	-0.045398671
APR b_7	0.015328031	0.023443978	0.653815289	0.514673883	-0.031162255	0.061818317	-0.031162255	0.061818317
MAY b_8	0.112783199	0.035213583	3.202832253	0.00180629	0.042953345	0.182613054	0.042953345	0.182613054
JUN b_9	0.239415123	0.045874568	5.218907353	9.25077E-07	0.148444134	0.330386111	0.148444134	0.330386111
JUL b_{10}	0.293072319	0.052654123	5.565989896	2.04566E-07	0.188657219	0.397487419	0.188657219	0.397487419
AUG b_{11}	0.193039216	0.048881228	3.949148215	0.000142964	0.096105908	0.289972523	0.096105908	0.289972523
SEP b_{12}	0.203350985	0.041818297	4.86272751	4.12444E-06	0.120423734	0.286278236	0.120423734	0.286278236
OCT b_{13}	0.172094348	0.028634401	6.010055788	2.77496E-08	0.115311258	0.228877439	0.115311258	0.228877439
NOV b_{14}	0.097459939	0.01744071	5.588071633	1.85538E-07	0.062874357	0.132045521	0.062874357	0.132045521
DEC b_{15}	0.018671382	0.013493081	1.383774516	0.16939026	-0.008085904	0.045428668	-0.008085904	0.045428668

MULTIPLE R - The correlation coefficient which measures how well the data clusters around the regression line. The closer this value is to 1, the more "linear" the data is.

R SQUARE - The coefficient of determination, which measures the percentage of the variation in the dependent variable that is explained by the independent variables. The value of R2 will alwas be between 0 and 1.

ADJUSTED R SQUARE - Version of r-squared that has been adjusted for the number of predictors in the model. R-squared tends to over estimate the strength of the association when there are more than one explanatory variables.

SS - The sum of the squares of the differences between values of y and the average y.

MS - SS divided by df (degrees of freedom)

F-STATISTIC - If the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables is true, then the F statistic will have come from an F distribution with k (the number of explanatory variables in the model) degrees of freedom in the numerator (15), and n (the number of observations) - k - 1 degrees of freedom in the denominator (104). At the 95% significance level the critical value of the F distribution with 15 and 104 degrees of freedom is 1.75. Because the calculated F value *is much larger than the critical value, we can reject the null hypothesis (H0) that there is no linear relationship between the dependent variable and the explanatory variables.*

SIGNIFICANCE F - The associated P-value for the F-statistic. We reject the null hypothesis (H_0) that there is no linear relationship between the dependent variable and the explanatory variables if P is less than α (.05).

STANDARD ERROR - Measure of the amount of variation there is in the estimate. The smaller the standard error, the more precise (believable) the estimate is. A general rule of thumb is that the width of the 95% confidence interval is four standard deviations (plus two and minus two from the estimated average).

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P-VALUE - The observed level of significance, which is the smallest level at which the null hypothesis (H0) can be rejected. Thus we reject the null hypothesis (H0) that the estimate is not statistically different from zero if P is less than α (0.05).

MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Northern Group Commercial 2001 - 2010

Regression Statistics	
Multiple R	0.974610464
R Square	0.949865557
Adjusted R Square	0.942634628
Standard Error	0.027461317
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	1.485942524	0.099062835	131.3614776	2.19583E-60
Residual	104	0.07842889	0.000754124		
Total	119	1.564371414			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	1.301376732	0.057356283	22.689349	4.53304E-42	1.187637073	1.415116391	1.187637073	1.415116391
AvgTemp b_1	0.002577122	0.001240036	2.078264149	0.040146707	0.000118084	0.005036159	0.000118084	0.005036159
TotPrecip b_2	0.005092206	0.002641714	1.927614239	0.056630973	-0.000146412	0.010330824	-0.000146412	0.010330824
PDSI b_3	-0.00440221	0.001097172	-4.012324737	0.000113537	-0.006577946	-0.002226478	-0.006577946	-0.002226478
CodedMonth b_4	-0.00016841	8.21697E-05	-2.049555026	0.042924499	-0.000331357	-5.46573E-06	-0.000331357	-5.46573E-06
FEB b_5	-0.04199105	0.012557743	-3.343837463	0.001149644	-0.066893529	-0.017088577	-0.066893529	-0.017088577
MAR b_6	-0.03719006	0.015921796	-2.335795555	0.021420525	-0.068763579	-0.005616542	-0.068763579	-0.005616542
APR b_7	0.062082599	0.021526112	2.884060055	0.004772259	0.019395513	0.104769685	0.019395513	0.104769685
MAY b_8	0.108745203	0.032332889	3.363299954	0.001079019	0.044627873	0.172862532	0.044627873	0.172862532
JUN b_9	0.161110601	0.042121738	3.8248802	0.000223415	0.077581617	0.244639586	0.077581617	0.244639586
JUL b_{10}	0.197849697	0.048346682	4.092311764	8.45222E-05	0.101976414	0.293722979	0.101976414	0.293722979
AUG b_{11}	0.148686376	0.044882434	3.312796627	0.001271317	0.059682827	0.237689924	0.059682827	0.237689924
SEP b_{12}	0.154283043	0.038397295	4.018070567	0.000111169	0.078139767	0.230426319	0.078139767	0.230426319
OCT b_{13}	0.13250101	0.026291926	5.039608454	1.97734E-06	0.080363137	0.184638884	0.080363137	0.184638884
NOV b_{14}	0.115542317	0.01601395	7.215104297	9.07487E-11	0.083786055	0.14729858	0.083786055	0.14729858
DEC b_{15}	0.040581082	0.012389262	3.27550443	0.001433428	0.016012711	0.065149452	0.016012711	0.065149452

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MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Northern Group Total 2001 - 2010

Regression Statistics	
Multiple R	0.984328337
R Square	0.968902275
Adjusted R Square	0.964417026
Standard Error	0.027729203
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	2.491491763	0.166099451	216.0197369	4.08617E-71
Residual	104	0.079966503	0.000768909		
Total	119	2.571458265			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.560485385	0.057915795	9.677591186	3.53645E-16	0.445636194	0.675334576	0.445636194	0.675334576
AvgTemp b_1	0.002843693	0.001252132	2.271080088	0.025202214	0.000360667	0.005326718	0.000360667	0.005326718
TotPrecip b_2	0.004835007	0.002667484	1.812572069	0.072782823	-0.000454714	0.010124728	-0.000454714	0.010124728
PDSI b_3	-0.00715339	0.001107875	-6.456855104	3.48033E-09	-0.009350349	-0.004956432	-0.009350349	-0.004956432
CodedMonth b_4	-0.00014106	8.29713E-05	-1.700078069	0.092105091	-0.000305593	2.34775E-05	-0.000305593	2.34775E-05
FEB b_5	-0.04191727	0.012680244	-3.305714683	0.001300717	-0.06706267	-0.01677187	-0.06706267	-0.01677187
MAR b_6	-0.06727492	0.016077113	-4.184514645	5.98775E-05	-0.099156435	-0.035393398	-0.099156435	-0.035393398
APR b_7	0.029031648	0.021736099	1.335642027	0.184582005	-0.014071852	0.072135147	-0.014071852	0.072135147
MAY b_8	0.111709227	0.032648296	3.421594386	0.000891069	0.046966432	0.176452023	0.046966432	0.176452023
JUN b_9	0.219766338	0.042532636	5.167004893	1.15427E-06	0.135422527	0.304110149	0.135422527	0.304110149
JUL b_{10}	0.269982666	0.048818305	5.53035725	2.39376E-07	0.173174138	0.366791193	0.173174138	0.366791193
AUG b_{11}	0.181602792	0.045320263	4.007099284	0.000115732	0.091731013	0.271474571	0.091731013	0.271474571
SEP b_{12}	0.19022415	0.038771862	4.906242366	3.44669E-06	0.113338096	0.267110205	0.113338096	0.267110205
OCT b_{13}	0.161921385	0.026548404	6.099100598	1.84382E-08	0.109274905	0.214567864	0.109274905	0.214567864
NOV b_{14}	0.102586385	0.016170166	6.344176399	5.90847E-09	0.07052034	0.13465243	0.07052034	0.13465243
DEC b_{15}	0.025354595	0.012510119	2.02672687	0.045249408	0.00054656	0.05016263	0.00054656	0.05016263

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MS - SS divided by df (degrees of freedom)

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MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Total Company Residential 2001 - 2010

Regression Statistics	
Multiple R	0.979731998
R Square	0.959874789
Adjusted R Square	0.954087499
Standard Error	0.021941852
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	1.197780273	0.079852018	165.859111	2.19393E-65
Residual	104	0.050070267	0.000481445		
Total	119	1.24785054			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.764947437	0.046675779	16.3885307	1.39302E-30	0.672387619	0.857507256	0.672387619	0.857507256
AvgTemp b_1	0.0016716	0.001039732	1.607722228	0.110927833	-0.000390227	0.003733428	-0.000390227	0.003733428
TotPrecip b_2	0.000685157	0.003417385	0.200491528	0.841487732	-0.006091646	0.007461959	-0.006091646	0.007461959
PDSI b_3	-0.00428916	0.000834945	-5.137063716	1.31078E-06	-0.005944889	-0.002633437	-0.005944889	-0.002633437
CodedMonth b_4	-0.00049968	6.07436E-05	-8.226003229	5.89452E-13	-0.000620134	-0.00037922	-0.000620134	-0.00037922
FEB b_5	-0.02929849	0.010177268	-2.878817093	0.004846261	-0.049480398	-0.009116589	-0.049480398	-0.009116589
MAR b_6	-0.04536463	0.01346488	-3.369107758	0.001058745	-0.072065996	-0.018663271	-0.072065996	-0.018663271
APR b_7	0.034380419	0.018624706	1.845957647	0.067742615	-0.002553071	0.07131391	-0.002553071	0.07131391
MAY b_8	0.090432386	0.027705819	3.26402135	0.001487114	0.035490708	0.145374064	0.035490708	0.145374064
JUN b_9	0.162259993	0.036204153	4.481806026	1.90855E-05	0.0904658	0.234054186	0.0904658	0.234054186
JUL b_{10}	0.20264586	0.04179447	4.848628488	4.37061E-06	0.119765859	0.28552586	0.119765859	0.28552586
AUG b_{11}	0.131384547	0.039078954	3.362028259	0.001083506	0.053889517	0.208879577	0.053889517	0.208879577
SEP b_{12}	0.13750161	0.032973449	4.170070599	6.32199E-05	0.072114025	0.202889195	0.072114025	0.202889195
OCT b_{13}	0.105118076	0.022008698	4.776206022	5.87784E-06	0.061474003	0.148762149	0.061474003	0.148762149
NOV b_{14}	0.077306754	0.013216575	5.849227351	5.76754E-08	0.05109779	0.103515718	0.05109779	0.103515718
DEC b_{15}	0.023601356	0.009883212	2.388024784	0.018743424	0.004002576	0.043200137	0.004002576	0.043200137

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MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Total Company Commercial 2001 - 2010

Regression Statistics	
Multiple R	0.977427675
R Square	0.955364859
Adjusted R Square	0.948927099
Standard Error	0.026304868
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	1.5402739	0.102684927	148.4001823	5.41613E-63
Residual	104	0.071962394	0.000691946		
Total	119	1.612236293			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	1.457784635	0.055957	26.05187251	2.19527E-47	1.346819807	1.568749464	1.346819807	1.568749464
AvgTemp b_1	0.001505843	0.001246477	1.208078971	0.22975681	-0.000965968	0.003977653	-0.000965968	0.003977653
TotPrecip b_2	0.002609167	0.004096913	0.636861694	0.525614307	-0.005515165	0.0107335	-0.005515165	0.0107335
PDSI b_3	-0.00409738	0.001000969	-4.093418651	8.41755E-05	-0.006082342	-0.002112425	-0.006082342	-0.002112425
CodedMonth b_4	3.43234E-05	7.28221E-05	0.471331403	0.638391335	-0.000110086	0.000178732	-0.000110086	0.000178732
FEB b_5	-0.02858883	0.012200962	-2.343162013	0.021023555	-0.052783795	-0.004393866	-0.052783795	-0.004393866
MAR b_6	-0.03688753	0.016142298	-2.285147518	0.024333622	-0.068898313	-0.00487675	-0.068898313	-0.00487675
APR b_7	0.041984131	0.022328127	1.880324839	0.062861869	-0.002293381	0.086261643	-0.002293381	0.086261643
MAY b_8	0.098463071	0.033214969	2.964418604	0.003760497	0.032596544	0.164329599	0.032596544	0.164329599
JUN b_9	0.186892586	0.04340315	4.305968284	3.77499E-05	0.100822514	0.272962658	0.100822514	0.272962658
JUL b_{10}	0.241298689	0.05010507	4.815853717	4.9993E-06	0.141938457	0.340658921	0.141938457	0.340658921
AUG b_{11}	0.196646269	0.046849588	4.197395876	5.70405E-05	0.10374178	0.289550758	0.10374178	0.289550758
SEP b_{12}	0.197902523	0.039530037	5.006383404	2.27265E-06	0.119512978	0.276292069	0.119512978	0.276292069
OCT b_{13}	0.159723726	0.026385006	6.05357923	2.27311E-08	0.10740127	0.212046182	0.10740127	0.212046182
NOV b_{14}	0.140628243	0.015844618	8.875457847	2.16824E-14	0.109207771	0.172048716	0.109207771	0.172048716
DEC b_{15}	0.048282661	0.011848435	4.075024402	9.01169E-05	0.024786771	0.071778551	0.024786771	0.071778551

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MULTIPLE REGRESSION ANALYSIS USING EXPONENTIAL TREND MODEL
MONTHLY RESIDENTIAL, COMMERCIAL, AND TOTAL USAGE - JANUARY 2001 THROUGH DECEMBER 2010

Total Company Total 2001 - 2010

Regression Statistics	
Multiple R	0.980353777
R Square	0.961093528
Adjusted R Square	0.955482018
Standard Error	0.022141198
Observations	120

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	15	1.259445521	0.083963035	171.2718098	4.44804E-66
Residual	104	0.050984197	0.000490233		
Total	119	1.310429717			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept b_0	0.853992181	0.047099838	18.13153118	5.65011E-34	0.760591437	0.947392925	0.760591437	0.947392925
AvgTemp b_1	0.001610846	0.001049178	1.535340681	0.127736908	-0.000469714	0.003691406	-0.000469714	0.003691406
TotPrecip b_2	0.00037376	0.003448433	0.108385557	0.913898694	-0.006464611	0.007212132	-0.006464611	0.007212132
PDSI b_3	-0.00389568	0.00084253	-4.623791479	1.08739E-05	-0.005566453	-0.002224915	-0.005566453	-0.002224915
CodedMonth b_4	-0.00039858	6.12955E-05	-6.502575473	2.80485E-09	-0.00052013	-0.000277027	-0.00052013	-0.000277027
FEB b_5	-0.02880212	0.010269731	-2.804564145	0.006013704	-0.049167379	-0.008436858	-0.049167379	-0.008436858
MAR b_6	-0.04346663	0.013587212	-3.199084098	0.001827783	-0.070410583	-0.016522683	-0.070410583	-0.016522683
APR b_7	0.035886529	0.018793916	1.909475879	0.05895637	-0.00138251	0.073155568	-0.00138251	0.073155568
MAY b_8	0.092329746	0.027957532	3.302499839	0.001314272	0.036888912	0.14777058	0.036888912	0.14777058
JUN b_9	0.16824656	0.036533076	4.605321562	1.17063E-05	0.095800103	0.240693018	0.095800103	0.240693018
JUL b_{10}	0.213552525	0.042174182	5.063584313	1.78782E-06	0.129919542	0.297185507	0.129919542	0.297185507
AUG b_{11}	0.149068304	0.039433994	3.78019794	0.000261722	0.070869216	0.227267392	0.070869216	0.227267392
SEP b_{12}	0.153161923	0.033273019	4.603186776	1.18064E-05	0.087180279	0.219143568	0.087180279	0.219143568
OCT b_{13}	0.11904919	0.022208652	5.360487069	5.02844E-07	0.075008601	0.163089778	0.075008601	0.163089778
NOV b_{14}	0.093028512	0.013336651	6.975402943	2.91663E-10	0.066581434	0.11947559	0.066581434	0.11947559
DEC b_{15}	0.029580067	0.009973003	2.966013939	0.003742579	0.009803228	0.049356907	0.009803228	0.049356907

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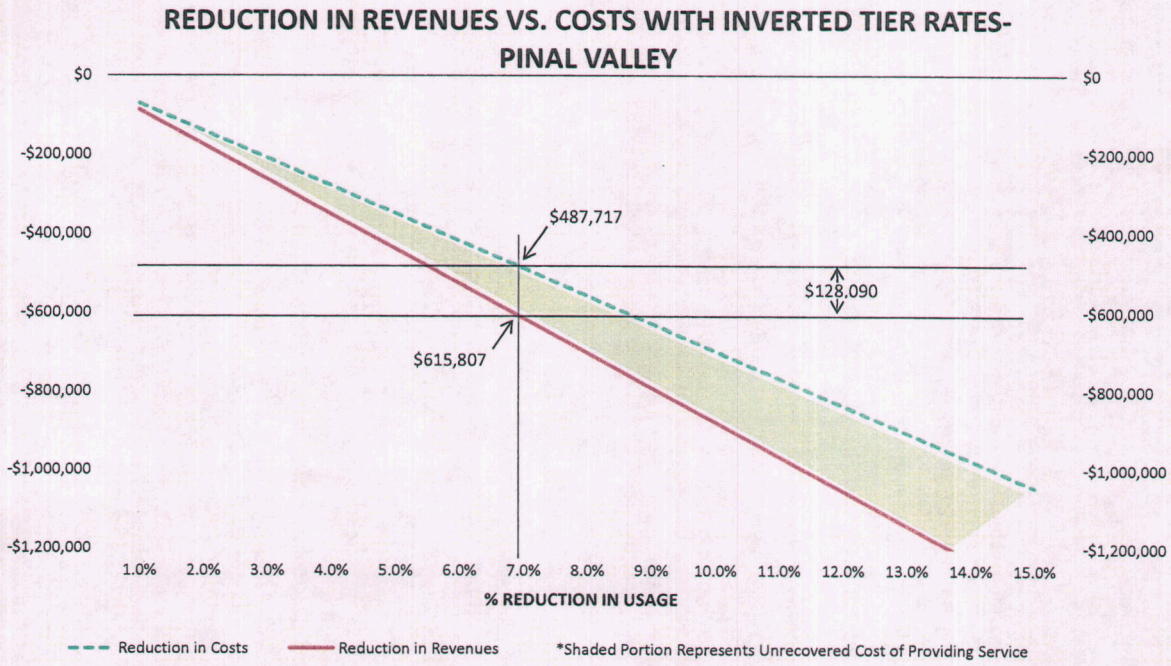
ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Reduction in Revenues vs. Costs with Inverted Tier Rates

Line No.		Residential Cost of Service - Pinal Valley [A] Usage	[B] Cost/Rate	[C] Revenues
1	Total Residential Cost of Service/Revenue Requirement (Sch. G-1, p. 4, col. E, ln. 10)			$ 14,773,982
2				
3	% of Revenues Required from Fixed Charge (Sch. G-1, p. 3, col. B, ln. 48)		53%	$ 7,806,589
4	% of Revenues Required from Commodity Charge (Sch. G-1, p. 3, col. B, ln. 49)		47%	6,967,392
5				
6	Total M Gallons Sold (Sch. G-1, p. 4, col. A, ln. 9)	2,974,685.9		
7				
8	Cost Per M Gallon/Cost-Based Commodity Rate (Sch. G-1, p. 4, col. G, ln. 10)		$ 2.3422	$ 6,967,392
9				
10				
11	Inverted Tier Commodity Rates (break over points at 3,000 & 10,000 gals.)			
12	Tier-1 Commodity Rate	1,065,451.1	$ 1.8927	$ 2,016,596
13	Tier-2 Commodity Rate	1,175,901.7	$ 2.3659	$ 2,782,060
14	Tier-3 Commodity Rate	733,333.1	$ 2.9574	$ 2,168,736
15				$ 6,967,392



JMR-6

Supporting Schedules:

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Processing Date: 4/29/2011 2:39 PM

Recap Schedules:

ARIZONA WATER COMPANY

Docket No. W-01445A-10-0517

2010 RATE HEARING EXHIBIT

For Test Year Ended 12/31/10

ARIZONA WATER COMPANY

2010 Rate Hearing

(AMENDED)

TEST YEAR ENDED DECEMBER 31, 2010

EXHIBIT INDEX

Schedule No.		
		SUMMARY SCHEDULES
A-1		COMPUTATION OF INCREASE IN GROSS REVENUE REQUIREMENT
A-2		SUMMARY RESULTS OF OPERATIONS
A-3		SUMMARY OF CAPITAL STRUCTURE
A-4		CONSTRUCTION EXPENDITURES AND GROSS UTILITY PLANT IN SERVICE
A-5		SUMMARY STATEMENT OF CASH FLOWS
		RATE BASE SCHEDULES
B-1		SUMMARY ORIGINAL COST RATE BASE
B-1		SUMMARY ORIGINAL COST RATE BASE
B-2		ORIGINAL COST RATE BASE PRO FORMA ADJUSTMENTS
B-2	APPENDIX	CALCULATION OF RATE BASE PRO FORMA ADJUSTMENTS
B-3		RCND RATE BASE PRO FORMA ADJUSTMENTS
B-4		RCND DETAIL OF PLANT ACCOUNTS
B-5		COMPUTATION OF WORKING CAPITAL
B-5	APPENDIX	COMPUTATION OF WORKING CASH REQUIREMENT
		TEST YEAR INCOME STATEMENTS
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A-2 SUMMARY RESULTS OF OPERATIONS

A-3 SUMMARY OF CAPITAL STRUCTURE

A-4 CONSTRUCTION EXPENDITURES AND GROSS UTILITY PLANT IN SERVICE

A-5 SUMMARY STATEMENT OF CASH FLOWS

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Computation of Increase in Gross Revenue Requirement

Line No.	Description	Western Group [A] Original Cost	[B]	[C]	[D]
4	Adjusted Rate Base	$ 54,072,795			
6	Adjusted Operating Income	$ 2,388,064			
8	Current Rate of Return (Ln. 6 ÷ Ln. 4)	4.42%			
10	Required Operating Income (Ln. 4 X Ln. 12)	$ 5,144,329			
12	Required Rate of Return	9.51%			
14	Operating Income Deficiency (Ln. 10 - Ln. 6)	$ 2,756,265			
16	Gross Revenue Conversion Factor	1.6559			
18	Required Increase in Gross Revenue (Ln. 14 X Ln. 16)	$ 4,564,110			
21	Add: Consolidated Revenue Adjustment[1]	$ -			
23	Proposed Increase in Gross Revenues	$ 4,564,110			

Line No.	Customer Classification	Revenue - Present Rates	Revenue - Proposed Rates	Dollar Increase	Percent Increase
31	Residential	$ 12,151,216	$ 15,125,401	$ 2,974,185	24.48%
32	Commercial	4,419,455	5,667,871	1,248,416	28.25%
33	Industrial	965,015	994,504	29,490	3.06%
34	Private Fire Service	102,252	111,700	9,448	9.24%
35	Other Water Revenues	268,754	336,427	67,673	25.18%
37	Total Water Revenues	$ 17,906,691	$ 22,235,903	$ 4,329,212	24.18%
39	Miscellaneous Revenues	759,466	994,322	234,856	30.92%
41	Total Operating Revenues	$ 18,666,157	$ 23,230,225	$ 4,564,068	24.45%
44	Revenue Adjustments (Sch. C-1, Ln. 10)	(902,517)			
45	Subtotal (Ln. 41 - Ln. 44)	$ 19,568,674			
47	G.L. Revenues (Sch. C-1, Ln. 10)	19,568,633			
48	Difference (Ln. 45 - Ln. 47)	$ 41			
49	%	0.00%			

[1]Consolidated Revenue Adjustment represents the increase/(decrease) in revenue requirement resulting from proposed rate consolidation.

Supporting Schedules:
B-1, C-1, C-3, H-1

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Computation of Increase in Gross Revenue Requirement

Line No.	Description	Pinal Valley (Casa Grande, Coolidge, Stanfield) [A]	[B]	[C]	[D]	White Tank [E]	[F]	[G]	[H]	Ajo [I]	[J]	[K]	[L]
1		Original				Original				Original			
2		Cost				Cost				Cost			
3													
4	Adjusted Rate Base	$ 47,398,030				$ 5,682,264				$ 992,500			
5													
6	Adjusted Operating Income	$ 2,143,637				$ 162,083				$ 82,344			
7													
8	Current Rate of Return (Ln. 6 ÷ Ln. 4)	4.52%				2.85%				8.30%			
9													
10	Required Operating Income (Ln. 4 X Ln. 12)	$ 4,509,311				$ 540,594				$ 94,424			
11													
12	Required Rate of Return	9.51%				9.51%				9.51%			
13													
14	Operating Income Deficiency (Ln. 10 - Ln. 6)	$ 2,365,674				$ 378,512				$ 12,079			
15													
16	Gross Revenue Conversion Factor	1.6569				1.6497				1.6548			
17													
18	Required Increase in Gross Revenue												
19	(Ln. 14 X Ln. 16)	$ 3,919,673				$ 624,449				$ 19,988			
20													
21	Add: Consolidated Revenue Adjustment[1]	$ 590,109				$ (590,109)				$ -			
22													
23	Proposed Increase in Gross Revenues	$ 4,509,782				$ 34,340				$ 19,988			
24													
25													
26													
27													
28		Revenue -	Revenue -			Revenue -	Revenue -			Revenue -	Revenue -		
29	Customer Classification	Present Rates	Proposed Rates	Dollar Increase	Percent Increase	Present Rates	Proposed Rates	Dollar Increase	Percent Increase	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
30													
31	Residential	$ 10,454,403	$ 13,400,527	$ 2,946,123	28.18%	$ 1,316,859	$ 1,328,912	$ 12,053	0.92%	$ 379,953	$ 395,962	$ 16,009	4.21%
32	Commercial	4,124,957	5,363,447	1,238,489	30.02%	172,063	180,172	8,109	4.71%	122,434	124,252	1,818	1.48%
33	Industrial	939,855	969,361	29,506	3.14%	25,159	25,143	(16)	-0.06%	-	-	-	0.00%
34	Private Fire Service	100,237	109,525	9,288	9.27%	1,361	1,500	139	10.18%	653	675	22	3.35%
35	Other Water Revenues	218,600	284,881	66,281	30.32%	47,484	48,750	1,266	2.67%	2,671	2,797	126	4.73%
36													
37	Total Water Revenues	$ 15,838,054	$ 20,127,740	$ 4,289,686	27.08%	$ 1,562,926	$ 1,584,477	$ 21,550	1.38%	$ 505,711	$ 523,686	$ 17,975	3.55%
38													
39	Miscellaneous Revenues	734,234	954,090	219,856	29.94%	21,463	34,335	12,872	59.97%	3,768	5,896	2,128	56.47%
40													
41	Total Operating Revenues	$ 16,572,288	$ 21,081,830	$ 4,509,542	27.21%	$ 1,584,389	$ 1,618,812	$ 34,422	2.17%	$ 509,480	$ 529,582	$ 20,103	3.95%
42													
43													
44	Revenue Adjustments (Sch. C-1, Ln. 10)	(786,452)				(109,152)				(6,914)			
45	Subtotal (Ln. 41 - Ln. 44)	$ 17,358,740				$ 1,693,541				$ 516,393			
46													
47	G.L. Revenues (Sch. C-1, Ln. 10)	17,358,501				1,693,624				516,508			
48	Difference (Ln. 45 - Ln. 47)	$ 239				$ (83)				$ (115)			
49	%	0.00%				0.00%				-0.02%			
50													
51													
52													

53 [1]Consolidated Revenue Adjustment represents
54 the increase/(decrease) in revenue requirement
55 resulting from proposed rate consolidation.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Summary Results of Operations

Line No.	Description	Total Company [A] Prior Years Ended 12/31/2008	[B] Prior Years Ended 12/31/2009	[C] Test Year Actual 12/31/2010
1	Gross Revenues	$ 49,629,881	$ 51,429,838	$ 52,189,106
2	Revenue Deductions and			
3	Operating Expenses	42,860,334	43,772,030	43,711,520
4	Operating Income	$ 6,769,547	$ 7,657,808	$ 8,477,586
5				
6	Other Income and			
7	Deductions	386,448	223,759	195,900
8	Interest Expense	4,212,424	4,980,395	4,917,806
9	Net Income	$ 2,943,571	$ 2,901,172	$ 3,755,680
10				
11	Common Shares	270,000	270,000	270,000
12				
13	Earned Per Average			
14	Common Share	10.90	10.75	13.91
15				
16	Dividends Paid	4,287,600	4,287,600	4,287,600
17				
18	Dividends Per			
19	Common Share	15.88	15.88	15.88
20				
21	Payout Ratio	1.46	1.48	1.14
22				
23	Return on Average			
24	Invested Capital	4.59%	5.08%	5.61%
25				
26	Return on Year End			
27	Capital	4.45%	5.13%	5.54%
28				
29	Return on Average			
30	Common Equity	4.18%	4.21%	5.14%
31				
32	Return on Year End			
33	Common Equity	4.22%	4.25%	4.82%
34				
35	Times Bond Interest Earned			
36	Before Income Taxes	2.50	1.97	2.20
37				
38	Times Total Interest and			
39	Preferred Dividends Earned			
40	After Income Taxes	1.51	1.61	1.80
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Summary Results of Operations

		Western Group					
		[A]	[B]	[C]	[D]	[E]	[F]
		Prior Years Ended		Test Year		Projected Year	
Line No.	Description	12/31/2008	12/31/2009	Actual 12/31/2010	Adjusted 12/31/2010	Present Rates 12/31/2011	Proposed Rates 12/31/2011
1	Gross Revenues	$ 17,426,549	$ 18,693,250	$ 19,568,633	$ 18,666,115	$ 20,604,365	$ 25,168,474
2	Revenue Deductions and						
3	Operating Expenses	16,071,938	16,789,579	16,821,366	16,278,051	18,893,096	20,602,003
4	Operating Income	$ 1,354,611	$ 1,903,671	$ 2,747,267	$ 2,388,064	$ 1,711,268	$ 4,566,472
5							
6	Other Income and						
7	Deductions	146,387	86,304	74,481	-	-	-
8	Interest Expense	1,595,666	1,920,938	1,869,750	1,809,297	1,809,297	1,809,297
9	Net Income	$ (94,669)	$ 69,036	$ 951,998	$ 578,767	$ (98,029)	$ 2,757,175
10							
11	Common Shares						
12							
13	Earned Per Average						
14	Common Share						
15							
16	Dividends Paid						
17							
18	Dividends Per						
19	Common Share						
20							
21	Payout Ratio						
22							
23	Return on Average						
24	Invested Capital						
25							
26	Return on Year End						
27	Capital						
28							
29	Return on Average						
30	Common Equity						
31							
32	Return on Year End						
33	Common Equity						
34							
35	Times Bond Interest Earned						
36	Before Income Taxes						
37							
38	Times Total Interest and						
39	Preferred Dividends Earned						
40	After Income Taxes						
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Summary Capital Structure

Line No.	Description	Total Company [A] Prior Years Ended 12/31/2008	[B] Prior Years Ended 12/31/2009	[C] Test Year 12/31/2010	[D] Projected Year Present Rates 12/31/2011	[E] Projected Year Proposed Rates 12/31/2011
1						
2						
3						
4	Short-Term Debt	$ 7,300,000	$ 6,000,000	$ -	$ -	$ -
5						
6	Long-Term Debt	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000
7						
8	Total Debt	$ 82,300,000	$ 81,000,000	$ 75,000,000	$ 75,000,000	$ 75,000,000
9						
10						
11	Preferred Stock	-	-	-	-	-
12						
13	Common Equity	69,671,689	68,285,255	77,975,335	74,500,143	81,217,667
14						
15						
16	Total Capital	$ 151,971,689	$ 149,285,255	$ 152,975,335	$ 149,500,143	$ 156,217,667
17						
18						
19	Capitalization Ratios					
20						
21	Short-Term Debt	4.80%	4.02%	0.00%	0.00%	0.00%
22						
23	Long-Term Debt	49.35%	50.24%	49.03%	50.17%	48.01%
24						
25	Total Debt	54.15%	54.26%	49.03%	50.17%	48.01%
26						
27						
28	Preferred Stock	0.00%	0.00%	0.00%	0.00%	0.00%
29						
30	Common Equity	45.85%	45.74%	50.97%	49.83%	51.99%
31						
32						
33	Total Capital	100.00%	100.00%	100.00%	100.00%	100.00%
34						
35						
36	Weighted Cost of Short-term Debt	6.04%	2.96%	0.00%	0.00%	0.00%
37						
38	Weighted Cost of Long-term Debt/Senior Capital	5.93%	6.82%	6.82%	6.82%	6.82%
39						
40	Rate of Return Earned on Common Equity	4.22%	4.25%	4.82%	1.09%	9.27%
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Summary Capital Structure

Line No.	Description	Western Group [A] Prior Years Ended 12/31/2008	[B] Prior Years Ended 12/31/2009	[C] Test Year 12/31/2010	[D] Projected Year Present Rates 12/31/2011	[E] Projected Year Proposed Rates 12/31/2011
1						
2						
3						
4	Short-Term Debt	$ 2,765,240	$ 2,314,200	$ -	$ -	$ -
5						
6	Long-Term Debt	28,410,000	28,927,500	28,515,000	28,515,000	28,515,000
7						
8	Total Debt	$ 31,175,240	$ 31,241,700	$ 28,515,000	$ 28,515,000	$ 28,515,000
9						
10						
11	Preferred Stock	-	-	-	-	-
12						
13	Common Equity	26,391,636	26,337,623	29,646,222	28,324,954	30,878,957
14						
15						
16	Total Capital	$ 57,566,876	$ 57,579,323	$ 58,161,222	$ 56,839,954	$ 59,393,957
17						
18						
19	Capitalization Ratios					
20						
21	Short-Term Debt	4.80%	4.02%	0.00%	0.00%	0.00%
22						
23	Long-Term Debt	49.35%	50.24%	49.03%	50.17%	48.01%
24						
25	Total Debt	54.15%	54.26%	49.03%	50.17%	48.01%
26						
27						
28	Preferred Stock	0.00%	0.00%	0.00%	0.00%	0.00%
29						
30	Common Equity	45.85%	45.74%	50.97%	49.83%	51.99%
31						
32						
33	Total Capital	100.00%	100.00%	100.00%	100.00%	100.00%
34						
35						
36	Weighted Cost of Short-term Debt	6.04%	2.96%	0.00%	0.00%	0.00%
37						
38	Weighted Cost of Long-term Debt/Senior Capital	5.93%	6.82%	6.82%	6.82%	6.82%
39						
40	*Rate of Return Earned on Common Equity*	-0.36%	0.26%	3.21%	-0.35%	8.93%
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Construction Expenditures and Gross Utility Plant in Service

Line No.		Total Company [A] Construction Expenditures[1]	[B] Net Increase in Plant	[C] Total Plant
1				
2	Prior Year Ended December 31, 2008	13,978,327	33,483,291	381,267,846
3				
4	Prior Year Ended December 31, 2009	5,532,596	3,634,669	384,902,515
5				
6	Test Year Ended December 31, 2010	7,292,151	3,081,280	387,983,795
7				
8	Projected Year Ended December 31, 2011	8,435,520	8,718,539	396,702,334
9				
10	Projected Year Ended December 31, 2012	9,609,034	15,854,906	412,557,240
11				
12	Projected Year Ended December 31, 2013	7,946,218	13,111,260	425,668,501
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55	[1]Company-funded			

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Construction Expenditures and Gross Utility Plant in Service

Line No.		Western Group [A] Construction Expenditures[1]	[B] Net Increase in Plant	[C] Total Plant
1				
2	Prior Year Ended December 31, 2008	7,024,505	21,062,200	162,567,484
3				
4	Prior Year Ended December 31, 2009	2,453,321	2,596,563	165,164,046
5				
6	Test Year Ended December 31, 2010	3,264,888	229,375	165,393,421
7				
8	Projected Year Ended December 31, 2011	2,682,155	2,771,614	168,165,035
9				
10	Projected Year Ended December 31, 2012	4,198,217	6,927,058	175,092,094
11				
12	Projected Year Ended December 31, 2013	2,435,219	4,018,111	179,110,204
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55	[1]Company-funded			

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Construction Expenditures and Gross Utility Plant in Service

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Construction Expenditures[1]	[B] Net Increase in Plant	[C] Total Plant	White Tank [D] Construction Expenditures[1]	[E] Net Increase in Plant	[F] Total Plant	Ajo [G] Construction Expenditures[1]	[H] Net Increase in Plant	[I] Total Plant
1										
2	Prior Year Ended December 31, 2008	5,463,829	16,378,300	140,241,020	1,267,108	4,382,129	17,487,588	76,747	92,161	2,248,381
3										
4	Prior Year Ended December 31, 2009	1,810,181	2,127,175	142,368,195	615,006	437,825	17,925,413	2,935	2,913	2,251,294
5										
6	Test Year Ended December 31, 2010	2,710,708	(278,221)	142,089,974	451,255	436,853	18,362,266	-	10,542	2,261,836
7										
8	Projected Year Ended December 31, 2011	2,154,000	2,225,843	144,315,818	175,750	181,612	18,543,878	4,750	4,908	2,266,744
9										
10	Projected Year Ended December 31, 2012	3,475,500	5,734,575	150,050,393	288,000	475,200	19,019,078	83,450	137,693	2,404,436
11										
12	Projected Year Ended December 31, 2013	1,776,000	2,930,400	152,980,793	304,000	501,600	19,520,678	13,950	23,018	2,427,454
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55	[1]Company-funded									

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Summary Statement of Cash Flows

Line No.	Source of Funds	Total Company [A] Prior Year Ended 12/31/2008	[B] Prior Year Ended 12/31/2009	[C] Test Year Ended 12/31/2010	[D] Projected Year Present Rates 12/31/2011	[E] Projected Year Proposed Rates 12/31/2011
1						
2	Net Cash Provided by Operating Activities	$ 10,935,805	$ 14,022,187	$ 14,740,133	$ 10,441,021	$ 14,270,988
3						
4	Net Cash Used in Investing Activities	(16,631,504)	(6,205,023)	(5,980,243)	(8,716,874)	(8,716,874)
5						
6	Net Cash Provided by Financing Activities	5,260,616	(6,276,031)	(45,696)	(5,002,315)	(5,199,825)
7						
8	Net Increase (Decrease) in Cash	$ (435,083)	$ 1,541,133	$ 8,714,194	$ (3,278,169)	$ 354,289
9						
10	Cash & Cash Equivalents - Beginning of Year	$ 506,926	$ 71,843	$ 1,612,976	$ 10,327,170	$ 10,327,170
11						
12	Cash & Cash Equivalents - End of Year	$ 71,843	$ 1,612,976	$ 10,327,170	$ 7,049,001	$ 10,681,459
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RATE BASE SCHEDULES

B-1	SUMMARY ORIGINAL COST RATE BASE
B-2	ORIGINAL COST RATE BASE PRO FORMA ADJUSTMENTS
B-2 APPENDIX	CALCULATION OF RATE BASE PRO FORMA ADJUSTMENTS
B-3	RCND RATE BASE PRO FORMA ADJUSTMENTS
B-4	RCND DETAIL OF PLANT ACCOUNTS
B-5	COMPUTATION OF WORKING CAPITAL
B-5 APPENDIX	COMPUTATION OF WORKING CASH REQUIREMENT

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Summary Original Cost Rate Base

Line No.		Western Group [A] Original Cost Rate Base
1		
2	Gross Plant in Service	$ 166,694,053
3		
4	Less:	
5	Accumulated Depreciation	33,280,458
6	Net Plant in Service	$ 133,413,595
7		
8	Less:	
9	Advances in Aid of Construction	53,463,817
10	Contributions in Aid of Construction:	
11	Gross	21,508,932
12	Accumulated Amortization	(3,699,158)
13	Net Contributions in Aid of Construction	$ 17,809,774
14		
15	Deferred Income Tax	9,644,941
16	Customer Deposits	357,699
17		
18	Add:	
19	Working Capital	1,462,431
20	Net Regulatory Asset / (Liability)	473,000
21		
22		
23	Total Rate Base	$ 54,072,795
24		
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Summary Original Cost Rate Base

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Original Cost Rate Base	White Tank [B] Original Cost Rate Base	Ajo [C] Original Cost Rate Base
1				
2	Gross Plant in Service	$ 145,686,165	$ 18,693,007	$ 2,314,881
3				
4	Less:			
5	Accumulated Depreciation	29,456,880	2,856,989	966,588
6	Net Plant in Service	$ 116,229,285	$ 15,836,018	$ 1,348,293
7				
8	Less:			
9	Advances in Aid of Construction	45,465,736	7,891,919	106,162
10	Contributions in Aid of Construction:			
11	Gross	19,589,664	1,831,118	88,150
12	Accumulated Amortization	(3,428,365)	(250,616)	(20,177)
13	Net Contributions in Aid of Construction	$ 16,161,299	$ 1,580,502	$ 67,973
14				
15	Deferred Income Tax	8,683,491	771,189	190,261
16	Customer Deposits	327,277	22,494	7,929
17				
18	Add:			
19	Working Capital	1,333,549	112,351	16,531
20	Net Regulatory Asset / (Liability)	473,000	-	-
21				
22				
23	Total Rate Base	$ 47,398,030	$ 5,682,264	$ 992,500
24				
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Original Cost Rate Base Pro Forma Adjustments

Line No.		Western Group											
		[A] Actual End of Test Year	[B] Adjustment RB-1	[C] Adjustment RB-2	[D] Adjustment BLANK	[E] Adjustment BLANK	[F] Adjustment BLANK	[G] Adjustment BLANK	[H] Adjustment BLANK	[I] Adjustment BLANK	[J] Adjustment RB-3	[K] Total Pro Forma Adjustments	[L] Adjusted End of Test Year
1													
2	Plant Classification												
3	Intangible Plant	$ 1,552,568	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,478	$ 3,478	$ 1,556,046
4	Source of Supply Plant	8,633,660	-	-	-	-	-	-	-	-	30	30	8,633,691
5	Pumping Plant	10,822,941	154,865	-	-	-	-	-	-	-	-	154,865	10,977,806
6	Water Treatment Plant	10,814,267	-	-	-	-	-	-	-	-	779	779	10,815,047
7	Transmission & Distribution Plant	126,807,423	1,136,047	-	-	-	-	-	-	-	2,306	1,138,354	127,945,777
8	General Plant	4,083,217	-	-	-	-	-	-	-	-	2,682,471	2,682,471	6,765,688
9	Total Gross Plant in Service	$ 162,714,076	$ 1,290,912	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,689,065	$ 3,979,977	$ 166,694,053
10													
11	Less:												
12	Accumulated Depreciation	32,640,331	14,932	-	-	-	-	-	-	-	625,194	640,126	33,280,458
13	Net Plant in Service	$ 130,073,744	$ 1,275,980	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,063,871	$ 3,339,851	$ 133,413,595
14													
15	Less:												
16	Advances in Aid of Construction	53,463,817	-	-	-	-	-	-	-	-	-	-	53,463,817
17	Contributions in Aid of Construction:												
18	Gross	21,508,932	-	-	-	-	-	-	-	-	-	-	21,508,932
19	Accumulated Amortization	(3,699,158)	-	-	-	-	-	-	-	-	-	-	(3,699,158)
20	Net Contributions in Aid of Construction	$ 17,809,774	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,809,774
21													
22	Deferred Income Tax	-	-	-	-	-	-	-	-	-	9,644,941	9,644,941	9,644,941
23	Customer Deposits	357,699	-	-	-	-	-	-	-	-	-	-	357,699
24													
25	Add:												
26	Working Capital	1,462,431	-	-	-	-	-	-	-	-	-	-	1,462,431
27	Net Regulatory Asset / (Liability)	-	-	473,000	-	-	-	-	-	-	-	473,000	473,000
28													
29													
30	Total Rate Base	$ 59,904,885	$ 1,275,980	$ 473,000	$ -	$ -	$ -	$ -	$ -	$ -	$ (7,581,071)	$ (5,832,090)	$ 54,072,795
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Pinal Valley (Casa Grande, Coolidge, Stanfield)

Line No.		[A] Actual End of Test Year	[B] Adjustment RB-1	[C] Adjustment RB-2	[D] Adjustment BLANK	[E] Adjustment BLANK	[F] Adjustment BLANK	[G] Adjustment BLANK	[H] Adjustment BLANK	[I] Adjustment BLANK	[J] Adjustment RB-3	[K] Total Pro Forma Adjustments	[L] Adjusted End of Test Year
1													
2	Plant Classification												
3	Intangible Plant	$ 1,533,974	$ -								$ 3,131	$ 3,131	$ 1,537,106
4	Source of Supply Plant	7,110,689	-								27	27	7,110,716
5	Pumping Plant	9,110,796	154,865								-	154,865	9,265,661
6	Water Treatment Plant	9,119,376	-								702	702	9,120,077
7	Transmission & Distribution Plant	111,483,305	1,020,318								2,076	1,022,395	112,505,699
8	General Plant	3,731,834	-								2,415,071	2,415,071	6,146,905
9	Total Gross Plant in Service	$ 142,089,974	$ 1,175,183	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,421,007	$ 3,596,191	$ 145,686,165
10													
11	Less:												
12	Accumulated Depreciation	28,880,112	13,896								562,872	576,768	29,456,880
13	Net Plant in Service	$ 113,209,862	$ 1,161,287	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,858,135	$ 3,019,422	$ 116,229,285
14													
15	Less:												
16	Advances in Aid of Construction	45,465,736										-	45,465,736
17	Contributions in Aid of Construction:												
18	Gross	19,589,664										-	19,589,664
19	Accumulated Amortization	(3,428,365)										-	(3,428,365)
20	Net Contributions in Aid of Construction	$ 16,161,299	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,161,299
21													
22	Deferred Income Tax	-									8,683,491	8,683,491	8,683,491
23	Customer Deposits	327,277										-	327,277
24													
25	Add:												
26	Working Capital	1,333,549										-	1,333,549
27	Net Regulatory Asset / (Liability)	-		473,000								473,000	473,000
28													
29													
30	Total Rate Base	$ 52,589,100	$ 1,161,287	$ 473,000	$ -	$ -	$ -	$ -	$ -	$ -	$ (6,825,356)	$ (5,191,069)	$ 47,398,030
31													
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White Tank

Line No.		[A] Actual End of Test Year	[B] Adjustment RB-1	[C] Adjustment RB-2	[D] Adjustment BLANK	[E] Adjustment BLANK	[F] Adjustment BLANK	[G] Adjustment BLANK	[H] Adjustment BLANK	[I] Adjustment BLANK	[J] Adjustment RB-3	[K] Total Pro Forma Adjustments	[L] Adjusted End of Test Year
1													
2	Plant Classification												
3	Intangible Plant	$ 14,082	$ -								$ 278	$ 278	$ 14,360
4	Source of Supply Plant	1,511,948	-								2	2	1,511,950
5	Pumping Plant	1,622,914	-								-	-	1,622,914
6	Water Treatment Plant	1,690,602	-								62	62	1,690,664
7	Transmission & Distribution Plant	13,304,456	115,729								184	115,913	13,420,369
8	General Plant	218,266	-								214,485	214,485	432,750
9	Total Gross Plant in Service	$ 18,362,266	$ 115,729	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 215,012	$ 330,741	$ 18,693,007
10													
11	Less:												
12	Accumulated Depreciation	2,805,964	1,036								49,989	51,025	2,856,989
13	Net Plant in Service	$ 15,556,302	$ 114,693	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 165,023	$ 279,716	$ 15,836,018
14													
15	Less:												
16	Advances in Aid of Construction	7,891,919										-	7,891,919
17	Contributions in Aid of Construction:												
18	Gross	1,831,118										-	1,831,118
19	Accumulated Amortization	(250,616)										-	(250,616)
20	Net Contributions in Aid of Construction	$ 1,580,502	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,580,502
21													
22	Deferred Income Tax	-									771,189	771,189	771,189
23	Customer Deposits	22,494										-	22,494
24													
25	Add:												
26	Working Capital	112,351										-	112,351
27	Net Regulatory Asset / (Liability)	-										-	-
28													
29													
30	Total Rate Base	$ 6,173,738	$ 114,693	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (606,167)	$ (491,473)	$ 5,682,264
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Line No.		[A] Actual End of Test Year	[B] Adjustment RB-1	[C] Adjustment RB-2	[D] Adjustment BLANK	[E] Adjustment BLANK	[F] Adjustment BLANK	[G] Adjustment BLANK	[H] Adjustment BLANK	[I] Adjustment BLANK	[J] Adjustment RB-3	[K] Total Pro Forma Adjustments	[L] Adjusted End of Test Year
1													
2	Plant Classification												
3	Intangible Plant	$ 4,512									$ 69	$ 69	$ 4,580
4	Source of Supply Plant	11,024									1	1	11,024
5	Pumping Plant	89,231									-	-	89,231
6	Water Treatment Plant	4,290									15	15	4,305
7	Transmission & Distribution Plant	2,019,663									45	45	2,019,708
8	General Plant	133,117									52,916	52,916	186,032
9	Total Gross Plant in Service	$ 2,261,836	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 53,046	$ 53,046	$ 2,314,881
10													
11	Less:												
12	Accumulated Depreciation	954,255									12,333	12,333	966,588
13	Net Plant in Service	$ 1,307,580	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 40,713	$ 40,713	$ 1,348,293
14													
15	Less:												
16	Advances in Aid of Construction	106,162										-	106,162
17	Contributions in Aid of Construction:												
18	Gross	88,150										-	88,150
19	Accumulated Amortization	(20,177)										-	(20,177)
20	Net Contributions in Aid of Construction	$ 67,973	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 67,973
21													
22	Deferred Income Tax	-									190,261	190,261	190,261
23	Customer Deposits	7,929										-	7,929
24													
25	Add:												
26	Working Capital	16,531										-	16,531
27	Net Regulatory Asset / (Liability)	-										-	-
28													
29													
30	Total Rate Base	$ 1,142,048	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (149,548)	$ (149,548)	$ 992,500
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ARIZONA WATER COMPANY
#REF!
Original Cost Rate Base Pro Forma Adjustments

Phoenix Office

Line No.		[A] Actual End of Test Year	[B] Adjustment RB-1	[C] Adjustment RB-2	[D] Adjustment BLANK	[E] Adjustment BLANK	[F] Adjustment BLANK	[G] Adjustment BLANK	[H] Adjustment BLANK	[I] Adjustment BLANK	[J] Adjustment RB-3	[K] Total Pro Forma Adjustments	[L] Adjusted End of Test Year
1													
2	Plant Classification												
3	Intangible Plant	$ 9,148	$ -								$ (9,148)	$ (9,148)	$ -
4	Source of Supply Plant	-	-								-	-	-
5	Pumping Plant	-	-								-	-	-
6	Water Treatment Plant	-	-								-	-	-
7	Transmission & Distribution Plant	-	-								-	-	-
8	General Plant	6,883,048	25,564								(6,908,612)	(6,883,048)	-
9	Total Gross Plant in Service	$ 6,892,196	$ 25,564	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (6,917,760)	$ (6,892,196)	$ -
10													
11	Less:												
12	Accumulated Depreciation	1,587,468	511								(1,587,979)	(1,587,468)	-
13	Net Plant in Service	$ 5,304,728	$ 25,053	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (5,329,781)	$ (5,304,728)	$ -
14													
15	Less:												
16	Advances in Aid of Construction	-											
17	Contributions in Aid of Construction:											-	-
18	Gross	-											
19	Accumulated Amortization	-										-	-
20	Net Contributions in Aid of Construction	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
21													
22	Deferred Income Tax	25,368,073									(25,368,073)	(25,368,073)	-
23	Customer Deposits	-										-	-
24													
25	Add:												
26	Working Capital	-										-	-
27	Net Regulatory Asset / (Liability)	-										-	-
28													
29													
30	Total Rate Base	$ (20,063,345)	$ 25,053	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,038,292	$ 20,063,345	$ -
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ARIZONA WATER COMPANY
#REF!
Original Cost Rate Base Pro Forma Adjustments

Meter Shop

Line No.		[A] Actual End of Test Year	[B] Adjustment RB-1	[C] Adjustment RB-2	[D] Adjustment BLANK	[E] Adjustment BLANK	[F] Adjustment BLANK	[G] Adjustment BLANK	[H] Adjustment BLANK	[I] Adjustment BLANK	[J] Adjustment RB-3	[K] Total Pro Forma Adjustments	[L] Adjusted End of Test Year
1													
2	Plant Classification												
3	Intangible Plant	$ -											
4	Source of Supply Plant	80									$ -	$ -	$ -
5	Pumping Plant	-									(80)	(80)	-
6	Water Treatment Plant	2,050									-	-	-
7	Transmission & Distribution Plant	6,066									(2,050)	(2,050)	-
8	General Plant	146,809									(6,066)	(6,066)	-
9	Total Gross Plant in Service	$ 155,005	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	(146,809)	(146,809)	-
10											$ (155,005)	$ (155,005)	$ -
11	Less:												
12	Accumulated Depreciation	56,404											
13	Net Plant in Service	$ 98,601	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	(56,404)	(56,404)	-
14											$ (98,601)	$ (98,601)	$ -
15	Less:												
16	Advances in Aid of Construction	-											
17	Contributions in Aid of Construction:												
18	Gross	-										-	-
19	Accumulated Amortization	-										-	-
20	Net Contributions in Aid of Construction	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		-	-
21											$ -	$ -	$ -
22	Deferred Income Tax	-											
23	Customer Deposits	-										-	-
24												-	-
25	Add:												
26	Working Capital	-											
27	Net Regulatory Asset / (Liability)	-										-	-
28												-	-
29													
30	Total Rate Base	$ 98,601	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (98,601)	$ (98,601)	$ -
31													
32													
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Supporting Schedules:
E-1

Recap Schedules:
B-1

Line No.		Depreciation Rate	Pinal Valley [A] Work Authorization 1-4768	[B] Work Authorization 1-4773	[C] Work Authorization 1-4772	[D] Work Authorization 1-4801	[E] Work Authorization 1-4802	[F] Work Authorization 1-4803	[G] Work Authorization 1-4807	[H] Work Authorization 1-4763	[I] Total Plant	[J] Depreciation Expense (Full Year)
1	Intangible Plant											
2	301 Organization	0.00%									$ -	$ -
3	302 Franchises	n/a									-	
4	303 Other Intangibles	n/a									-	
5	Subtotal Intangible Plant		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	Source of Supply Plant											
7	310.1 Water Rights	0.00%									-	-
8	310.3 Other Source of Supply Land	0.00%									-	-
9	310.4 Wells - Other	n/a									-	
10	314 Wells	3.13%									-	-
11	Subtotal Source of Sup. Plant		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
12	Pumping Plant											
13	320 Pumping Plant Land	0.00%									-	-
14	321 Pumping Plant Struct. & Improv.	2.86%									-	-
15	325 Electtric Pumping Equipment	5.88%				23,971	80,720	35,039		15,135	154,865	9,106
16	328 Gas Engine Equipment	4.00%									-	-
17	Subtotal Pumping Plant		$ -	$ -	$ -	$ 23,971	$ 80,720	$ 35,039	$ -	$ 15,135	$ 154,865	$ 9,106
18	Water Treatment Plant											
19	330 Water Treatment Plant Land	0.00%									-	-
20	331 Water Trtmt. Struct. & Improv.	2.50%									-	-
21	332 Water Treatment Equipment	2.86%									-	-
22	Subtotal Water Trtmt. Plant		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
23	Transmission & Distribution Plant											
24	340 Trans. and Dist. Land	0.00%									-	-
25	342 Storage Tanks	2.00%							33,339		33,339	667
26	343 Trans. & Dist. Mains	1.79%	116,754	75,683	663,251	64,375					920,062	16,469
27	344 Fire Sprinkler Taps	2.00%									-	-
28	345 Services	2.38%	13,529	45,497				359			59,386	1,413
29	346 Meters	4.55%									-	-
30	348 Hydrants	1.82%	7,531								7,531	137
31	Subtotal Trans. & Dist.		$ 137,814	$ 121,180	$ 663,251	$ 64,375	$ -	$ 359	$ 33,339	$ -	$ 1,020,318	$ 18,686
32	General Plant											
33	389 General Plant Land	0.00%									-	-
34	390 General Plant Structures	2.50%									-	-
35	390.1 Leasehold Improvements	n/a									-	
36	391 Office Furniture & Equipment	6.67%									-	-
37	393 Warehouse Equipment	5.00%									-	-
38	394 Tools, Shop & Garage Equip.	4.00%									-	-
39	395 Laboratory Equipment	5.00%									-	-
40	396 Power Operated Equipment	6.67%									-	-
41	397 Communication Equipment	6.67%									-	-
42	398 Miscellaneous Equipment	3.33%									-	-
43	Subtotal General Plant		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
44												
45	Total Utility Plant		$ 137,814	$ 121,180	$ 663,251	$ 88,346	$ 80,720	$ 35,398	$ 33,339	$ 15,135	$ 1,175,183	$ 27,792
46												
47	Accumulated Depreciation (1/2-Year Convention)											$ 13,896
48												
49	Net Plant											$ 1,161,287
50												
51												
52												
53												
54												
55												

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Rate Base Adjustment RB-1 (Continued)
Adjust Rate Base to Include Post-Test Year Plant

Line No.			Depreciation Rate	White Tank [A] Work Authorization 1-4810	[B] Total Plant	[C] Depreciation Expense (Full Year)
1		Intangible Plant				
2	301	Organization	0.00%		$ -	$ -
3	302	Franchises	n/a		-	
4	303	Other Intangibles	n/a		-	
5		Subtotal Intangible Plant		$ -	$ -	$ -
6		Source of Supply Plant				
7	310.1	Water Rights	0.00%		-	-
8	310.3	Other Source of Supply Land	0.00%		-	-
9	310.4	Wells - Other	n/a		-	
10	314	Wells	3.13%		-	-
11		Subtotal Source of Sup. Plant		$ -	$ -	$ -
12		Pumping Plant				
13	320	Pumping Plant Land	0.00%		-	-
14	321	Pumping Plant Struct. & Improv.	2.86%		-	-
15	325	Electtric Pumping Equipment	5.88%		-	-
16	328	Gas Engine Equipment	4.00%		-	-
17		Subtotal Pumping Plant		$ -	$ -	$ -
18		Water Treatment Plant				
19	330	Water Treatment Plant Land	0.00%		-	-
20	331	Water Trtmt. Struct. & Improv.	2.50%		-	-
21	332	Water Treatment Equipment	2.86%		-	-
22		Subtotal Water Trtmt. Plant		$ -	$ -	$ -
23		Transmission & Distribution Plant				
24	340	Trans. and Dist. Land	0.00%		-	-
25	342	Storage Tanks	2.00%		-	-
26	343	Trans. & Dist. Mains	1.79%	115,729	115,729	2,072
27	344	Fire Sprinkler Taps	2.00%		-	-
28	345	Services	2.38%		-	-
29	346	Meters	4.55%		-	-
30	348	Hydrants	1.82%		-	-
31		Subtotal Trans. & Dist.		$ 115,729	$ 115,729	$ 2,072
32		General Plant				
33	389	General Plant Land	0.00%		-	-
34	390	General Plant Structures	2.50%		-	-
35	390.1	Leasehold Improvements	n/a		-	
36	391	Office Furniture & Equipment	6.67%		-	-
37	393	Warehouse Equipment	5.00%		-	-
38	394	Tools, Shop & Garage Equip.	4.00%		-	-
39	395	Laboratory Equipment	5.00%		-	-
40	396	Power Operated Equipment	6.67%		-	-
41	397	Communication Equipment	6.67%		-	-
42	398	Miscellaneous Equipment	3.33%		-	-
43		Subtotal General Plant		$ -	$ -	$ -
44						
45		Total Utility Plant		$ 115,729	$ 115,729	$ 2,072
46						
47		Accumulated Depreciation (1/2-Year Convention)				$ 1,036
48						
49		Net Plant				$ 114,693
50						
51						
52						
53						
54						
55						

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Rate Base Adjustment RB-1 (Continued)
Adjust Rate Base to Include Post-Test Year Plant

Line No.			Depreciation Rate	Phoenix Office [A] Work Authorization 1-4823	[B] Total Plant	[C] Depreciation Expense (Full Year)
1		Intangible Plant				
2	301	Organization	0.00%		$ -	$ -
3	302	Franchises	n/a		-	
4	303	Other Intangibles	n/a		-	
5		Subtotal Intangible Plant		$ -	$ -	$ -
6		Source of Supply Plant				
7	310.1	Water Rights	0.00%		-	-
8	310.3	Other Source of Supply Land	0.00%		-	-
9	310.4	Wells - Other	n/a		-	
10	314	Wells	3.13%		-	-
11		Subtotal Source of Sup. Plant		$ -	$ -	$ -
12		Pumping Plant				
13	320	Pumping Plant Land	0.00%		-	-
14	321	Pumping Plant Struct. & Improv.	2.86%		-	-
15	325	Electtric Pumping Equipment	5.88%		-	-
16	328	Gas Engine Equipment	4.00%		-	-
17		Subtotal Pumping Plant		$ -	$ -	$ -
18		Water Treatment Plant				
19	330	Water Treatment Plant Land	0.00%		-	-
20	331	Water Trtmt. Struct. & Improv.	2.50%		-	-
21	332	Water Treatment Equipment	2.86%		-	-
22		Subtotal Water Trtmt. Plant		$ -	$ -	$ -
23		Transmission & Distribution Plant				
24	340	Trans. and Dist. Land	0.00%		-	-
25	342	Storage Tanks	2.00%		-	-
26	343	Trans. & Dist. Mains	1.79%		-	-
27	344	Fire Sprinkler Taps	2.00%		-	-
28	345	Services	2.38%		-	-
29	346	Meters	4.55%		-	-
30	348	Hydrants	1.82%		-	-
31		Subtotal Trans. & Dist.		$ -	$ -	$ -
32		General Plant				
33	389	General Plant Land	0.00%		-	-
34	390	General Plant Structures	2.50%		-	-
35	390.1	Leasehold Improvements	n/a		-	
36	391	Office Furniture & Equipment	6.67%		-	-
37	393	Warehouse Equipment	5.00%		-	-
38	394	Tools, Shop & Garage Equip.	4.00%	25,564	25,564	1,023
39	395	Laboratory Equipment	5.00%		-	-
40	396	Power Operated Equipment	6.67%		-	-
41	397	Communication Equipment	6.67%		-	-
42	398	Miscellaneous Equipment	3.33%		-	-
43		Subtotal General Plant		$ 25,564	$ 25,564	$ 1,023
44						
45		Total Utility Plant		$ 25,564	$ 25,564	$ 1,023
46						
47		Accumulated Depreciation (1/2-Year Convention)				$ 511
48						
49		Net Plant				$ 25,053
50						
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52						
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Rate Base Adjustment RB-2
Amortize Deferred Regulatory Assets / (Liabilities)

Line No.		Pinal Valley [A] A.C.C. Dec. No. 68302 T.Y. Ended 12/31/2003	[B] A.C.C. Dec. No. 71845 T.Y. Ended 12/31/2007	[C] Total
1				
2				
3				
4	Deferred Regulatory Asset / (Liability) balance - Prior Rate Case T.Y.	$ 142,896	$ 447,197	$ 590,093
5				
6	Amortization Period in Years	20	20	
7				
8	2004 Amortization	(7,145)	-	(7,145)
9				
10	2005 Amortization	(7,145)	-	(7,145)
11				
12	2006 Amortization	(7,145)	-	(7,145)
13				
14	2007 Amortization	(7,145)	-	(7,145)
15				
16	2008 Amortization	(7,145)	(22,360)	(29,505)
17				
18	2009 Amortization	(7,145)	(22,360)	(29,505)
19				
20	2010 Amortization	(7,145)	(22,360)	(29,505)
21				
22	Balance at 12/31/2010	$ 92,882	$ 380,117	$ 473,000
23				
24				
25	Total Increase/(Decrease)in Rate Base - Pinal Valley			$ 473,000
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Line No.		Western Group [A] Test Year Adjusted	[B] Pinal Valley	[C] White Tank	[D] Ajo
1					
2	3-Factor Allocation Ratio	0.3986	0.3423	0.0304	0.0075
3					
4	Phoenix Office				
5	Plant Classification				
6	Intangible Plant	$ 9,148	$ 3,131	$ 278	$ 69
7	Source of Supply Plant	-	-	-	-
8	Pumping Plant	-	-	-	-
9	Water Treatment Plant	-	-	-	-
10	Transmission & Distribution Plant	-	-	-	-
11	General Plant	6,908,612	2,364,818	210,022	51,815
12	Total Gross Plant in Service	$ 6,917,760	$ 2,367,949	$ 210,300	$ 51,883
13	Less:				
14	Accumulated Depreciation	1,587,979	543,565	48,275	11,910
15	Net Plant in Service	$ 5,329,781	$ 1,824,384	$ 162,025	$ 39,973
16	Less:				
17	Deferred Income Tax	25,368,073	8,683,491	771,189	190,261
18	Total Rate Base	$ (20,038,292)	$ (6,859,107)	$ (609,164)	$ (150,287)
19					
20					
21					
22	Meter Shop				
23	Plant Classification				
24	Intangible Plant	$ -	$ -	$ -	$ -
25	Source of Supply Plant	80	27	2	1
26	Pumping Plant	-	-	-	-
27	Water Treatment Plant	2,050	702	62	15
28	Transmission & Distribution Plant	6,066	2,076	184	45
29	General Plant	146,809	50,253	4,463	1,101
30	Total Gross Plant in Service	$ 155,005	$ 53,058	$ 4,712	$ 1,163
31	Less:				
32	Accumulated Depreciation	56,404	19,307	1,715	423
33	Net Plant in Service	$ 98,601	$ 33,751	$ 2,997	$ 740
34					
35	Total Rate Base	$ 98,601	$ 33,751	$ 2,997	$ 740
36					
37					
38	Total Phoenix Office & Meter Shop				
39	Plant Classification				
40	Intangible Plant	$ 9,148	$ 3,131	$ 278	$ 69
41	Source of Supply Plant	80	27	2	1
42	Pumping Plant	-	-	-	-
43	Water Treatment Plant	2,050	702	62	15
44	Transmission & Distribution Plant	6,066	2,076	184	45
45	General Plant	7,055,421	2,415,071	214,485	52,916
46	Total Gross Plant in Service	$ 7,072,764	$ 2,421,007	$ 215,012	$ 53,046
47	Less:				
48	Accumulated Depreciation	$ 1,644,383	562,872	49,989	12,333
49		$ 5,428,381	$ 1,858,135	$ 165,023	$ 40,713
50	Less:				
51	Deferred Income Tax	25,368,073	8,683,491	771,189	190,261
52	Total Rate Base	$ (19,939,692)	$ (6,825,356)	$ (606,167)	$ (149,548)
53					
54					
55					

Line No.	
1	The Company did not conduct a Reconstruction Cost-New study.

Line No.	
1	The Company did not conduct a Reconstruction Cost-New study.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Computation of Working Capital

Line No.		Western Group [A] Working Capital
1		
2	Working Cash Requirement	
3	(Sch. B-5 Appendix)	$ 254,562
4		
5	Material and Supplies Inventories[1]	128,714
6		
7	Required Bank Balances[1]	826,817
8		
9	Prepayments & Special Deposits[1]	252,338
10		
11	Total Working Capital Allowance	$ 1,462,431
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54		
55	[1]13-month average balances	

Supporting Schedules:
E-1 (as adjusted to reflect 13-month average balances), B-5 Appendix

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Computation of Working Capital

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Working Capital	White Tank [B] Working Capital	Ajo [C] Working Capital
1				
2	Working Cash Requirement			
3	(Sch. B-5 Appendix)	$ 235,550	$ 24,222	$ (5,211)
4				
5	Material and Supplies Inventories[1]	126,149	2,057	507
6				
7	Required Bank Balances[1]	744,601	65,947	16,270
8				
9	Prepayments & Special Deposits[1]	227,249	20,124	4,965
10				
11	Total Working Capital Allowance	$ 1,333,549	$ 112,351	$ 16,531
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54				
55	[1]13-month average balances			

Supporting Schedules:
E-1 (as adjusted to reflect 13-month average balances), B-5 Appendix

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Computation of Working Cash Requirement

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Test Year Adjusted Results	[B] Revenue Lag Days[1]	[C] Expense Lag Days[2]	[D] Net Lag Days [B - C]	[E] Lead / Lag Factor [D ÷ 365]	[F] Working Cash Requirement [A X E]	White Tank [G] Test Year Adjusted Results	[H] Revenue Lag Days[1]	[I] Expense Lag Days[2]	[J] Net Lag Days [H - I]	[K] Lead / Lag Factor [J ÷ 365]	[L] Working Cash Requirement [G X K]
1													
2	Operating Expenses												
3	Purchased Power	$ 1,783,602	30.10	30.87	(0.77)	(0.0021)	$ (3,758)	$ 147,338	31.37	30.87	0.50	0.0014	$ 203
4	Payroll	2,924,079	30.10	14.00	16.10	0.0441	128,988	293,306	31.37	14.00	17.37	0.0476	13,961
5	Purchased Water	445,372	30.10	(55.31)	85.41	0.2340	104,218	64,894	31.37	41.88	(10.51)	(0.0288)	(1,868)
6	Chemicals	237,329	30.10	(18.11)	48.21	0.1321	31,348	18,312	31.37	(18.11)	49.48	0.1356	2,483
7	Property & Liability Insurance	189,650	30.10	(45.27)	75.37	0.2065	39,162	16,843	31.37	(45.27)	76.64	0.2100	3,537
8	Workman's Compensation Insurance	43,376	30.10	(46.50)	76.60	0.2099	9,103	3,852	31.37	(46.50)	77.87	0.2134	822
9	Health Insurance	539,321	30.10	(8.92)	39.02	0.1069	57,657	35,631	31.37	(8.92)	40.29	0.1104	3,933
10	Other O&M (Excluding Rate Case Expense)	2,913,906	30.10	(9.27)	39.37	0.1079	314,311	297,309	31.37	(9.27)	40.64	0.1114	33,106
11	Federal Income Taxes	1,505,971	30.10	37.00	(6.90)	(0.0189)	(28,465)	180,542	31.37	37.00	(5.63)	(0.0154)	(2,783)
12	State Income Taxes	331,752	30.10	37.00	(6.90)	(0.0189)	(6,271)	39,772	31.37	37.00	(5.63)	(0.0154)	(613)
13	FICA Taxes	219,076	30.10	14.00	16.10	0.0441	9,664	22,133	31.37	14.00	17.37	0.0476	1,053
14	FUTA & SUTA Taxes	6,783	30.10	83.10	(53.00)	(0.1452)	(985)	764	31.37	83.10	(51.73)	(0.1417)	(108)
15	Property Taxes	914,804	30.10	212.00	(181.90)	(0.4984)	(455,896)	68,827	31.37	212.00	(180.63)	(0.4949)	(34,060)
16	Registration, Svc. Contracts, & Misc. Fees	182,839	30.10	(98.83)	128.93	0.3532	64,585	16,238	31.37	(98.83)	130.20	0.3567	5,792
17	Retirement Annuities (401k)	276,469	30.10	34.72	(4.62)	(0.0127)	(3,499)	18,265	31.37	34.72	(3.35)	(0.0092)	(167)
18													
19													
20	Subtotal	$ 12,514,327					$ 260,163	$ 1,224,026					$ 25,289
21													
22													
23	Interest Expense	1,585,957	30.10	91.25	(61.15)	(0.16753)	(265,698)	190,131	31.37	91.25	(59.88)	(0.16405)	(31,190)
24	Cost of Equity	2,923,355	30.10	-	30.10	0.08247	241,085	350,463	31.37	-	31.37	0.08595	30,124
25													
26	Subtotal	$ 4,509,311					$ (24,613)	$ 540,594					$ (1,067)
27													
28													
29	Total	17,023,638					$ 235,550	1,764,620					$ 24,222
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49													
50	[1]2010 Actual lag days per AWC billing system.												
51	[2]Dec. No. 64282 as amended by Dec. Nos. 66849												
52	& 68302. Purchased power lag days per Dec.												
53	No. 71845. Purchased water lag days per Dec.												
54	No. 71845, except White Tank, which are based												
55	on actual 2010 lag days.												

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Computation of Working Cash Requirement

Line No.		[A] Test Year Adjusted Results	[B] Revenue Lag Days[1]	[C] Expense Lag Days[2]	[D] Net Lag Days [B - C]	[E] Lead / Lag Factor [D ÷ 365]	[F] Working Cash Requirement [A X E]
1							
2	Operating Expenses						
3	Purchased Power	$ 3,083	28.95	30.87	(1.93)	(0.0053)	$ (16)
4	Payroll	76,021	28.95	14.00	14.95	0.0409	3,113
5	Purchased Water	147,188	28.95	38.97	(10.03)	(0.0275)	(4,043)
6	Chemicals	1,146	28.95	(18.11)	47.06	0.1289	148
7	Property & Liability Insurance	4,155	28.95	(45.27)	74.22	0.2033	845
8	Workman's Compensation Insurance	950	28.95	(46.50)	75.45	0.2067	196
9	Health Insurance	14,052	28.95	(8.92)	37.87	0.1037	1,458
10	Other O&M (Excluding Rate Case Expense)	52,754	28.95	(9.27)	38.22	0.1047	5,523
11	Federal Income Taxes	31,535	28.95	37.00	(8.06)	(0.0221)	(696)
12	State Income Taxes	6,947	28.95	37.00	(8.06)	(0.0221)	(153)
13	FICA Taxes	5,695	28.95	14.00	14.95	0.0409	233
14	FUTA & SUTA Taxes	167	28.95	83.10	(54.16)	(0.1484)	(25)
15	Property Taxes	24,461	28.95	212.00	(183.06)	(0.5015)	(12,268)
16	Registration, Svc. Contracts, & Misc. Fees	4,006	28.95	(98.83)	127.78	0.3501	1,402
17	Retirement Annuities (401k)	7,203	28.95	34.72	(5.78)	(0.0158)	(114)
18							
19							
20	Subtotal	$ 379,364					
21							$ (4,396)
22							
23	Interest Expense	33,209	28.95	91.25	(62.31)	(0.1707)	(5,669)
24	Cost of Equity	61,214	28.95	-	28.95	0.0793	4,854
25							
26	Subtotal	$ 94,424					
27							$ (814)
28							
29	Total	473,788					
30							$ (5,211)
31							
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49							
50	[1]2010 Actual lag days per AWC billing system.						
51	[2]Dec. No. 64282 as amended by Dec. Nos. 66849						
52	& 68302. Purchased power lag days per Dec.						
53	No. 71845. Purchased water lag days per Dec.						
54	No. 71845, except White Tank, which are based						
55	on actual 2010 lag days.						

Supporting Schedules:

TEST YEAR INCOME STATEMENTS

C-1		ADJUSTED TEST YEAR INCOME STATEMENT
C-2		INCOME STATEMENT PRO FORMA ADJUSTMENTS
C-2	**APPENDIX**	CALCULATION OF INCOME STATEMENT PRO FORMA ADJUSTMENTS
C-3		COMPUTATION OF GROSS REVENUE CONVERSION FACTOR

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Adjusted Test Year Income Statement

Line No.		Western Group [A] Test Year Ended 12/31/2010	[B] Total Pro Forma Adjustments	[C] Test Year Adjusted Results	[D] Required Revenue Increase	[E] Adjusted with Increase
1	Operating Revenues					
2	Residential	$ 12,691,964	$ (540,880)	$ 12,151,084		
3	Commercial	4,520,297	(100,784)	4,419,514		
4	Industrial	1,209,938	(244,923)	965,015		
5	Private Fire Service	56,746	45,506	102,252		
6	Other Water Revenues	257,514	11,271	268,786		
7	Total Water Revenues	$ 18,736,459	$ (829,809)	$ 17,906,650		
8						
9	Miscellaneous	832,174	(72,708)	759,466		
10	Total Operating Revenues	$ 19,568,633	$ (902,517)	$ 18,666,115	$ 4,564,110	$ 23,230,225
11						
12	Operating Expenses					
13	Source of Supply Expenses:					
14	Purchased Water	618,095	39,359	657,454	-	657,454
15	Other	82,779	3,162	85,941	-	85,941
16	Pumping Expenses:					
17	Purchased Power	1,901,110	32,913	1,934,023	-	1,934,023
18	Purchased Gas	927	-	927	-	927
19	Other	643,730	159,766	803,496	-	803,496
20	Water Treatment Expenses	1,107,608	108,937	1,216,545	-	1,216,545
21	Transmission & Distribution Expenses	1,729,209	596,996	2,326,205	-	2,326,205
22	Customer Accounting Expenses	1,300,821	59,488	1,360,309	-	1,360,309
23	Sales Expense	-	-	-	-	-
24	Administrative & General Expenses	2,230,487	351,821	2,582,308	-	2,582,308
25	Total Operations & Maintenance Expense	$ 9,614,766	$ 1,352,442	$ 10,967,208	$ -	$ 10,967,208
26						
27	Depreciation & Amortization Expenses	3,586,696	213,761	3,800,457	-	3,800,457
28						
29	Taxes					
30	Federal Income Taxes	693,433	(395,280)	298,153	1,419,894	1,718,047
31	State Income Taxes	78,335	(12,655)	65,680	312,790	378,470
32	Property Taxes	723,110	209,821	932,931	75,161	1,008,092
33	Other	2,125,026	(1,911,404)	213,622	-	213,622
34	Total Taxes	$ 3,619,904	$ (2,109,517)	$ 1,510,387	$ 1,807,845	$ 3,318,231
35						
36	Total Operating Expenses	$ 16,821,366	$ (543,315)	$ 16,278,051	$ 1,807,845	$ 18,085,896
37	Operating Income	$ 2,747,267	$ (359,203)	$ 2,388,064	$ 2,756,265	$ 5,144,329
38						
39	Other Income & Deductions:					
40	Interest:					
41	Long-Term Debt	1,856,723	(47,426)	1,809,297	-	1,809,297
42	Short-Term Debt	42,802	(42,802)	-	-	-
43	Other	(114,557)	114,557	-	-	-
44	Total Interest	$ 1,784,968	$ 24,329	$ 1,809,297	$ -	$ 1,809,297
45						
46	Other (Income) - Net	(74,481)	74,481	-	-	-
47						
48	Total Other (Income) & Deductions	$ 1,710,487	$ 98,810	$ 1,809,297	$ -	$ 1,809,297
49						
50	Net Income	$ 1,036,780	$ (458,013)	$ 578,767	$ 2,756,265	$ 3,335,032
51						
52						
53						
54						
55						

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Adjusted Test Year Income Statement

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Test Year Ended 12/31/2010	[B] Total Pro Forma Adjustments	[C] Test Year Adjusted Results	[D] Required Revenue Increase	[E] Adjusted with Increase	White Tank [F] Test Year Ended 12/31/2010	[G] Total Pro Forma Adjustments	[H] Test Year Adjusted Results	[I] Required Revenue Increase	[J] Adjusted with Increase
1	Operating Revenues										
2	Residential	$ 10,895,910	$ (441,824)	$ 10,454,087			$ 1,409,477	$ (92,533)	$ 1,316,944		
3	Commercial	4,209,134	(84,136)	4,124,997			188,379	(16,318)	172,061		
4	Industrial	1,185,133	(245,277)	939,855			24,805	354	25,159		
5	Private Fire Service	55,631	44,606	100,237			702	659	1,361		
6	Other Water Revenues	207,551	11,087	218,638			47,244	238	47,483		
7	Total Water Revenues	$ 16,553,359	$ (715,545)	$ 15,837,815			$ 1,670,608	$ (107,599)	$ 1,563,009		
8											
9	Miscellaneous	805,141	(70,907)	734,234			23,016	(1,553)	21,463		
10	Total Operating Revenues	$ 17,358,501	$ (786,452)	$ 16,572,049	$ 3,919,673	$ 20,491,722	$ 1,693,624	$ (109,152)	$ 1,584,472	$ 624,449	$ 2,208,921
11											
12	Operating Expenses										
13	Source of Supply Expenses:										
14	Purchased Water	445,372	-	445,372	-	445,372	25,535	39,359	64,894	-	64,894
15	Other	67,345	2,693	70,038	-	70,038	15,158	278	15,436	-	15,436
16	Pumping Expenses:										
17	Purchased Power	1,758,865	24,737	1,783,602	-	1,783,602	139,162	8,176	147,338	-	147,338
18	Purchased Gas	927	-	927	-	927	-	-	-	-	-
19	Other	500,924	145,411	646,335	-	646,335	133,987	11,875	145,862	-	145,862
20	Water Treatment Expenses	995,342	110,334	1,105,676	-	1,105,676	104,242	(1,528)	102,714	-	102,714
21	Transmission & Distribution Expenses	1,562,011	534,339	2,096,350	-	2,096,350	123,225	47,016	170,241	-	170,241
22	Customer Accounting Expenses	1,177,556	53,664	1,231,220	-	1,231,220	93,431	4,703	98,134	-	98,134
23	Sales Expense	-	-	-	-	-	-	-	-	-	-
24	Administrative & General Expenses	2,028,410	318,979	2,347,389	-	2,347,389	155,077	25,418	180,495	-	180,495
25	Total Operations & Maintenance Expense	$ 8,536,752	$ 1,190,157	$ 9,726,909	$ -	$ 9,726,909	$ 789,817	$ 135,297	$ 925,114	$ -	$ 925,114
26											
27	Depreciation & Amortization Expenses	3,104,883	208,518	3,313,401	-	3,313,401	430,907	3,848	434,755	-	434,755
28											
29	Taxes										
30	Federal Income Taxes	612,128	(324,838)	287,290	1,218,681	1,505,971	57,907	(72,356)	(14,449)	194,991	180,542
31	State Income Taxes	69,150	(5,863)	63,287	268,464	331,752	6,542	(9,725)	(3,183)	42,955	39,772
32	Property Taxes	656,118	191,833	847,951	66,853	914,804	45,778	15,057	60,835	7,992	68,827
33	Other	1,954,315	(1,764,741)	189,574	-	189,574	133,257	(113,940)	19,317	-	19,317
34	Total Taxes	$ 3,291,711	$ (1,903,609)	$ 1,388,102	$ 1,553,998	$ 2,942,101	$ 243,484	$ (180,964)	$ 62,520	$ 245,937	$ 308,458
35											
36	Total Operating Expenses	$ 14,933,346	$ (504,934)	$ 14,428,412	$ 1,553,998	$ 15,982,410	$ 1,464,208	$ (41,819)	$ 1,422,389	$ 245,937	$ 1,668,327
37	Operating Income	$ 2,425,155	$ (281,517)	$ 2,143,637	$ 2,365,674	$ 4,509,311	$ 229,416	$ (67,334)	$ 162,083	$ 378,512	$ 540,594
38											
39	Other Income & Deductions:										
40	Interest:										
41	Long-Term Debt	1,629,974	(44,017)	1,585,957	-	1,585,957	191,352	(1,221)	190,131	-	190,131
42	Short-Term Debt	37,575	(37,575)	-	-	-	4,411	(4,411)	-	-	-
43	Other	(100,567)	100,567	-	-	-	(11,806)	11,806	-	-	-
44	Total Interest	$ 1,566,982	$ 18,975	$ 1,585,957	$ -	$ 1,585,957	$ 183,957	$ 6,174	$ 190,131	$ -	$ 190,131
45											
46	Other (Income) - Net	(67,057)	67,057	-	-	-	(5,955)	5,955	-	-	-
47											
48	Total Other (Income) & Deductions	$ 1,499,925	$ 86,032	$ 1,585,957	$ -	$ 1,585,957	$ 178,002	$ 12,129	$ 190,131	$ -	$ 190,131
49											
50	Net Income	$ 925,230	$ (367,549)	$ 557,680	$ 2,365,674	$ 2,923,355	$ 51,414	$ (79,463)	$ (28,048)	$ 378,512	$ 350,463
51											
52											
53											
54											
55											

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Adjusted Test Year Income Statement

Line No.		[A] Test Year Ended 12/31/2010	[B] Total Pro Forma Adjustments	Ajo [C] Test Year Adjusted Results	[D] Required Revenue Increase	[E] Adjusted with Increase
1	Operating Revenues					
2	Residential	$ 386,577	$ (6,524)	$ 380,053		
3	Commercial	122,784	(329)	122,455		
4	Industrial	-	-	-		
5	Private Fire Service	412	241	653		
6	Other Water Revenues	2,719	(54)	2,665		
7	Total Water Revenues	$ 512,492	$ (6,666)	$ 505,826		
8						
9	Miscellaneous	4,016	(248)	3,768		
10	Total Operating Revenues	$ 516,508	$ (6,914)	$ 509,594	$ 19,988	$ 529,583
11						
12	Operating Expenses					
13	Source of Supply Expenses:					
14	Purchased Water	147,188	-	147,188	-	147,188
15	Other	276	191	467	-	467
16	Pumping Expenses:					
17	Purchased Power	3,083	-	3,083	-	3,083
18	Purchased Gas	-	-	-	-	-
19	Other	8,819	2,480	11,299	-	11,299
20	Water Treatment Expenses	8,024	131	8,155	-	8,155
21	Transmission & Distribution Expenses	43,973	15,641	59,614	-	59,614
22	Customer Accounting Expenses	29,834	1,121	30,955	-	30,955
23	Sales Expense	-	-	-	-	-
24	Administrative & General Expenses	47,000	7,423	54,423	-	54,423
25	Total Operations & Maintenance Expense	$ 288,197	$ 26,988	$ 315,185	$ -	$ 315,185
26						
27	Depreciation & Amortization Expenses	50,906	1,394	52,300	-	52,300
28						
29	Taxes					
30	Federal Income Taxes	23,398	1,914	25,312	6,223	31,535
31	State Income Taxes	2,643	2,933	5,576	1,371	6,947
32	Property Taxes	21,214	2,932	24,146	316	24,461
33	Other	37,454	(32,723)	4,731	-	4,731
34	Total Taxes	$ 84,709	$ (24,945)	$ 59,764	$ 7,909	$ 67,673
35						
36	Total Operating Expenses	$ 423,812	$ 3,438	$ 427,250	$ 7,909	$ 435,159
37	Operating Income	$ 92,696	$ (10,352)	$ 82,344	$ 12,079	$ 94,424
38						
39	Other Income & Deductions:					
40	Interest:					
41	Long-Term Debt	35,397	(2,188)	33,209	-	33,209
42	Short-Term Debt	816	(816)	-	-	-
43	Other	(2,184)	2,184	-	-	-
44	Total Interest	$ 34,029	$ (820)	$ 33,209	$ -	$ 33,209
45						
46	Other (Income) - Net	(1,469)	1,469	-	-	-
47						
48	Total Other (Income) & Deductions	$ 32,560	$ 649	$ 33,209	$ -	$ 33,209
49						
50	Net Income	$ 60,136	$ (11,001)	$ 49,135	$ 12,079	$ 61,214
51						
52						
53						
54						
55						

Supporting Schedules:
E-2, C-2

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Processing Date: 5/3/2011 8:42 AM

Recap Schedules:
A-1

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Pro Forma Adjustments

Western Group

Line No.		[A] Test Year Ended 12/31/2010	[B] Adjustment IS-1	[C] Adjustment IS-2	[D] Adjustment IS-3	[E] Adjustment BLANK	[F] Adjustment IS-4	[G] Adjustment IS-5	[H] Adjustment IS-6	[I] Adjustment IS-7	[J] Adjustment IS-8	[K] Adjustment IS-9	[L] Adjustment IS-10	[M] Adjustment IS-11
1	*Operating Revenues*													
2	Residential	$ 12,691,964	$ (1,226,111)	$ (56,828)	$ (4,289)	$ -	$ (795,609)	$ -	$ 1,546,121	$ (4,164)	$ -	$ -	$ -	$ -
3	Commercial	4,520,297	(478,553)	(30,052)	(171)	-	(209,663)	-	579,894	37,762	-	-	-	-
4	Industrial	1,209,938	(136,002)	(2,807)	(3)	-	(77,664)	3,490	(31,937)	-	-	-	-	-
5	Private Fire Service	56,746	(6,208)	-	-	-	-	-	51,714	-	-	-	-	-
6	Other Water Revenues	257,514	(18,668)	-	(8)	-	(19,144)	422	48,669	-	-	-	-	-
7	Total Water Revenues	$ 18,736,459	$ (1,865,541)	$ (89,687)	$ (4,471)	$ -	$ (1,102,081)	$ 3,912	$ 2,194,461	$ 33,597	$ -	$ -	$ -	$ -
8														
9	Miscellaneous	832,174	(72,708)	-	-	-	-	-	-	-	-	-	-	-
10	Total Operating Revenues	$ 19,568,633	$ (1,938,249)	$ (89,687)	$ (4,471)	$ -	$ (1,102,081)	$ 3,912	$ 2,194,461	$ 33,597	$ -	$ -	$ -	$ -
11														
12	*Operating Expenses*													
13	Source of Supply Expenses:													
14	Purchased Water	618,095	-	-	-	-	-	-	-	-	-	-	-	-
15	Other	82,779	-	177	-	-	-	-	-	1,339	549	-	-	-
16	Pumping Expenses:													
17	Purchased Power	1,901,110	-	13,632	-	-	-	-	-	-	-	-	-	-
18	Purchased Gas	927	-	-	-	-	-	-	-	-	-	-	-	-
19	Other	643,730	-	8,590	-	-	-	-	-	5,560	22,063	-	-	112,423
20	Water Treatment Expenses	1,107,608	-	1,181	(6,850)	-	-	-	-	2,393	5,978	-	-	-
21	Transmission & Distribution Expenses	1,729,209	-	23,600	-	-	-	-	-	(67)	56,916	-	-	480,206
22	Customer Accounting Expenses	1,300,821	-	12,748	-	-	-	-	-	(44)	36,990	-	-	-
23	Sales Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
24	Administrative & General Expenses	2,230,487	-	9,200	-	-	-	-	-	(113)	40,714	100,242	21,462	-
25	Total Operations & Maintenance Expense	$ 9,614,766	$ -	$ 69,128	$ (6,850)	$ -	$ -	$ -	$ -	$ 9,068	$ 163,210	$ 100,242	$ 21,462	$ 592,629
26														
27	Depreciation & Amortization Expenses	3,586,696	-	-	-	-	-	-	-	-	-	-	-	-
28														
29	Taxes													
30	Federal Income Taxes	693,433	-	-	-	-	-	-	-	-	-	-	-	-
31	State Income Taxes	78,335	-	-	-	-	-	-	-	-	-	-	-	-
32	Property Taxes	723,110	-	-	-	-	-	-	-	-	-	-	-	-
33	Other	2,125,026	(1,938,249)	-	-	-	-	-	-	-	26,845	-	-	-
34	Total Taxes	$ 3,619,904	$ (1,938,249)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 26,845	$ -	$ -	$ -
35														
36	Total Operating Expenses	$ 16,821,366	$ (1,938,249)	$ 69,128	$ (6,850)	$ -	$ -	$ -	$ -	$ 9,068	$ 190,056	$ 100,242	$ 21,462	$ 592,629
37	Operating Income	$ 2,747,267	$ -	$ (158,815)	$ 2,379	$ -	$ (1,102,081)	$ 3,912	$ 2,194,461	$ 24,529	$ (190,056)	$ (100,242)	$ (21,462)	$ (592,629)
38														
39	*Other Income & Deductions:*													
40	Interest:													
41	Long-Term Debt	1,856,723	-	-	-	-	-	-	-	-	-	-	-	-
42	Short-Term Debt	42,802	-	-	-	-	-	-	-	-	-	-	-	-
43	Other	(114,557)	-	-	-	-	-	-	-	-	-	-	-	-
44	Total Interest	$ 1,784,968	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45														
46	Other (Income) - Net	(74,481)	-	-	-	-	-	-	-	-	-	-	-	-
47														
48	Total Other (Income) & Deductions	$ 1,710,487	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
49														
50	Net Income	$ 1,036,780	$ -	$ (158,815)	$ 2,379	$ -	$ (1,102,081)	$ 3,912	$ 2,194,461	$ 24,529	$ (190,056)	$ (100,242)	$ (21,462)	$ (592,629)
51														
52														
53														
54														
55														

(Continued)

		Western Group												
		[N]	[O]	[P]	[Q]	[R]	[S]	[T]	[U]	[V]	[W]	[X]	[Y]	[Z]
Line No.		Adjustment IS-12	Adjustment IS-13	Adjustment IS-14	Adjustment IS-15	Adjustment IS-16	Adjustment IS-17	Adjustment BLANK	Adjustment BLANK	Adjustment BLANK	Adjustment BLANK	Adjustment BLANK	Adjustment BLANK	Adjustment BLANK
1	Operating Revenues													
2	Residential	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	Commercial	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Industrial	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Private Fire Service	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Other Water Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Total Water Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8														
9	Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Total Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11														
12	Operating Expenses													
13	Source of Supply Expenses:													
14	Purchased Water	39,359	-	-	-	-	-	-	-	-	-	-	-	-
15	Other	-	-	-	1,098	-	-	-	-	-	-	-	-	-
16	Pumping Expenses:													
17	Purchased Power	19,281	-	-	-	-	-	-	-	-	-	-	-	-
18	Purchased Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Other	-	-	-	11,129	-	-	-	-	-	-	-	-	-
20	Water Treatment Expenses	-	-	-	3,456	-	102,778	-	-	-	-	-	-	-
21	Transmission & Distribution Expenses	-	-	-	36,340	-	-	-	-	-	-	-	-	-
22	Customer Accounting Expenses	-	-	-	9,795	-	-	-	-	-	-	-	-	-
23	Sales Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
24	Administrative & General Expenses	-	160,505	11,925	3,553	4,334	-	-	-	-	-	-	-	-
25	Total Operations & Maintenance Expense	$ 58,640	$ 160,505	$ 11,925	$ 65,371	$ 4,334	$ 102,778	$ -	$ -	$ -	$ -	$ -	$ -	$ -
26														
27	Depreciation & Amortization Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
28														
29	Taxes													
30	Federal Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
31	State Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
32	Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
33	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
34	Total Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
35														
36	Total Operating Expenses	$ 58,640	$ 160,505	$ 11,925	$ 65,371	$ 4,334	$ 102,778	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	Operating Income	$ (58,640)	$ (160,505)	$ (11,925)	$ (65,371)	$ (4,334)	$ (102,778)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
38														
39	Other Income & Deductions:													
40	Interest:													
41	Long-Term Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
42	Short-Term Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
43	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
44	Total Interest	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45														
46	Other (Income) - Net	-	-	-	-	-	-	-	-	-	-	-	-	-
47														
48	Total Other (Income) & Deductions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
49														
50	Net Income	$ (58,640)	$ (160,505)	$ (11,925)	$ (65,371)	$ (4,334)	$ (102,778)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
51														
52														
53														
54														
55														

(Continued)

Line No.		Western Group [AA] Adjustment BLANK	[AB] Adjustment BLANK	[AC] Adjustment BLANK	[AD] Adjustment IS-18	[AE] Adjustment IS-19	[AF] Adjustment IS-20	[AG] Adjustment IS-21	[AH] Adjustment IS-22	[AI] Total Pro Forma Adjustments	[AJ] Test Year Adjusted Results	[AK] Required Revenue Increase	[AL] Adjusted with Increase
1	Operating Revenues												
2	Residential	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (540,880)	$ 12,151,084		
3	Commercial	-	-	-	-	-	-	-	-	(100,784)	4,419,514		
4	Industrial	-	-	-	-	-	-	-	-	(244,923)	965,015		
5	Private Fire Service	-	-	-	-	-	-	-	-	45,506	102,252		
6	Other Water Revenues	-	-	-	-	-	-	-	-	11,271	268,786		
7	Total Water Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (829,809)	$ 17,906,650		
8													
9	Miscellaneous	-	-	-	-	-	-	-	-	(72,708)	759,466		
10	Total Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (902,517)	$ 18,666,115	$ 4,564,110	$ 23,230,225
11													
12	Operating Expenses												
13	Source of Supply Expenses:												
14	Purchased Water	-	-	-	-	-	-	-	-	39,359	657,454		657,454
15	Other	-	-	-	-	-	-	-	-	3,162	85,941		85,941
16	Pumping Expenses:												
17	Purchased Power	-	-	-	-	-	-	-	-	32,913	1,934,023		1,934,023
18	Purchased Gas	-	-	-	-	-	-	-	-	-	927		927
19	Other	-	-	-	-	-	-	-	-	159,766	803,496		803,496
20	Water Treatment Expenses	-	-	-	-	-	-	-	-	108,937	1,216,545		1,216,545
21	Transmission & Distribution Expenses	-	-	-	-	-	-	-	-	596,996	2,326,205		2,326,205
22	Customer Accounting Expenses	-	-	-	-	-	-	-	-	59,488	1,360,309		1,360,309
23	Sales Expense	-	-	-	-	-	-	-	-	-	-		-
24	Administrative & General Expenses	-	-	-	-	-	-	-	-	351,821	2,582,308		2,582,308
25	Total Operations & Maintenance Expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,352,442	$ 10,967,208	$ -	$ 10,967,208
26													
27	Depreciation & Amortization Expenses	-	-	-	213,761	-	-	-	-	213,761	3,800,457		3,800,457
28													
29	Taxes												
30	Federal Income Taxes	-	-	-	-	-	-	-	(395,280)	(395,280)	298,153	1,419,894	1,718,047
31	State Income Taxes	-	-	-	-	-	-	-	(12,655)	(12,655)	65,680	312,790	378,470
32	Property Taxes	-	-	-	-	-	-	209,821	-	209,821	932,931	75,161	1,008,092
33	Other	-	-	-	-	-	-	-	-	(1,911,404)	213,622	-	213,622
34	Total Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 209,821	$ (407,935)	$ (2,109,517)	$ 1,510,387	$ 1,807,845	$ 3,318,231
35													
36	Total Operating Expenses	$ -	$ -	$ -	$ 213,761	$ -	$ -	$ 209,821	$ (407,935)	$ (543,315)	$ 16,278,051	$ 1,807,845	$ 18,085,896
37	Operating Income	$ -	$ -	$ -	$ (213,761)	$ -	$ -	$ (209,821)	$ 407,935	$ (359,203)	$ 2,388,064	$ 2,756,265	$ 5,144,329
38													
39	Other Income & Deductions:												
40	Interest:												
41	Long-Term Debt	-	-	-	-	(47,426)	-	-	-	(47,426)	1,809,297		1,809,297
42	Short-Term Debt	-	-	-	-	(42,802)	-	-	-	(42,802)	-		-
43	Other	-	-	-	-	114,557	-	-	-	114,557	-		-
44	Total Interest	$ -	$ -	$ -	$ -	$ 24,329	$ -	$ -	$ -	$ 24,329	$ 1,809,297	$ -	$ 1,809,297
45													
46	Other (Income) - Net	-	-	-	-	-	74,481	-	-	74,481	-		-
47													
48	Total Other (Income) & Deductions	$ -	$ -	$ -	$ -	$ 24,329	$ 74,481	$ -	$ -	$ 98,810	$ 1,809,297	$ -	$ 1,809,297
49													
50	Net Income	$ -	$ -	$ -	$ (213,761)	$ (24,329)	$ (74,481)	$ (209,821)	$ 407,935	$ (458,013)	$ 578,767	$ 2,756,265	$ 3,335,032
51													
52													
53													
54													
55													

Pinal Valley (Casa Grande, Coolidge, Stanfield)

Line No.		[A] Test Year Ended 12/31/2010	[B] Adjustment IS-1	[C] Adjustment IS-2	[D] Adjustment IS-3	[E] Adjustment BLANK	[F] Adjustment IS-4	[G] Adjustment IS-5	[H] Adjustment IS-6	[I] Adjustment IS-7	[J] Adjustment IS-8	[K] Adjustment IS-9	[L] Adjustment IS-10	[M] Adjustment IS-11
1	Operating Revenues													
2	Residential	$ 10,895,910	$ (1,099,345)	$ (54,903)	$ (936)	-	$ (677,547)	$ -	$ 1,404,002	$ (13,095)				
3	Commercial	4,209,134	(456,165)	(27,712)	(78)	-	(198,559)	-	558,584	39,793				
4	Industrial	1,185,133	(134,155)	(2,878)	0	-	(75,523)	3,490	(36,211)					
5	Private Fire Service	55,631	(6,132)					-	50,738					
6	Other Water Revenues	207,551	(14,892)		1	-	(12,601)	(213)	38,793					
7	Total Water Revenues	$ 16,553,359	$ (1,710,690)	$ (85,493)	$ (1,012)	$ -	$ (964,231)	$ 3,277	$ 2,015,906	$ 26,699	$ -	$ -	$ -	$ -
8														
9	Miscellaneous	805,141	(70,907)		-	-	-							
10	Total Operating Revenues	$ 17,358,501	$ (1,781,597)	$ (85,493)	$ (1,012)	$ -	$ (964,231)	$ 3,277	$ 2,015,906	$ 26,699	$ -	$ -	$ -	$ -
11														
12	Operating Expenses													
13	Source of Supply Expenses:													
14	Purchased Water	445,372												
15	Other	67,345		168						1,035	501			
16	Pumping Expenses:													
17	Purchased Power	1,758,865		12,429										
18	Purchased Gas	927												
19	Other	500,924		7,039						4,566	16,990			106,798
20	Water Treatment Expenses	995,342		1,353	(1,952)					2,010	5,108			
21	Transmission & Distribution Expenses	1,562,011		22,009						(882)	51,856			428,639
22	Customer Accounting Expenses	1,177,556		11,804						(665)	33,707			
23	Sales Expense	-												
24	Administrative & General Expenses	2,028,410		8,479						(1,146)	37,299	91,733	19,637	
25	Total Operations & Maintenance Expense	$ 8,536,752	$ -	$ 63,280	$ (1,952)	$ -	$ -	$ -	$ -	$ 4,918	$ 145,459	$ 91,733	$ 19,637	$ 535,437
26														
27	Depreciation & Amortization Expenses	3,104,883												
28														
29	Taxes													
30	Federal Income Taxes	612,128												
31	State Income Taxes	69,150												
32	Property Taxes	656,118												
33	Other	1,954,315	(1,781,597)								16,856			
34	Total Taxes	$ 3,291,711	$ (1,781,597)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,856	$ -	$ -	$ -
35														
36	Total Operating Expenses	$ 14,933,346	$ (1,781,597)	$ 63,280	$ (1,952)	$ -	$ -	$ -	$ -	$ 4,918	$ 162,315	$ 91,733	$ 19,637	$ 535,437
37	Operating Income	$ 2,425,155	$ -	$ (148,773)	$ 940	$ -	$ (964,231)	$ 3,277	$ 2,015,906	$ 21,781	$ (162,315)	$ (91,733)	$ (19,637)	$ (535,437)
38														
39	Other Income & Deductions:													
40	Interest:													
41	Long-Term Debt	1,629,974												
42	Short-Term Debt	37,575												
43	Other	(100,567)												
44	Total Interest	$ 1,566,982	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45														
46	Other (Income) - Net	(67,057)												
47														
48	Total Other (Income) & Deductions	$ 1,499,925	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
49														
50	Net Income	$ 925,230	$ -	$ (148,773)	$ 940	$ -	$ (964,231)	$ 3,277	$ 2,015,906	$ 21,781	$ (162,315)	$ (91,733)	$ (19,637)	$ (535,437)
51														
52														
53														
54														
55														

(Continued)

		Pinal Valley (Casa Grande, Coolidge, Stanfield)												
		[N]	[O]	[P]	[Q]	[R]	[S]	[T]	[U]	[V]	[W]	[X]	[Y]	[Z]
Line No.		Adjustment IS-12	Adjustment IS-13	Adjustment IS-14	Adjustment IS-15	Adjustment IS-16	Adjustment IS-17	Adjustment BLANK	Adjustment BLANK	Adjustment BLANK	Adjustment BLANK	Adjustment BLANK	Adjustment BLANK	Adjustment BLANK
1	Operating Revenues													
2	Residential													
3	Commercial													
4	Industrial													
5	Private Fire Service													
6	Other Water Revenues													
7	Total Water Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8														
9	Miscellaneous													
10	Total Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11														
12	Operating Expenses													
13	Source of Supply Expenses:													
14	Purchased Water	-												
15	Other				989									
16	Pumping Expenses:													
17	Purchased Power	12,308												
18	Purchased Gas													
19	Other				10,020									
20	Water Treatment Expenses				3,111		100,704							
21	Transmission & Distribution Expenses				32,718									
22	Customer Accounting Expenses				8,819									
23	Sales Expense													
24	Administrative & General Expenses		147,452	8,425	3,199	3,902								
25	Total Operations & Maintenance Expense	$ 12,308	$ 147,452	$ 8,425	$ 58,855	$ 3,902	$ 100,704	$ -	$ -	$ -	$ -	$ -	$ -	$ -
26														
27	Depreciation & Amortization Expenses													
28														
29	Taxes													
30	Federal Income Taxes													
31	State Income Taxes													
32	Property Taxes													
33	Other													
34	Total Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
35														
36	Total Operating Expenses	$ 12,308	$ 147,452	$ 8,425	$ 58,855	$ 3,902	$ 100,704	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	Operating Income	$ (12,308)	$ (147,452)	$ (8,425)	$ (58,855)	$ (3,902)	$ (100,704)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
38														
39	Other Income & Deductions:													
40	Interest:													
41	Long-Term Debt													
42	Short-Term Debt													
43	Other													
44	Total Interest	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45														
46	Other (Income) - Net													
47														
48	Total Other (Income) & Deductions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
49														
50	Net Income	$ (12,308)	$ (147,452)	$ (8,425)	$ (58,855)	$ (3,902)	$ (100,704)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
51														
52														
53														
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(Continued)

Pinal Valley (Casa Grande, Coolidge, Stanfield)

Line No.		[AA] Adjustment BLANK	[AB] Adjustment BLANK	[AC] Adjustment BLANK	[AD] Adjustment IS-18	[AE] Adjustment IS-19	[AF] Adjustment IS-20	[AG] Adjustment IS-21	[AH] Adjustment IS-22	[AI] Total Pro Forma Adjustments	[AJ] Test Year Adjusted Results	[AK] Required Revenue Increase	[AL] Adjusted with Increase
1	Operating Revenues												
2	Residential									$ (441,824)	$ 10,454,087		
3	Commercial									(84,136)	4,124,997		
4	Industrial									(245,277)	939,855		
5	Private Fire Service									44,606	100,237		
6	Other Water Revenues									11,087	218,638		
7	Total Water Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (715,545)	$ 15,837,815		
8													
9	Miscellaneous									(70,907)	734,234		
10	Total Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (786,452)	$ 16,572,049	$ 3,919,673	$ 20,491,722
11													
12	Operating Expenses												
13	Source of Supply Expenses:												
14	Purchased Water									-	445,372		445,372
15	Other									2,693	70,038		70,038
16	Pumping Expenses:												
17	Purchased Power									24,737	1,783,602		1,783,602
18	Purchased Gas									-	927		927
19	Other									145,411	646,335		646,335
20	Water Treatment Expenses									110,334	1,105,676		1,105,676
21	Transmission & Distribution Expenses									534,339	2,096,350		2,096,350
22	Customer Accounting Expenses									53,664	1,231,220		1,231,220
23	Sales Expense									-	-		-
24	Administrative & General Expenses									318,979	2,347,389		2,347,389
25	Total Operations & Maintenance Expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,190,157	$ 9,726,909	$ -	$ 9,726,909
26													
27	Depreciation & Amortization Expenses				208,518					208,518	3,313,401		3,313,401
28													
29	Taxes												
30	Federal Income Taxes								(324,838)	(324,838)	287,290	1,218,681	1,505,971
31	State Income Taxes								(5,863)	(5,863)	63,287	268,464	331,752
32	Property Taxes							191,833		191,833	847,951	66,853	914,804
33	Other									(1,764,741)	189,574		189,574
34	Total Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 191,833	$ (330,701)	$ (1,903,609)	$ 1,388,102	$ 1,553,998	$ 2,942,101
35													
36	Total Operating Expenses	$ -	$ -	$ -	$ 208,518	$ -	$ -	$ 191,833	$ (330,701)	$ (504,934)	$ 14,428,412	$ 1,553,998	$ 15,982,410
37	Operating Income	$ -	$ -	$ -	$ (208,518)	$ -	$ -	$ (191,833)	$ 330,701	$ (281,517)	$ 2,143,637	$ 2,365,674	$ 4,509,311
38													
39	Other Income & Deductions:												
40	Interest:												
41	Long-Term Debt					(44,017)				(44,017)	1,585,957		1,585,957
42	Short-Term Debt					(37,575)				(37,575)	-		-
43	Other					100,567				100,567	-		-
44	Total Interest	$ -	$ -	$ -	$ -	$ 18,975	$ -	$ -	$ -	$ 18,975	$ 1,585,957	$ -	$ 1,585,957
45													
46	Other (Income) - Net						67,057			67,057	-		-
47													
48	Total Other (Income) & Deductions	$ -	$ -	$ -	$ -	$ 18,975	$ 67,057	$ -	$ -	$ 86,032	$ 1,585,957	$ -	$ 1,585,957
49													
50	Net Income	$ -	$ -	$ -	$ (208,518)	$ (18,975)	$ (67,057)	$ (191,833)	$ 330,701	$ (367,549)	$ 557,680	$ 2,365,674	$ 2,923,355
51													
52													
53													
54													
55													

White Tank

Line No.		[A] Test Year Ended 12/31/2010	[B] Adjustment IS-1	[C] Adjustment IS-2	[D] Adjustment IS-3	[E] Adjustment BLANK	[F] Adjustment IS-4	[G] Adjustment IS-5	[H] Adjustment IS-6	[I] Adjustment IS-7	[J] Adjustment IS-8	[K] Adjustment IS-9	[L] Adjustment IS-10	[M] Adjustment IS-11
1	Operating Revenues													
2	Residential	$ 1,409,477	$ (101,643)	$ 2,712	$ (3,353)	-	$ (118,062)	$ -	$ 118,016	$ 9,797				
3	Commercial	188,379	(14,423)	(877)	(94)	-	(11,104)	-	13,423	(3,243)				
4	Industrial	24,805	(1,847)	71	(4)	-	(2,141)	-	4,274					
5	Private Fire Service	702	(48)					-	708					
6	Other Water Revenues	47,244	(3,635)		(9)	-	(6,543)	519	9,906					
7	Total Water Revenues	$ 1,670,608	$ (121,595)	$ 1,906	$ (3,459)	$ -	$ (137,850)	$ 519	$ 146,326	$ 6,554	$ -	$ -	$ -	$ -
8														
9	Miscellaneous	23,016	(1,553)		-	-	-							
10	Total Operating Revenues	$ 1,693,624	$ (123,148)	$ 1,906	$ (3,459)	$ -	$ (137,850)	$ 519	$ 146,326	$ 6,554	$ -	$ -	$ -	$ -
11														
12	Operating Expenses													
13	Source of Supply Expenses:													
14	Purchased Water	25,535												
15	Other	15,158		6						146	38			
16	Pumping Expenses:													
17	Purchased Power	139,162		1,203										
18	Purchased Gas	-												
19	Other	133,987		1,535						982	4,795			3,673
20	Water Treatment Expenses	104,242		(4)	(4,898)					375	648			
21	Transmission & Distribution Expenses	123,225		1,246						853	3,619			38,392
22	Customer Accounting Expenses	93,431		870						647	2,403			
23	Sales Expense	-												
24	Administrative & General Expenses	155,077		540						1,073	2,463	6,104	1,350	
25	Total Operations & Maintenance Expense	$ 789,817	$ -	$ 5,397	$ (4,898)	$ -	$ -	$ -	$ -	$ 4,076	$ 13,966	$ 6,104	$ 1,350	$ 42,065
26														
27	Depreciation & Amortization Expenses	430,907												
28														
29	Taxes													
30	Federal Income Taxes	57,907												
31	State Income Taxes	6,542												
32	Property Taxes	45,778												
33	Other	133,257	(123,148)								9,209			
34	Total Taxes	$ 243,484	$ (123,148)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,209	$ -	$ -	$ -
35														
36	Total Operating Expenses	$ 1,464,208	$ (123,148)	$ 5,397	$ (4,898)	$ -	$ -	$ -	$ -	$ 4,076	$ 23,175	$ 6,104	$ 1,350	$ 42,065
37	Operating Income	$ 229,416	$ -	$ (3,491)	$ 1,439	$ -	$ (137,850)	$ 519	$ 146,326	$ 2,478	$ (23,175)	$ (6,104)	$ (1,350)	$ (42,065)
38														
39	Other Income & Deductions:													
40	Interest:													
41	Long-Term Debt	191,352												
42	Short-Term Debt	4,411												
43	Other	(11,806)												
44	Total Interest	$ 183,957	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45														
46	Other (Income) - Net	(5,955)												
47														
48	Total Other (Income) & Deductions	$ 178,002	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
49														
50	Net Income	$ 51,414	$ -	$ (3,491)	$ 1,439	$ -	$ (137,850)	$ 519	$ 146,326	$ 2,478	$ (23,175)	$ (6,104)	$ (1,350)	$ (42,065)
51														
52														
53														
54														
55														

(Continued)

Line No.		White Tank												
		[N]	[O]	[P]	[Q]	[R]	[S]	[T]	[U]	[V]	[W]	[X]	[Y]	[Z]
		Adjustment IS-12	Adjustment IS-13	Adjustment IS-14	Adjustment IS-15	Adjustment IS-16	Adjustment IS-17	Adjustment BLANK	Adjustment BLANK	Adjustment BLANK	Adjustment BLANK	Adjustment BLANK	Adjustment BLANK	Adjustment BLANK
1	Operating Revenues													
2	Residential													
3	Commercial													
4	Industrial													
5	Private Fire Service													
6	Other Water Revenues													
7	Total Water Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8														
9	Miscellaneous													
10	Total Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11														
12	Operating Expenses													
13	Source of Supply Expenses:													
14	Purchased Water	39,359												
15	Other				88									
16	Pumping Expenses:													
17	Purchased Power	6,973												
18	Purchased Gas													
19	Other				890									
20	Water Treatment Expenses				276		2,074							
21	Transmission & Distribution Expenses				2,906									
22	Customer Accounting Expenses				783									
23	Sales Expense													
24	Administrative & General Expenses		9,757	3,500	284	347								
25	Total Operations & Maintenance Expense	$ 46,332	$ 9,757	$ 3,500	$ 5,227	$ 347	$ 2,074	$ -	$ -	$ -	$ -	$ -	$ -	$ -
26														
27	Depreciation & Amortization Expenses													
28														
29	Taxes													
30	Federal Income Taxes													
31	State Income Taxes													
32	Property Taxes													
33	Other													
34	Total Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
35														
36	*Total Operating Expenses*	$ 46,332	$ 9,757	$ 3,500	$ 5,227	$ 347	$ 2,074	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	Operating Income	$ (46,332)	$ (9,757)	$ (3,500)	$ (5,227)	$ (347)	$ (2,074)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
38														
39	Other Income & Deductions:													
40	Interest:													
41	Long-Term Debt													
42	Short-Term Debt													
43	Other													
44	Total Interest	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45														
46	Other (Income) - Net													
47														
48	Total Other (Income) & Deductions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
49														
50	Net Income	$ (46,332)	$ (9,757)	$ (3,500)	$ (5,227)	$ (347)	$ (2,074)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
51														
52														
53														
54														
55														

(Continued)

White Tank

Line No.		[AA] Adjustment BLANK	[AB] Adjustment BLANK	[AC] Adjustment BLANK	[AD] Adjustment IS-18	[AE] Adjustment IS-19	[AF] Adjustment IS-20	[AG] Adjustment IS-21	[AH] Adjustment IS-22	[AI] Total Pro Forma Adjustments	[AJ] Test Year Adjusted Results	[AK] Required Revenue Increase	[AL] Adjusted with Increase
1	Operating Revenues												
2	Residential									$ (92,533)	$ 1,316,944		
3	Commercial									(16,318)	172,061		
4	Industrial									354	25,159		
5	Private Fire Service									659	1,361		
6	Other Water Revenues									238	47,483		
7	Total Water Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (107,599)	$ 1,563,009		
8													
9	Miscellaneous									(1,553)	21,463		
10	Total Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (109,152)	$ 1,584,472	$ 624,449	$ 2,208,921
11													
12	Operating Expenses												
13	Source of Supply Expenses:												
14	Purchased Water									39,359	64,894		64,894
15	Other									278	15,436		15,436
16	Pumping Expenses:												
17	Purchased Power									8,176	147,338		147,338
18	Purchased Gas									-	-		-
19	Other									11,875	145,862		145,862
20	Water Treatment Expenses									(1,528)	102,714		102,714
21	Transmission & Distribution Expenses									47,016	170,241		170,241
22	Customer Accounting Expenses									4,703	98,134		98,134
23	Sales Expense									-	-		-
24	Administrative & General Expenses									25,418	180,495		180,495
25	Total Operations & Maintenance Expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 135,297	$ 925,114	$ -	$ 925,114
26													
27	Depreciation & Amortization Expenses				3,848					3,848	434,755		434,755
28													
29	Taxes												
30	Federal Income Taxes								(72,356)	(72,356)	(14,449)	194,991	180,542
31	State Income Taxes								(9,725)	(9,725)	(3,183)	42,955	39,772
32	Property Taxes							15,057		15,057	60,835	7,992	68,827
33	Other									(113,940)	19,317		19,317
34	Total Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,057	$ (82,081)	$ (180,964)	$ 62,520	$ 245,937	$ 308,458
35													
36	Total Operating Expenses	$ -	$ -	$ -	$ 3,848	$ -	$ -	$ 15,057	$ (82,081)	$ (41,819)	$ 1,422,389	$ 245,937	$ 1,668,327
37	Operating Income	$ -	$ -	$ -	$ (3,848)	$ -	$ -	$ (15,057)	$ 82,081	$ (67,334)	$ 162,083	$ 378,512	$ 540,594
38													
39	Other Income & Deductions:												
40	Interest:												
41	Long-Term Debt					(1,221)				(1,221)	190,131		190,131
42	Short-Term Debt					(4,411)				(4,411)	-		-
43	Other					11,806				11,806	-		-
44	Total Interest	$ -	$ -	$ -	$ -	$ 6,174	$ -	$ -	$ -	$ 6,174	$ 190,131	$ -	$ 190,131
45													
46	Other (Income) - Net						5,955			5,955	-		-
47													
48	Total Other (Income) & Deductions	$ -	$ -	$ -	$ -	$ 6,174	$ 5,955	$ -	$ -	$ 12,129	$ 190,131	$ -	$ 190,131
49													
50	Net Income	$ -	$ -	$ -	$ (3,848)	$ (6,174)	$ (5,955)	$ (15,057)	$ 82,081	$ (79,463)	$ (28,048)	$ 378,512	$ 350,463
51													
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53													
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Line No.		[A] Test Year Ended 12/31/2010	[B] Adjustment IS-1	[C] Adjustment IS-2	[D] Adjustment IS-3	[E] Adjustment BLANK	[F] Adjustment IS-4	[G] Ajo Adjustment IS-5	[H] Adjustment IS-6	[I] Adjustment IS-7	[J] Adjustment IS-8	[K] Adjustment IS-9	[L] Adjustment IS-10	[M] Adjustment IS-11
1	Operating Revenues													
2	Residential	$ 386,577	$ (25,123)	$ (4,637)	$ -	-	$ -	$ -	$ 24,103	$ (867)				
3	Commercial	122,784	(7,965)	(1,463)	-	-	-	-	7,887	1,212				
4	Industrial	-	-	-	-	-	-	-	-					
5	Private Fire Service	412	(28)					-	$ 269					
6	Other Water Revenues	2,719	(140)		-	-	-	116	(30)					
7	Total Water Revenues	$ 512,492	$ (33,256)	$ (6,100)	$ -	$ -	$ -	$ 116	$ 32,229	$ 345	$ -	$ -	$ -	$ -
8														
9	Miscellaneous	4,016	(248)		-	-	-							
10	Total Operating Revenues	$ 516,508	$ (33,504)	$ (6,100)	$ -	$ -	$ -	$ 116	$ 32,229	$ 345	$ -	$ -	$ -	$ -
11														
12	Operating Expenses													
13	Source of Supply Expenses:													
14	Purchased Water	147,188												
15	Other	276		2						157	11			
16	Pumping Expenses:													
17	Purchased Power	3,083		-										
18	Purchased Gas	-												
19	Other	8,819		17						13	279			1,952
20	Water Treatment Expenses	8,024		(168)	-					9	222			
21	Transmission & Distribution Expenses	43,973		345						(38)	1,442			13,175
22	Customer Accounting Expenses	29,834		74						(26)	879			
23	Sales Expense	-												
24	Administrative & General Expenses	47,000		180						(40)	952	2,404	476	
25	Total Operations & Maintenance Expense	$ 288,197	$ -	$ 451	$ -	$ -	$ -	$ -	$ -	$ 74	$ 3,785	$ 2,404	$ 476	$ 15,127
26														
27	Depreciation & Amortization Expenses	50,906												
28														
29	Taxes													
30	Federal Income Taxes	23,398												
31	State Income Taxes	2,643												
32	Property Taxes	21,214												
33	Other	37,454	(33,504)								781			
34	Total Taxes	$ 84,709	$ (33,504)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 781	$ -	$ -	$ -
35														
36	Total Operating Expenses	$ 423,812	$ (33,504)	$ 451	$ -	$ -	$ -	$ -	$ -	$ 74	$ 4,566	$ 2,404	$ 476	$ 15,127
37	Operating Income	$ 92,696	$ -	$ (6,551)	$ -	$ -	$ -	$ 116	$ 32,229	$ 271	$ (4,566)	$ (2,404)	$ (476)	$ (15,127)
38														
39	Other Income & Deductions:													
40	Interest:													
41	Long-Term Debt	35,397												
42	Short-Term Debt	816												
43	Other	(2,184)												
44	Total Interest	$ 34,029	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45														
46	Other (Income) - Net	(1,469)												
47														
48	Total Other (Income) & Deductions	$ 32,560	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
49														
50	Net Income	$ 60,136	$ -	$ (6,551)	$ -	$ -	$ -	$ 116	$ 32,229	$ 271	$ (4,566)	$ (2,404)	$ (476)	$ (15,127)
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53														
54														
55														

(Continued)

Line No.		[N] Adjustment IS-12	[O] Adjustment IS-13	[P] Adjustment IS-14	[Q] Adjustment IS-15	[R] Adjustment IS-16	[S] Adjustment IS-17	Ajo [T] Adjustment BLANK	[U] Adjustment BLANK	[V] Adjustment BLANK	[W] Adjustment BLANK	[X] Adjustment BLANK	[Y] Adjustment BLANK	[Z] Adjustment BLANK
1	Operating Revenues													
2	Residential													
3	Commercial													
4	Industrial													
5	Private Fire Service													
6	Other Water Revenues													
7	Total Water Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8														
9	Miscellaneous													
10	Total Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11														
12	Operating Expenses													
13	Source of Supply Expenses:													
14	Purchased Water	-												
15	Other				22									
16	Pumping Expenses:													
17	Purchased Power	-												
18	Purchased Gas													
19	Other				220									
20	Water Treatment Expenses				68		-							
21	Transmission & Distribution Expenses				717									
22	Customer Accounting Expenses				193									
23	Sales Expense													
24	Administrative & General Expenses		3,296	-	70	86								
25	Total Operations & Maintenance Expense	$ -	$ 3,296	$ -	$ 1,290	$ 86	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
26														
27	Depreciation & Amortization Expenses													
28														
29	Taxes													
30	Federal Income Taxes													
31	State Income Taxes													
32	Property Taxes													
33	Other													
34	Total Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
35														
36	Total Operating Expenses	$ -	$ 3,296	$ -	$ 1,290	$ 86	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
37	Operating Income	$ -	$ (3,296)	$ -	$ (1,290)	$ (86)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
38														
39	Other Income & Deductions:													
40	Interest:													
41	Long-Term Debt													
42	Short-Term Debt													
43	Other													
44	Total Interest	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
45														
46	Other (Income) - Net													
47														
48	Total Other (Income) & Deductions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
49														
50	Net Income	$ -	$ (3,296)	$ -	$ (1,290)	$ (86)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
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52														
53														
54														
55														

(Continued)

Line No.		[AA] Adjustment BLANK	[AB] Adjustment BLANK	[AC] Adjustment BLANK	[AD] Adjustment IS-18	[AE] Adjustment IS-19	[AF] Adjustment IS-20	[AG] Adjustment IS-21	[AH] Adjustment IS-22	[AI] Total Pro Forma Adjustments	[AJ] Test Year Adjusted Results	[AK] Required Revenue Increase	[AL] Adjusted with Increase
								Ajo					
1	Operating Revenues												
2	Residential									$ (6,524)	$ 380,053		
3	Commercial									(329)	122,455		
4	Industrial									-	-		
5	Private Fire Service									241	653		
6	Other Water Revenues									(54)	2,665		
7	Total Water Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (6,666)	$ 505,826		
8													
9	Miscellaneous									(248)	3,768		
10	Total Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (6,914)	$ 509,594	$ 19,988	$ 529,583
11													
12	Operating Expenses												
13	Source of Supply Expenses:												
14	Purchased Water									-	147,188		147,188
15	Other									191	467		467
16	Pumping Expenses:												
17	Purchased Power									-	3,083		3,083
18	Purchased Gas									-	-		-
19	Other									2,480	11,299		11,299
20	Water Treatment Expenses									131	8,155		8,155
21	Transmission & Distribution Expenses									15,641	59,614		59,614
22	Customer Accounting Expenses									1,121	30,955		30,955
23	Sales Expense									-	-		-
24	Administrative & General Expenses									7,423	54,423		54,423
25	Total Operations & Maintenance Expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 26,988	$ 315,185	$ -	$ 315,185
26													
27	Depreciation & Amortization Expenses				1,394					1,394	52,300		52,300
28													
29	Taxes												
30	Federal Income Taxes								1,914	1,914	25,312	6,223	31,535
31	State Income Taxes								2,933	2,933	5,576	1,371	6,947
32	Property Taxes							2,932		2,932	24,146	316	24,461
33	Other									(32,723)	4,731		4,731
34	Total Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,932	$ 4,847	$ (24,945)	$ 59,764	$ 7,909	$ 67,673
35													
36	Total Operating Expenses	$ -	$ -	$ -	$ 1,394	$ -	$ -	$ 2,932	$ 4,847	$ 3,438	$ 427,250	$ 7,909	$ 435,159
37	Operating Income	$ -	$ -	$ -	$ (1,394)	$ -	$ -	$ (2,932)	$ (4,847)	$ (10,352)	$ 82,344	$ 12,079	$ 94,424
38													
39	Other Income & Deductions:												
40	Interest:												
41	Long-Term Debt					(2,188)				(2,188)	33,209		33,209
42	Short-Term Debt					(816)				(816)	-		-
43	Other					2,184				2,184	-		-
44	Total Interest	$ -	$ -	$ -	$ -	$ (820)	$ -	$ -	$ -	$ (820)	$ 33,209	$ -	$ 33,209
45													
46	Other (Income) - Net						1,469			1,469	-		-
47													
48	Total Other (Income) & Deductions	$ -	$ -	$ -	$ -	$ (820)	$ 1,469	$ -	$ -	$ 649	$ 33,209	$ -	$ 33,209
49													
50	Net Income	$ -	$ -	$ -	$ (1,394)	$ 820	$ (1,469)	$ (2,932)	$ (4,847)	$ (11,001)	$ 49,135	$ 12,079	$ 61,214
51													
52													
53													
54													
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Line No.		Western Group - Sales Tax [A] Residential	[B] Commercial	[C] Industrial	[D] Private Fire	[E] Other	[F] Miscellaneous	[G] Total Sales Tax
1								
2	Western Group							
3	Pinal Valley	$ 1,099,345	$ 456,165	$ 134,155	$ 6,132	$ 14,892	$ 70,907	$ 1,781,597
4	Casa Grande	914,310	372,115	132,783	5,457	10,426	63,939	1,499,029
5	Coolidge	177,969	81,673	1,372	675	4,467	6,805	272,961
6	Stanfield	7,067	2,377	-	-	-	163	9,606
7	White Tank	101,643	14,423	1,847	48	3,635	1,553	123,148
8	Ajo	25,123	7,965	-	28	140	248	33,504
9	Subtotal	$ 1,226,111	$ 478,553	$ 136,002	$ 6,208	$ 18,668	$ 72,708	$ 1,938,249
10								
11	Total	$ 1,226,111	$ 478,553	$ 136,002	$ 6,208	$ 18,668	$ 72,708	$ 1,938,249
12								
13								
14	Increase/(Decrease) in Revenues & Expenses	$ (1,226,111)	$ (478,553)	$ (136,002)	$ (6,208)	$ (18,668)	$ (72,708)	$ (1,938,249)
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Western Group - Unbilled Revenues & Expenses

Line No.		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]
		Revenues			Operating Expenses						
		Residential	Commercial	Industrial	Source of Supply	Purchased Power Pumping	Other Pumping	Water Treatment	Transmission & Distribution	Customer Accounting	Administrative & General
4	Western Group										
5	Pinal Valley	$ 54,903	$ 27,712	$ 2,878	$ (168)	$ (12,429)	$ (7,039)	$ (1,353)	$ (22,009)	$ (11,804)	$ (8,479)
6	Casa Grande	54,292	24,628	2,786							
7	Coolidge	856	2,830	92							
8	Stanfield	(245)	254	-							
9	White Tank	(2,712)	877	(71)	(6)	(1,203)	(1,535)	4	(1,246)	(870)	(540)
10	Ajo	4,637	1,463	-	(2)	-	(17)	168	(345)	(74)	(180)
11	Subtotal	$ 56,828	$ 30,052	$ 2,807	$ (177)	$ (13,632)	$ (8,590)	$ (1,181)	$ (23,600)	$ (12,748)	$ (9,200)
13	Total	$ 56,828	$ 30,052	$ 2,807	$ (177)	$ (13,632)	$ (8,590)	$ (1,181)	$ (23,600)	$ (12,748)	$ (9,200)
16	Increase/(Decrease) in Revenues & Expenses	$ (56,828)	$ (30,052)	$ (2,807)	$ 177	$ 13,632	$ 8,590	$ 1,181	$ 23,600	$ 12,748	$ 9,200

Line No.		Western Group - MAP [A] Residential	[B] Commercial	[C] Industrial	[D] Other	[E] Miscellaneous	[F] Total MAP Revenues	[G] Total MAP Expenses
1								
2	Western Group							
3	Pinal Valley	$ 936	$ 78	$ (0)	$ (1)	$ -	$ 1,012	$ 1,952
4	Casa Grande	935	42	-	-	-	978	
5	Coolidge	(501)	(49)	(0)	(1)	-	(552)	
6	Stanfield	502	84	-	-	-	586	
7	White Tank	3,353	94	4	9	-	3,459	4,898
8	Ajo	-	-	-	-	-	-	-
9	Subtotal	$ 4,289	$ 171	$ 3	$ 8	$ -	$ 4,471	$ 6,850
10								
11	Total	$ 4,289	$ 171	$ 3	$ 8	$ -	$ 4,471	$ 6,850
12								
13								
14	Increase/(Decrease) in Revenues & Expenses	$ (4,289)	$ (171)	$ (3)	$ (8)	$ -	$ (4,471)	$ (6,850)
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Line No.		Western Group - ACRM [A] Residential	[B] Commercial	[C] Industrial	[D] Other	[E] Miscellaneous	[F] Total ACRM Revenues
1							
2	Western Group						
3	Pinal Valley	$ 677,547	$ 198,559	$ 75,523	$ 12,601	$ -	$ 964,231
4	Casa Grande	672,899	196,906	75,523	12,601	-	957,930
5	Coolidge	-	-	-	-	-	-
6	Stanfield	4,648	1,652	-	-	-	6,300
7	White Tank	118,062	11,104	2,141	6,543	-	137,850
8	Ajo	-	-	-	-	-	-
9	Subtotal	$ 795,609	$ 209,663	$ 77,664	$ 19,144	$ -	$ 1,102,081
10							
11	Total	$ 795,609	$ 209,663	$ 77,664	$ 19,144	$ -	$ 1,102,081
12							
13							
14	Increase/(Decrease) in Revenues	$ (795,609)	$ (209,663)	$ (77,664)	$ (19,144)	$ -	$ (1,102,081)
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Line No.		Western Group - Credits								
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
		Residential	Commercial	Industrial	Private Fire	Coin Machine	Construction	Sales for Resale	Total Other Revenues	Total Water Revenues
1										
2	Western Group									
3	Pinal Valley	$ -	$ -	$ 3,490	$ -	$ 1,298	$ -	$ (1,511)	$ (213)	$ 3,277
4	Casa Grande	-	-	3,490	-	-	-	(1,511)	(1,511)	1,979
5	Coolidge	-	-	-	-	(93)	-	-	(93)	(93)
6	Stanfield	-	-	-	-	1,390	-	-	1,390	1,390
7	White Tank	-	-	-	-	-	519	-	519	519
8	Ajo	-	-	-	-	116	-	-	116	116
9	Subtotal	$ -	$ -	$ 3,490	$ -	$ 1,414	$ 519	$ (1,511)	$ 422	$ 3,912
10										
11	Total	$ -	$ -	$ 3,490	$ -	$ 1,414	$ 519	$ (1,511)	$ 422	$ 3,912
12										
13										
14	Increase/(Decrease) in Revenues	$ -	$ -	$ 3,490	$ -	$ 1,414	$ 519	$ (1,511)	$ 422	$ 3,912
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Western Group - 2010 Rate Adjustment

Line No.		[A] Residential	[B] Commercial	[C] Industrial	[D] Private Fire	[E] Coin Machine	[F] Construction	[G] Sales for Resale	[H] Total Other Revenues	[I] Total Water Revenues
1										
2	Western Group									
3	Pinal Valley	$ 1,404,002	$ 558,584	$ (36,211)	$ 50,738	$ (2,077)	$ 39,757	$ 1,113	$ 38,793	$ 2,015,906
4	Casa Grande	1,299,065	523,163	(35,062)	46,385	-	34,893	1,113	36,006	1,869,558
5	Coolidge	101,057	33,962	(1,150)	4,353	(391)	4,864	-	4,473	142,695
6	Stanfield	3,880	1,459	-	-	(1,685)	-	-	(1,685)	3,654
7	White Tank	118,016	13,423	4,274	708	-	9,906	-	9,906	146,326
8	Ajo	24,103	7,887	-	269	(30)	-	-	(30)	32,229
9	Subtotal	$ 1,546,121	$ 579,894	$ (31,937)	$ 51,714	$ (2,107)	$ 49,663	$ 1,113	$ 48,669	$ 2,194,461
10										
11	Total	$ 1,546,121	$ 579,894	$ (31,937)	$ 51,714	$ (2,107)	$ 49,663	$ 1,113	$ 48,669	$ 2,194,461
12										
13										
14	Increase/(Decrease) in Revenues	$ 1,546,121	$ 579,894	$ (31,937)	$ 51,714	$ (2,107)	$ 49,663	$ 1,113	$ 48,669	$ 2,194,461
15										
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-7
Annualize Revenue & Expense to Reflect End-of-Test Year Customer Counts

Pinal Valley (Casa Grande, Coolidge Stanfield)

Line No.	Class of Service	[A] No. of Customers Per Bill Count Sch. H-2, Col. A	[B] Year-End Number of Customers	[C] Additional Customers [B - A]	[D] Additional Bills to be Issued [C X 12]	[E] Average Gallons Sold Per Customer Sch. H-2, Col. B	[F] Additional Gallons To Be Sold [D X E]	[G] Additoinal Volumetric Revenue at Present Rates	[H] Additional Fixed Charge Revenue at Present Rates	[I] Total Additional Revenue at Present Rates [G + H]
1										
2	Class of Service									
3										
4	Residential 5/8 x 3/4 -inch	25,099.8	25,066.8	(33.0)	(397)	*varies*	(3,386,540)	$ (5,190)	$ (6,262)	$ (11,452)
5	Residential 1-inch	491.8	491.2	(0.7)	(8)	*varies*	(183,287)	(353)	(315)	(668)
6	Residential 1.5-inch	-	-	-	-	*varies*	-	-	-	-
7	Residential 2-inch	75.4	75.3	(0.1)	(1)	*varies*	(189,838)	(331)	(143)	(474)
8	Residential 3-inch	7.0	7.0	(0.0)	(0)	*varies*	(47,981)	(88)	(30)	(117)
9	Residential 4-inch	3.8	3.7	(0.0)	(0)	*varies*	(56,002)	(106)	(25)	(131)
10	Residential 6-inch	8.0	8.0	(0.0)	(0)	*varies*	(84,830)	(145)	(107)	(252)
11	Residential 8-inch	-	-	-	-	*varies*	-	-	-	-
12	Residential 10-inch	-	-	-	-	*varies*	-	-	-	-
13	Subtotal Residential	25,685.8	25,652.0	(33.8)	(406)		(3,948,478)	$ (6,214)	$ (6,881)	$ (13,095)
14										
15	Commercial 5/8 x 3/4 -inch	867.0	874.0	7.0	84	*varies*	759,407	$ 1,275	$ 1,333	$ 2,608
16	Commercial 1-inch	480.3	485.1	4.8	58	*varies*	1,676,660	2,867	2,284	5,152
17	Commercial 1.5-inch	-	-	-	-	*varies*	-	-	-	-
18	Commercial 2-inch	493.0	498.3	5.3	64	*varies*	6,791,668	11,544	8,094	19,638
19	Commercial 3-inch	34.2	34.6	0.4	5	*varies*	926,056	1,586	1,172	2,758
20	Commercial 4-inch	24.5	24.7	0.2	3	*varies*	1,928,698	3,503	1,158	4,660
21	Commercial 6-inch	14.6	14.7	0.1	2	*varies*	1,535,524	2,629	1,375	4,004
22	Commercial 8-inch	2.5	2.5	0.0	0	*varies*	345,693	592	381	973
23	Commercial 10-inch	-	-	-	-	*varies*	-	-	-	-
24	Subtotal Commercial	1,916.0	1,934.0	18.0	216		13,963,706	$ 23,996	$ 15,797	$ 39,793
25										
26	Totals	27,601.8	27,586.0	(15.8)	(190)		10,015,228	$ 17,782	$ 8,916	$ 26,699

Line No.	Class of Expense	Average Cost Per Gallon Sold Per Sch. E-7	Cost Per Average Customer Per Sch. E-7	Additional Gallons To Be Sold	Additional Customers	Additional Costs Resulting from Customer Growth
33	Class of Expense					
34						
35	Source of Supply	$ 0.000103		10,015,228		$ 1,035
36	Pumping	$ 0.000456		10,015,228		4,566
37	Water Treatment	$ 0.000201		10,015,228		2,010
38						
39	Transmission & Distribution		$ 55.73		(16)	(882)
40	Customer Accounting		$ 42.01		(16)	(665)
41	Administrative & General		$ 72.37		(16)	(1,146)
42	Totals					$ 4,918

Supporting Schedules:

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Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-7 (Continued)
Annualize Revenue & Expense to Reflect End-of-Test Year Customer Counts

Pinal Valley (Casa Grande)

Line No.	Class of Service	[A] No. of Customers Per Bill Count Sch. H-2, Col. A	[B] Year-End Number of Customers	[C] Additional Customers [B - A]	[D] Additional Bills to be Issued [C X 12]	[E] Average Gallons Sold Per Customer Sch. H-2, Col. B	[F] Additional Gallons To Be Sold [D X E]	[G] Additoinal Volumetric Revenue at Present Rates	[H] Additional Fixed Charge Revenue at Present Rates	[I] Total Additional Revenue at Present Rates [G + H]
1										
2	Class of Service									
3										
4	Residential 5/8 x 3/4 -inch	20,828.0	20,798.7	(29.3)	(351)	8,610	(3,025,157)	$ (4,819)	$ (5,548)	$ (10,367)
5	Residential 1-inch	428.9	428.3	(0.6)	(7)	22,977	(166,254)	(325)	(286)	(610)
6	Residential 1.5-inch	-	-	-	-	-	-	-	-	-
7	Residential 2-inch	64.3	64.2	(0.1)	(1)	161,801	(175,601)	(318)	(137)	(455)
8	Residential 3-inch	7.0	7.0	(0.0)	(0)	406,313	(47,981)	(88)	(30)	(117)
9	Residential 4-inch	3.8	3.7	(0.0)	(0)	885,251	(56,002)	(106)	(25)	(131)
10	Residential 6-inch	8.0	8.0	(0.0)	(0)	628,570	(84,830)	(145)	(107)	(252)
11	Residential 8-inch	-	-	-	-	-	-	-	-	-
12	Residential 10-inch	-	-	-	-	-	-	-	-	-
13	Subtotal Residential	21,340.0	21,310.0	(30.0)	(360)		(3,555,825)	$ (5,801)	$ (6,132)	$ (11,933)
14										
15	Commercial 5/8 x 3/4 -inch	602.9	610.9	8.0	96	8,725	840,179	$ 1,439	$ 1,520	$ 2,959
16	Commercial 1-inch	385.7	390.8	5.1	62	28,543	1,758,073	3,010	2,431	5,441
17	Commercial 1.5-inch	-	-	-	-	-	-	-	-	-
18	Commercial 2-inch	419.8	425.3	5.6	67	107,475	7,204,909	12,337	8,466	20,803
19	Commercial 3-inch	30.0	30.4	0.4	5	197,915	948,269	1,624	1,210	2,834
20	Commercial 4-inch	19.5	19.8	0.3	3	644,008	2,005,663	3,634	1,229	4,864
21	Commercial 6-inch	11.6	11.7	0.2	2	850,188	1,572,827	2,693	1,460	4,153
22	Commercial 8-inch	2.0	2.0	0.0	0	1,092,138	348,851	597	403	1,001
23	Commercial 10-inch	-	-	-	-	-	-	-	-	-
24	Subtotal Commercial	1,471.4	1,491.0	19.6	235		14,678,771	$ 25,335	$ 16,721	$ 42,055
25										
26	Totals	22,811.4	22,801.0	(10.4)	(125)		11,122,945	$ 19,533	$ 10,589	$ 30,122
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Pinal Valley (Coolidge)

Line No.	Class of Service	[A] No. of Customers Per Bill Count Sch. H-2, Col. A	[B] Year-End Number of Customers	[C] Additional Customers [B - A]	[D] Additional Bills to be Issued [C X 12]	[E] Average Gallons Sold Per Customer Sch. H-2, Col. B	[F] Additional Gallons To Be Sold [D X E]	[G] Additoinal Volumetric Revenue at Present Rates	[H] Additional Fixed Charge Revenue at Present Rates	[I] Total Additional Revenue at Present Rates [G + H]
1										
2	Class of Service									
3										
4	Residential 5/8 x 3/4 -inch	4,100.5	4,095.1	(5.4)	(65)	8,076	(523,954)	$ (831)	$ (1,024)	$ (1,855)
5	Residential 1-inch	60.9	60.8	(0.1)	(1)	21,289	(20,519)	(40)	(38)	(78)
6	Residential 1.5-inch	-	-	-	-	-	-	-	-	-
7	Residential 2-inch	10.1	10.1	(0.0)	(0)	148,301	(23,659)	(42)	(20)	(62)
8	Residential 3-inch	-	-	-	-	-	-	-	-	-
9	Residential 4-inch	-	-	-	-	-	-	-	-	-
10	Residential 6-inch	-	-	-	-	-	-	-	-	-
11	Residential 8-inch	-	-	-	-	-	-	-	-	-
12	Residential 10-inch	-	-	-	-	-	-	-	-	-
13	Subtotal Residential	4,171.5	4,166.0	(5.5)	(66)		(568,132)	$ (912)	$ (1,083)	$ (1,995)
14										
15	Commercial 5/8 x 3/4 -inch	240.8	240.0	(0.7)	(9)	7,115	(61,873)	$ (106)	$ (137)	$ (243)
16	Commercial 1-inch	91.6	91.3	(0.3)	(3)	23,808	(78,762)	(135)	(131)	(265)
17	Commercial 1.5-inch	-	-	-	-	-	-	-	-	-
18	Commercial 2-inch	70.3	70.0	(0.2)	(3)	143,781	(364,863)	(645)	(320)	(966)
19	Commercial 3-inch	4.2	4.2	(0.0)	(0)	147,580	(22,213)	(38)	(38)	(76)
20	Commercial 4-inch	5.0	5.0	(0.0)	(0)	426,125	(76,964)	(132)	(71)	(203)
21	Commercial 6-inch	3.0	3.0	(0.0)	(0)	344,225	(37,303)	(64)	(86)	(149)
22	Commercial 8-inch	0.5	0.5	(0.0)	(0)	174,833	(3,158)	(5)	(23)	(28)
23	Commercial 10-inch	-	-	-	-	-	-	-	-	-
24	Subtotal Commercial	415.3	414.0	(1.3)	(15)		(645,136)	$ (1,125)	$ (806)	$ (1,931)
25										
26	Totals	4,586.8	4,580.0	(6.8)	(81)		(1,213,268)	$ (2,038)	$ (1,889)	$ (3,926)
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-7 (Continued)
Annualize Revenue & Expense to Reflect End-of-Test Year Customer Counts

Pinal Valley (Stanfield)

Line No.	Class of Service	[A] No. of Customers Per Bill Count Sch. H-2, Col. A	[B] Year-End Number of Customers	[C] Additional Customers [B - A]	[D] Additional Bills to be Issued [C X 12]	[E] Average Gallons Sold Per Customer Sch. H-2, Col. B	[F] Additional Gallons To Be Sold [D X E]	[G] Additoinal Volumetric Revenue at Present Rates	[H] Additional Fixed Charge Revenue at Present Rates	[I] Total Additional Revenue at Present Rates [G + H]
1										
2	Class of Service									
3										
4	Residential 5/8 x 3/4 -inch	171.3	173.0	1.6	20	8,271	162,572	$ 460	$ 310	$ 770
5	Residential 1-inch	2.0	2.0	0.0	0	15,192	3,486	12	9	21
6	Residential 1.5-inch	-	-	-	-	-	-	-	-	-
7	Residential 2-inch	1.0	1.0	0.0	0	82,125	9,422	29	14	43
8	Residential 3-inch	-	-	-	-	-	-	-	-	-
9	Residential 4-inch	-	-	-	-	-	-	-	-	-
10	Residential 6-inch	-	-	-	-	-	-	-	-	-
11	Residential 8-inch	-	-	-	-	-	-	-	-	-
12	Residential 10-inch	-	-	-	-	-	-	-	-	-
13	Subtotal Residential	174.3	176.0	1.7	20		175,479	$ 500	$ 334	$ 834
14										
15	Commercial 5/8 x 3/4 -inch	23.3	23.1	(0.3)	(3)	5,940	(18,899)	$ (58)	$ (50)	$ (108)
16	Commercial 1-inch	3.0	3.0	(0.0)	(0)	6,481	(2,651)	(8)	(16)	(24)
17	Commercial 1.5-inch	-	-	-	-	-	-	-	-	-
18	Commercial 2-inch	3.0	3.0	(0.0)	(0)	118,258	(48,378)	(147)	(52)	(199)
19	Commercial 3-inch	-	-	-	-	-	-	-	-	-
20	Commercial 4-inch	-	-	-	-	-	-	-	-	-
21	Commercial 6-inch	-	-	-	-	-	-	-	-	-
22	Commercial 8-inch	-	-	-	-	-	-	-	-	-
23	Commercial 10-inch	-	-	-	-	-	-	-	-	-
24	Subtotal Commercial	29.3	29.0	(0.3)	(4)		(69,928)	$ (213)	$ (118)	$ (331)
25										
26	Totals	203.7	205.0	1.3	16		105,551	$ 287	$ 216	$ 502
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-7 (Continued)
Annualize Revenue & Expense to Reflect End-of-Test Year Customer Counts

White Tank

Line No.	Class of Service	[A] No. of Customers Per Bill Count Sch. H-2, Col. A	[B] Year-End Number of Customers	[C] Additional Customers [B - A]	[D] Additional Bills to be Issued [C X 12]	[E] Average Gallons Sold Per Customer Sch. H-2, Col. B	[F] Additional Gallons To Be Sold [D X E]	[G] Additoinal Volumetric Revenue at Present Rates	[H] Additional Fixed Charge Revenue at Present Rates	[I] Total Additional Revenue at Present Rates [G + H]
1										
2	Class of Service									
3										
4	Residential 5/8 x 3/4 -inch	1,548.8	1,560.8	11.9	143	13,906	1,988,845	$ 4,211	$ 3,249	$ 7,460
5	Residential 1-inch	311.8	314.2	2.4	29	8,955	257,858	532	1,636	2,167
6	Residential 1.5-inch	-	-	-	-	-	-	-	-	-
7	Residential 2-inch	2.0	2.0	0.0	0	322,754	59,607	136	34	170
8	Residential 3-inch	-	-	-	-	-	-	-	-	-
9	Residential 4-inch	-	-	-	-	-	-	-	-	-
10	Residential 6-inch	-	-	-	-	-	-	-	-	-
11	Residential 8-inch	-	-	-	-	-	-	-	-	-
12	Residential 10-inch	-	-	-	-	-	-	-	-	-
13	Subtotal Residential	1,862.7	1,877.0	14.3	172		2,306,310	$ 4,879	$ 4,919	$ 9,797
14										
15	Commercial 5/8 x 3/4 -inch	17.2	16.8	(0.3)	(4)	32,539	(128,904)	$ (312)	$ (90)	$ (402)
16	Commercial 1-inch	16.8	16.5	(0.3)	(4)	36,104	(140,250)	(289)	(221)	(510)
17	Commercial 1.5-inch	-	-	-	-	-	-	-	-	-
18	Commercial 2-inch	16.0	15.7	(0.3)	(4)	169,296	(625,094)	(1,289)	(671)	(1,960)
19	Commercial 3-inch	2.0	2.0	(0.0)	(0)	214,825	(99,150)	(204)	(168)	(372)
20	Commercial 4-inch	-	-	-	-	-	-	-	-	-
21	Commercial 6-inch	-	-	-	-	-	-	-	-	-
22	Commercial 8-inch	-	-	-	-	-	-	-	-	-
23	Commercial 10-inch	-	-	-	-	-	-	-	-	-
24	Subtotal Commercial	52.0	51.0	(1.0)	(12)		(993,398)	$ (2,094)	$ (1,150)	$ (3,243)
25										
26	Totals	1,914.7	1,928.0	13.3	160		1,312,912	$ 2,785	$ 3,769	$ 6,554
27										
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32										

Line No.	Class of Expense	Average Cost Per Gallon Sold Per Sch. E-7	Cost Per Average Customer Per Sch. E-7	Additional Gallons To Be Sold	Additional Customers	Additional Costs Resulting from Customer Growth
33	Class of Expense					
34						
35	Source of Supply	$ 0.000111		1,312,912		$ 146
36	Pumping	$ 0.000748		1,312,912		982
37	Water Treatment	$ 0.000285		1,312,912		375
38						
39	Transmission & Distribution		$ 63.96		13	853
40	Customer Accounting		$ 48.50		13	647
41	Administrative & General		$ 80.50		13	1,073
42	Totals					$ 4,076
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-7 (Continued)
Annualize Revenue & Expense to Reflect End-of-Test Year Customer Counts

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Line No.	Class of Service	[A] No. of Customers Per Bill Count Sch. H-2, Col. A	[B] Year-End Number of Customers	[C] Additional Customers [B - A]	[D] Additional Bills to be Issued [C X 12]	[E] Average Gallons Sold Per Customer Sch. H-2, Col. B	[F] Additional Gallons To Be Sold [D X E]	[G] Additoinal Volumetric Revenue at Present Rates	[H] Additional Fixed Charge Revenue at Present Rates	[I] Total Additional Revenue at Present Rates [G + H]
4	Residential 5/8 x 3/4 -inch	589.4	588.0	(1.4)	(17)	4,764	(79,909)	$ (421)	$ (422)	$ (843)
5	Residential 1-inch	8.0	8.0	(0.0)	(0)	7,107	(1,618)	(10)	(14)	(24)
6	Residential 1.5-inch	-	-	-	-	-	-	-	-	-
7	Residential 2-inch	-	-	-	-	-	-	-	-	-
8	Residential 3-inch	-	-	-	-	-	-	-	-	-
9	Residential 4-inch	-	-	-	-	-	-	-	-	-
10	Residential 6-inch	-	-	-	-	-	-	-	-	-
11	Residential 8-inch	-	-	-	-	-	-	-	-	-
12	Residential 10-inch	-	-	-	-	-	-	-	-	-
13	Subtotal Residential	597.4	596.0	(1.4)	(17)		(81,527)	$ (430)	$ (436)	$ (867)
15	Commercial 5/8 x 3/4 -inch	56.2	56.8	0.6	7	4,888	34,681	$ 209	$ 179	$ 387
16	Commercial 1-inch	20.0	20.2	0.2	3	31,342	79,179	482	159	641
17	Commercial 1.5-inch	-	-	-	-	-	-	-	-	-
18	Commercial 2-inch	3.0	3.0	0.0	0	46,931	17,784	107	76	183
19	Commercial 3-inch	-	-	-	-	-	-	-	-	-
20	Commercial 4-inch	-	-	-	-	-	-	-	-	-
21	Commercial 6-inch	-	-	-	-	-	-	-	-	-
22	Commercial 8-inch	-	-	-	-	-	-	-	-	-
23	Commercial 10-inch	-	-	-	-	-	-	-	-	-
24	Subtotal Commercial	79.2	80.0	0.8	10		131,644	$ 798	$ 414	$ 1,212
26	Totals	676.6	676.0	(0.6)	(7)		50,117	$ 368	$ (23)	$ 345

Line No.	Class of Expense	Average Cost Per Gallon Sold Per Sch. E-7	Cost Per Average Customer Per Sch. E-7	Additional Gallons To Be Sold	Additional Customers	Additional Costs Resulting from Customer Growth
35	Source of Supply					
36	Pumping	$ 0.003130		50,117		$ 157
37	Water Treatment	$ 0.000253		50,117		13
38		$ 0.000170		50,117		9
39	Transmission & Distribution					
40	Customer Accounting		$ 64.75		(1)	(38)
41	Administrative & General		$ 43.93		(1)	(26)
42	Totals		$ 69.21		(1)	(40)
						$ 74

Supporting Schedules:

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Recap Schedules:

Western Group - Payroll

Line No.	System	[A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Total Increase / (Decrease)
1								
2	Western Group							
3	Pinal Valley	$ 501	$ 16,990	$ 5,108	$ 51,856	$ 33,707	$ 24,272	$ 132,433
4	White Tank	38	4,795	648	3,619	2,403	1,602	13,106
5	Ajo	11	279	222	1,442	879	613	3,446
6	Subtotal	$ 549	$ 22,063	$ 5,978	$ 56,916	$ 36,990	$ 26,488	$ 148,984
7								
8	Total	$ 549	$ 22,063	$ 5,978	$ 56,916	$ 36,990	$ 26,488	$ 148,984
9								
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11	Increase/(Decrease) in Expenses							$ 148,984
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-8 (Continued)
Annualize Payroll & Related Expense

Line No.	System	Western Group - Payroll Taxes [A] Payroll Taxes Increase / (Decrease)
1		
2	Western Group	
3	Pinal Valley	$ 16,856
4	White Tank	9,209
5	Ajo	781
6	Subtotal	$ 26,845
7		
8	Total	$ 26,845
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11	Increase/(Decrease) in Expenses	$ 26,845
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-8 (Continued)
Annualize Payroll & Related Expense

Line No.	System	Western Group - 401k [A] 401k Increase / (Decrease)
1		
2	Western Group	
3	Pinal Valley	$ 13,026
4	White Tank	861
5	Ajo	339
6	*Subtotal*	$ 14,226
7		
8	Total	$ 14,226
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10		
11	Increase/(Decrease) in Expenses	$ 14,226
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Western Group - Total Payroll & Related

Line No.	System	[A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Taxes - Other Increase / (Decrease)	[H] Total Increase / (Decrease)
1									
2	Western Group								
3	Pinal Valley	$ 501	$ 16,990	$ 5,108	$ 51,856	$ 33,707	$ 37,299	$ 16,856	$ 162,315
4	White Tank	38	4,795	648	3,619	2,403	2,463	9,209	23,175
5	Ajo	11	279	222	1,442	879	952	781	4,566
6	Subtotal	$ 549	$ 22,063	$ 5,978	$ 56,916	$ 36,990	$ 40,714	$ 26,845	$ 190,056
7									
8	Total	$ 549	$ 22,063	$ 5,978	$ 56,916	$ 36,990	$ 40,714	$ 26,845	$ 190,056
9									
10									
11	Increase/(Decrease) in Expenses								$ 190,056
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Line No.	System	Western Group - Insurance [A] Increase / (Decrease) Medical	[B] Increase / (Decrease) Dental	[C] Increase / (Decrease) Long-Term Disability	[D] Increase / (Decrease) Life	[E] Total Increase / (Decrease)
1						
2	Western Group					
3	Pinal Valley	$ 81,247	$ 8,107	$ (18)	$ 2,396	$ 91,733
4	White Tank	5,368	536	42	158	6,104
5	Ajo	2,117	211	14	62	2,404
6	Subtotal	$ 88,732	$ 8,854	$ 39	$ 2,617	$ 100,242
7						
8	Total	$ 88,732	$ 8,854	$ 39	$ 2,617	$ 100,242
9						
10						
11	Increase/(Decrease) in Expenses					$ 100,242
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Line No.	System	Western Group - Deposit Interest [A] Test Year Customer Deposits 12/31/2010	[B] Applicable Interest Rate	[C] Annual Expense	[D] Increase / (Decrease)
1	System				
2					
3	Western Group				
4	Pinal Valley	$ 327,277	6.00%	$ 19,637	$ 19,637
5	White Tank	22,494	6.00%	1,350	1,350
6	Ajo	7,929	6.00%	476	476
7	Subtotal	$ 357,699		$ 21,462	$ 21,462
8					
9	Total	$ 357,699		$ 21,462	$ 21,462
10					
11					
12	Increase/(Decrease) in Expenses				$ 21,462
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-11
Normalize Pumping and Transmission & Distribution ("T&D") Maintenance Expense

		Western Group - Pumping & T&D Maintenance					
		[A]	[B]	[C]	[D]	[E]	[F]
		Transmission & Distribution			Pumping		
Line No.	System	T.Y. 2010 T&D Maintenance Expense	Normalized T&D Maintenance Expense	Increase / (Decrease)	T.Y. 2010 Pumping Maintenance Expense	Normalized Pumping Maintenance Expense	Increase / (Decrease)
1	System						
2							
3	Western Group						
4	Pinal Valley	$ 786,625	$ 1,215,264	$ 428,639	$ 106,047	$ 212,845	$ 106,798
5	White Tank	50,765	89,157	38,392	11,708	15,381	3,673
6	Ajo	20,456	33,631	13,175	1,956	3,908	1,952
7	Subtotal	$ 857,846	$ 1,338,052	$ 480,206	$ 119,711	$ 232,134	$ 112,423
8							
9	Total	$ 857,846	$ 1,338,052	$ 480,206	$ 119,711	$ 232,134	$ 112,423
10							
11							
12	Increase/(Decrease) in Expenses			$ 480,206			$ 112,423
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Line No.	System	Western Group - Purchased Water & Power [A] Purch. Water Other - 602.1 Increase / (Decrease)	[B] Purch. Water CAP - 602.2 Increase / (Decrease)	[C] Total Purch. Water Increase / (Decrease)	[D] Purchased Power - 623.1 Increase / (Decrease)
1	System				
2					
3	Western Group				
4	Pinal Valley	$ -	$ -	$ -	$ 12,308
5	White Tank	39,359	-	39,359	6,973
6	Ajo	-	-	-	-
7	Subtotal	$ 39,359	$ -	$ 39,359	$ 19,281
8					
9	Total	$ 39,359	$ -	$ 39,359	$ 19,281
10					
11					
12	Increase/(Decrease) in Expenses	$ 39,359	$ -	$ 39,359	$ 19,281
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-13
Adjust Rate Case Expense

Western Group - Rate Case Expense

Line No.	System	[A] T.Y. 2010 Rate Case Expense Estimate / Spread	[B] Normalization Period in Years	[C] Annual Amortization / Pro Forma Rate Case Exp.	[D] T.Y. 2010 Prior Rate Case Expense Charged to O&M - 928.2	[E] Increase / (Decrease)
1						
2	Western Group					
3	Pinal Valley	$ 572,901	3	$ 190,967	$ 43,515	$ 147,452
4	White Tank	39,375	3	13,125	3,368	9,757
5	Ajo	13,880	3	4,627	1,331	3,296
6	Subtotal	$ 626,156		$ 208,719	$ 48,214	$ 160,505
7						
8						
9						
10	Phoenix Office	$ 626,156				
11						
12	Total			$ 208,719	$ 48,214	$ 160,505
13						
14	Increase/(Decrease) in Rate Case Expense					$ 160,505
15						
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-14
Adjust A&G Expense to Reflect Additional Best Management Practices ("BMP")

Line No.	System	Western Group - BMPs [A] Events & Programs Increase / (Decrease)	[B] Landscape Information Increase / (Decrease)	[C] Landscape Consultations Increase / (Decrease)	[D] High Use Notifications Increase / (Decrease)	[E] Total Increase / (Decrease)
1						
2	Western Group					
3	Pinal Valley	$ 1,900	$ 800	$ 2,300	$ 3,425	$ 8,425
4	White Tank	1,900	125	775	700	3,500
5	Ajo	-	-	-	-	-
6	Subtotal	$ 3,800	$ 925	$ 3,075	$ 4,125	$ 11,925
7						
8	Total	$ 3,800	$ 925	$ 3,075	$ 4,125	$ 11,925
9						
10						
11	Increase/(Decrease) in Expenses					$ 11,925
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Western Group - Fleet Fuel

Line No.	System	[A] Source of Supply Increase / (Decrease)	[B] Pumping Increase / (Decrease)	[C] Water Treatment Increase / (Decrease)	[D] Transmission & Distribution Increase / (Decrease)	[E] Customer Accounting Increase / (Decrease)	[F] Administrative & General Increase / (Decrease)	[G] Total Increase / (Decrease)
1								
2	Western Group							
3	Pinal Valley	$ 989	$ 10,020	$ 3,111	$ 32,718	$ 8,819	$ 3,199	$ 58,855
4	White Tank	88	890	276	2,906	783	284	5,227
5	Ajo	22	220	68	717	193	70	1,290
6	Subtotal	$ 1,098	$ 11,129	$ 3,456	$ 36,340	$ 9,795	$ 3,553	$ 65,371
7								
8	Total	$ 1,098	$ 11,129	$ 3,456	$ 36,340	$ 9,795	$ 3,553	$ 65,371
9								
10								
11	Increase/(Decrease) in Expenses							$ 65,371
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-16
Increase A&G Expense to Include Annual Cost of New AS400 Printer

		Western Group - New AS400 Printers			
		[A]	[B]	[C]	[D]
Line No.	System	Annual Rental Cost - New Printers	3-Factor Allocation Ratio	Allocated Cost	Increase / (Decrease)
1					
2	Western Group				
3	Pinal Valley		0.3423	$ 3,902	$ 3,902
4	White Tank		0.0304	347	347
5	Ajo		0.0075	86	86
6	Subtotal		0.3802	$ 4,334	$ 4,334
7					
8	Phoenix Office	$ 11,400			
9					
10	Total	$ 11,400	0.3802	$ 4,334	$ 4,334
11					
12					
13	Increase/(Decrease) in Expenses				$ 4,334
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-17
Adjust Arsenic Treatment Expense

Line No.	System	Western Group - Arsenic Treatment [A] Increase / (Decrease)
1		
2	Western Group	
3	Pinal Valley	$ 100,704
4	White Tank	2,074
5	Ajo	-
6	Subtotal	$ 102,778
7		
8	Total	$ 102,778
9		
10		
11	Increase/(Decrease) in Expenses	$ 102,778
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-18
Adjust Depreciation Expense to Reflect Adjusted Plant Balances

				Pinal Valley					
			[A]	[B]	[C]	[D]	[E]	[F]	[G]
Line No.	Acct. No.		Depreciation Rate	Utiltiy Plant in Service 12/31/2010 Sch. E-5	Depreciation Expense - UPIS [A X B]	Deprec. Exp. - Post-Test Year Plant Sch. B-2 Appdx.	Depreciation Expense - Phoenix Office	Depreciation Expense - Meter Shop	Total Depreciation Expense [C + D + E + F]
1		Intangible Plant							
2	301	Organization	0.00%	$ -	$ -	$ -	$ -	$ -	$ -
3	302	Franchises	note_1	82,969	3,319	-	-	-	3,319
4	303	Other Intangibles	note_1	1,451,005	115,712	-	145	-	115,857
5		Subtotal Intangible Plant		$ 1,533,974	$ 119,031	$ -	$ 145	$ -	$ 119,176
6		Source of Supply Plant							
7	310.1	Water Rights	0.00%	356,562	-	-	-	-	-
8	310.3	Other Source of Supply Land	0.00%	298,548	-	-	-	-	-
9	310.4	Wells - Other	note_1	-	-	-	-	-	-
10	314	Wells	3.13%	6,455,579	202,060	-	-	-	202,060
11		Subtotal Source of Supply Plant		$ 7,110,689	$ 202,060	$ -	$ -	$ -	$ 202,060
12		Pumping Plant							
13	320	Pumping Plant Land	0.00%	31,897	-	-	-	-	-
14	321	Pumping Plant Structures & Improvements	2.86%	239,380	6,846	-	-	-	6,846
15	325	Electtric Pumping Equipment	5.88%	8,819,494	518,586	9,106	-	-	527,692
16	328	Gas Engine Equipment	4.00%	20,026	801	-	-	-	801
17		Subtotal Pumping Plant		$ 9,110,796	$ 526,234	$ 9,106	$ -	$ -	$ 535,340
18		Water Treatment Plant							
19	330	Water Treatment Plant Land	0.00%	680,718	-	-	-	-	-
20	331	Water Treatment Structures & Improvements	2.50%	1,523,410	38,085	-	-	-	38,085
21	332	Water Treatment Equipment	2.86%	6,915,247	197,776	-	-	20	197,796
22		Subtotal Water Treatment Plant		$ 9,119,376	$ 235,861	$ -	$ -	$ 20	$ 235,881
23		Transmission & Distribution Plant							
24	340	Transmission and Distribution Land	0.00%	345,492	-	-	-	-	-
25	342	Storage Tanks	2.00%	2,979,202	59,584	667	-	-	60,251
26	343	Transmission & Distribution Mains	1.79%	70,106,777	1,254,911	16,469	-	37	1,271,418
27	344	Fire Sprinkler Taps	2.00%	2,476,818	49,536	-	-	-	49,536
28	345	Services	2.38%	23,373,813	556,297	1,413	-	-	557,710
29	346	Meters	4.55%	3,072,138	139,782	-	-	-	139,782
30	348	Hydrants	1.82%	9,129,065	166,149	137	-	-	166,286
31		Subtotal Transmission & Distribution Plant		$ 111,483,305	$ 2,226,260	$ 18,686	$ -	$ 37	$ 2,244,983
32		General Plant							
33	389	General Plant Land	0.00%	8,772	-	-	-	-	-
34	390	General Plant Structures	2.50%	473,042	11,826	-	465	452	12,744
35	390.1	Leasehold Improvements	note_2	51,930	-	-	9,179	-	9,179
36	391	Office Furniture & Equipment	6.67%	321,305	21,431	-	111,764	253	133,449
37	393	Warehouse Equipment	5.00%	22,189	1,109	-	63	152	1,325
38	394	Tools, Shop & Garage Equipment	4.00%	351,350	14,054	-	3,039	952	18,045
39	395	Laboratory Equipment	5.00%	63,649	3,182	-	26	51	3,259
40	396	Power Operated Equipment	6.67%	102,718	6,851	-	-	33	6,885
41	397	Communication Equipment	6.67%	2,135,247	142,421	-	4,147	-	146,568
42	398	Miscellaneous Equipment	3.33%	201,633	6,714	-	82	-	6,797
43		Subtotal General Plant		$ 3,731,834	$ 207,590	$ -	$ 128,766	$ 1,894	$ 338,249
44									
45		Total Depreciation Expense - Utility Plant		$ 142,089,974	$ 3,517,035	$ 27,792	$ 128,911	$ 1,951	$ 3,675,690
46		Amortization of Regulatory Assets/(Liabilities) (Sch. B-2 Appndx.)							29,505
47		Less: Contribution Depreciation	2.00%	19,589,664					(391,793)
48		Total Pro Forma Depreciation & Amortization Expense							$ 3,313,401
49		Test Year Recorded Depreciation & Amortization Expense							3,104,883
50		Increase/(Decrease) in Depreciation & Amortizatoin Expense							$ 208,518
51									
52									

53 note_1 Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other intangibles amortized over 15 & 20 Years.
54 Acct. 310.4 - Wells - Other amortized over 24 years. Accumulated Amortization booked to Acct. 111 - Amort. Of Ltd. Term Investments.
55 note_2 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-18 (Continued)
Adjust Depreciation Expense to Reflect Adjusted Plant Balances

White Tank

Line No.	Acct. No.		[A] Depreciation Rate	[B] Utiltiy Plant in Service 12/31/2010 Sch. E-5	[C] Depreciation Expense - UPIS [A X B]	[D] Deprec. Exp. - Post-Test Year Plant Sch. B-2 Appdx.	[E] Depreciation Expense - Phoenix Office	[F] Depreciation Expense - Meter Shop	[G] Total Depreciation Expense [C + D + E + F]
1		Intangible Plant							
2	301	Organization	0.00%	$ -	$ -	$ -	$ -	$ -	$ -
3	302	Franchises	note_1	-	-	-	-	-	-
4	303	Other Intangibles	note_1	14,082	918	-	13	-	931
5		Subtotal Intangible Plant		$ 14,082	$ 918	$ -	$ 13	$ -	$ 931
6		Source of Supply Plant							
7	310.1	Water Rights	0.00%	26,224	-	-	-	-	-
8	310.3	Other Source of Supply Land	0.00%	45,043	-	-	-	-	-
9	310.4	Wells - Other	note_1	-	-	-	-	-	-
10	314	Wells	3.13%	1,440,680	45,093	-	-	-	45,093
11		Subtotal Source of Supply Plant		$ 1,511,948	$ 45,093	$ -	$ -	$ -	$ 45,093
12		Pumping Plant							
13	320	Pumping Plant Land	0.00%	-	-	-	-	-	-
14	321	Pumping Plant Structures & Improvements	2.86%	22,985	657	-	-	-	657
15	325	Electtric Pumping Equipment	5.88%	1,599,928	94,076	-	-	-	94,076
16	328	Gas Engine Equipment	4.00%	-	-	-	-	-	-
17		Subtotal Pumping Plant		$ 1,622,914	$ 94,733	$ -	$ -	$ -	$ 94,733
18		Water Treatment Plant							
19	330	Water Treatment Plant Land	0.00%	-	-	-	-	-	-
20	331	Water Treatment Structures & Improvements	2.50%	40,103	1,003	-	-	-	1,003
21	332	Water Treatment Equipment	2.86%	1,650,499	47,204	-	-	2	47,206
22		Subtotal Water Treatment Plant		$ 1,690,602	$ 48,207	$ -	$ -	$ 2	$ 48,209
23		Transmission & Distribution Plant							
24	340	Transmission and Distribution Land	0.00%	35,990	-	-	-	-	-
25	342	Storage Tanks	2.00%	478,301	9,566	-	-	-	9,566
26	343	Transmission & Distribution Mains	1.79%	9,928,618	177,722	2,072	-	3	179,797
27	344	Fire Sprinkler Taps	2.00%	41,067	821	-	-	-	821
28	345	Services	2.38%	1,952,221	46,463	-	-	-	46,463
29	346	Meters	4.55%	244,729	11,135	-	-	-	11,135
30	348	Hydrants	1.82%	623,530	11,348	-	-	-	11,348
31		Subtotal Transmission & Distribution Plant		$ 13,304,456	$ 257,056	$ 2,072	$ -	$ 3	$ 259,131
32		General Plant							
33	389	General Plant Land	0.00%	-	-	-	-	-	-
34	390	General Plant Structures	2.50%	33,643	841	-	41	40	923
35	390.1	Leasehold Improvements	note_2	-	-	-	815	-	815
36	391	Office Furniture & Equipment	6.67%	27,194	1,814	-	9,926	23	11,762
37	393	Warehouse Equipment	5.00%	1,306	65	-	6	14	84
38	394	Tools, Shop & Garage Equipment	4.00%	34,073	1,363	-	270	85	1,717
39	395	Laboratory Equipment	5.00%	6,654	333	-	2	5	340
40	396	Power Operated Equipment	6.67%	1,788	119	-	-	3	122
41	397	Communication Equipment	6.67%	100,557	6,707	-	368	-	7,075
42	398	Miscellaneous Equipment	3.33%	13,051	435	-	7	-	442
43		Subtotal General Plant		$ 218,266	$ 11,677	$ -	$ 11,436	$ 168	$ 23,281
44									
45		Total Depreciation Expense - Utility Plant		$ 18,362,266	$ 457,684	$ 2,072	$ 11,449	$ 173	$ 471,378
46		Amortization of Regulatory Assets/(Liabilities) (Sch. B-2 Appndx.)							-
47		Less: Contribution Depreciation	2.00%	1,831,118					(36,622)
48		Total Pro Forma Depreciation & Amortization Expense							$ 434,755
49		Test Year Recorded Depreciation & Amortization Expense							430,907
50		Increase/(Decrease) in Depreciation & Amortizatoin Expense							$ 3,848
51									
52									

53 note_1 Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other intangibles amortized over 15 & 20 Years.
54 Acct. 310.4 - Wells - Other amortized over 24 years. Accumulated Amortization booked to Acct. 111 - Amort. Of Ltd. Term Investments.
55 note_2 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-18 (Continued)
Adjust Depreciation Expense to Reflect Adjusted Plant Balances

Line No.	Acct. No.		[A] Depreciation Rate	[B] Utiltiy Plant in Service 12/31/2010 Sch. E-5	[C] Depreciation Expense - UPIS [A X B]	[D] Ajo Deprec. Exp. - Post-Test Year Plant Sch. B-2 Appdx.	[E] Depreciation Expense - Phoenix Office	[F] Depreciation Expense - Meter Shop	[G] Total Depreciation Expense [C + D + E + F]
1		Intangible Plant							
2	301	Organization	0.00%	$ -	$ -		$ -	$ -	$ -
3	302	Franchises	note_1	-	-		-	-	-
4	303	Other Intangibles	note_1	4,512	294		3	-	297
5		Subtotal Intangible Plant		$ 4,512	$ 294	$ -	$ 3	$ -	$ 297
6		Source of Supply Plant							
7	310.1	Water Rights	0.00%	10,222	-		-	-	-
8	310.3	Other Source of Supply Land	0.00%	-	-		-	-	-
9	310.4	Wells - Other	note_1	-	-		-	-	-
10	314	Wells	3.13%	802	25		-	-	25
11		Subtotal Source of Supply Plant		$ 11,024	$ 25	$ -	$ -	$ -	$ 25
12		Pumping Plant							
13	320	Pumping Plant Land	0.00%	3,208	-		-	-	-
14	321	Pumping Plant Structures & Improvements	2.86%	3,015	86		-	-	86
15	325	Electtric Pumping Equipment	5.88%	83,008	4,881		-	-	4,881
16	328	Gas Engine Equipment	4.00%	-	-		-	-	-
17		Subtotal Pumping Plant		$ 89,231	$ 4,967	$ -	$ -	$ -	$ 4,967
18		Water Treatment Plant							
19	330	Water Treatment Plant Land	0.00%	-	-		-	-	-
20	331	Water Treatment Structures & Improvements	2.50%	-	-		-	-	-
21	332	Water Treatment Equipment	2.86%	4,290	123		-	0	123
22		Subtotal Water Treatment Plant		$ 4,290	$ 123	$ -	$ -	$ 0	$ 123
23		Transmission & Distribution Plant							
24	340	Transmission and Distribution Land	0.00%	6,065	-		-	-	-
25	342	Storage Tanks	2.00%	160,595	3,212		-	-	3,212
26	343	Transmission & Distribution Mains	1.79%	1,386,625	24,821		-	1	24,821
27	344	Fire Sprinkler Taps	2.00%	28,759	575		-	-	575
28	345	Services	2.38%	306,627	7,298		-	-	7,298
29	346	Meters	4.55%	51,129	2,326		-	-	2,326
30	348	Hydrants	1.82%	79,863	1,454		-	-	1,454
31		Subtotal Transmission & Distribution Plant		$ 2,019,663	$ 39,685	$ -	$ -	$ 1	$ 39,686
32		General Plant							
33	389	General Plant Land	0.00%	-	-		-	-	-
34	390	General Plant Structures	2.50%	46,411	1,160		10	10	1,180
35	390.1	Leasehold Improvements	note_2	-	-		201	-	201
36	391	Office Furniture & Equipment	6.67%	9,884	659		2,449	6	3,114
37	393	Warehouse Equipment	5.00%	193	10		1	3	14
38	394	Tools, Shop & Garage Equipment	4.00%	8,618	345		67	21	432
39	395	Laboratory Equipment	5.00%	34,889	1,744		1	1	1,746
40	396	Power Operated Equipment	6.67%	3,234	216		-	1	216
41	397	Communication Equipment	6.67%	29,119	1,942		91	-	2,033
42	398	Miscellaneous Equipment	3.33%	768	26		2	-	27
43		Subtotal General Plant		$ 133,117	$ 6,102	$ -	$ 2,821	$ 42	$ 8,965
44									
45		Total Depreciation Expense - Utility Plant		$ 2,261,836	$ 51,196	$ -	$ 2,825	$ 43	$ 54,063
46		Amortization of Regulatory Assets/(Liabilities) (Sch. B-2 Appndx.)							-
47		Less: Contribution Depreciation	2.00%	88,150					(1,763)
48		Total Pro Forma Depreciation & Amortization Expense							$ 52,300
49		Test Year Recorded Depreciation & Amortization Expense							50,906
50		Increase/(Decrease) in Depreciation & Amortizatoin Expense							$ 1,394
51									
52									

53 note_1 Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other intangibles amortized over 15 & 20 Years.
54 Acct. 310.4 - Wells - Other amortized over 24 years. Accumulated Amortization booked to Acct. 111 - Amort. Of Ltd. Term Investments.
55 note_2 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-18 (Continued)
Adjust Depreciation Expense to Reflect Adjusted Plant Balances

Line No.	Acct. No.		Phoenix Office [A] Depreciation Rate	[B] Utiltiy Plant in Service 12/31/2010 Sch. E-5	[C] Depreciation Expense - UPIS [A X B]	[D] Deprec. Exp. - Post-Test Year Plant Sch. B-2 Appdx.	[E] Total Depreciation Expense [C + D]
1		Intangible Plant					
2	301	Organization	0.00%	$ 651	$ -	$ -	$ -
3	302	Franchises	note_1	-	-	-	-
4	303	Other intangibles	note_1	8,496	425	-	425
5		Subtotal Intangible Plant		$ 9,148	$ 425	$ -	$ 425
6		Source of Supply Plant					
7	310.1	Water Rights	0.00%	-	-	-	-
8	310.3	Other Source of Supply Land	0.00%	-	-	-	-
9	310.4	Wells - Other	note_1	-	-	-	-
10	314	Wells	3.13%	-	-	-	-
11		Subtotal Source of Supply Plant		$ -	$ -	$ -	$ -
12		Pumping Plant					
13	320	Pumping Plant Land	0.00%	-	-	-	-
14	321	Pumping Plant Structures & Improvements	2.86%	-	-	-	-
15	325	Electtric Pumping Equipment	5.88%	-	-	-	-
16	328	Gas Engine Equipment	4.00%	-	-	-	-
17		Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18		Water Treatment Plant					
19	330	Water Treatment Plant Land	0.00%	-	-	-	-
20	331	Water Treatment Structures & Improvements	2.50%	-	-	-	-
21	332	Water Treatment Equipment	2.86%	-	-	-	-
22		Subtotal Water Treatment Plant		$ -	$ -	$ -	$ -
23		Transmission & Distribution Plant					
24	340	Transmission and Distribution Land	0.00%	-	-	-	-
25	342	Storage Tanks	2.00%	-	-	-	-
26	343	Transmission & Distribution Mains	1.79%	-	-	-	-
27	344	Fire Sprinkler Taps	2.00%	-	-	-	-
28	345	Services	2.38%	-	-	-	-
29	346	Meters	4.55%	-	-	-	-
30	348	Hydrants	1.82%	-	-	-	-
31		Subtotal Transmission & Distribution Plant		$ -	$ -	$ -	$ -
32		General Plant					
33	389	General Plant Land	0.00%	-	-	-	-
34	390	General Plant Structures	2.50%	54,371	1,359	-	1,359
35	390.1	Leasehold Improvements	note_2	1,543,079	26,817	-	26,817
36	391	Office Furniture & Equipment	6.67%	4,895,192	326,509	-	326,509
37	393	Warehouse Equipment	5.00%	3,705	185	-	185
38	394	Tools, Shop & Garage Equipment	4.00%	196,363	7,855	1,023	8,877
39	395	Laboratory Equipment	5.00%	1,508	75	-	75
40	396	Power Operated Equipment	6.67%	-	-	-	-
41	397	Communication Equipment	6.67%	181,623	12,114	-	12,114
42	398	Miscellaneous Equipment	3.33%	7,207	240	-	240
43		Subtotal General Plant		$ 6,883,048	$ 375,155	$ 1,023	$ 376,178
44							
45		Total Depreciation Expense - Utility Plant		$ 6,892,196	$ 375,580	$ 1,023	$ 376,603
46		Amortization of Regulatory Assets/(Liabilities) (Sch. B-2 Appndx.)					-
47		Less: Contribution Depreciation	2.00%	-			-
48		Total Pro Forma Depreciation & Amortization Expense					$ 376,603
49							
50							
51							
52							

53 note_1 Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other intangibles amortized over 15 & 20 Years.
54 Acct. 310.4 - Wells - Other amortized over 24 years. Accumulated Amortization booked to Acct. 111 - Amort. Of Ltd. Term Investments.
55 note_2 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-18 (Continued)
Adjust Depreciation Expense to Reflect Adjusted Plant Balances

				Meter Shop				
			[A]	[B]	[C]	[D]	[E]
Line No.	Acct. No.		Depreciation Rate	Utiltiy Plant in Service 12/31/2010 Sch. E-5	Depreciation Expense - UPIS [A X B]	Deprec. Exp. - Post-Test Year Plant Sch. B-2 Appdx.	Total Depreciation Expense [C + D]
1		Intangible Plant					
2	301	Organization	0.00%	$ -	$ -		$ -
3	302	Franchises	note_1	-	-		-
4	303	Other Intangibles	note_1	-	-		-
5		Subtotal Intangible Plant		$ -	$ -	$ -	$ -
6		Source of Supply Plant					
7	310.1	Water Rights	0.00%	-	-		-
8	310.3	Other Source of Supply Land	0.00%	80	-		-
9	310.4	Wells - Other	note_1	-	-		-
10	314	Wells	3.13%	-	-		-
11		Subtotal Source of Supply Plant		$ 80	$ -	$ -	$ -
12		Pumping Plant					
13	320	Pumping Plant Land	0.00%	-	-		-
14	321	Pumping Plant Structures & Improvements	2.86%	-	-		-
15	325	Electtric Pumping Equipment	5.88%	-	-		-
16	328	Gas Engine Equipment	4.00%	-	-		-
17		Subtotal Pumping Plant		$ -	$ -	$ -	$ -
18		Water Treatment Plant					
19	330	Water Treatment Plant Land	0.00%	-	-		-
20	331	Water Treatment Structures & Improvements	2.50%	-	-		-
21	332	Water Treatment Equipment	2.86%	2,050	59		59
22		Subtotal Water Treatment Plant		$ 2,050	$ 59	$ -	$ 59
23		Transmission & Distribution Plant					
24	340	Transmission and Distribution Land	0.00%	-	-		-
25	342	Storage Tanks	2.00%	-	-		-
26	343	Transmission & Distribution Mains	1.79%	6,066	109		109
27	344	Fire Sprinkler Taps	2.00%	-	-		-
28	345	Services	2.38%	-	-		-
29	346	Meters	4.55%	-	-		-
30	348	Hydrants	1.82%	-	-		-
31		Subtotal Transmission & Distribution Plant		$ 6,066	$ 109	$ -	$ 109
32		General Plant					
33	389	General Plant Land	0.00%	-	-		-
34	390	General Plant Structures	2.50%	52,852	1,321		1,321
35	390.1	Leasehold Improvements	note_2	-	-		-
36	391	Office Furniture & Equipment	6.67%	11,097	740		740
37	393	Warehouse Equipment	5.00%	8,888	444		444
38	394	Tools, Shop & Garage Equipment	4.00%	69,534	2,781		2,781
39	395	Laboratory Equipment	5.00%	2,981	149		149
40	396	Power Operated Equipment	6.67%	1,458	97		97
41	397	Communication Equipment	6.67%	-	-		-
42	398	Miscellaneous Equipment	3.33%	-	-		-
43		Subtotal General Plant		$ 146,809	$ 5,533	$ -	$ 5,533
44							
45		Total Depreciation Expense - Utility Plant		$ 155,005	$ 5,701	$ -	$ 5,701
46		Amortization of Regulatory Assets/(Liabilities) (Sch. B-2 Appndx.)					-
47		Less: Contribution Depreciation	2.00%	-			-
48		Total Pro Forma Depreciation & Amortization Expense					$ 5,701
49							
50							
51							
52							

53 note_1 Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other intangibles amortized over 15 & 20 Years.
54 Acct. 310.4 - Wells - Other amortized over 24 years. Accumulated Amortization booked to Acct. 111 - Amort. Of Ltd. Term Investments.
55 note_2 Acct. 390.1 - Leasehold Improvements amortized over the remaining life of the associated lease.

Western Group - Synchronized Interest

Line No.	System	[A] Adjusted Orig. Cost Rate Base Sch. B-1 Ln. 23	[B] Weighted Cost of Long-Term Debt Sch. D-1	[C] Synchronized Interest - Long-Term Debt	[D] Test Year Long-Term Interest Expense	[E] Increase / (Decrease) Long-Term Interest Exp.	[F] Weighted Cost of Short-Term Debt Sch. D-1	[G] Synchronized Interest - Short-Term Debt	[H] Test Year Short-Term Interest Expense	[I] Increase / (Decrease) Short-Term Interest Exp.	[J] Test Year Other Interest Expense	[K] Increase / (Decrease) Other Interest Exp.
1	System	Sch. B-1 Ln. 23	Sch. D-1	Debt	Expense	Interest Exp.	Sch. D-1	Debt	Expense	Interest Exp.	Expense	Interest Exp.
2												
3	Western Group											
4	Pinal Valley	$ 47,398,030	3.35%	$ 1,585,957	$ 1,629,974	$ (44,017)	0.00%	$ -	$ 37,575	$ (37,575)	$ (100,567)	$ 100,567
5	White Tank	5,682,264	3.35%	190,131	191,352	(1,221)	0.00%	-	4,411	(4,411)	(11,806)	11,806
6	Ajo	992,500	3.35%	33,209	35,397	(2,188)	0.00%	-	816	(816)	(2,184)	2,184
7	Subtotal	$ 54,072,795		$ 1,809,297	$ 1,856,723	$ (47,426)		$ -	$ 42,802	$ (42,802)	$ (114,557)	$ 114,557
8												
9	Total	$ 54,072,795		$ 1,809,297	$ 1,856,723	$ (47,426)		$ -	$ 42,802	$ (42,802)	$ (114,557)	$ 114,557
10												
11												
12	Increase/(Decrease) in Expenses											$ 24,329
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14												
15												
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Line No.	System	Western Group - Other Income [A] T.Y. Other (Income) - Net
1		
2	Western Group	
3	Pinal Valley	$ (67,057)
4	White Tank	(5,955)
5	Ajo	(1,469)
6	Subtotal	$ (74,481)
7		
8	Total	$ (74,481)
9		
10		
11	Increase/(Decrease) in Expenses	$ 74,481
12		
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-21
Adjust Property Taxes

Line No.		Pinal Valley [A] T.Y. Adjusted Results	Pinal Valley [B] Adjusted w/ Increase	White Tank [C] T.Y. Adjusted Results	White Tank [D] Adjusted w/ Increase	Ajo [E] T.Y. Adjusted Results	Ajo [F] Adjusted w/ Increase
1							
2	Adjusted Revenues - Test Year Ended 12/31/2010	$ 16,572,049	$ 16,572,049	$ 1,584,472	$ 1,584,472	$ 509,594	$ 509,594
3	Adjusted Revenues - Test Year Ended 12/31/2010	16,572,049	16,572,049	1,584,472	1,584,472	509,594	509,594
4	Adjusted Revenues - T.Y.E. 12/31/2010 / Proposed Revenues	16,572,049	20,491,722	1,584,472	2,208,921	509,594	529,583
5							
6	Average Revenue	$ 16,572,049	$ 17,878,607	$ 1,584,472	$ 1,792,622	$ 509,594	$ 516,257
7							
8	Average Revenue Multiplied by 2	$ 33,144,098	$ 35,757,213	$ 3,168,944	$ 3,585,243	$ 1,019,189	$ 1,032,514
9							
10							
11							
12							
13							
14							
15	Deduct:						
16	Net Book Value of Transportation Equipment	$ -	$ -	$ -	$ -	$ -	$ -
17							
18							
19	Full Cash Value	$ 33,144,098	$ 35,757,213	$ 3,168,944	$ 3,585,243	$ 1,019,189	$ 1,032,514
20							
21	Assessment Ratio	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
22							
23	Assessed Value	6,960,261	7,509,015	665,478	752,901	214,030	216,828
24							
25	Property Tax Rate	12.18%	12.18%	9.14%	9.14%	11.28%	11.28%
26							
27	Property Tax	847,951	914,804	60,835	68,827	24,146	24,461
28							
29	Tax on Parcels	-	-	-	-	-	-
30							
31	Total Property Taxes - Calculated	$ 847,951	$ 914,804	$ 60,835	$ 68,827	$ 24,146	$ 24,461
32							
33	Test Year Property Taxes	656,118		45,778		21,214	
34							
35	Increase / (Decrease) in Property Taxes	$ 191,833		$ 15,057		$ 2,932	
36							
37	Test Year Property Taxes - Adjusted		847,951		60,835		24,146
38							
39	Increase / (Decrease) in Property Taxes		$ 66,853		$ 7,992		$ 316
40							
41	As % of Change in Revenue Requirement		1.71%		1.28%		1.58%
42							
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55							

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-21 (Continued)
Adjust Property Taxes

Line No.		Western Group [A] T.Y. Adjusted Results	Western Group [B] Adjusted w/ Increase
1			
2	Adjusted Revenues - Test Year Ended 12/31/2010	$ 18,666,115	$ 18,666,115
3	Adjusted Revenues - Test Year Ended 12/31/2010	18,666,115	18,666,115
4	Adjusted Revenues - T.Y.E. 12/31/2010 / Proposed Revenues	18,666,115	23,230,225
5			
6	Average Revenue	$ 18,666,115	$ 20,187,485
7			
8	Average Revenue Multiplied by 2	$ 37,332,231	$ 40,374,971
9			
10			
11			
12			
13			
14			
15	Deduct:		
16	Net Book Value of Transportation Equipment	$ -	$ -
17			
18			
19	Full Cash Value	$ 37,332,231	$ 40,374,971
20			
21	Assessment Ratio	21.0%	21.0%
22			
23	Assessed Value	7,839,769	8,478,744
24			
25	Property Tax Rate	11.90%	11.90%
26			
27	Property Tax	932,931	1,008,092
28			
29	Tax on Parcels	-	-
30			
31	Total Property Taxes - Calculated	$ 932,931	$ 1,008,092
32			
33	Test Year Property Taxes	723,110	
34			
35	Increase / (Decrease) in Property Taxes	$ 209,821	
36			
37	Test Year Property Taxes - Adjusted		932,931
38			
39	Increase / (Decrease) in Property Taxes		$ 75,161
40			
41	As % of Change in Revenue Requirement		1.65%
42			
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-22
Adjust Income Taxes to Reflect Adjusted Test Year Results & Proposed Revenues

Line No.		Pinal Valley [A] T.Y. Adjusted Results	Pinal Valley [B] Adjusted w/ Increase	White Tank [C] T.Y. Adjusted Results	White Tank [D] Adjusted w/ Increase	Ajo [E] T.Y. Adjusted Results	Ajo [F] Adjusted w/ Increase
1							
2							
3	Operating Income Before Inc. Taxes	$ 2,494,214	$ 6,347,034	$ 144,451	$ 760,908	$ 113,232	$ 132,905
4	Interest Expense	1,585,957	1,585,957	190,131	190,131	33,209	33,209
5	*Arizona Taxable Income (Ln. 3 - Ln. 4)*	$ 908,258	$ 4,761,077	$ (45,680)	$ 570,777	$ 80,023	$ 99,695
6							
7	Less Arizona Income Tax (Ln. 5 X Ln. 8)	$ 63,287	$ 331,752	$ (3,183)	$ 39,772	$ 5,576	$ 6,947
8	Arizona Income Tax Rate = 6.968%						
9							
10	Federal Income Before Taxes (Ln. 5)	$ 908,258	$ 4,761,077	$ (45,680)	$ 570,777	$ 80,023	$ 99,695
11	Less Arizona Income Taxes (Ln. 7)	63,287	331,752	(3,183)	39,772	5,576	6,947
12	*Federal Taxable Income (Ln. 10 - Ln. 11)*	$ 844,970	$ 4,429,325	$ (42,497)	$ 531,005	$ 74,447	$ 92,749
13							
14	Federal Income Taxes:						
15	15% Bracket from $1 to $50,000	-	-	-	-	-	-
16	25% Bracket from $50,001 to $75,000	-	-	-	-	-	-
17	34% Bracket from $75,001 to $100,000	-	-	-	-	-	-
18	39% Bracket from $100,001 to $335,000	-	-	-	-	-	-
19	34% Bracket over $335,000	287,290	1,505,971	(14,449)	180,542	25,312	31,535
20							
21	Federal Income Taxes:	$ 287,290	$ 1,505,971	$ (14,449)	$ 180,542	$ 25,312	$ 31,535
22							
23							
24	Total Income Tax (Ln. 11 + Ln. 21)	$ 350,577	$ 1,837,722	$ (17,632)	$ 220,313	$ 30,888	$ 38,481
25							
26	Tax Rate (Ln. 24 ÷ Ln. 5)	38.60%	38.60%	38.60%	38.60%	38.60%	38.60%
27							
28	Effective Income Tax Rates						
29	State (Ln. 7 ÷ Ln. 5)	6.97%	6.97%	6.97%	6.97%	6.97%	6.97%
30	Federal (Ln. 21 ÷ Ln. 5)	31.63%	31.63%	31.63%	31.63%	31.63%	31.63%
31	Revenue Conversion Factor (1 ÷ (1 - Ln. 26)	1.6286	1.6286	1.6286	1.6286	1.6286	1.6286
32							
33	Test Year Federal Income Taxes - Booked (Sch. C-2, Ln. 30)	$ 612,128		$ 57,907		$ 23,398	
34	Increase / (Decrease) in Federal Income Taxes (Ln. 21 - Ln. 33)	(324,838)		(72,356)		1,914	
35							
36	Test Year State Income Taxes - Booked (Sch. C-2, Ln. 31)	$ 69,150		$ 6,542		$ 2,643	
37	Increase / (Decrease) in State Income Taxes (Ln. 11 - Ln. 36)	(5,863)		(9,725)		2,933	
38							
39	Test Year Federal Income Taxes - Adjusted		$ 287,290		$ (14,449)		$ 25,312
40	Increase / (Decrease) in Federal Income Taxes (Ln. 21 - Ln. 39)		1,218,681		194,991		6,223
41							
42	Test Year State Income Taxes - Adjusted		63,287		(3,183)		5,576
43	Increase / (Decrease) in State Income Taxes (Ln. 11 - Ln. 42)		268,464		42,955		1,371
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Income Statement Adjustment IS-22 (Continued)
Adjust Income Taxes to Reflect Adjusted Test Year Results & Proposed Revenues

Line No.		Western Group [A] T.Y. Adjusted Results	Western Group [B] Adjusted w/ Increase
1			
2			
3	Operating Income Before Inc. Taxes	$ 2,751,897	$ 7,240,846
4	Interest Expense	1,809,297	1,809,297
5	Arizona Taxable Income (Ln. 3 - Ln. 4)	$ 942,600	$ 5,431,549
6			
7	Less Arizona Income Tax (Ln. 5 X Ln. 8)	$ 65,680	$ 378,470
8	Arizona Income Tax Rate = 6.968%		
9			
10	Federal Income Before Taxes (Ln. 5)	$ 942,600	$ 5,431,549
11	Less Arizona Income Taxes (Ln. 7)	65,680	378,470
12	Federal Taxable Income (Ln. 10 - Ln. 11)	$ 876,920	$ 5,053,079
13			
14	Federal Income Taxes:		
15	15% Bracket from $1 to $50,000	-	-
16	25% Bracket from $50,001 to $75,000	-	-
17	34% Bracket from $75,001 to $100,000	-	-
18	39% Bracket from $100,001 to $335,000	-	-
19	34% Bracket over $335,000	298,153	1,718,047
20			
21	Federal Income Taxes:	$ 298,153	$ 1,718,047
22			
23			
24	Total Income Tax (Ln. 11 + Ln. 21)	$ 363,833	$ 2,096,517
25			
26	Tax Rate (Ln. 24 ÷ Ln. 5)	38.60%	38.60%
27			
28	Effective Income Tax Rates		
29	State (Ln. 7 ÷ Ln. 5)	6.97%	6.97%
30	Federal (Ln. 21 ÷ Ln. 5)	31.63%	31.63%
31	Revenue Conversion Factor (1 ÷ (1 - Ln. 26)	1.6286	1.6286
32			
33	Test Year Federal Income Taxes - Booked (Sch. C-2, Ln. 30)	$ 693,433	
34	Increase / (Decrease) in Federal Income Taxes (Ln. 21 - Ln. 33)	(395,280)	
35			
36	Test Year State Income Taxes - Booked (Sch. C-2, Ln. 31)	$ 78,335	
37	Increase / (Decrease) in State Income Taxes (Ln. 11 - Ln. 36)	(12,655)	
38			
39	Test Year Federal Income Taxes - Adjusted		$ 298,153
40	Increase / (Decrease) in Federal Income Taxes (Ln. 21 - Ln. 39)		1,419,894
41			
42	Test Year State Income Taxes - Adjusted		65,680
43	Increase / (Decrease) in State Income Taxes (Ln. 11 - Ln. 42)		312,790
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Computation of Gross Revenue Conversion Factor

Line No.	Description	Western Group [A] Percentage of Incremental Gross Revenues
1		
2	Federal Income Taxes	31.63%
3		
4	State Income Taxes	6.97%
5		
6	Total Federal & State Income Tax Percentage	38.60%
7		
8	Operating Income % = 100% - Tax Percentage	61.40%
9		
10	Property Tax Factor (Sch. C-2 Appdx.)	1.65%
11		
12	Effective Property Tax Factor (Ln. 8 x Ln. 10)	1.01%
13		
14	Combined Federal & State Income & Property Tax Rate	39.61%
15		
16	Operating Income % = 100% - Tax Percentage	60.39%
17		
18		
19		
20		
21		
22	1 / Operating Income % = Gross Revenue Conversion Factor	
23		1.6559
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Computation of Gross Revenue Conversion Factor

Line No.	Description	Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Percentage of Incremental Gross Revenues	White Tank [B] Percentage of Incremental Gross Revenues	Ajo [C] Percentage of Incremental Gross Revenues
1				
2	Federal Income Taxes	31.63%	31.63%	31.63%
3				
4	State Income Taxes	6.97%	6.97%	6.97%
5				
6	Total Federal & State Income Tax Percentage	38.60%	38.60%	38.60%
7				
8	Operating Income % = 100% - Tax Percentage	61.40%	61.40%	61.40%
9				
10	Property Tax Factor (Sch. C-2 Appdx.)	1.71%	1.28%	1.58%
11				
12	Effective Property Tax Factor (Ln. 8 x Ln. 10)	1.05%	0.79%	0.97%
13				
14	Combined Federal & State Income & Property Tax Rate	39.65%	39.38%	39.57%
15				
16	Operating Income % = 100% - Tax Percentage	60.35%	60.62%	60.43%
17				
18				
19				
20				
21				
22	1 = Gross Revenue Conversion Factor			
23	Operating Income %	1.6569	1.6497	1.6548
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COST OF CAPITAL

D-1 SUMMARY COST OF CAPITAL

D-2 COST OF DEBT

D-3 COST OF PREFERRED STOCK

D-4 COST OF COMMON STOCK EQUITY

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Summary Cost of Capital

Line No.	Description	Total Company [A] End of Test Year - Actual Dollar Amount	[B] Percent of Total	[C] Rate of Return	[D] Weighted Return	[E] End of Projected Year - Present Rates Dollar Amount	[F] Percent of Total	[G] Rate of Return	[H] Weighted Return
2	Short-Term Debt	$ -	0.00%	0.00%	0.00%	$ -	0.00%	0.00%	0.00%
4	Long-Term Debt	75,000,000	49.03%	6.82%	3.35%	75,000,000	50.17%	6.82%	3.42%
6	Common Equity	77,975,335	50.97%	4.82%	2.46%	74,500,143	49.83%	1.09%	0.54%
8	Totals	$ 152,975,335	100.00%		5.80%	$ 149,500,143	100.00%		3.97%

Line No.	Description	End of Test Year - Proposed Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	End of Projected Year - Proposed Rates Dollar Amount	Percent of Total	Rate of Return	Weighted Return
20	Short-Term Debt	$ -	0.00%	0.00%	0.00%	$ -	0.00%	0.00%	0.00%
22	Long-Term Debt	75,000,000	49.03%	6.82%	3.35%	75,000,000	48.01%	6.82%	3.28%
24	Common Equity	77,975,335	50.97%	12.10%	6.17%	81,217,667	51.99%	9.27%	4.82%
26	Totals	$ 152,975,335	100.00%		9.51%	$ 156,217,667	100.00%		8.10%

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Summary Cost of Capital

Western Group

Line No.	Description	[A] End of Test Year - Actual Dollar Amount[1]	[B] Percent of Total	[C] Rate of Return	[D] Weighted Return	[E] End of Projected Year - Present Rates Dollar Amount[1]	[F] Percent of Total	[G] Rate of Return	[H] Weighted Return
2	Short-Term Debt	$ -	0.00%	0.00%	0.00%	$ -	0.00%	0.00%	0.00%
4	Long-Term Debt	28,515,000	49.03%	6.82%	3.35%	28,515,000	50.17%	6.82%	3.42%
6	Common Equity	29,646,222	50.97%	3.21%	1.64%	28,324,954	49.83%	-0.35%	-0.17%
8	Totals	$ 58,161,222	100.00%		4.98%	$ 56,839,954	100.00%		3.25%

Line No.	Description	End of Test Year - Proposed Dollar Amount[1]	Percent of Total	Cost Rate	Weighted Cost	End of Projected Year - Proposed Rates Dollar Amount[1]	Percent of Total	Rate of Return	Weighted Return
20	Short-Term Debt	$ -	0.00%	0.00%	0.00%	$ -	0.00%	0.00%	0.00%
22	Long-Term Debt	28,515,000	49.03%	6.82%	3.35%	28,515,000	48.01%	6.82%	3.28%
24	Common Equity	29,646,222	50.97%	12.10%	6.17%	30,878,957	51.99%	8.93%	4.64%
26	Totals	$ 58,161,222	100.00%		9.51%	$ 59,393,957	100.00%		7.92%

[1]Allocated based on 3-factor methodology

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Cost of Debt

Line No.		Total Company [A]	[B]	[C]	[D]	[E]	[F]
		End of Test Year - Actual			End of Projected Year - Present Rates		
1	Long-Term Debt	Amount Outstanding	Annual Cost	Interest Rate	Amount Outstanding	Annual Cost	Interest Rate
2							
3	Series K, Due April 1, 2031	15,000,000	1,206,855	8.05%	15,000,000	1,206,855	8.05%
4	Series L, Due August 1, 2036	25,000,000	1,575,650	6.30%	25,000,000	1,575,650	6.30%
5	Series M, Due August 1, 2038	35,000,000	2,336,110	6.67%	35,000,000	2,336,110	6.67%
6							
7	Totals	$ 75,000,000	$ 5,118,615	6.82%	$ 75,000,000	$ 5,118,615	6.82%
8							
9	Short-Term Debt						
10							
11	Bank Loans	-	-	0.00%	-	-	0.00%
12							
13	Totals	$ 75,000,000	$ 5,118,615	6.82%	$ 75,000,000	$ 5,118,615	6.82%
14							
15							
16							
17							
18							
19							
20		End of Test Year - Proposed			End of Projected Year - Proposed Rates		
21		Amount	Annual	Interest	Amount	Annual	Interest
22	Long-Term Debt	Outstanding	Cost	Rate	Outstanding	Cost	Rate
23							
24	Series K, Due April 1, 2031	15,000,000	1,206,855	8.05%	15,000,000	1,206,855	8.05%
25	Series L, Due August 1, 2036	25,000,000	1,575,650	6.30%	25,000,000	1,575,650	6.30%
26	Series M, Due August 1, 2038	35,000,000	2,336,110	6.67%	35,000,000	2,336,110	6.67%
27							
28	Totals	$ 75,000,000	5,118,615	6.82%	$ 75,000,000	$ 5,118,615	6.82%
29							
30	Short-Term Debt						
31							
32	Bank Loans	-	-	-	-	-	0.00%
33							
34	Totals	$ 75,000,000	$ 5,118,615	6.82%	$ 75,000,000	$ 5,118,615	6.82%
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Cost of Debt

Line No.		Western Group [A]	[B]	[C]	[D]	[E]	[F]
		End of Test Year - Actual			End of Projected Year - Present Rates		
		Amount Outstanding[1]	Annual Cost	Interest Rate	Amount Outstanding[1]	Annual Cost	Interest Rate
1	Long-Term Debt						
2							
3	Series K, Due April 1, 2031	5,703,000	458,846	8.05%	5,703,000	458,846	8.05%
4	Series L, Due August 1, 2036	9,505,000	599,062	6.30%	9,505,000	599,062	6.30%
5	Series M, Due August 1, 2038	13,307,000	888,189	6.67%	13,307,000	888,189	6.67%
6							
7	Totals	$ 28,515,000	$ 1,946,097	6.82%	$ 28,515,000	$ 1,946,097	6.82%
8							
9	Short-Term Debt						
10							
11	Bank Loans	-	-	0.00%	-	-	0.00%
12							
13	Totals	$ 28,515,000	$ 1,946,097	6.82%	$ 28,515,000	$ 1,946,097	6.82%
14							
15							
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17							
18							
19							
20		End of Test Year - Proposed			End of Projected Year - Proposed Rates		
21		Amount Outstanding[1]	Annual Cost	Interest Rate	Amount Outstanding[1]	Annual Cost	Interest Rate
22	Long-Term Debt						
23							
24	Series K, Due April 1, 2031	5,703,000	458,846	8.05%	5,703,000	458,846	8.05%
25	Series L, Due August 1, 2036	9,505,000	599,062	6.30%	9,505,000	599,062	6.30%
26	Series M, Due August 1, 2038	13,307,000	888,189	6.67%	13,307,000	888,189	6.67%
27							
28	Totals	$ 28,515,000	1,946,097	6.82%	$ 28,515,000	$ 1,946,097	6.82%
29							
30	Short-Term Debt						
31							
32	Bank Loans	-	-	-	-	-	0.00%
33							
34	Totals	$ 28,515,000	$ 1,946,097	6.82%	$ 28,515,000	$ 1,946,097	6.82%
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54	[1]Allocated based on						
55	3-factor methodology						

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1	Not applicable, no preferred stock issued or outstanding.
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1	See the pre-filed testimony of Dr. Thomas M. Zepp.
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FINANCIAL STATEMENTS AND STATISTICAL SCHEDULES

E-1	COMPARATIVE BALANCE SHEETS
E-2	COMPARATIVE INCOME STATEMENTS
E-3	COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION
E-4	STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
E-5	DETAIL PLANT IN SERVICE
E-6	COMPARATIVE DEPARTMENTAL STATEMENTS OF OPERATING INCOME
E-7	OPERATING STATISTICS
E-8	TAXES CHARGED TO OPERATIONS
E-9	NOTES TO FINANCIAL STATEMENTS

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Comparative Balance Sheets

Total Company

Line No.		[A] Test Year Ended 12/31/2010	[B] Prior Year Ended 12/31/2009	[C] Prior Year Ended 12/31/2008
1				
2				
3	Assets			
4				
5	Utility Plant			
6	Utility Plant in Service	$ 390,792,809	$ 387,582,097	$ 377,813,049
7	Utility Plant Held for Future Use	2,443,102	-	-
8	*Construction Work in Progress*	3,187,159	2,160,266	6,225,174
9	Utility Plant Acquisition Adjustment	-	-	-
10	Less: Accumulated Depreciation	(94,363,023)	(86,303,450)	(79,159,325)
11	Less: Accumulated Depreciation -			
12	Plant Held for Future Use	(863,371)	-	-
13	Net Plant	$ 301,196,676	$ 303,438,913	$ 304,878,898
14				
15	Current & Accrued Assets			
16	Cash	$ 10,327,173	$ 1,612,976	$ 71,843
17	Investments & Special Deposits	2,703	2,703	2,703
18	Customer Accounts Receivable	3,369,114	3,067,422	3,275,756
19	Accounts Receivable - Other	106,392	74,586	221,887
20	Allowance for Doubtful Accounts	(32,719)	(41,156)	(29,167)
21	Materials and Supplies	301,494	277,830	270,333
22	Prepaid Expenses	454,306	455,566	485,530
23	Total Current & Accrued Assets	$ 14,528,463	$ 5,449,927	$ 4,298,885
24				
25	Deferred Debits			
26	Deferred Debt Expense	78,342	81,456	84537
27	*Other Deferred Debits*	7,170,254	6,075,634	5542704
28	Total Deferred Debits	$ 7,248,596	$ 6,157,090	$ 5,627,241
29				
30	Total Assets	$ 322,973,735	$ 315,045,930	$ 314,805,024
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	[D] Test Year Ended 12/31/2010	[E] Prior Year Ended 12/31/2009	[F] Prior Year Ended 12/31/2008
Liabilities & Stockholders' Equity			
Total Stockholders' Equity	$ 77,975,335	$ 68,285,255	$ 69,671,689
Long-Term Debt	75,000,000	75,000,000	75,000,000
Current & Accrued Liabilities			
Current Maturities of Long-Term Debt	-	-	-
Notes Payable	-	6,000,000	7,300,000
Accounts Payable	5,119,465	4,427,735	4,344,556
Customer Service Deposits	799,458	689,779	676,825
Accrued Taxes	1,933,081	357,964	555,474
Accrued Interest	1,735,917	1,736,920	1,589,444
Total Current & Accrued Liabilities	$ 9,587,921	$ 13,212,398	$ 14,466,299
Deferred Credits & Reserves			
Refundable Advances for Construction	$ 77,869,923	$ 82,666,061	$ 86,302,513
Special Maintenance Reserves	801,784	865,198	419,136
Deferred Income Taxes	25,368,073	23,622,910	21,351,525
Other Deferred Credits	5,186,925	3,884,937	4,926,078
Total Deferred Credits & Reserves	$ 109,226,705	$ 111,039,106	$ 112,999,252
Contributions in Aid of Construction - Net	$ 51,183,774	$ 47,509,171	$ 42,667,784
Total Liabilities & Equity	$ 322,973,735	$ 315,045,930	$ 314,805,024

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Comparative Income Statements

Line No.		Total Company [A] Test Year Ended 12/31/2010	[B] Prior Year Ended 12/31/2009	[C] Prior Year Ended 12/31/2008
4	Operating Revenues	$ 52,189,106	$ 51,429,838	$ 49,629,881
6	Operating Expenses:			
7	Operation & Maintenance	25,643,099	26,569,684	25,893,929
8	Depreciation & Amortization	8,506,196	8,473,316	8,095,537
9	Taxes:			
10	Federal Income	2,139,809	1,880,441	2,034,485
11	State Income	241,726	179,848	153,943
12	Property	1,933,281	1,796,896	1,919,396
13	Other	5,247,409	4,871,845	4,763,044
14	Total Operating Expenses	$ 43,711,520	$ 43,772,030	$ 42,860,334
16	Operating Income	$ 8,477,586	$ 7,657,808	$ 6,769,547
18	Other Income & Deductions:			
19	Interest:			
20	Long-Term Debt	5,115,500	5,115,500	3,410,018
21	Short-Term Debt	117,924	196,945	1,186,543
22	Other	(315,618)	(332,050)	(384,137)
23	Total Interest	$ 4,917,806	$ 4,980,395	$ 4,212,424
25	Other (Income) - Net	$ (195,900)	$ (223,759)	$ (386,448)
27	Total Other (Income) & Deductions	$ 4,721,906	$ 4,756,636	$ 3,825,976
29	Net Income	$ 3,755,680	$ 2,901,172	$ 2,943,571
31	Average Common Shares Outstanding	270,000	270,000	270,000
32	Earnings Per Share of Common Stock	$ 13.91	$ 10.75	$ 10.90

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Comparative Income Statements

Line No.		Western Group [A] Test Year Ended 12/31/2010	[B] Prior Year Ended 12/31/2009	[C] Prior Year Ended 12/31/2008
4	Operating Revenues	$ 19,568,633	$ 18,693,250	$ 17,426,549
6	Operating Expenses:			
7	Operation & Maintenance	9,614,766	10,113,600	9,444,723
8	Depreciation & Amortization	3,586,696	3,580,346	3,261,099
9	Taxes:			
10	Federal Income	693,433	467,462	770,664
11	State Income	78,335	44,708	58,315
12	Property	723,110	633,337	653,517
13	Other	2,125,026	1,950,126	1,883,620
14	Total Operating Expenses	$ 16,821,366	$ 16,789,579	$ 16,071,938
16	Operating Income	$ 2,747,267	$ 1,903,671	$ 1,354,611
18	Other Income & Deductions:			
19	Interest:			
20	Long-Term Debt	1,944,913	1,973,048	1,291,715
21	Short-Term Debt	44,835	75,962	449,462
22	Other	(119,998)	(128,072)	(145,511)
23	Total Interest	$ 1,869,750	$ 1,920,938	$ 1,595,666
25	Other (Income) - Net	$ (74,481)	$ (86,304)	$ (146,387)
27	Total Other (Income) & Deductions	$ 1,795,269	$ 1,834,635	$ 1,449,280
29	Net Income	$ 951,998	$ 69,036	$ (94,669)
31	Average Common Shares Outstanding	270,000	270,000	270,000
32	Earnings Per Share of Common Stock	$ 3.53	$ 0.26	$ (0.35)

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Comparative Statement of Changes in Financial Position

Line No.		Total Company [A] Test Year Ended 12/31/2010	[B] Prior Year Ended 12/31/2009	[C] Prior Year Ended 12/31/2008
1				
2				
3				
4	Cash Flows from Operating Activities:			
5	Net Income	$ 3,755,680	$ 2,901,166	$ 2,943,571
6	Adjustments to reconcile net income to net cash provided by			
7	operating activities:			
8	Depreciation & Amortization	8,383,028	8,476,554	8,099,511
9	Deferred Income Taxes	1,745,163	2,271,385	2,186,524
10	Gain on Sale of Property	-	(134,849)	(31,331)
11	Changes in Assets & Liabilities:			
12	Accounts & Notes Receivable, net	(341,935)	367,624	(344,274)
13	Materials & Supplies	(23,664)	(7,497)	(73,989)
14	Other Current Assets	1,260	29,964	(36,451)
15	Deferred Debits	(1,091,506)	(529,849)	(509,724)
16	Accounts Payable	691,729	238,708	(2,177,119)
17	Accrued Taxes	1,575,117	(197,511)	71,627
18	Accrued Interest	(1,003)	147,476	575,896
19	Deferred Credits	(63,415)	446,062	245,292
20	Other Current Liabilities	109,679	12,954	(13,728)
21	Net Cash provided by Operating Activities	$ 14,740,133	$ 14,022,187	$ 10,935,805
22				
23	Cash Flows from Investing Activities:			
24	Capital Expenditures - Company Funds	(5,698,889)	(5,743,494)	(14,784,963)
25	Capital Expenditures - Contributions & Advances	(281,354)	(607,453)	(1,878,706)
26	Proceeds from Sale of Property	-	145,924	32,165
27	Net Cash Used in Investing Activities	$ (5,980,243)	$ (6,205,023)	$ (16,631,504)
28				
29	Cash Flows from Financing Activities:			
30	Net Borrowings under Note Payable	(6,000,000)	(1,300,000)	(24,700,000)
31	Proceeds from Issuance of Long-Term Debt	-	-	35,000,000
32	Repayments of Long-Term Debt	-	-	-
33	Dividends on Common Stock	(4,287,600)	(4,287,600)	(4,287,600)
34	Refunds of Advances in Aid of Construction	(961,310)	(1,478,587)	(988,935)
35	Contributions in Aid of Construction	981,214	790,156	237,151
36	Capital Contributions	10,222,000	-	-
37	Net Cash Provided by Financing Activities	$ (45,696)	$ (6,276,031)	$ 5,260,616
38				
39	Net Increase (Decrease) in Cash	$ 8,714,194	$ 1,541,133	$ (435,083)
40				
41	Cash and Cash Equivalents, Beginning of Year	$ 1,612,976	$ 71,843	$ 506,926
42	Cash & Cash Equivalents, End of Year	$ 10,327,170	$ 1,612,976	$ 71,843
43				
44				
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Statement of Changes in Stockholder's Equity

Line No.		Total Company [A] Common Stock Shares	[B] Common Stock Amount	[C] Additional Paid-In-Capital	[D] Retained Earnings	[E] Total
5	Balance - December 31, 2007	270,000	$ 2,700,000	$ 9,087,347	$ 59,228,371	$ 71,015,718
7	Net Income				2,943,571	2,943,571
9	Dividends Paid				(4,287,600)	(4,287,600)
11	Other/Reclass				-	-
13	Balance - December 31, 2008	270,000	$ 2,700,000	$ 9,087,347	$ 57,884,342	$ 69,671,689
15	Net Income				2,901,166	2,901,166
17	Dividends Paid				(4,287,600)	(4,287,600)
19	Other/Reclass				-	-
21	Balance - December 31, 2009	270,000	$ 2,700,000	$ 9,087,347	$ 56,497,908	$ 68,285,255
23	Net Income				3,755,680	3,755,680
25	Dividends Paid				(4,287,600)	(4,287,600)
27	Other/Reclass			*10,222,000*	-	*10,222,000*
29	Balance, December 31, 2010	270,000	$ 2,700,000	$ 19,309,347	$ 55,965,988	$ 77,975,335

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Detail Plant in Service

Line No.	Acct. No.		Total Company [A] End of Prior Year 12/31/2009	[B] Net Additions	[C] End of Test Year 12/31/2010
1		Intangible Plant			
2	301	Organization	$ 651	$ 0	$ 651
3	302	Franchises	111,600	1	111,601
4	303	Other Intangibles	2,319,704	(806,281)	1,513,423
5		Subtotal Intangible Plant	$ 2,431,955	$ (806,280)	$ 1,625,675
6		Source of Supply Plant			
7	310.1	Water Rights	2,581,660	13,122	2,594,782
8	310.3	Other Source of Supply Land	1,197,420	0	1,197,420
9	310.4	Wells - Other	1,526,600	0	1,526,600
10	314	Wells	27,255,450	(2,257,669)	24,997,781
11		Subtotal Source of Supply Plant	$ 32,561,130	$ (2,244,547)	$ 30,316,583
12		Pumping Plant			
13	320	Pumping Plant Land	86,789	1	86,790
14	321	Pumping Plant Structures & Improvements	1,027,635	(997)	1,026,638
15	325	Electtric Pumping Equipment	28,505,904	873,682	29,379,586
16	328	Gas Engine Equipment	209,204	(0)	209,204
17		Subtotal Pumping Plant	$ 29,829,532	$ 872,685	$ 30,702,217
18		Water Treatment Plant			
19	330	Water Treatment Plant Land	683,529	0	683,529
20	331	Water Treatment Structures & Improvements	1,933,630	9,839	1,943,469
21	332	Water Treatment Equipment	19,587,188	741,926	20,329,114
22		Subtotal Water Treatment Plant	$ 22,204,347	$ 751,765	$ 22,956,112
23		Transmission & Distribution Plant			
24	340	Transmission and Distribution Land	837,414	27,222	864,636
25	342	Storage Tanks	12,822,668	44,035	12,866,703
26	343	Transmission & Distribution Mains	187,229,774	2,358,919	189,588,693
27	344	Fire Sprinkler Taps	4,318,953	235,697	4,554,650
28	345	Services	52,516,233	705,581	53,221,814
29	346	Meters	7,506,201	73,569	7,579,770
30	348	Hydrants	17,540,967	396,645	17,937,612
31		Subtotal Transmission & Distribution Plant	$ 282,772,210	$ 3,841,669	$ 286,613,879
32		General Plant			
33	389	General Plant Land	70,136	0	70,136
34	390	General Plant Structures	2,257,295	15,777	2,273,072
35	390.1	Leasehold Improvements	2,409,484	202,854	2,612,338
36	391	Office Furniture & Equipment	6,300,161	63,262	6,363,423
37	393	Warehouse Equipment	78,160	8,327	86,487
38	394	Tools, Shop & Garage Equipment	1,490,974	32,122	1,523,096
39	395	Laboratory Equipment	214,512	6,475	220,987
40	396	Power Operated Equipment	229,633	8,168	237,801
41	397	Communication Equipment	4,309,080	439,275	4,748,355
42	398	Miscellaneous Equipment	423,487	19,161	442,648
43		Subtotal General Plant	$ 17,782,922	$ 795,421	$ 18,578,343
44					
45		Plant in Service			
46		(Ln. 5 + Ln. 11 + Ln. 17 Ln. 22 + Ln. 31 + Ln. 43)	$ 387,582,096	$ 3,210,713	$ 390,792,809
47					
48	107	Construction Work in Progress	2,160,265	$ 1,026,894	3,187,159
49		*Total Plant (Ln. 46 + Ln. 48)*	$ 389,742,361	$ 4,237,607	$ 393,979,968
50					
51	108	Accumulated Depreciation & Amort.	(86,303,451)	$ (8,059,572)	(94,363,023)
52		Net Plant in Service (Ln. 46 + Ln. 51)	$ 301,278,645	$ (4,848,859)	$ 296,429,786
53					
54		Total Net Plant (Ln. 52 + Ln. 48)	$ 303,438,910	$ (3,821,965)	$ 299,616,945
55					

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Detail Plant in Service

Line No.	Acct. No.		Western Group [A] End of Prior Year 12/31/2009	[B] Net Additions	[C] End of Test Year 12/31/2010
1		Intangible Plant			
2	301	Organization	$ 251	$ (4)	$ 248
3	302	Franchises	82,969	0	82,969
4	303	Other Intangibles	2,279,157	(806,328)	1,472,829
5		Subtotal Intangible Plant	$ 2,362,377	$ (806,331)	$ 1,556,046
6		Source of Supply Plant			
7	310.1	Water Rights	393,040	(32)	393,008
8	310.3	Other Source of Supply Land	343,622	(0)	343,622
9	310.4	Wells - Other	-	-	-
10	314	Wells	8,977,531	(1,080,470)	7,897,061
11		Subtotal Source of Supply Plant	$ 9,714,193	$ (1,080,502)	$ 8,633,691
12		Pumping Plant			
13	320	Pumping Plant Land	35,105	1	35,106
14	321	Pumping Plant Structures & Improvements	266,540	(1,160)	265,380
15	325	Electtric Pumping Equipment	9,717,700	784,729	10,502,429
16	328	Gas Engine Equipment	20,026	(0)	20,026
17		Subtotal Pumping Plant	$ 10,039,371	$ 783,570	$ 10,822,941
18		Water Treatment Plant			
19	330	Water Treatment Plant Land	680,718	(0)	680,718
20	331	Water Treatment Structures & Improvements	1,555,704	7,809	1,563,513
21	332	Water Treatment Equipment	8,608,815	(37,999)	8,570,816
22		Subtotal Water Treatment Plant	$ 10,845,237	$ (30,190)	$ 10,815,047
23		Transmission & Distribution Plant			
24	340	Transmission and Distribution Land	363,931	23,615	387,546
25	342	Storage Tanks	3,582,148	35,949	3,618,097
26	343	Transmission & Distribution Mains	81,050,837	373,489	81,424,326
27	344	Fire Sprinkler Taps	2,406,231	140,414	2,546,645
28	345	Services	25,296,335	336,327	25,632,662
29	346	Meters	3,324,152	43,844	3,367,996
30	348	Hydrants	9,793,848	38,610	9,832,458
31		Subtotal Transmission & Distribution Plant	$ 125,817,482	$ 992,248	$ 126,809,729
32		General Plant			
33	389	General Plant Land	8,772	-	8,772
34	390	General Plant Structures	594,887	(1,025)	593,862
35	390.1	Leasehold Improvements	576,411	62,197	638,608
36	391	Office Furniture & Equipment	2,221,663	2,091	2,223,754
37	393	Warehouse Equipment	27,616	861	28,476
38	394	Tools, Shop & Garage Equipment	484,861	10,273	495,135
39	395	Laboratory Equipment	105,399	1,500	106,899
40	396	Power Operated Equipment	103,081	5,213	108,294
41	397	Communication Equipment	2,044,465	289,511	2,333,976
42	398	Miscellaneous Equipment	218,232	(40)	218,192
43		Subtotal General Plant	$ 6,385,387	$ 370,581	$ 6,755,969
44					
45		Plant in Service			
46		(Ln. 5 + Ln. 11 + Ln. 17 Ln. 22 + Ln. 31 + Ln. 43)	$ 165,164,046	$ 229,375	$ 165,393,421
47					
48	107	Construction Work in Progress	1,085,017	$ 586,520	1,671,537
49		Total Plant (Ln. 46 + Ln. 48)	$ 166,249,064	$ 815,895	$ 167,064,958
50					
51	108	Accumulated Depreciation & Amort.	(29,979,275)	$ (3,286,057)	(33,265,331)
52		Net Plant in Service (Ln. 46 + Ln. 51)	$ 135,184,772	$ (3,056,682)	$ 132,128,090
53					
54		Total Net Plant (Ln. 52 + Ln. 48)	$ 136,269,789	$ (2,470,162)	$ 133,799,627
55					

Line No.	Acct. No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] End of Prior Year 12/31/2009	[B] Net Additions	[C] End of Test Year 12/31/2010	White Tank [D] End of Prior Year 12/31/2009	[E] Net Additions	[F] End of Test Year 12/31/2010	Ajo [G] End of Prior Year 12/31/2009	[H] Net Additions	[I] End of Test Year 12/31/2010
1		Intangible Plant									
2	301	Organization	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	302	Franchises	82,969	0	82,969	-	-	-	-	-	-
4	303	Other Intangibles	2,257,286	(806,281)	1,451,005	14,082	(0)	14,082	4,512	(0)	4,512
5		Subtotal Intangible Plant	$ 2,340,255	$ (806,281)	$ 1,533,974	$ 14,082	$ (0)	$ 14,082	$ 4,512	$ (0)	$ 4,512
6		Source of Supply Plant									
7	310.1	Water Rights	356,591	(29)	356,562	26,227	(3)	26,224	10,222	(0)	10,222
8	310.3	Other Source of Supply Land	298,548	0	298,548	45,043	0	45,043	-	-	-
9	310.4	Wells - Other	-	-	-	-	-	-	-	-	-
10	314	Wells	7,619,875	(1,164,296)	6,455,579	1,356,854	83,826	1,440,680	802	(0)	802
11		Subtotal Source of Supply Plant	$ 8,275,014	$ (1,164,325)	$ 7,110,689	$ 1,428,124	$ 83,823	$ 1,511,948	$ 11,024	$ (0)	$ 11,024
12		Pumping Plant									
13	320	Pumping Plant Land	31,897	0	31,897	-	-	-	3,208	0	3,208
14	321	Pumping Plant Structures & Improvements	241,297	(1,917)	239,380	22,228	757	22,985	3,015	(0)	3,015
15	325	Electtric Pumping Equipment	8,327,768	491,726	8,819,494	1,306,924	293,004	1,599,928	83,008	(0)	83,008
16	328	Gas Engine Equipment	20,026	(0)	20,026	-	-	-	-	-	-
17		Subtotal Pumping Plant	$ 8,620,988	$ 489,808	$ 9,110,796	$ 1,329,152	$ 293,762	$ 1,622,914	$ 89,231	$ (0)	$ 89,231
18		Water Treatment Plant									
19	330	Water Treatment Plant Land	680,718	(0)	680,718	-	-	-	-	-	-
20	331	Water Treatment Structures & Improvements	1,520,885	2,525	1,523,410	34,819	5,284	40,103	-	-	-
21	332	Water Treatment Equipment	6,954,229	(38,982)	6,915,247	1,649,505	994	1,650,499	4,290	(0)	4,290
22		Subtotal Water Treatment Plant	$ 9,155,832	$ (36,456)	$ 9,119,376	$ 1,684,324	$ 6,278	$ 1,690,602	$ 4,290	$ (0)	$ 4,290
23		Transmission & Distribution Plant									
24	340	Transmission and Distribution Land	321,876	23,616	345,492	35,990	(0)	35,990	6,065	(0)	6,065
25	342	Storage Tanks	2,943,252	35,950	2,979,202	478,301	(0)	478,301	160,595	(0)	160,595
26	343	*Transmission & Distribution Mains*	69,767,598	339,179	70,106,777	9,894,274	34,344	9,928,618	1,386,625	(0)	1,386,625
27	344	Fire Sprinkler Taps	2,347,134	129,684	2,476,818	41,067	0	41,067	18,030	10,729	28,759
28	345	Services	23,044,066	329,747	23,373,813	1,945,642	6,579	1,952,221	306,627	0	306,627
29	346	Meters	3,030,494	41,644	3,072,138	242,492	2,237	244,729	51,166	(37)	51,129
30	348	Hydrants	9,090,455	38,610	9,129,065	623,530	(0)	623,530	79,863	0	79,863
31		Subtotal Transmission & Distribution Plant	$ 110,544,875	$ 938,430	$ 111,483,305	$ 13,261,296	$ 43,160	$ 13,304,456	$ 2,008,971	$ 10,692	$ 2,019,663
32		General Plant									
33	389	General Plant Land	8,772	-	8,772	-	-	-	-	-	-
34	390	General Plant Structures	473,042	(0)	473,042	33,477	166	33,643	46,411	(0)	46,411
35	390.1	Leasehold Improvements	51,930	(0)	51,930	-	-	-	-	-	-
36	391	Office Furniture & Equipment	320,647	658	321,305	17,164	10,030	27,194	10,034	(150)	9,884
37	393	Warehouse Equipment	22,189	0	22,189	1,306	0	1,306	193	0	193
38	394	Tools, Shop & Garage Equipment	348,825	2,525	351,350	33,094	979	34,073	8,618	(0)	8,618
39	395	Laboratory Equipment	62,376	1,273	63,649	6,403	251	6,654	34,889	0	34,889
40	396	Power Operated Equipment	97,497	5,221	102,718	1,788	(0)	1,788	3,234	0	3,234
41	397	Communication Equipment	1,844,320	290,927	2,135,247	102,152	(1,595)	100,557	29,119	0	29,119
42	398	Miscellaneous Equipment	201,633	(0)	201,633	13,051	0	13,051	768	0	768
43		Subtotal General Plant	$ 3,431,231	$ 300,603	$ 3,731,834	$ 208,435	$ 9,831	$ 218,266	$ 133,266	$ (149)	$ 133,117
44											
45		Plant in Service									
46		(Ln. 5 + Ln. 11 + Ln. 17 Ln. 22 + Ln. 31 + Ln. 43)	$ 142,368,195	$ (278,221)	$ 142,089,974	$ 17,925,413	$ 436,853	$ 18,362,266	$ 2,251,294	$ 10,542	$ 2,261,836
47											
48	107	Construction Work in Progress	697,847	$ 815,946	1,513,793	353,531	$ (195,787)	157,744	-	$ -	-
49		Total Plant (Ln. 46 + Ln. 48)	$ 143,066,042	$ 537,725	$ 143,603,767	$ 18,278,944	$ 241,066	$ 18,520,010	$ 2,251,294	$ 10,542	$ 2,261,836
50											
51	108	Accumulated Depreciation & Amort.	(26,125,691)	$ (2,754,421)	(28,880,112)	(2,410,156)	$ (395,808)	(2,805,964)	(903,440)	$ (50,815)	(954,255)
52		Net Plant in Service (Ln. 46 + Ln. 51)	$ 116,242,504	$ (3,032,642)	$ 113,209,862	$ 15,515,257	$ 41,045	$ 15,556,302	$ 1,347,854	$ (40,274)	$ 1,307,580
53											
54		Total Net Plant (Ln. 52 + Ln. 48)	$ 116,940,351	$ (2,216,696)	$ 114,723,655	$ 15,868,788	$ (154,742)	$ 15,714,046	$ 1,347,854	$ (40,274)	$ 1,307,580
55											

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Detail Plant in Service

Line No.	Acct. No.		Phoenix Office - Western Group [A] End of Prior Year 12/31/2009	[B] Net Additions	[C] End of Test Year 12/31/2010	Meter Shop - Western Group [D] End of Prior Year 12/31/2009	[E] Net Additions	[F] End of Test Year 12/31/2010
1		Intangible Plant						
2	301	Organization	$ 251	$ (4)	$ 248	$ -	$ -	$ -
3	302	Franchises	-	-	-	-	-	-
4	303	Other Intangibles	3,277	(47)	3,230	-	-	-
5		Subtotal Intangible Plant	$ 3,528	$ (50)	$ 3,478	$ -	$ -	$ -
6		Source of Supply Plant						
7	310.1	Water Rights	-	-	-	-	-	-
8	310.3	Other Source of Supply Land	-	-	-	31	(0)	30
9	310.4	Wells - Other	-	-	-	-	-	-
10	314	Wells	-	-	-	-	-	-
11		Subtotal Source of Supply Plant	$ -	$ -	$ -	$ 31	$ (0)	$ 30
12		Pumping Plant						
13	320	Pumping Plant Land	-	-	-	-	-	-
14	321	Pumping Plant Structures & Improvements	-	-	-	-	-	-
15	325	Electtric Pumping Equipment	-	-	-	-	-	-
16	328	Gas Engine Equipment	-	-	-	-	-	-
17		Subtotal Pumping Plant	$ -	$ -	$ -	$ -	$ -	$ -
18		Water Treatment Plant						
19	330	Water Treatment Plant Land	-	-	-	-	-	-
20	331	Water Treatment Structures & Improvements	-	-	-	-	-	-
21	332	Water Treatment Equipment	-	-	-	791	(11)	779
22		Subtotal Water Treatment Plant	$ -	$ -	$ -	$ 791	$ (11)	$ 779
23		Transmission & Distribution Plant						
24	340	Transmission and Distribution Land	-	-	-	-	-	-
25	342	Storage Tanks	-	-	-	-	-	-
26	343	Transmission & Distribution Mains	-	-	-	2,340	(34)	2,306
27	344	Fire Sprinkler Taps	-	-	-	-	-	-
28	345	Services	-	-	-	-	-	-
29	346	Meters	-	-	-	-	-	-
30	348	Hydrants	-	-	-	-	-	-
31		Subtotal Transmission & Distribution Plant	$ -	$ -	$ -	$ 2,340	$ (34)	$ 2,306
32		General Plant						
33	389	General Plant Land	-	-	-	-	-	-
34	390	General Plant Structures	21,572	(900)	20,672	20,385	(291)	20,094
35	390.1	*Leasehold Improvements*	524,481	62,197	586,679	-	-	-
36	391	Office Furniture & Equipment	1,869,538	(8,386)	1,861,152	4,280	(61)	4,219
37	393	Warehouse Equipment	1,429	(20)	1,409	2,499	881	3,379
38	394	Tools, Shop & Garage Equipment	67,793	6,864	74,657	26,532	(95)	26,437
39	395	Laboratory Equipment	582	(8)	573	1,150	(16)	1,133
40	396	Power Operated Equipment	-	-	-	562	(8)	554
41	397	Communication Equipment	68,874	179	69,053	-	-	-
42	398	Miscellaneous Equipment	2,780	(40)	2,740	-	-	-
43		Subtotal General Plant	$ 2,557,048	$ 59,887	$ 2,616,935	$ 55,407	$ 409	$ 55,817
44								
45		Plant in Service						
46		(Ln. 5 + Ln. 11 + Ln. 17 Ln. 22 + Ln. 31 + Ln. 43)	$ 2,560,576	$ 59,837	$ 2,620,413	$ 58,569	$ 364	$ 58,933
47								
48	107	Construction Work in Progress	33,639	$ (33,639)	-	-	$ -	-
49		Total Plant (Ln. 46 + Ln. 48)	$ 2,594,215	$ 26,198	$ 2,620,413	$ 58,569	$ 364	$ 58,933
50								
51	108	Accumulated Depreciation & Amort.	(520,030)	$ (83,525)	(603,555)	(19,957)	$ (1,487)	(21,445)
52		Net Plant in Service (Ln. 46 + Ln. 51)	$ 2,040,545	$ (23,688)	$ 2,016,858	$ 38,611	$ (1,123)	$ 37,488
53								
54		Total Net Plant (Ln. 52 + Ln. 48)	$ 2,074,185	$ (57,327)	$ 2,016,858	$ 38,611	$ (1,123)	$ 37,488

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Detail Plant in Service

Line No.	Acct. No.		Phoenix Office [A] End of Prior Year 12/31/2009	[B] Net Additions	[C] End of Test Year 12/31/2010	Meter Shop [D] End of Prior Year 12/31/2009	[E] Net Additions	[F] End of Test Year 12/31/2010
1		Intangible Plant						
2	301	Organization	$ 651	$ 0	$ 651	$ -	$ -	$ -
3	302	Franchises	-	-	-	-	-	-
4	303	Other Intangibles	8,496	0	8,496	-	-	-
5		Subtotal Intangible Plant	$ 9,147	$ 1	$ 9,148	$ -	$ -	$ -
6		Source of Supply Plant						
7	310.1	Water Rights	-	-	-	-	-	-
8	310.3	Other Source of Supply Land	-	-	-	80	-	80
9	310.4	Wells - Other	-	-	-	-	-	-
10	314	Wells	-	-	-	-	-	-
11		Subtotal Source of Supply Plant	$ -	$ -	$ -	$ 80	$ -	$ 80
12		Pumping Plant						
13	320	Pumping Plant Land	-	-	-	-	-	-
14	321	Pumping Plant Structures & Improvements	-	-	-	-	-	-
15	325	Electtric Pumping Equipment	-	-	-	-	-	-
16	328	Gas Engine Equipment	-	-	-	-	-	-
17		Subtotal Pumping Plant	$ -	$ -	$ -	$ -	$ -	$ -
18		Water Treatment Plant						
19	330	Water Treatment Plant Land	-	-	-	-	-	-
20	331	Water Treatment Structures & Improvements	-	-	-	-	-	-
21	332	Water Treatment Equipment	-	-	-	2,050	(0)	2,050
22		Subtotal Water Treatment Plant	$ -	$ -	$ -	$ 2,050	$ (0)	$ 2,050
23		Transmission & Distribution Plant						
24	340	Transmission and Distribution Land	-	-	-	-	-	-
25	342	Storage Tanks	-	-	-	-	-	-
26	343	Transmission & Distribution Mains	-	-	-	6,066	(0)	6,066
27	344	Fire Sprinkler Taps	-	-	-	-	-	-
28	345	Services	-	-	-	-	-	-
29	346	Meters	-	-	-	-	-	-
30	348	Hydrants	-	-	-	-	-	-
31		Subtotal Transmission & Distribution Plant	$ -	$ -	$ -	$ 6,066	$ (0)	$ 6,066
32		General Plant						
33	389	General Plant Land	-	-	-	-	-	-
34	390	General Plant Structures	55,930	(1,559)	54,371	52,852	(0)	52,852
35	390.1	Leasehold Improvements	1,359,816	183,263	1,543,079	-	-	-
36	391	Office Furniture & Equipment	4,847,129	48,063	4,895,192	11,097	0	11,097
37	393	Warehouse Equipment	3,705	0	3,705	6,478	2,410	8,888
38	394	Tools, Shop & Garage Equipment	175,766	20,597	196,363	68,788	746	69,534
39	395	Laboratory Equipment	1,508	(0)	1,508	2,981	-	2,981
40	396	Power Operated Equipment	-	-	-	1,458	(0)	1,458
41	397	Communication Equipment	178,568	3,055	181,623	-	-	-
42	398	Miscellaneous Equipment	7,207	0	7,207	-	-	-
43		Subtotal General Plant	$ 6,629,629	$ 253,419	$ 6,883,048	$ 143,654	$ 3,155	$ 146,809
44								
45		Plant in Service						
46		(Ln. 5 + Ln. 11 + Ln. 17 Ln. 22 + Ln. 31 + Ln. 43)	$ 6,638,776	$ 253,420	$ 6,892,196	$ 151,850	$ 3,155	$ 155,005
47								
48	107	Construction Work in Progress	87,216	$ (87,216)	-	-	$ -	-
49		Total Plant (Ln. 46 + Ln. 48)	$ 6,725,992	$ 166,204	$ 6,892,196	$ 151,850	$ 3,155	$ 155,005
50								
51	108	Accumulated Depreciation & Amort.	(1,348,277)	$ (239,191)	(1,587,468)	(51,743)	$ (4,661)	(56,404)
52		Net Plant in Service (Ln. 46 + Ln. 51)	$ 5,290,499	$ 14,229	$ 5,304,728	$ 100,107	$ (1,506)	$ 98,601
53								
54		Total Net Plant (Ln. 52 + Ln. 48)	$ 5,377,715	$ (72,987)	$ 5,304,728	$ 100,107	$ (1,506)	$ 98,601

Supporting Schedules:

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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Comparative Departmental Statements of Operating Income

Line No.		Total Company [A] Test Year Ended 12/31/2010	[B] Prior year Ended 12/31/2009	[C] Prior Year Ended 12/31/2008
1				
2				
3	Operating Revenues			
4	Residential	$ 37,622,139	$ 37,093,594	$ 35,719,690
5	Commercial	10,666,922	10,356,013	9,959,941
6	Industrial	1,334,430	1,394,964	1,329,013
7	Private Fire Service	122,630	52,544	49,258
8	Other Water Revenues	635,098	623,587	990,461
9	Total Water Revenues	$ 50,381,220	$ 49,520,702	$ 48,048,363
10				
11	Miscellaneous	1,807,887	1,909,136	1,581,518
12	Total Operating Revenues	$ 52,189,106	$ 51,429,838	$ 49,629,881
13				
14	Operating Expenses			
15	Source of Supply Expenses:			
16	Purchased Water	1,485,034	1,954,969	1,798,911
17	Other	270,708	244,831	227,346
18	Pumping Expenses:			
19	Purchased Power	4,900,759	4,830,738	4,569,057
20	Purchased Gas	2,533	3,243	1,249
21	Other	1,603,904	1,666,803	1,947,300
22	Water Treatment Expenses	2,546,757	2,975,074	1,824,876
23	Transmission & Distribution Expenses	4,639,179	5,129,301	5,712,225
24	Customer Accounting Expenses	3,976,236	4,199,196	4,233,124
25	Sales Expense	-	13,845	30,698
26	Administrative & General Expenses	6,217,989	5,551,684	5,549,143
27	Total Operations & Maintenance Expense	$ 25,643,099	$ 26,569,684	$ 25,893,929
28				
29	Depreciation & Amortization Expenses	8,506,196	8,473,316	8,095,537
30				
31	Taxes			
32	Federal Income Taxes	2,139,809	1,880,441	2,034,485
33	State Income Taxes	241,726	179,848	153,943
34	Property Taxes	1,933,281	1,796,896	1,919,396
35	Other	5,247,409	4,871,845	4,763,044
36	Total Taxes	$ 9,562,225	$ 8,729,030	$ 8,870,868
37				
38	Total Operating Expenses	$ 43,711,520	$ 43,772,030	$ 42,860,334
39	Operating Income	$ 8,477,586	$ 7,657,808	$ 6,769,547
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Comparative Departmental Statements of Operating Income

Line No.		Western Group [A] Test Year Ended 12/31/2010	[B] Prior year Ended 12/31/2009	[C] Prior Year Ended 12/31/2008
1				
2				
3	Operating Revenues			
4	Residential	$ 12,691,964	$ 12,209,559	$ 11,256,154
5	Commercial	4,520,297	4,119,760	3,877,648
6	Industrial	1,209,938	1,252,083	1,155,581
7	Private Fire Service	56,746	25,485	23,041
8	Other Water Revenues	257,514	248,151	382,745
9	Total Water Revenues	$ 18,736,459	$ 17,855,038	$ 16,695,169
10				
11	Miscellaneous	832,174	838,212	731,380
12	Total Operating Revenues	$ 19,568,633	$ 18,693,250	$ 17,426,549
13				
14	Operating Expenses			
15	*Source of Supply Expenses:*			
16	Purchased Water	618,095	589,171	513,338
17	Other	82,779	68,967	74,840
18	Pumping Expenses:			
19	Purchased Power	1,901,110	1,995,820	1,827,272
20	Purchased Gas	927	1,647	1,249
21	Other	643,730	684,058	858,901
22	Water Treatment Expenses	1,107,608	1,442,429	552,337
23	Transmission & Distribution Expenses	1,729,209	1,850,089	2,122,994
24	Customer Accounting Expenses	1,300,821	1,374,682	1,367,265
25	Sales Expense	-	5,168	10,597
26	Administrative & General Expenses	2,230,487	2,101,569	2,115,930
27	Total Operations & Maintenance Expense	$ 9,614,766	$ 10,113,600	$ 9,444,723
28				
29	Depreciation & Amortization Expenses	3,586,696	3,580,346	3,261,099
30				
31	Taxes			
32	Federal Income Taxes	693,433	467,462	770,664
33	State Income Taxes	78,335	44,708	58,315
34	Property Taxes	723,110	633,337	653,517
35	Other	2,125,026	1,950,126	1,883,620
36	Total Taxes	$ 3,619,904	$ 3,095,633	$ 3,366,116
37				
38	Total Operating Expenses	$ 16,821,366	$ 16,789,579	$ 16,071,938
39	Operating Income	$ 2,747,267	$ 1,903,671	$ 1,354,611
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Comparative Departmental Statements of Operating Income

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Test Year Ended 12/31/2010	[B] Prior year Ended 12/31/2009	[C] Prior Year Ended 12/31/2008	White Tank [D] Test Year Ended 12/31/2010	[E] Prior year Ended 12/31/2009	[F] Prior Year Ended 12/31/2008	Ajo [G] Test Year Ended 12/31/2010	[H] Prior year Ended 12/31/2009	[I] Prior Year Ended 12/31/2008
1										
2										
3	Operating Revenues									
4	Residential	$ 10,895,910	$ 10,439,287	$ 9,715,788	$ 1,409,477	$ 1,405,636	$ 1,179,177	$ 386,577	$ 364,636	$ 361,189
5	Commercial	4,209,134	3,840,575	3,619,803	188,379	162,056	144,979	122,784	117,129	112,866
6	Industrial	1,185,133	1,226,920	1,133,255	24,805	25,163	22,326	-	-	-
7	Private Fire Service	55,631	25,037	22,593	702	320	320	412	128	128
8	Other Water Revenues	207,551	229,303	373,907	47,244	17,935	7,786	2,719	913	1,052
9	Total Water Revenues	$ 16,553,359	$ 15,761,122	$ 14,865,346	$ 1,670,608	$ 1,611,110	$ 1,354,588	$ 512,492	$ 482,806	$ 475,235
10										
11	Miscellaneous	$ 805,141	$ 813,790	$ 707,795	$ 23,016	$ 20,523	$ 19,951	$ 4,016	$ 3,899	$ 3,634
12	Total Operating Revenues	$ 17,358,501	$ 16,574,912	$ 15,573,141	$ 1,693,624	$ 1,631,633	$ 1,374,539	$ 516,508	$ 486,705	$ 478,869
13										
14	Operating Expenses									
15	Source of Supply Expenses:									
16	Purchased Water	445,372	361,113	361,439	25,535	85,945	2,197	147,188	142,113	149,702
17	Other	67,345	64,405	70,393	15,158	4,300	4,008	276	262	439
18	Pumping Expenses:									
19	Purchased Power	1,758,865	1,850,045	1,705,187	139,162	142,673	118,845	3,083	3,102	3,240
20	Purchased Gas	927	1,042	1,249	-	605	-	-	-	-
21	Other	500,924	595,859	784,047	133,987	79,502	54,053	8,819	8,697	20,801
22	Water Treatment Expenses	995,342	1,307,226	494,642	104,242	129,589	49,915	8,024	5,614	7,780
23	Transmission & Distribution Expenses	1,562,011	1,681,470	1,929,878	123,225	123,362	140,007	43,973	45,257	53,109
24	Customer Accounting Expenses	1,177,556	1,256,530	1,259,371	93,431	90,145	79,086	29,834	28,007	28,808
25	Sales Expense	-	4,659	9,800	-	410	604	-	99	193
26	Administrative & General Expenses	2,028,410	1,911,607	1,939,817	155,077	145,498	129,139	47,000	44,464	46,974
27	Total Operations & Maintenance Expense	$ 8,536,752	$ 9,033,956	$ 8,555,823	$ 789,817	$ 802,029	$ 577,854	$ 288,197	$ 277,615	$ 311,046
28										
29	Depreciation & Amortization Expenses	3,104,883	3,120,560	2,889,805	430,907	409,273	321,067	50,906	50,513	50,227
30										
31	Taxes									
32	Federal Income Taxes	612,128	394,641	703,932	57,907	52,585	50,863	23,398	20,236	15,869
33	State Income Taxes	69,150	37,744	53,265	6,542	5,029	3,849	2,643	1,935	1,201
34	Property Taxes	656,118	570,149	598,523	45,778	42,886	34,468	21,214	20,302	20,526
35	Other	1,954,315	1,810,744	1,743,124	133,257	105,689	106,934	37,454	33,693	33,562
36	Total Taxes	$ 3,291,711	$ 2,813,278	$ 3,098,844	$ 243,484	$ 206,189	$ 196,114	$ 84,709	$ 76,166	$ 71,158
37										
38	Total Operating Expenses	$ 14,933,346	$ 14,967,794	$ 14,544,472	$ 1,464,208	$ 1,417,491	$ 1,095,035	$ 423,812	$ 404,294	$ 432,431
39	Operating Income	$ 2,425,155	$ 1,607,118	$ 1,028,669	$ 229,416	$ 214,142	$ 279,504	$ 92,696	$ 82,411	$ 46,438
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Operating Statistics

Line No.		Total Company [A] Test Year Ended 12/31/2010	[B] Prior Year Ended 12/31/2009	[C] Prior Year Ended 12/31/2008
3	M Gallons Sold			
4	Residential	7,266,479	7,657,663	7,760,625
5	Commerical	2,562,386	2,675,757	2,741,816
6	Industrial	620,955	599,643	622,204
7	Other	128,543	128,879	209,687
8	Total M Gallons Sold	10,578,364	11,061,942	11,334,332
10	Average No. Customers			
11	Residential	78,126	77,909	81,078
12	Commerical	4,691	4,643	4,802
13	Industrial	47	50	60
14	Average Customers	82,864	82,602	85,940
16	Private Fire Service	793	771	733
17	Other	76	90	192
20	Total Average Customers	83,733	83,463	86,865
22	Average Annual M Gallons Per			
23	Residential Customer	93.0	98.3	95.7
25	Average Annual Revenue Per			
26	Residential Customer	$ 481.56	$ 476.11	$ 440.56
29	Average Cost Per M Gallons Sold			
30	Source of Supply Expense	$ 0.17	$ 0.20	$ 0.18
31	Pumping Expense	0.62	0.59	0.58
32	Water Treatment Expense	0.24	0.27	0.16
34	Average Cost Per Customer			
35	Trans. & Dist. Expense	$ 55.40	$ 61.46	$ 65.76
36	Customer Acctg. Expense	47.49	50.31	48.73
37	A & G Expense	74.26	66.52	63.88

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Operating Statistics

Line No.		Western Group [A] Test Year Ended 12/31/2010	[B] Prior Year Ended 12/31/2009	[C] Prior Year Ended 12/31/2008
1				
2				
3	M Gallons Sold			
4	Residential	3,312,728	3,486,347	3,405,653
5	Commerical	1,387,537	1,419,897	1,414,107
6	Industrial	599,353	576,035	569,374
7	Other	71,880	70,719	116,020
8	Total M Gallons Sold	5,371,498	5,552,998	5,505,154
9				
10	Average No. Customers			
11	Residential	28,146	27,910	27,913
12	Commerical	2,047	2,020	1,958
13	Industrial	29	31	33
14	Average Customers	30,222	29,961	29,904
15				
16	Private Fire Service	372	360	318
17	Other	42	53	98
18				
19				
20	Total Average Customers	30,636	30,374	30,320
21				
22	Average Annual M Gallons Per			
23	Residential Customer	117.7	124.9	122.0
24				
25	Average Annual Revenue Per			
26	Residential Customer	$ 450.93	$ 437.46	$ 403.26
27				
28				
29	Average Cost Per M Gallons Sold			
30	Source of Supply Expense	$ 0.13	$ 0.12	$ 0.11
31	Pumping Expense	0.47	0.48	0.49
32	Water Treatment Expense	0.21	0.26	0.10
33				
34	Average Cost Per Customer			
35	Trans. & Dist. Expense	$ 56.44	$ 60.91	$ 70.02
36	Customer Acctg. Expense	42.46	45.26	45.09
37	A & G Expense	72.81	69.19	69.79
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Operating Statistics

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Test Year Ended 12/31/2010	[B] Prior Year Ended 12/31/2009	[C] Prior Year Ended 12/31/2008	White Tank [D] Test Year Ended 12/31/2010	[E] Prior Year Ended 12/31/2009	[F] Prior Year Ended 12/31/2008	Ajo [G] Test Year Ended 12/31/2010	[H] Prior Year Ended 12/31/2009	[I] Prior Year Ended 12/31/2008
1										
2										
3	M Gallons Sold									
4	Residential	2,978,634	3,132,166	3,053,356	299,713	317,747	316,939	34,380	36,434	35,358
5	Commerical	1,323,375	1,363,331	1,357,104	51,657	43,296	44,384	12,506	13,270	12,619
6	Industrial	596,704	572,120	565,169	2,649	3,915	4,205	-	-	-
7	Other	60,516	67,169	114,479	11,132	3,448	1,356	232	102	185
8	Total M Gallons Sold	4,959,229	5,134,786	5,090,108	365,151	368,406	366,884	47,118	49,806	48,162
9										
10	Average No. Customers									
11	Residential	25,686	25,481	25,578	1,863	1,830	1,731	597	599	604
12	Commerical	1,916	1,890	1,836	52	50	47	79	80	75
13	Industrial	27	29	30	2	2	3	-	-	-
14	Average Customers	27,629	27,400	27,444	1,917	1,882	1,781	677	679	679
15										
16	Private Fire Service	365	353	311	5	5	5	2	2	2
17	Other	37	49	92	5	4	4	0	-	2
18										
19										
20	Total Average Customers	28,030	27,802	27,847	1,927	1,891	1,790	679	681	683
21										
22	Average Annual M Gallons Per									
23	Residential Customer	116.0	122.9	119.4	160.9	173.6	183.1	57.5	60.8	58.5
24										
25	Average Annual Revenue Per									
26	Residential Customer	$ 424.20	$ 409.69	$ 379.85	$ 756.70	$ 768.11	$ 681.21	$ 647.08	$ 608.74	$ 598.00
27										
28										
29	Average Cost Per M Gallons Sold									
30	Source of Supply Expense	$ 0.10	$ 0.08	$ 0.08	$ 0.11	$ 0.24	$ 0.02	$ 3.13	$ 2.86	$ 3.12
31	Pumping Expense	0.46	0.48	0.49	0.75	0.60	0.47	0.25	0.24	0.50
32	Water Treatment Expense	0.20	0.25	0.10	0.29	0.35	0.14	0.17	0.11	0.16
33										
34	Average Cost Per Customer									
35	Trans. & Dist. Expense	$ 55.73	$ 60.48	$ 69.30	$ 63.96	$ 65.24	$ 78.22	$ 64.75	$ 66.46	$ 77.76
36	Customer Acctg. Expense	42.01	45.20	45.22	48.50	47.67	44.18	43.93	41.13	42.18
37	A & G Expense	72.37	68.76	69.66	80.50	76.94	72.14	69.21	65.29	68.78
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Taxes Charged to Operations

Line No.		Total Company [A] Test Year Ended 12/31/2010	[B] Prior Year Ended 12/31/2009	[C] Prior Year Ended 12/31/2008
1				
2				
3	Federal Taxes:			
4	Federal Income	$ 2,139,809	$ 1,880,441	$ 2,034,485
5	FICA (Employer's)	625,298	651,353	671,720
6	Federal Unemployment	9,139	9,345	9,250
7	Total Federal Taxes	$ 2,774,246	$ 2,541,139	$ 2,715,455
8				
9	State Taxes:			
10	State Income	$ 241,726	$ 179,848	$ 153,943
11	Property	1,933,281	1,796,896	1,919,396
12	State Sales and Water Use	3,002,536	2,664,666	2,600,411
13	State Unemployment	12,338	6,776	6,938
14	Total State Taxes	$ 5,189,881	$ 4,648,186	$ 4,680,688
15				
16	Local Taxes	$ 1,598,098	$ 1,539,705	$ 1,474,725
17				
18	Total Taxes to Operations	$ 9,562,225	$ 8,729,030	$ 8,870,868
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Taxes Charged to Operations

Line No.		Western Group [A] Test Year Ended 12/31/2010	[B] Prior Year Ended 12/31/2009	[C] Prior Year Ended 12/31/2008
1				
2				
3	Federal Taxes:			
4	Federal Income	$ 693,433	$ 467,462	$ 770,664
5	FICA (Employer's)	220,209	241,196	255,791
6	Federal Unemployment	3,219	3,460	3,522
7	Total Federal Taxes	$ 916,861	$ 712,118	$ 1,029,977
8				
9	State Taxes:			
10	State Income	$ 78,335	$ 44,708	$ 58,315
11	Property	723,110	633,337	653,517
12	State Sales and Water Use	1,122,412	967,787	936,336
13	State Unemployment	4,345	2,509	2,641
14	Total State Taxes	$ 1,928,202	$ 1,648,341	$ 1,650,809
15				
16	Local Taxes	$ 774,841	$ 735,174	$ 685,330
17				
18	Total Taxes to Operations	$ 3,619,904	$ 3,095,633	$ 3,366,116
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Taxes Charged to Operations

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Test Year Ended 12/31/2010	[B] Prior Year Ended 12/31/2009	[C] Prior Year Ended 12/31/2008	White Tank [D] Test Year Ended 12/31/2010	[E] Prior Year Ended 12/31/2009	[F] Prior Year Ended 12/31/2008	Ajo [G] Test Year Ended 12/31/2010	[H] Prior Year Ended 12/31/2009	[I] Prior Year Ended 12/31/2008
1										
2										
3	Federal Taxes:									
4	Federal Income	$ 612,128	$ 394,641	$ 703,932	$ 57,907	$ 52,585	$ 50,863	$ 23,398	$ 20,236	$ 15,869
5	FICA (Employer's)	202,056	221,265	235,572	13,235	14,655	14,375	4,918	5,276	5,844
6	Federal Unemployment	2,956	3,174	3,244	193	210	198	70	76	80
7	Total Federal Taxes	$ 817,140	$ 619,080	$ 942,748	$ 71,335	$ 67,450	$ 65,436	$ 28,386	$ 25,588	$ 21,793
8										
9	State Taxes:									
10	State Income	69,150	37,744	53,265	6,542	5,029	3,849	2,643	1,935	1,201
11	Property	656,118	570,149	598,523	45,778	42,886	34,468	21,214	20,302	20,526
12	State Sales and Water Use	991,958	865,242	830,546	100,461	76,551	80,447	29,993	25,994	25,343
13	State Unemployment	3,991	2,302	2,433	260	152	148	94	55	60
14	Total State Taxes	$ 1,721,217	$ 1,475,437	$ 1,484,767	$ 153,041	$ 124,618	$ 118,912	$ 53,944	$ 48,286	$ 47,130
15										
16	Local Taxes	$ 753,354	$ 718,761	$ 671,329	$ 19,108	$ 14,121	$ 11,766	$ 2,379	$ 2,292	$ 2,235
17										
18	Total Taxes to Operations	$ 3,291,711	$ 2,813,278	$ 3,098,844	$ 243,484	$ 206,189	$ 196,114	$ 84,709	$ 76,166	$ 71,158
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Line No.

(1) **Summary of Significant Accounting Policies**

Arizona Water Company (the Company) is a wholly owned subsidiary of Utility Investment Company, which is a wholly owned subsidiary of United Resources, Inc.

The Company prepares its financial statements in accordance with U.S. generally accepted accounting principles and the accounting requirements of the Arizona Corporation Commission (the Commission) as set forth in the Uniform System of Accounts prescribed by the National Association of Regulatory Utility Commissioners. The differences consist chiefly of the treatment of deferred taxes and are not material to the Company's financial position in relation to GAAP.

(a) ***Cash Equivalents***

The Company considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

(b) ***Utility Plant and Depreciation***

Utility plant is recorded at original cost as defined for regulatory purposes. Retired utility plant is eliminated from utility plant accounts at cost and is charged against accumulated depreciation.

Properties acquired by the Company at its inception in 1955 were recorded at original cost less depreciation substantially as shown on the predecessor company's books. Operating utility systems acquired subsequently were recorded at estimated original cost as determined by Company engineers and/or independent professional engineers. Use of the aforementioned estimated original cost basis of the properties as an element in the rate making process has been sustained by the Commission.

Differences between the estimated original cost of properties acquired and their actual acquisition costs are accounted for as acquisition adjustments and are included in or deducted from utility plant. Beginning in 1987, in accordance with a Commission order, the Company adopted a policy of amortizing acquisition adjustments over a five-year period from the date of acquisition.

Depreciation is computed on a straight-line composite basis based on property classifications ranging from 1.79% to 6.67%. For federal and state income tax purposes, depreciation is computed using accelerated methods.

(c) ***Deferred Debits***

The Company has entered into agreements through 2043 for the long-term availability of Central Arizona Project (CAP) water. Under the agreements, the Company's obligation totaled $267,780 and $294,558 in 2010 and 2009, respectively, and may change during the remaining life of the agreements. In 1995, in accordance with a Commission order, the Company began accruing an allowance for funds used during construction (AFUDC) on water service capital charge payments made to CAP. AFUDC represents the cost of debt funds used to finance the CAP payments. AFUDC does not represent current cash earnings. AFUDC has been calculated using a composite rate of 6.89% and 6.89% for 2010 and 2009, respectively. The Company ceases to accrue AFUDC when the CAP payments are included in the cost of service by the Commission. As of December 31, 2010, the amount deferred, including AFUDC of $3,931,177, totaled $5,025,500. As of December 31, 2009, the amount deferred, including AFUDC of $3,637,701, totaled $5,241,774. The Company believes all such costs will be recovered.

(d) ***Advances for and Contributions in Aid of Construction***

Customers' advances for construction are refundable generally based on 10% of revenues from the constructed property over a 10-year period. Unrefunded advances remaining at the expiration of the contracts are credited to contributions in aid of construction. Beginning in 1993 and in accordance with an order from the Commission, the Company began amortizing contributions in aid of construction over the estimated useful life of the related asset. Such amortization totaled $1,200,747 and $1,106,345 for the years ended December 31, 2010 and 2009, respectively. Water utility property has been acquired generally from developers in non cash transactions of $1,929,716 and $1,803,041 in 2010 and 2009, respectively.

(e) ***Income Taxes***

The Company is included in the consolidated federal income tax return of United Resources, Inc. The Company computes its federal tax expense on a separate return basis. Beginning in 1983, in compliance with a Commission order, deferred federal income taxes are provided on the excess tax depreciation deduction relating to assets placed in service after 1980 and investment tax credits are amortized to income over the estimated useful lives of the related assets. Income tax adjustments arising from other items reported differently for income tax and financial reporting purposes are reflected currently in income in accordance with orders and practices of the Commission for ratemaking purposes.

(f) ***Revenues***

Revenues include unbilled amounts based on estimated usage from the latest meter reading to the end of the accounting period.

(g) ***Use of estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make a number of estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions affect the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates and assumptions based upon historical experience and various other factors and circumstances. The Company believes that its estimates and assumptions are reasonable in the circumstances; however, actual results may differ from these estimates under different future conditions.

Line No.

(2) Long-term Debt and Other Borrowings

Under provisions of the General Mortgage Bond Indenture, as supplemented, at December 31, 2010 and 2009, retained earnings as defined in the indenture of $53,992,359 and $54,524,276, respectively, were available for the payment of dividends on common stock (other than stock dividends) or for certain other distributions or acquisitions respecting capital stock. Substantially all of the Company's utility plant is pledged as collateral under provisions of the General Mortgage Bond Indenture. The Company's long-term debt is privately placed and there is no public market, which makes an estimate of fair value impractical. No principal payments are due on the Company's bonds before their maturity dates.

The Company has an unsecured line of credit with a commercial bank that allows for borrowings of up to $10,400,000 and $20,000,000 at December 31, 2010 and 2009, respectively. The Company may borrow at rates publicly announced by the bank from time to time at its reference rate less 0.25 of a percentage point or its offshore rate plus one and one-half percentage points. The reference rate and 30-day offshore rate were 3.25% and 0.26%, respectively, at December 31, 2010 and 3.25% and 0.23%, respectively, at December 31, 2009. The amount borrowed under this line as of December 31, 2010 and 2009 was $0 and $6,000,000, respectively. The line of credit expired on February 28, 2011 and has been subsequently extended allowing for borrowings of up to $1,000,000 through February 27, 2012.

(3) Retirement Plan

The Arizona Water Company Retirement and Savings Plan (the Plan), is a defined contribution plan that covers all employees of the Company. For those employees who have over one year of service with the Company, the Plan provides for Company contributions calculated as a percentage of such employees' gross wages and a match of a portion of such employees' contributions to the Plan. Total retirement expense for 2010 and 2009 was $832,133 and $751,993, respectively.

(4) Income Taxes

The following is a reconciliation between the amount of income tax expense computed at federal and state statutory rates and that shown in the accompanying statements of income:

	2010	2009
Federal and state income taxes at statutory rates	$ 2,418,166	$ 1,971,207
Changes in taxes resulting from:		
Excess book over tax depreciation	405,732	482,592
Investment tax credit, current year amortization	(35,642)	(35,237)
Other, net	(426,524)	(333,415)
Total tax expense	$ 2,361,732	$ 2,085,147
Tax expense included in:		
Operations	$ 2,381,535	$ 2,060,289
Other income	(19,803)	24,858
Total tax expense	$ 2,361,732	$ 2,085,147

Deferred tax provisions, included in the tax expense amounts shown above, amounted to $1,780,805 and $2,306,622 for 2010 and 2009, respectively.

(5) Leases

The Company has several operating leases covering certain real estate and equipment. Total rent expense associated with these leases for the years ended December 31, 2010 and 2009 was $758,289 and $1,247,855, respectively. The Company leases certain real estate from a related party. Total rents paid to this entity were $202,843 and $202,436 for the years ended December 31, 2010 and 2009 respectively.

Future minimum lease payments under these operating leases with remaining lease terms in excess of one year as of December 31, 2010 are:

Year ending December 31:	
2011	$ 395,247
2012	353,876
2013	293,288
2014	239,942
2015	207,947
Thereafter	513,400
	$ 2,003,700

(6) Commitments

Under the agreement with CAP, the Company is obligated to make payments to CAP for water availability of $267,780 in 2011, $267,780 in 2012 and $401,670 thereafter.

(7) Litigation

The Company, along with others, is a defendant in various lawsuits brought by several Native American groups claiming certain surface and groundwater rights. In the opinion of management, the resolution of these matters will not have a material effect on the financial statements.

(8) Subsequent Events

Other than the disclosure in Note 2, no events have occurred subsequent to the balance sheet date through March 21, 2011, the date the financial statements were available to be issued, that require adjustment to, or disclosure in, the financial statements.

PROJECTIONS AND FORECASTS

F-1 PROJECTED INCOME STATEMENTS – PRESENT & PROPOSED

F-2 PROJECTED STATEMENTS OF CHANGES IN FINANCIAL POSITION

F-3 PROJECTED CONSTRUCTION REQUIREMENTS

F-4 ASSUMPTIONS USED IN RATE FILING

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Projected Income Statements - Present & Proposed

Line No.		Total Company [A] Test Year Actual 12/31/2010	[B] Present Rates Year Ended 12/31/2011	[C] Adjustments	[D] Proposed Rates Year Ended 12/31/2011
1					
2	Operating Revenues	$ 52,189,106	$ 54,076,179	$ 10,722,716	$ 64,798,894
3					
4	Operating Expenses:				
5	Operation & Maintenance	25,643,099	31,546,019	-	31,546,019
6	Depreciation & Amortization	8,506,196	8,799,354	-	8,799,354
7	Taxes:				
8	Federal Income	2,139,809	375,860	3,107,853	3,483,712
9	State Income	241,726	89,000	735,910	824,910
10	Property	1,933,281	2,234,271	161,429	2,395,700
11	Other	5,247,409	5,320,444	-	5,320,444
12	Total Operating Expenses	$ 43,711,520	$ 48,364,947	$ 4,005,192	$ 52,370,140
13					
14	Operating Income	$ 8,477,586	$ 5,711,231	$ 6,717,523	$ 12,428,754
15					
16	Other Income & Deductions:				
17	Interest:				
18	Long-Term Debt	5,115,500	4,898,823	-	4,898,823
19	Short-Term Debt	117,924	-	-	-
20	Other	(315,618)	-	-	-
21	Total Interest	$ 4,917,806	$ 4,898,823	$ -	$ 4,898,823
22					
23	Other (Income) - Net	(195,900)	-	-	-
24					
25	Total Other (Income) & Deductions	$ 4,721,906	$ 4,898,823	$ -	$ 4,898,823
26					
27	Net Income	$ 3,755,680	$ 812,408	$ 6,717,523	$ 7,529,931
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Projected Income Statements - Present & Proposed

Line No.		Western Group [A] Test Year Actual 12/31/2010	[B] Present Rates Year Ended 12/31/2011	[C] Adjustments	[D] Proposed Rates Year Ended 12/31/2011
1					
2	Operating Revenues	$ 19,568,633	$ 20,604,365	$ 4,564,110	$ 25,168,474
3					
4	Operating Expenses:				
5	Operation & Maintenance	9,614,766	12,063,929	-	12,063,929
6	Depreciation & Amortization	3,586,696	3,800,457	-	3,800,457
7	Taxes:				
8	Federal Income	693,433	(45,353)	1,320,956	1,275,603
9	State Income	78,335	(10,739)	312,790	302,051
10	Property	723,110	932,931	75,161	1,008,092
11	Other	2,125,026	2,151,871	-	2,151,871
12	Total Operating Expenses	$ 16,821,366	$ 18,893,096	$ 1,708,907	$ 20,602,003
13					
14	Operating Income	$ 2,747,267	$ 1,711,268	$ 2,855,203	$ 4,566,472
15					
16	Other Income & Deductions:				
17	Interest:				
18	Long-Term Debt	1,944,913	1,809,297	-	1,809,297
19	Short-Term Debt	44,835	-	-	-
20	Other	(119,998)	-	-	-
21	Total Interest	$ 1,869,750	$ 1,809,297	$ -	$ 1,809,297
22					
23	Other (Income) - Net	(74,481)	-	-	-
24					
25	Total Other (Income) & Deductions	$ 1,795,269	$ 1,809,297	$ -	$ 1,809,297
26					
27	Net Income	$ 951,998	$ (98,029)	$ 2,855,203	$ 2,757,175
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Projected Statements of Changes in Financial Position
Present and Proposed Rates

Exhibit
Schedule F-2
Page 1 of 1
Witness: Reiker

Line No.		Total Company [A] Test Year Ended 12/31/2010	[B] At Present Rates Projected Year 12/31/2011	[C] At Proposed Rates Projected Year 12/31/2011
1				
2	Cash Flows from Operating Activities:			
3	Net Income	$ 3,755,680	$ 812,408	$ 7,529,931
4	Adjustments to reconcile net income to net cash provided by			
5	operating activities:			
6	Depreciation & Amortization	8,383,028	8,856,767	8,856,767
7	Deferred Income Taxes	1,745,163	1,843,785	1,843,785
8	Gain on Sale of Property	-	-	-
9	Changes in Assets & Liabilities:			
10	Accounts & Notes Receivable, net	(341,935)	(354,299)	(424,552)
11	Materials & Supplies	(23,664)	(23,664)	(23,664)
12	Other Current Assets	1,260	1,260	1,260
13	Deferred Debits	(1,091,506)	(1,091,506)	(1,091,506)
14	Accounts Payable	691,729	691,729	691,729
15	Accrued Taxes	1,575,117	(340,721)	(3,158,023)
16	Accrued Interest	(1,003)	(1,003)	(1,003)
17	Deferred Credits	(63,415)	(63,415)	(63,415)
18	Other Current Liabilities	109,679	109,679	109,679
19	Net Cash provided by Operating Activities	$ 14,740,133	$ 10,441,021	$ 14,270,988
20				
21	Cash Flows from Investing Activities:			
22	Capital Expenditures - Company Funds	(5,698,889)	(8,435,520)	(8,435,520)
23	Capital Expenditures - Contributions & Advances	(281,354)	(281,354)	(281,354)
24	Proceeds from Sale of Property	-	-	-
25	Net Cash Used in Investing Activities	$ (5,980,243)	$ (8,716,874)	$ (8,716,874)
26				
27	Cash Flows from Financing Activities:			
28	Net Borrowings under Note Payable	(6,000,000)	-	-
29	Proceeds from Issuance of Long-Term Debt	-	-	-
30	Repayments of Long-Term Debt	-	-	-
31	Dividends on Common Stock	(4,287,600)	(4,287,600)	(4,287,600)
32	Refund of Advances in Aid of Construction	(961,310)	(996,069)	(1,193,579)
33	Contributions and Advances in Aid of Construction	981,214	281,354	281,354
34	Capital Contributions	10,222,000	-	-
35	Net Cash Provided by Financing Activities	$ (45,696)	$ (5,002,315)	$ (5,199,825)
36				
37	Net Increase (Decrease) in Cash	$ 8,714,194	$ (3,278,169)	$ 354,289
38				
39	Cash and Cash Equivalents, Beginning of Year	$ 1,612,976	$ 10,327,170	$ 10,327,170
40	Cash & Cash Equivalents, End of Year	$ 10,327,170	$ 7,049,001	$ 10,681,459
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Supporting Schedules:
E-3, F-3

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Recap Schedules:
A-5

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Projected Construction Requirements

Line No.	Property Classification	Total Company [A] Actual Test Year[1] 12/31/2010	[B] Projected[1] Thru 12/31/2011	[C] Projected[1] Thru 12/31/2012	[D] Projected[1] Thru 12/31/2013
1	Property Classification				
2					
3	Production Plant	$ 1,847,553	$ 1,824,500	$ 1,124,500	$ 974,500
4					
5	Water Treatment Plant	1,208,446	2,715,000	2,455,000	1,015,000
6					
7	Transmission & Distribution Plant	3,526,764	3,219,450	5,016,250	4,477,750
8					
9	General Plant	817,294	1,041,050	1,381,551	1,836,753
10					
11					
12					
13	Totals	$ 7,400,057	$ 8,800,000	$ 9,977,301	$ 8,304,003
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55	[1]Company-funded				

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Projected Construction Requirements

Line No.	Property Classification	Western Group [A] Actual Test Year[1] 12/31/2010	[B] Projected[1] Thru 12/31/2011	[C] Projected[1] Thru 12/31/2012	[D] Projected[1] Thru 12/31/2013
1					
2					
3	Production Plant	$ 1,091,365	$ 1,246,000	$ 781,000	$ 76,500
4					
5	Water Treatment Plant	5,516	70,000	680,000	1,000,000
6					
7	Transmission & Distribution Plant	1,754,648	1,016,458	1,998,458	379,250
8					
9	General Plant	413,359	349,697	738,759	979,469
10					
11					
12					
13	Totals	$ 3,264,888	$ 2,682,155	$ 4,198,217	$ 2,435,219
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Projected Construction Requirements

Line No.	Property Classification	Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Actual Test Year[1] 12/31/2010	[B] Projected[1] Thru 12/31/2011	[C] Projected[1] Thru 12/31/2012	[D] Projected[1] Thru 12/31/2013	White Tank [E] Actual Test Year[1] 12/31/2010	[F] Projected[1] Thru 12/31/2011	[G] Projected[1] Thru 12/31/2012	[H] Projected[1] Thru 12/31/2013
1	Property Classification								
2									
3	Production Plant	$ 664,109	$ 1,241,000	$ 740,000	$ 70,000	$ 427,256	$ 5,000	$ 6,000	$ 6,000
4									
5	Water Treatment Plant	(1,666)	70,000	680,000	1,000,000	7,182	-	-	
6									
7	Transmission & Distribution Plant	1,747,662	827,000	1,895,000	320,000	6,986	169,500	40,000	46,000
8									
9	General Plant	300,603	16,000	160,500	386,000	9,831	1,250	242,000	252,000
10									
11									
12									
13	Totals	$ 2,710,708	$ 2,154,000	$ 3,475,500	$ 1,776,000	$ 451,255	$ 175,750	$ 288,000	$ 304,000
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55	[1]Company-funded								

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Projected Construction Requirements

Line No.	Property Classification	Ajo [A] Actual Test Year[1] 12/31/2010	[B] Projected[1] Thru 12/31/2011	[C] Thru 12/31/2012	[D] Thru 12/31/2013
1					
2					
3	Production Plant	$ -	$ -	$ 35,000	$ 500
4					
5	Water Treatment Plant	-	-	-	-
6					
7	Transmission & Distribution Plant	-	4,750	48,250	13,250
8					
9	General Plant	-	-	200	200
10					
11					
12					
13	Totals	$ -	$ 4,750	$ 83,450	$ 13,950
14					
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55	[1]Company-funded				

Line No.	Property Classification	Phoenix Office - Western Group [A] Actual Test Year[1] 12/31/2010	[B] Projected[1] Thru 12/31/2011	[C] Projected[1] Thru 12/31/2012	[D] Projected[1] Thru 12/31/2013	Meter Shop - Western Group [E] Actual Test Year[1] 12/31/2010	[F] Projected[1] Thru 12/31/2011	[G] Projected[1] Thru 12/31/2012	[H] Projected[1] Thru 12/31/2013
3	Production Plant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5	Water Treatment Plant	-	-	-	-	-	-	-	-
7	Transmission & Distribution Plant	-	15,208	15,208	-	-	-	-	-
9	General Plant	101,726	331,116	334,728	339,938	1,200	1,331	1,331	1,331
13	Totals	$ 101,726	$ 346,324	$ 349,936	$ 339,938	$ 1,200	$ 1,331	$ 1,331	$ 1,331

[1]Company-funded

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Projected Construction Requirements

Line No.	Property Classification	Phoenix Office [A] Actual Test Year[1] 12/31/2010	[B] Projected[1] Thru 12/31/2011	[C] Projected[1] Thru 12/31/2012	[D] Projected[1] Thru 12/31/2013	Meter Shop [E] Actual Test Year[1] 12/31/2010	[F] Projected[1] Thru 12/31/2011	[G] Projected[1] Thru 12/31/2012	[H] Projected[1] Thru 12/31/2013
1	Property Classification								
2									
3	Production Plant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4									
5	Water Treatment Plant	-	-	-	-	-	-	-	-
6									
7	Transmission & Distribution Plant	-	40,000	40,000	-	-	-	-	-
8									
9	General Plant	267,558	870,900	880,401	894,103	3,155	3,500	3,500	3,500
10									
11									
12									
13	Totals	$ 267,558	$ 910,900	$ 920,401	$ 894,103	$ 3,155	$ 3,500	$ 3,500	$ 3,500
14									
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54									
55	[1]Company-funded								

Line No.

1 Revenues & Expenses

2

3 Revenues and expenses were projected using the pro forma changes developed for the test year 2010. Actual expenses incurred during 2011 were
4 considered when developing pro forma adjustments. Where specific rate changes were known to have occurred, those changes were applied
5 to test year volumes to determine pro forma adjustments.

6

7 Construction Requirements

8

9 Construction forecasts are based on estimated plant requirements including new facilties and replacements of existing facilities with an emphasis on
10 improving or maintaining the infrastructure to ensure safe and reliable service.

COST OF SERVICE ANALYSIS

G-1	RATES OF RETURN BY CUSTOMER CLASSIFICATION – EXISTING RATES
G-2	RATES OF RETURN BY CUSTOMER CLASSIFICATION – PROPOSED RATES
G-3	RATE BASE ALLOCATION TO CLASSES
G-4	OPERATING EXPENSES ALLOCATION TO CLASSES
G-5	DISTRIBUTION OF RATE BASE BY FUNCTION
G-6	DISTRIBUTION OF EXPENSES BY FUNCTION
G-7	DEVELOPMENT OF ALLOCATION FACTORS

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Rate of Return by Customer Class - Present Rates

Line No.		Western Group [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1							
2	Operating Revenues						
3	Water Revenues (Sch. H-1)	$ 17,906,691	$ 12,151,216	$ 4,419,455	$ 965,015	$ 268,754	$ 102,252
4	Miscellaneous Revenues[1] (Sch. H-1)	759,466	505,569	194,504	43,916	10,806	4,670
5	Total Operating Revenues	$ 18,666,157	$ 12,656,785	$ 4,613,958	$ 1,008,931	$ 279,560	$ 106,922
6							
7	Operating Expenses						
8	Operations & Maintenance Expense	10,967,208	8,170,701	2,161,930	502,015	132,396	167
9	Depreciation & Amortization Expense	3,800,457	2,982,209	649,815	59,000	49,245	60,188
10	Income Taxes	363,833	(262,302)	458,357	137,057	21,458	9,263
11	Property Taxes	932,931	629,115	233,388	51,298	13,679	5,451
12	Other Taxes	213,622	159,261	41,952	9,800	2,606	3
13	Total Operating Expenses	$ 16,278,051	$ 11,678,983	$ 3,545,443	$ 759,169	$ 219,385	$ 75,071
14							
15	Taxable Income	942,642	(679,947)	1,187,792	355,176	55,616	24,005
16							
17	Net Operating Income	$ 2,388,106	$ 977,802	$ 1,068,516	$ 249,762	$ 60,175	$ 31,851
18							
19	Interest Expense	1,809,297	1,395,448	339,081	31,643	26,017	17,109
20							
21							
22							
23	Rate Base	$ 54,072,795	$ 41,704,461	$ 10,133,795	$ 945,671	$ 777,550	$ 511,317
24							
25	Rate of Return (Ln. 17 ÷ Ln. 23)	4.42%	2.34%	10.54%	26.41%	7.74%	6.23%
26							
27	Required Rate of Return (Sch. A-1, Ln. 12)	9.51%	9.51%	9.51%	9.51%	9.51%	9.51%
28							
29	Required Operating Income (Ln. 23 X Ln. 27)	$ 5,144,329	$ 3,967,642	$ 964,100	$ 89,968	$ 73,974	$ 48,645
30							
31	Operating Income Deficiency (Ln. 29 - Ln. 17)	$ 2,756,224	$ 2,989,839	$ (104,416)	$ (159,793)	$ 13,799	$ 16,794
32							
33	Additional Taxes at Proposed Rates						
34	(Sch. G-4, Lns. 42 + 48 - 18 + 24)	$ 1,807,845	$ 1,245,209	$ 521,838	$ 8,640	$ 28,522	$ 3,635
35							
36	Required Increase in Gross Revenues (Ln. 31 + Ln. 34)	$ 4,564,068	$ 4,235,049	$ 417,422	$ (151,154)	$ 42,321	$ 20,430
37							
38	% Required Increase in Gross Revenues (Ln. 36 ÷ Ln. 5)	24.45%	33.46%	9.05%	-14.98%	15.14%	19.11%
39							
40	Gross Revenue Requirement (Ln. 5 + Ln. 36)	$ 23,230,225	$ 16,891,834	$ 5,031,380	$ 857,777	$ 321,882	$ 127,352
41							
42	Less: Miscellaneous Revenues at Proposed Rates	$ (994,322)	$ (668,464)	$ (259,540)	$ (46,494)	$ (14,592)	$ (5,232)
43							
44	Revenue Requirement - Metered Water Revenues	$ 22,235,903	$ 16,223,370	$ 4,771,840	$ 811,283	$ 307,290	$ 122,120
45							
46							
47							
48	% of Revenues Required from Fixed Charge	48%	52%	39%	19%	40%	100%
49	% of Revenues Required from Commodity Charge	52%	48%	61%	81%	60%	0%
50							
51							
52							
53							
54	[1]Allocated to customer classes based on						
55	percentage of total water revenues						

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Cost Distribution to Customer Classes

Line No.		Western Group [A] Commodity	[B] Demand	[C] Customer	[D] Direct Private Fire	[E] Total Cost of Service	[F] Cost of Service Monthly Fixed 5/8"	[G] Cost of Service Commodity Per M Gal
1								
2	Unit	M Gal	equiv. meter	bill				
3	Total Units	5,382,876	40,090	363,124	n/a			
4	Cost of Service	$ 5,788,627	$ 12,530,044	$ 4,784,202	$ 127,352	$ 23,230,225		
5	Cost per Unit	$ 1.08	$ 312.55	$ 13.18	n/a			
6								
7								
8	Residential							
9	Units of Service	3,311,004	30,473	337,500	n/a			
10	Cost of Service	$ 3,497,712	$ 9,219,908	$ 4,174,214	n/a	$ 16,891,834	$ 24.97	$ 2.4487
11								
12	Commercial							
13	Units of Service	1,400,639	8,530	24,780	n/a			
14	Cost of Service	$ 1,619,799	$ 2,867,167	$ 544,415	n/a	$ 5,031,380	$ 35.98	$ 2.1800
15								
16	Industrial							
17	Units of Service	599,353	429	344	n/a			
18	Cost of Service	$ 586,490	$ 224,782	$ 46,506	n/a	$ 857,777	$ 157.04	$ 1.1661
19								
20	Other							
21	Units of Service	71,880	658	500	n/a			
22	Cost of Service	$ 84,626	$ 218,187	$ 19,068	n/a	$ 321,882	$ 51.94	$ 2.6951
23								
24	Direct Private Fire							
25	Cost of Service	n/a	n/a	n/a	$ 127,352	$ 127,352		
26								
27								
28	Total System Cost of Service	$ 5,788,627	$ 12,530,044	$ 4,784,202	$ 127,352	$ 23,230,225		
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Supporting Schedules:
G-3, G-4, H-1

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Rate of Return by Customer Class - Present Rates

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1							
2	Operating Revenues						
3	Water Revenues (Sch. H-1)	$ 15,838,054	$ 10,454,403	$ 4,124,957	$ 939,855	$ 218,600	$ 100,237
4	Miscellaneous Revenues[1] (Sch. H-1)	734,234	484,654	191,228	43,571	10,134	4,647
5	Total Operating Revenues	$ 16,572,288	$ 10,939,058	$ 4,316,186	$ 983,426	$ 228,734	$ 104,884
6							
7	Operating Expenses						
8	Operations & Maintenance Expense	9,726,909	7,118,253	2,009,744	490,708	108,048	155
9	Depreciation & Amortization Expense	3,313,401	2,557,267	608,012	51,632	38,001	58,489
10	Income Taxes	350,577	(246,194)	432,418	136,281	18,664	9,408
11	Property Taxes	847,951	559,716	220,845	50,319	11,704	5,367
12	Other Taxes	189,574	138,732	39,169	9,564	2,106	3
13	Total Operating Expenses	$ 14,428,412	$ 10,127,775	$ 3,310,189	$ 738,504	$ 178,523	$ 73,421
14							
15	Taxable Income	908,497	(637,994)	1,120,580	353,162	48,367	24,381
16							
17	Net Operating Income	$ 2,143,876	$ 811,283	$ 1,005,997	$ 244,922	$ 50,211	$ 31,463
18							
19	Interest Expense	1,585,957	1,203,083	317,835	28,041	20,508	16,490
20							
21							
22							
23	Rate Base	$ 47,398,030	$ 35,955,432	$ 9,498,835	$ 838,025	$ 612,912	$ 492,826
24							
25	Rate of Return (Ln. 17 ÷ Ln. 23)	4.52%	2.26%	10.59%	29.23%	8.19%	6.38%
26							
27	Required Rate of Return (Sch. A-1, Ln. 12)	9.51%	9.51%	9.51%	9.51%	9.51%	9.51%
28							
29	Required Operating Income (Ln. 23 X Ln. 27)	$ 4,509,311	$ 3,420,696	$ 903,692	$ 79,727	$ 58,311	$ 46,886
30							
31	Operating Income Deficiency (Ln. 29 - Ln. 17)	$ 2,365,435	$ 2,609,413	$ (102,306)	$ (165,195)	$ 8,100	$ 15,423
32							
33	Additional Taxes at Proposed Rates						
34	(Sch. G-4, Lns. 42 + 48 - 18 + 24)	$ 1,781,774	$ 1,225,511	$ 516,552	$ 8,498	$ 27,653	$ 3,559
35							
36	Required Increase in Gross Revenues (Ln. 31 + Ln. 34)	$ 4,147,209	$ 3,834,924	$ 414,247	$ (156,696)	$ 35,753	$ 18,982
37							
38	% Required Increase in Gross Revenues (Ln. 36 ÷ Ln. 5)	25.02%	35.06%	9.60%	-15.93%	15.63%	18.10%
39							
40	Gross Revenue Requirement (Ln. 5 + Ln. 36)	$ 20,719,497	$ 14,773,982	$ 4,730,432	$ 826,730	$ 264,487	$ 123,866
41							
42	Less: Miscellaneous Revenues at Proposed Rates	$ (954,090)	$ (635,209)	$ (254,237)	$ (45,949)	$ (13,504)	$ (5,192)
43							
44	Revenue Requirement - Metered Water Revenues	$ 19,765,407	$ 14,138,773	$ 4,476,195	$ 780,780	$ 250,983	$ 118,675
45							
46							
47							
48	% of Revenues Required from Fixed Charge	49%	53%	40%	18%	40%	100%
49	% of Revenues Required from Commodity Charge	51%	47%	60%	82%	60%	0%
50							
51							
52							
53							
54	[1]Allocated to customer classes based on						
55	percentage of total water revenues						

Supporting Schedules:
G-3, G-4, H-1

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Cost Distribution to Customer Classes

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Commodity	[B] Demand	[C] Customer	[D] Direct Private Fire	[E] Total Cost of Service	[F] Cost of Service Monthly Fixed 5/8"	[G] Cost of Service Commodity Per M Gal
1								
2	Unit	M Gal	equiv. meter	bill				
3	Total Units	4,969,244	36,630	331,791	n/a			
4	Cost of Service	$ 5,144,176	$ 11,034,878	$ 4,416,576	$ 123,866	$ 20,719,497		
5	Cost per Unit	$ 1.04	$ 301.25	$ 13.31	n/a			
6								
7								
8	Residential							
9	Units of Service	2,974,686	27,502	307,824	n/a			
10	Cost of Service	$ 2,993,070	$ 7,948,645	$ 3,832,267	n/a	$ 14,773,982	$ 24.49	$ 2.3422
11								
12	Commercial							
13	Units of Service	1,337,338	8,183	23,208	n/a			
14	Cost of Service	$ 1,499,200	$ 2,710,577	$ 520,655	n/a	$ 4,730,432	$ 36.24	$ 2.1345
15								
16	Industrial							
17	Units of Service	596,704	371	320	n/a			
18	Cost of Service	$ 582,931	$ 197,772	$ 46,027	n/a	$ 826,730	$ 166.07	$ 1.1426
19								
20	Other							
21	Units of Service	60,516	574	439	n/a			
22	Cost of Service	$ 68,975	$ 177,884	$ 17,627	n/a	$ 264,487	$ 53.06	$ 2.6095
23								
24	Direct Private Fire							
25	Cost of Service	n/a	n/a	n/a	$ 123,866	$ 123,866		
26								
27								
28	Total System Cost of Service	$ 5,144,176	$ 11,034,878	$ 4,416,576	$ 123,866	$ 20,719,497		
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Rate of Return by Customer Class - Present Rates

Line No.		White Tank [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1							
2	Operating Revenues						
3	Water Revenues (Sch. H-1)	$ 1,562,926	$ 1,316,859	$ 172,063	$ 25,159	$ 47,484	$ 1,361
4	Miscellaneous Revenues[1] (Sch. H-1)	21,463	18,084	2,363	346	652	19
5	Total Operating Revenues	$ 1,584,389	$ 1,334,943	$ 174,426	$ 25,505	$ 48,136	$ 1,380
6							
7	Operating Expenses						
8	Operations & Maintenance Expense	925,114	805,886	84,919	11,307	22,993	9
9	Depreciation & Amortization Expense	434,755	382,431	32,920	7,367	11,022	1,015
10	Income Taxes	(17,632)	(33,455)	12,535	776	2,476	36
11	Property Taxes	60,835	51,257	6,697	979	1,848	53
12	Other Taxes	19,317	16,828	1,773	236	480	0
13	*Total Operating Expenses*	$ 1,422,389	$ 1,222,948	$ 138,845	$ 20,665	$ 38,819	$ 1,112
14							
15	Taxable Income	(45,763)	(86,830)	32,534	2,014	6,426	93
16							
17	Net Operating Income	$ 162,000	$ 111,995	$ 35,581	$ 4,840	$ 9,316	$ 268
18							
19	Interest Expense	190,131	165,370	15,582	3,602	5,366	210
20							
21							
22							
23	Rate Base	$ 5,682,264	$ 4,942,265	$ 465,696	$ 107,646	$ 160,369	$ 6,288
24							
25	Rate of Return (Ln. 17 ÷ Ln. 23)	2.85%	2.27%	7.64%	4.50%	5.81%	4.26%
26							
27	Required Rate of Return (Sch. A-1, Ln. 12)	9.51%	9.51%	9.51%	9.51%	9.51%	9.51%
28							
29	Required Operating Income (Ln. 23 X Ln. 27)	$ 540,594	$ 470,193	$ 44,305	$ 10,241	$ 15,257	$ 598
30							
31	Operating Income Deficiency (Ln. 29 - Ln. 17)	$ 378,594	$ 358,198	$ 8,724	$ 5,402	$ 5,941	$ 331
32							
33	Additional Taxes at Proposed Rates						
34	(Sch. G-4, Lns. 42 + 48 - 18 + 24)	$ 18,162	$ 12,699	$ 4,441	$ 141	$ 815	$ 66
35							
36	Required Increase in Gross Revenues (Ln. 31 + Ln. 34)	$ 396,756	$ 370,896	$ 13,165	$ 5,543	$ 6,755	$ 397
37							
38	% Required Increase in Gross Revenues (Ln. 36 ÷ Ln. 5)	25.04%	27.78%	7.55%	21.73%	14.03%	28.76%
39							
40	Gross Revenue Requirement (Ln. 5 + Ln. 36)	$ 1,981,145	$ 1,705,839	$ 187,591	$ 31,048	$ 54,891	$ 1,777
41							
42	Less: Miscellaneous Revenues at Proposed Rates	$ (34,335)	$ (28,797)	$ (3,904)	$ (545)	$ (1,056)	$ (33)
43							
44	Revenue Requirement - Metered Water Revenues	$ 1,946,810	$ 1,677,042	$ 183,687	$ 30,503	$ 53,835	$ 1,744
45							
46							
47							
48	% of Revenues Required from Fixed Charge	46%	47%	35%	45%	38%	100%
49	% of Revenues Required from Commodity Charge	54%	53%	65%	55%	62%	0%
50							
51							
52							
53							
54	[1]Allocated to customer classes based on						
55	percentage of total water revenues						

Supporting Schedules:
G-3, G-4, H-1

Recap Schedules:

Line No.		White Tank [A] Commodity	[B] Demand	[C] Customer	[D] Direct Private Fire	[E] Total Cost of Service	[F] Cost of Service Monthly Fixed 5/8"	[G] Cost of Service Commodity Per M Gal
1								
2	Unit	M Gal	equiv. meter	bill				
3	Total Units	366,463	2,716	23,218	n/a			
4	Cost of Service	$ 450,613	$ 1,255,406	$ 273,349	$ 1,777	$ 1,981,145		
5	Cost per Unit	$ 1.23	$ 462.26	$ 11.77	n/a			
6								
7								
8	Residential							
9	Units of Service	302,019	2,362	22,524	n/a			
10	Cost of Service	$ 365,479	$ 1,079,158	$ 261,202	n/a	$ 1,705,839	$ 30.63	$ 2.9967
11								
12	Commercial							
13	Units of Service	50,663	215	612	n/a			
14	Cost of Service	$ 66,957	$ 110,286	$ 10,348	n/a	$ 187,591	$ 38.28	$ 2.4100
15								
16	*Industrial*							
17	Units of Service	2,649	58	24	n/a			
18	Cost of Service	$ 3,559	$ 27,010	$ 479	n/a	$ 31,048	$ 39.36	$ 6.4411
19								
20	Other							
21	Units of Service	11,132	80	58	n/a			
22	Cost of Service	$ 14,618	$ 38,953	$ 1,320	n/a	$ 54,891	$ 42.97	$ 3.0628
23								
24	Direct Private Fire							
25	Cost of Service	n/a	n/a	n/a	$ 1,777	$ 1,777		
26								
27								
28	Total System Cost of Service	$ 450,613	$ 1,255,406	$ 273,349	$ 1,777	$ 1,981,145		
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Rate of Return by Customer Class - Present Rates

Line No.		Ajo [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1							
2	Operating Revenues						
3	Water Revenues (Sch. H-1)	$ 505,711	$ 379,953	$ 122,434	$ -	$ 2,671	$ 653
4	Miscellaneous Revenues[1] (Sch. H-1)	3,768	2,831	912	-	20	5
5	Total Operating Revenues	$ 509,480	$ 382,785	$ 123,347	$ -	$ 2,690	$ 658
6							
7	Operating Expenses						
8	Operations & Maintenance Expense	315,185	246,561	67,266	-	1,354	3
9	Depreciation & Amortization Expense	52,300	42,510	8,883	-	223	684
10	Income Taxes	30,888	17,347	13,405	-	318	(181)
11	Property Taxes	24,146	18,141	5,846	-	128	31
12	Other Taxes	4,731	3,701	1,010	-	20	0
13	Total Operating Expenses	$ 427,250	$ 328,260	$ 96,409	$ -	$ 2,043	$ 537
14							
15	Taxable Income	79,908	44,876	34,678	-	823	(469)
16							
17	Net Operating Income	$ 82,230	$ 54,524	$ 26,937	$ -	$ 647	$ 121
18							
19	Interest Expense	33,209	26,995	5,664	-	143	408
20							
21							
22							
23	Rate Base	$ 992,500	$ 806,764	$ 169,265	$ -	$ 4,269	$ 12,202
24							
25	Rate of Return (Ln. 17 ÷ Ln. 23)	8.29%	6.76%	15.91%	0.00%	15.17%	0.99%
26							
27	Required Rate of Return (Sch. A-1, Ln. 12)	9.51%	9.51%	9.51%	9.51%	9.51%	9.51%
28							
29	Required Operating Income (Ln. 23 X Ln. 27)	$ 94,424	$ 76,753	$ 16,103	$ -	$ 406	$ 1,161
30							
31	Operating Income Deficiency (Ln. 29 - Ln. 17)	$ 12,194	$ 22,229	$ (10,834)	$ -	$ (241)	$ 1,040
32							
33	Additional Taxes at Proposed Rates						
34	(Sch. G-4, Lns. 42 + 48 - 18 + 24)	$ 7,909	$ 7,000	$ 845	$ -	$ 55	$ 10
35							
36	Required Increase in Gross Revenues (Ln. 31 + Ln. 34)	$ 20,103	$ 29,229	$ (9,989)	$ -	$ (187)	$ 1,050
37							
38	% Required Increase in Gross Revenues (Ln. 36 ÷ Ln. 5)	3.95%	7.64%	-8.10%	0.00%	-6.94%	159.63%
39							
40	Gross Revenue Requirement (Ln. 5 + Ln. 36)	$ 529,583	$ 412,013	$ 113,357	$ -	$ 2,504	$ 1,708
41							
42	Less: Miscellaneous Revenues at Proposed Rates	$ (5,896)	$ (4,458)	$ (1,399)	$ -	$ (31)	$ (8)
43							
44	Revenue Requirement - Metered Water Revenues	$ 523,686	$ 407,555	$ 111,958	$ -	$ 2,472	$ 1,701
45							
46							
47							
48	% of Revenues Required from Fixed Charge	41%	43%	32%	n/a	32%	100%
49	% of Revenues Required from Commodity Charge	59%	57%	68%	n/a	68%	0%
50							
51							
52							
53							
54	[1]Allocated to customer classes based on						
55	percentage of total water revenues						

Supporting Schedules:
G-3, G-4, H-1

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Cost Distribution to Customer Classes

Ajo

Line No.		[A] Commodity	[B] Demand	[C] Customer	[D] Direct Private Fire	[E] Total Cost of Service	[F] Cost of Service Monthly Fixed 5/8"	[G] Cost of Service Commodity Per M Gal
1								
2	Unit	M Gal	equiv. meter	bill				
3	Total Units	47,168	744	8,115	n/a			
4	Cost of Service	$ 193,837	$ 239,760	$ 94,277	$ 1,708	$ 529,583		
5	Cost per Unit	$ 4.11	$ 322.47	$ 11.62	n/a			
6								
7								
8	Residential							
9	Units of Service	34,299	608	7,152	n/a			
10	Cost of Service	$ 139,163	$ 192,106	$ 80,745	n/a	$ 412,013	$ 24.46	$ 6.8578
11								
12	Commercial							
13	Units of Service	12,638	132	960	n/a			
14	Cost of Service	$ 53,642	$ 46,304	$ 13,412	n/a	$ 113,357	$ 28.64	$ 6.0765
15								
16	Industrial							
17	Units of Service	-	-	-	n/a			
18	Cost of Service	$ -	$ -	$ -	n/a	$ -	$ -	$ -
19								
20	Other							
21	Units of Service	232	4	3	n/a			
22	Cost of Service	$ 1,033	$ 1,350	$ 120	n/a	$ 2,504	$ 54.20	$ 7.3784
23								
24	Direct Private Fire							
25	Cost of Service	n/a	n/a	n/a	$ 1,708	$ 1,708		
26								
27								
28	Total System Cost of Service	$ 193,837	$ 239,760	$ 94,277	$ 1,708	$ 529,583		
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Cost of Service Summary - Proposed Rates

Line No.		Western Group [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1							
2	Operating Revenues						
3	Water Revenues (Sch. H-1)	$ 22,235,903	$ 15,125,401	$ 5,667,871	$ 994,504	$ 336,427	$ 111,700
4	Miscellaneous Revenues[1] (Sch. H-1)	994,322	668,464	259,540	46,494	14,592	5,232
5	Total Operating Revenues	$ 23,230,225	$ 15,793,864	$ 5,927,411	$ 1,040,998	$ 351,019	$ 116,932
6							
7	Operating Expenses						
8	Operations & Maintenance Expense	10,967,208	8,170,701	2,161,930	502,015	132,396	167
9	Depreciation & Amortization Expense	3,800,457	2,982,209	649,815	59,000	49,245	60,188
10	Income Taxes	2,096,517	926,749	956,185	151,845	48,464	13,274
11	Property Taxes	1,008,092	685,274	257,398	45,150	15,196	5,075
12	Other Taxes	213,622	159,261	41,952	9,800	2,606	3
13	Total Operating Expenses	$ 18,085,896	$ 12,924,192	$ 4,067,280	$ 767,809	$ 247,908	$ 78,707
14							
15	Taxable Income	5,431,549	2,400,973	2,477,235	393,392	125,558	34,391
16							
17	Net Operating Income	$ 5,144,329	$ 2,869,672	$ 1,860,131	$ 273,190	$ 103,111	$ 38,225
18							
19	Interest Expense	1,809,297	1,395,448	339,081	31,643	26,017	17,109
20							
21							
22	Rate Base	$ 54,072,795	$ 41,704,461	$ 10,133,795	$ 945,671	$ 777,550	$ 511,317
23							
24	Rate of Return[2] (Ln. 17 ÷ Ln. 22)	9.51%	6.88%	18.36%	28.89%	13.26%	7.48%
25							
26	Increase in Gross Revenues	$ 4,564,068	$ 3,137,079	$ 1,313,453	$ 32,068	$ 71,459	$ 10,010
27							
28	% Increase in Gross Revenues	24.5%	24.8%	28.5%	3.2%	25.6%	9.4%
29							
30							
31	% of Revenues Generated from Fixed Charge	50%	55%	42%	10%	53%	100%
32	% of Revenues Generated from Commodity Charge	50%	45%	58%	90%	47%	0%
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51							
52	[1]Allocated to customer classes based on						
53	percentage of total water revenues						
54	[2]Rate of return at proposed rates includes						
55	the effects of proposed rate consolidation						

Supporting Schedules:
H-1, G-3, G-4

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Cost of Service Summary - Proposed Rates

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1							
2	Operating Revenues						
3	Water Revenues (Sch. H-1)	$ 20,127,740	$ 13,400,527	$ 5,363,447	$ 969,361	$ 284,881	$ 109,525
4	Miscellaneous Revenues[1] (Sch. H-1)	954,090	635,209	254,237	45,949	13,504	5,192
5	Total Operating Revenues	$ 21,081,830	$ 14,035,735	$ 5,617,683	$ 1,015,310	$ 298,384	$ 114,717
6							
7	Operating Expenses						
8	Operations & Maintenance Expense	9,726,909	7,118,253	2,009,744	490,708	108,048	155
9	Depreciation & Amortization Expense	3,313,401	2,557,267	608,012	51,632	38,001	58,489
10	Income Taxes	2,065,498	929,981	926,047	151,041	45,073	13,356
11	Property Taxes	914,804	609,053	243,768	44,057	12,948	4,978
12	Other Taxes	189,574	138,732	39,169	9,564	2,106	3
13	Total Operating Expenses	$ 16,210,186	$ 11,353,286	$ 3,826,741	$ 747,002	$ 206,176	$ 76,980
14							
15	Taxable Income	5,351,186	2,409,347	2,399,155	391,308	116,773	34,602
16							
17	Net Operating Income	$ 4,871,645	$ 2,682,449	$ 1,790,943	$ 268,308	$ 92,208	$ 37,736
18							
19	Interest Expense	1,585,957	1,203,083	317,835	28,041	20,508	16,490
20							
21							
22	Rate Base	$ 47,398,030	$ 35,955,432	$ 9,498,835	$ 838,025	$ 612,912	$ 492,826
23							
24	Rate of Return[2] (Ln. 17 ÷ Ln. 22)	10.28%	7.46%	18.85%	32.02%	15.04%	7.66%
25							
26	Increase in Gross Revenues	$ 4,509,542	$ 3,096,677	$ 1,301,498	$ 31,884	$ 69,650	$ 9,833
27							
28	% Increase in Gross Revenues	27.2%	28.3%	30.2%	3.2%	30.5%	9.4%
29							
30							
31	% of Revenues Generated from Fixed Charge	50%	56%	43%	9%	55%	100%
32	% of Revenues Generated from Commodity Charge	50%	44%	57%	91%	45%	0%
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51							
52	[1]Allocated to customer classes based on						
53	percentage of total water revenues						
54	[2]Rate of return at proposed rates includes						
55	the effects of proposed rate consolidation						

Supporting Schedules:
H-1, G-3, G-4

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Cost of Service Summary - Proposed Rates

Line No.		White Tank [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1							
2	Operating Revenues						
3	Water Revenues (Sch. H-1)	$ 1,584,477	$ 1,328,912	$ 180,172	$ 25,143	$ 48,750	$ 1,500
4	Miscellaneous Revenues[1] (Sch. H-1)	34,335	28,797	3,904	545	1,056	33
5	Total Operating Revenues	$ 1,618,812	$ 1,357,709	$ 184,076	$ 25,688	$ 49,806	$ 1,533
6							
7	Operating Expenses						
8	Operations & Maintenance Expense	925,114	805,886	84,919	11,307	22,993	9
9	Depreciation & Amortization Expense	434,755	382,431	32,920	7,367	11,022	1,015
10	Income Taxes	(7,462)	(27,225)	15,847	804	3,021	90
11	Property Taxes	68,827	57,725	7,826	1,092	2,118	65
12	Other Taxes	19,317	16,828	1,773	236	480	0
13	Total Operating Expenses	$ 1,440,551	$ 1,235,646	$ 143,286	$ 20,807	$ 39,634	$ 1,179
14							
15	Taxable Income	(19,332)	(70,532)	41,055	2,084	7,827	234
16							
17	Net Operating Income	$ 178,261	$ 122,063	$ 40,791	$ 4,881	$ 10,172	$ 354
18							
19	Interest Expense	190,131	165,370	15,582	3,602	5,366	210
20							
21							
22	Rate Base	$ 5,682,264	$ 4,942,265	$ 465,696	$ 107,646	$ 160,369	$ 6,288
23							
24	Rate of Return[2] (Ln. 17 ÷ Ln. 22)	3.14%	2.47%	8.76%	4.53%	6.34%	5.63%
25							
26	Increase in Gross Revenues	$ 34,422	$ 22,766	$ 9,650	$ 183	$ 1,670	$ 152
27							
28	% Increase in Gross Revenues	2.2%	1.7%	5.5%	0.7%	3.5%	11.0%
29							
30							
31	% of Revenues Generated from Fixed Charge	46%	48%	33%	52%	44%	100%
32	% of Revenues Generated from Commodity Charge	54%	52%	67%	48%	56%	0%
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51							
52	[1]Allocated to customer classes based on						
53	percentage of total water revenues						
54	[2]Rate of return at proposed rates includes						
55	the effects of proposed rate consolidation						

Supporting Schedules:
H-1, G-3, G-4

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Cost of Service Summary - Proposed Rates

Line No.		Ajo [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1							
2	Operating Revenues						
3	Water Revenues (Sch. H-1)	$ 523,686	$ 395,962	$ 124,252	$ -	$ 2,797	$ 675
4	Miscellaneous Revenues[1] (Sch. H-1)	5,896	4,458	1,399	-	31	8
5	Total Operating Revenues	$ 529,582	$ 400,420	$ 125,651	$ -	$ 2,828	$ 683
6							
7	Operating Expenses						
8	Operations & Maintenance Expense	315,185	246,561	67,266	-	1,354	3
9	Depreciation & Amortization Expense	52,300	42,510	8,883	-	223	684
10	Income Taxes	38,481	23,992	14,291	-	370	(172)
11	Property Taxes	24,461	18,495	5,804	-	131	32
12	Other Taxes	4,731	3,701	1,010	-	20	0
13	Total Operating Expenses	$ 435,159	$ 335,260	$ 97,254	$ -	$ 2,098	$ 547
14							
15	Taxable Income	99,695	62,158	37,025	-	957	(445)
16							
17	Net Operating Income	$ 94,423	$ 65,160	$ 28,398	$ -	$ 731	$ 135
18							
19	Interest Expense	33,209	26,995	5,664	-	143	408
20							
21							
22	Rate Base	$ 992,500	$ 806,764	$ 169,265	$ -	$ 4,269	$ 12,202
23							
24	Rate of Return[2] (Ln. 17 ÷ Ln. 22)	9.51%	8.08%	16.78%	0.00%	17.12%	1.11%
25							
26	Increase in Gross Revenues	$ 20,103	$ 17,636	$ 2,305	$ -	$ 138	$ 25
27							
28	% Increase in Gross Revenues	3.9%	4.6%	1.9%	0.0%	5.1%	3.7%
29							
30							
31	% of Revenues Generated from Fixed Charge	50%	54%	38%	0%	51%	100%
32	% of Revenues Generated from Commodity Charge	50%	46%	62%	0%	49%	0%
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51							
52	[1]Allocated to customer classes based on						
53	percentage of total water revenues						
54	[2]Rate of return at proposed rates includes						
55	the effects of proposed rate consolidation						

Supporting Schedules:
H-1, G-3, G-4

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Allocation of Rate Base to Classes of Service

Line No.		Western Group [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1	Rate Base						
2							
3	Net Utility Plant in Service						
4	Commodity	$ 9,889,420	$ 6,233,771	$ 2,487,166	$ 1,024,599	$ 143,884	$ -
5	Demand	89,004,781	68,315,502	18,112,168	1,025,427	1,551,684	-
6	Customer	32,432,572	30,182,593	2,173,210	31,191	45,578	-
7	Direct Private Fire	2,086,823	-	-	-	-	2,086,823
8	Subtotal Net Utility Plant in Service	$ 133,413,595	$ 104,731,867	$ 22,772,544	$ 2,081,216	$ 1,741,145	$ 2,086,823
9							
10	Deductions						
11	Commodity	5,479,772	3,464,868	1,369,724	564,059	81,122	-
12	Demand	49,317,951	37,905,071	9,964,719	577,480	870,682	-
13	Customer	24,870,634	23,164,018	1,647,125	24,062	35,429	-
14	Direct Private Fire	1,607,874	-	-	-	-	1,607,874
15	Subtotal Deductions	$ 81,276,232	$ 64,533,957	$ 12,981,567	$ 1,165,600	$ 987,233	$ 1,607,874
16							
17	Additions						
18	Commodity	141,975	87,288	36,970	15,826	1,892	-
19	Demand	1,277,773	970,274	272,644	13,766	21,089	-
20	Customer	483,315	448,990	33,205	464	657	-
21	Direct Private Fire	32,368	-	-	-	-	32,368
22	Subtotal Additions	$ 1,935,431	$ 1,506,551	$ 342,818	$ 30,055	$ 23,638	$ 32,368
23							
24	Total Rate Base	$ 54,072,795	$ 41,704,461	$ 10,133,795	$ 945,671	$ 777,550	$ 511,317
25							
26							
27							
28	Total Commodity	$ 4,551,623	$ 2,856,192	$ 1,154,412	$ 476,366	$ 64,653	$ -
29	Total Demand	40,964,603	31,380,705	8,420,093	461,712	702,091	-
30	Total Customer	8,045,253	7,467,564	559,290	7,593	10,806	-
31	Total Direct Private Fire	511,317	-	-	-	-	511,317
32	Total Rate Base	$ 54,072,795	$ 41,704,461	$ 10,133,795	$ 945,671	$ 777,550	$ 511,317
33							
34							
35	Required Rate of Return	9.51%	9.51%	9.51%	9.51%	9.51%	9.51%
36							
37	Required Operating Income						
38	Commodity	$ 433,028	$ 271,730	$ 109,827	$ 45,320	$ 6,151	$ -
39	Demand	3,897,254	2,985,469	801,063	43,926	66,795	-
40	Customer	765,402	710,442	53,209	722	1,028	-
41	Direct Private Fire	48,645	-	-	-	-	48,645
42	Total Required Operating Income	$ 5,144,329	$ 3,967,642	$ 964,100	$ 89,968	$ 73,974	$ 48,645
43							
44	Weighted Cost of Debt	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%
45							
46	Interest Expense						
47	Commodity	$ 152,299	$ 95,569	$ 38,627	$ 15,939	$ 2,163	$ -
48	Demand	1,370,692	1,050,011	281,740	15,449	23,492	-
49	Customer	269,197	249,868	18,714	254	362	-
50	Direct Private Fire	17,109	-	-	-	-	17,109
51	Total Interest Expense	$ 1,809,297	$ 1,395,448	$ 339,081	$ 31,643	$ 26,017	$ 17,109
52							
53							
54							
55							

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Allocation of Rate Base to Classes of Service

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1	Rate Base						
2							
3	Net Utility Plant in Service						
4	Commodity	$ 8,452,553	$ 5,059,862	$ 2,274,777	$ 1,014,978	$ 102,937	$ -
5	Demand	76,072,980	57,116,081	16,995,032	769,621	1,192,247	-
6	Customer	29,672,503	27,529,103	2,075,522	28,618	39,260	-
7	Direct Private Fire	2,031,248	-	-	-	-	2,031,248
8	Subtotal Net Utility Plant in Service	$ 116,229,285	$ 89,705,046	$ 21,345,330	$ 1,813,217	$ 1,334,444	$ 2,031,248
9							
10	Deductions						
11	Commodity	4,649,091	2,783,036	1,251,178	558,260	56,618	-
12	Demand	41,841,818	31,415,105	9,347,642	423,309	655,762	-
13	Customer	22,576,583	20,945,758	1,579,179	21,774	29,872	-
14	Direct Private Fire	1,570,311	-	-	-	-	1,570,311
15	Subtotal Deductions	$ 70,637,803	$ 55,143,899	$ 12,177,999	$ 1,003,343	$ 742,251	$ 1,570,311
16							
17	*Additions*						
18	Commodity	131,223	78,553	35,315	15,757	1,598	-
19	Demand	1,181,009	886,709	263,842	11,948	18,509	-
20	Customer	462,427	429,024	32,346	446	612	-
21	Direct Private Fire	31,890	-	-	-	-	31,890
22	Subtotal Additions	$ 1,806,549	$ 1,394,286	$ 331,503	$ 28,151	$ 20,719	$ 31,890
23							
24	Total Rate Base	$ 47,398,030	$ 35,955,432	$ 9,498,835	$ 838,025	$ 612,912	$ 492,826
25							
26							
27							
28	Total Commodity	$ 3,934,686	$ 2,355,379	$ 1,058,915	$ 472,475	$ 47,917	$ -
29	Total Demand	35,412,171	26,587,685	7,911,232	358,261	554,994	-
30	Total Customer	7,558,347	7,012,368	528,689	7,290	10,001	-
31	Total Direct Private Fire	492,826	-	-	-	-	492,826
32	Total Rate Base	$ 47,398,030	$ 35,955,432	$ 9,498,835	$ 838,025	$ 612,912	$ 492,826
33							
34							
35	Required Rate of Return	9.51%	9.51%	9.51%	9.51%	9.51%	9.51%
36							
37	Required Operating Income						
38	Commodity	$ 374,335	$ 224,084	$ 100,742	$ 44,950	$ 4,559	$ -
39	Demand	3,369,011	2,529,475	752,652	34,084	52,801	-
40	Customer	719,079	667,136	50,298	694	951	-
41	Direct Private Fire	46,886	-	-	-	-	46,886
42	Total Required Operating Income	$ 4,509,311	$ 3,420,696	$ 903,692	$ 79,727	$ 58,311	$ 46,886
43							
44	Weighted Cost of Debt	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%
45							
46	Interest Expense						
47	Commodity	$ 131,656	$ 78,812	$ 35,432	$ 15,809	$ 1,603	$ -
48	Demand	1,184,905	889,634	264,713	11,988	18,570	-
49	Customer	252,905	234,637	17,690	244	335	-
50	Direct Private Fire	16,490	-	-	-	-	16,490
51	Total Interest Expense	$ 1,585,957	$ 1,203,083	$ 317,835	$ 28,041	$ 20,508	$ 16,490
52							
53							
54							
55							

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Allocation of Rate Base to Classes of Service

Line No.		White Tank [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1	Rate Base						
2							
3	Net Utility Plant in Service						
4	Commodity	$ 1,330,888	$ 1,096,846	$ 183,994	$ 9,621	$ 40,427	$ -
5	Demand	11,977,989	10,419,484	948,394	255,806	354,306	-
6	Customer	2,488,848	2,414,455	65,603	2,573	6,217	-
7	Direct Private Fire	38,293	-	-	-	-	38,293
8	Subtotal Net Utility Plant in Service	$ 15,836,018	$ 13,930,784	$ 1,197,991	$ 268,000	$ 400,950	$ 38,293
9							
10	Deductions						
11	Commodity	802,112	661,057	110,891	5,799	24,365	-
12	Demand	7,219,006	6,279,712	571,587	154,171	213,536	-
13	Customer	2,212,719	2,146,580	58,325	2,287	5,528	-
14	Direct Private Fire	32,267	-	-	-	-	32,267
15	Subtotal Deductions	$ 10,266,104	$ 9,087,349	$ 740,803	$ 162,257	$ 243,428	$ 32,267
16							
17	Additions						
18	Commodity	9,455	7,793	1,307	68	287	-
19	Demand	85,099	74,026	6,738	1,817	2,517	-
20	Customer	17,534	17,010	462	18	44	-
21	Direct Private Fire	262	-	-	-	-	262
22	Subtotal Additions	$ 112,351	$ 98,829	$ 8,507	$ 1,904	$ 2,848	$ 262
23							
24	Total Rate Base	$ 5,682,264	$ 4,942,265	$ 465,696	$ 107,646	$ 160,369	$ 6,288
25							
26							
27							
28	Total Commodity	$ 538,231	$ 443,581	$ 74,410	$ 3,891	$ 16,349	$ -
29	Total Demand	4,844,082	4,213,799	383,545	103,452	143,287	-
30	Total Customer	293,663	284,885	7,741	304	734	-
31	Total Direct Private Fire	6,288	-	-	-	-	6,288
32	Total Rate Base	$ 5,682,264	$ 4,942,265	$ 465,696	$ 107,646	$ 160,369	$ 6,288
33							
34							
35	Required Rate of Return	9.51%	9.51%	9.51%	9.51%	9.51%	9.51%
36							
37	Required Operating Income						
38	Commodity	$ 51,206	$ 42,201	$ 7,079	$ 370	$ 1,555	$ -
39	Demand	460,852	400,889	36,489	9,842	13,632	-
40	Customer	27,938	27,103	736	29	70	-
41	Direct Private Fire	598	-	-	-	-	598
42	Total Required Operating Income	$ 540,594	$ 470,193	$ 44,305	$ 10,241	$ 15,257	$ 598
43							
44	Weighted Cost of Debt	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%
45							
46	Interest Expense						
47	Commodity	$ 18,009	$ 14,842	$ 2,490	$ 130	$ 547	$ -
48	Demand	162,085	140,995	12,834	3,462	4,794	-
49	Customer	9,826	9,532	259	10	25	-
50	Direct Private Fire	210	-	-	-	-	210
51	Total Interest Expense	$ 190,131	$ 165,370	$ 15,582	$ 3,602	$ 5,366	$ 210
52							
53							
54							
55							

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Allocation of Rate Base to Classes of Service

Line No.		Ajo [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1	Rate Base						
2							
3	Net Utility Plant in Service						
4	Commodity	$ 105,979	$ 77,064	$ 28,395	$ -	$ 520	$ -
5	Demand	953,811	779,937	168,742	-	5,131	-
6	Customer	271,221	239,035	32,085	-	100	-
7	Direct Private Fire	17,282	-	-	-	-	17,282
8	Subtotal Net Utility Plant in Service	$ 1,348,293	$ 1,096,036	$ 229,223	$ -	$ 5,752	$ 17,282
9							
10	Deductions						
11	Commodity	28,570	20,775	7,655	-	140	-
12	Demand	257,127	210,254	45,489	-	1,383	-
13	Customer	81,332	71,680	9,622	-	30	-
14	Direct Private Fire	5,296	-	-	-	-	5,296
15	Subtotal Deductions	$ 372,324	$ 302,709	$ 62,766	$ -	$ 1,554	$ 5,296
16							
17	Additions						
18	Commodity	1,296	942	347	-	6	-
19	Demand	11,665	9,539	2,064	-	63	-
20	Customer	3,354	2,956	397	-	1	-
21	Direct Private Fire	216	-	-	-	-	216
22	Subtotal Additions	$ 16,531	$ 13,437	$ 2,808	$ -	$ 70	$ 216
23							
24	Total Rate Base	$ 992,500	$ 806,764	$ 169,265	$ -	$ 4,269	$ 12,202
25							
26							
27							
28	Total Commodity	$ 78,705	$ 57,232	$ 21,088	$ -	$ 386	$ -
29	Total Demand	708,349	579,222	125,317	-	3,811	-
30	Total Customer	193,243	170,311	22,860	-	71	-
31	Total Direct Private Fire	12,202	-	-	-	-	12,202
32	Total Rate Base	$ 992,500	$ 806,764	$ 169,265	$ -	$ 4,269	$ 12,202
33							
34							
35	Required Rate of Return	9.51%	9.51%	9.51%	9.51%	9.51%	9.51%
36							
37	Required Operating Income						
38	Commodity	$ 7,488	$ 5,445	$ 2,006	$ -	$ 37	$ -
39	Demand	67,390	55,105	11,922	-	363	-
40	Customer	18,385	16,203	2,175	-	7	-
41	Direct Private Fire	1,161	-	-	-	-	1,161
42	Total Required Operating Income	$ 94,424	$ 76,753	$ 16,103	$ -	$ 406	$ 1,161
43							
44	Weighted Cost of Debt	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%
45							
46	Interest Expense						
47	Commodity	$ 2,634	$ 1,915	$ 706	$ -	$ 13	$ -
48	Demand	23,702	19,381	4,193	-	128	-
49	Customer	6,466	5,699	765	-	2	-
50	Direct Private Fire	408	-	-	-	-	408
51	Total Interest Expense	$ 33,209	$ 26,995	$ 5,664	$ -	$ 143	$ 408
52							
53							
54							
55							

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Allocation of Operating Expenses to Classes of Service - Summary

Line No.	Operating Expenses at Present Rates	Western Group [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1	Operations & Maintenance Expense						
2	Commodity	$ 4,260,780	$ 2,650,408	$ 1,100,530	$ 452,731	$ 57,111	$ -
3	Demand	4,300,759	3,283,741	898,064	47,003	71,951	-
4	Customer	2,405,502	2,236,552	163,335	2,281	3,334	-
5	Direct Private Fire	167	-	-	-	-	167
6	Total Operations & Maintenance	$ 10,967,208	$ 8,170,701	$ 2,161,930	$ 502,015	$ 132,396	$ 167
7	Depreciation & Amortization Expenses						
8	Commodity	$ 281,367	$ 177,211	$ 70,929	$ 29,165	$ 4,063	$ -
9	Demand	2,532,301	1,942,950	516,517	28,947	43,887	-
10	Customer	926,601	862,048	62,369	888	1,296	-
11	Direct Private Fire	60,188	-	-	-	-	60,188
12	Total Depreciation & Amortization	$ 3,800,457	$ 2,982,209	$ 649,815	$ 59,000	$ 49,245	$ 60,188
13	Income Taxes at Present Rates						
14	Commodity	$ 113,759	$ (84,156)	$ 147,058	$ 43,973	$ 6,885	$ -
15	Demand	158,937	(117,578)	205,460	61,436	9,619	-
16	Customer	81,874	(60,568)	105,840	31,648	4,955	-
17	Direct Private Fire	9,263	-	-	-	-	9,263
18	Total Income Taxes at Present Rates	$ 363,833	$ (262,302)	$ 458,357	$ 137,057	$ 21,458	$ 9,263
19	Property Taxes						
20	Commodity	$ 78,321	$ 53,126	$ 19,709	$ 4,332	$ 1,155	$ -
21	Demand	704,891	478,131	177,377	38,987	10,396	-
22	Customer	144,268	97,858	36,303	7,979	2,128	-
23	Direct Private Fire	5,451	-	-	-	-	5,451
24	Total Property Taxes	$ 932,931	$ 629,115	$ 233,388	$ 51,298	$ 13,679	$ 5,451
25	Other Taxes						
26	Commodity	$ 82,810	$ 51,535	$ 21,324	$ 8,827	$ 1,124	$ -
27	Demand	83,924	64,113	17,467	928	1,416	-
28	Customer	46,884	43,612	3,162	45	65	-
29	Direct Private Fire	3	-	-	-	-	3
30	Total Other Taxes	$ 213,622	$ 159,261	$ 41,952	$ 9,800	$ 2,606	$ 3
31	Total Commodity at Present Rates	$ 4,817,038	$ 2,848,123	$ 1,359,549	$ 539,028	$ 70,338	$ -
32	Total Demand at Present Rates	7,780,813	5,651,357	1,814,885	177,300	137,270	-
33	Total Customer at Present Rates	3,605,130	3,179,502	371,009	42,841	11,778	-
34	Total Direct Private Fire at Present Rates	75,071	-	-	-	-	75,071
35	Total Operating Expenses at Present Rates	$ 16,278,051	$ 11,678,983	$ 3,545,443	$ 759,169	$ 219,385	$ 75,071
36							
37	Income Taxes at Proposed Rates						
38	Commodity	$ 645,902	$ 288,822	$ 295,548	$ 46,651	$ 14,881	$ -
39	Demand	953,155	421,579	439,295	69,811	22,470	-
40	Customer	484,185	216,347	221,341	35,383	11,113	-
41	Direct Private Fire	13,274	-	-	-	-	13,274
42	Total Income Taxes at Proposed Rates	$ 2,096,517	$ 926,749	$ 956,185	$ 151,845	$ 48,464	$ 13,274
43	Property Taxes at Proposed Rates						
44	Commodity	$ 84,739	$ 58,006	$ 21,640	$ 3,796	$ 1,296	$ -
45	Demand	762,651	522,055	194,760	34,167	11,668	-
46	Customer	155,628	105,212	40,998	7,186	2,231	-
47	Direct Private Fire	5,075	-	-	-	-	5,075
48	Total Property Taxes at Proposed Rates	$ 1,008,092	$ 685,274	$ 257,398	$ 45,150	$ 15,196	$ 5,075
49							
50	Total Commodity at Proposed Rates	$ 5,355,599	$ 3,225,982	$ 1,509,971	$ 541,170	$ 78,475	$ -
51	Total Demand at Proposed Rates	8,632,791	6,234,439	2,066,104	180,856	151,393	-
52	Total Customer at Proposed Rates	4,018,800	3,463,771	491,206	45,783	18,040	-
53	Total Direct Private Fire at Proposed Rates	78,707	-	-	-	-	78,707
54	Total Operating Expenses at Proposed Rates	$ 18,085,896	$ 12,924,192	$ 4,067,280	$ 767,809	$ 247,908	$ 78,707
55							

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Allocation of Operating Expenses to Classes of Service - Detail

Line No.	Operating Expenses	Western Group [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
	Operations & Maintenance Expense						
1	Source of Supply Expenses						
2	Commodity	$ 600,303	$ 389,907	$ 153,552	$ 49,406	$ 7,438	$ -
3	Demand	143,093	110,875	28,324	1,524	2,370	-
4	Customer	-	-	-	-	-	-
5	Direct Private Fire	-	-	-	-	-	-
6	Subtotal Source of Supply Expenses	$ 743,396	$ 500,781	$ 181,876	$ 50,930	$ 9,808	$ -
7	Pumping Expenses						
8	Commodity	1,821,804	1,124,265	471,022	201,682	24,836	-
9	Demand	916,642	706,308	183,236	10,809	16,289	-
10	Customer	-	-	-	-	-	-
11	Direct Private Fire	-	-	-	-	-	-
12	Subtotal Pumping Expenses	$ 2,738,446	$ 1,830,573	$ 654,258	$ 212,490	$ 41,125	$ -
13	Water Treatment Expenses						
14	Commodity	1,094,890	677,214	282,553	120,160	14,963	-
15	Demand	121,654	92,617	25,659	1,338	2,041	-
16	Customer	-	-	-	-	-	-
17	Direct Private Fire	-	-	-	-	-	-
18	Subtotal Water Treatment Expenses	$ 1,216,545	$ 769,831	$ 308,212	$ 121,498	$ 17,004	$ -
19	Transmission & Distribution Expenses						
20	Commodity	232,621	143,857	60,368	25,296	3,099	-
21	Demand	2,093,585	1,593,711	443,124	22,360	34,390	-
22	Customer	-	-	-	-	-	-
23	Direct Private Fire	-	-	-	-	-	-
24	Subtotal Trans. & Dist. Expenses	$ 2,326,205	$ 1,737,568	$ 503,492	$ 47,656	$ 37,489	$ -
25	Customer Accounting Expenses						
26	Commodity	-	-	-	-	-	-
27	Demand	-	-	-	-	-	-
28	Customer	1,360,309	1,264,765	92,370	1,289	1,886	-
29	Direct Private Fire	-	-	-	-	-	-
30	Subtotal Customer Accounting Exp.	$ 1,360,309	$ 1,264,765	$ 92,370	$ 1,289	$ 1,886	$ -
31	Sales Expenses						
32	Commodity	-	-	-	-	-	-
33	Demand	-	-	-	-	-	-
34	Customer	-	-	-	-	-	-
35	Direct Private Fire	-	-	-	-	-	-
36	Subtotal Sales Expenses	$ -	$ -	$ -	$ -	$ -	$ -
37	Administrative & General Expenses						
38	Commodity	511,162	315,166	133,035	56,187	6,775	-
39	Demand	1,025,786	780,230	217,722	10,973	16,861	-
40	Customer	1,045,193	971,787	70,966	992	1,448	-
41	Direct Private Fire	167	-	-	-	-	167
42	Subtotal A&G Expenses	$ 2,582,308	$ 2,067,183	$ 421,723	$ 68,152	$ 25,084	$ 167
43	*Depreciation & Amortization Expenses*						
44	Commodity	281,367	177,211	70,929	29,165	4,063	-
45	Demand	2,532,301	1,942,950	516,517	28,947	43,887	-
46	Customer	926,601	862,048	62,369	888	1,296	-
47	Direct Private Fire	60,188	-	-	-	-	60,188
48	Subtotal Depreciation & Amortization	$ 3,800,457	$ 2,982,209	$ 649,815	$ 59,000	$ 49,245	$ 60,188
49	Other Taxes						
50	Commodity	82,810	51,535	21,324	8,827	1,124	-
51	Demand	83,924	64,113	17,467	928	1,416	-
52	Customer	46,884	43,612	3,162	45	65	-
53	Direct Private Fire	3	-	-	-	-	3
54	Subtotal Other Taxes	$ 213,622	$ 159,261	$ 41,952	$ 9,800	$ 2,606	$ 3
55							

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Allocation of Operating Expenses to Classes of Service - Summary

Line No.	Operating Expenses at Present Rates	Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1	Operations & Maintenance Expense						
2	Commodity	$ 3,749,127	$ 2,244,300	$ 1,008,977	$ 450,193	$ 45,658	$ -
3	Demand	3,796,817	2,850,674	848,225	38,412	59,505	-
4	Customer	2,180,810	2,023,279	152,543	2,103	2,885	-
5	Direct Private Fire	155	-	-	-	-	155
6	Total Operations & Maintenance	$ 9,726,909	$ 7,118,253	$ 2,009,744	$ 490,708	$ 108,048	$ 155
7	Depreciation & Amortization Expenses						
8	Commodity	$ 240,677	$ 144,074	$ 64,772	$ 28,900	$ 2,931	$ -
9	Demand	2,166,094	1,626,317	483,915	21,914	33,948	-
10	Customer	848,141	786,875	59,325	818	1,122	-
11	Direct Private Fire	58,489	-	-	-	-	58,489
12	Total Depreciation & Amortization	$ 3,313,401	$ 2,557,267	$ 608,012	$ 51,632	$ 38,001	$ 58,489
13	Income Taxes at Present Rates						
14	Commodity	$ 104,855	$ (75,666)	$ 132,900	$ 41,885	$ 5,736	$ -
15	Demand	156,710	(113,085)	198,624	62,598	8,573	-
16	Customer	79,603	(57,443)	100,894	31,798	4,355	-
17	Direct Private Fire	9,408	-	-	-	-	9,408
18	Total Income Taxes at Present Rates	$ 350,577	$ (246,194)	$ 432,418	$ 136,281	$ 18,664	$ 9,408
19	Property Taxes						
20	Commodity	$ 70,624	$ 46,914	$ 18,511	$ 4,218	$ 981	$ -
21	Demand	635,615	422,230	166,598	37,959	8,829	-
22	Customer	136,345	90,572	35,737	8,142	1,894	-
23	Direct Private Fire	5,367	-	-	-	-	5,367
24	Total Property Taxes	$ 847,951	$ 559,716	$ 220,845	$ 50,319	$ 11,704	$ 5,367
25	Other Taxes						
26	Commodity	$ 73,069	$ 43,741	$ 19,665	$ 8,774	$ 890	$ -
27	Demand	73,999	55,559	16,532	749	1,160	-
28	Customer	42,503	39,433	2,973	41	56	-
29	Direct Private Fire	3	-	-	-	-	3
30	Total Other Taxes	$ 189,574	$ 138,732	$ 39,169	$ 9,564	$ 2,106	$ 3
31	Total Commodity at Present Rates	$ 4,238,353	$ 2,403,364	$ 1,244,824	$ 533,970	$ 56,196	$ -
32	Total Demand at Present Rates	6,829,235	4,841,696	1,713,893	161,632	112,015	-
33	Total Customer at Present Rates	3,287,403	2,882,716	351,472	42,903	10,313	-
34	Total Direct Private Fire at Present Rates	73,421	-	-	-	-	73,421
35	Total Operating Expenses at Present Rates	$ 14,428,412	$ 10,127,775	$ 3,310,189	$ 738,504	$ 178,523	$ 73,421
36							
37	Income Taxes at Proposed Rates						
38	Commodity	$ 630,708	$ 285,822	$ 284,613	$ 46,421	$ 13,853	$ -
39	Demand	942,617	427,171	425,364	69,378	20,704	-
40	Customer	478,817	216,988	216,070	35,242	10,517	-
41	Direct Private Fire	13,356	-	-	-	-	13,356
42	Total Income Taxes at Proposed Rates	$ 2,065,498	$ 929,981	$ 926,047	$ 151,041	$ 45,073	$ 13,356
43	Property Taxes at Proposed Rates						
44	Commodity	$ 76,260	$ 51,050	$ 20,432	$ 3,693	$ 1,085	$ -
45	Demand	686,340	459,447	183,890	33,235	9,767	-
46	Customer	147,226	98,556	39,446	7,129	2,095	-
47	Direct Private Fire	4,978	-	-	-	-	4,978
48	Total Property Taxes at Proposed Rates	$ 914,804	$ 609,053	$ 243,768	$ 44,057	$ 12,948	$ 4,978
49							
50	*Total Commodity at Proposed Rates*	$ 4,769,842	$ 2,768,986	$ 1,398,458	$ 537,981	$ 64,417	$ -
51	Total Demand at Proposed Rates	7,665,867	5,419,169	1,957,926	163,688	125,084	-
52	Total Customer at Proposed Rates	3,697,497	3,165,131	470,357	45,333	16,676	-
53	Total Direct Private Fire at Proposed Rates	76,980	-	-	-	-	76,980
54	Total Operating Expenses at Proposed Rates	$ 16,210,186	$ 11,353,286	$ 3,826,741	$ 747,002	$ 206,176	$ 76,980
55							

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Allocation of Operating Expenses to Classes of Service - Detail

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
	Operating Expenses						
	Operations & Maintenance Expense						
1	Source of Supply Expenses						
2	Commodity	$ 407,839	$ 244,140	$ 109,759	$ 48,973	$ 4,967	$ -
3	Demand	107,571	80,765	24,032	1,088	1,686	-
4	Customer	-	-	-	-	-	-
5	Direct Private Fire	-	-	-	-	-	-
6	Subtotal Source of Supply Expenses	$ 515,410	$ 324,905	$ 133,791	$ 50,061	$ 6,653	$ -
7	Pumping Expenses						
8	Commodity	1,670,709	1,000,119	449,626	200,618	20,346	-
9	Demand	760,155	570,729	169,822	7,690	11,913	-
10	Customer	-	-	-	-	-	-
11	Direct Private Fire	-	-	-	-	-	-
12	Subtotal Pumping Expenses	$ 2,430,864	$ 1,570,848	$ 619,448	$ 208,308	$ 32,260	$ -
13	Water Treatment Expenses						
14	Commodity	995,108	595,691	267,807	119,492	12,119	-
15	Demand	110,568	83,015	24,701	1,119	1,733	-
16	Customer	-	-	-	-	-	-
17	Direct Private Fire	-	-	-	-	-	-
18	Subtotal Water Treatment Expenses	$ 1,105,676	$ 678,706	$ 292,508	$ 120,611	$ 13,851	$ -
19	Transmission & Distribution Expenses						
20	Commodity	209,635	125,492	56,418	25,173	2,553	-
21	Demand	1,886,715	1,416,558	421,500	19,088	29,569	-
22	Customer	-	-	-	-	-	-
23	Direct Private Fire	-	-	-	-	-	-
24	Subtotal Trans. & Dist. Expenses	$ 2,096,350	$ 1,542,049	$ 477,918	$ 44,261	$ 32,122	$ -
25	Customer Accounting Expenses						
26	Commodity	-	-	-	-	-	-
27	Demand	-	-	-	-	-	-
28	Customer	1,231,220	1,142,282	86,121	1,187	1,629	-
29	Direct Private Fire	-	-	-	-	-	-
30	Subtotal Customer Accounting Exp.	$ 1,231,220	$ 1,142,282	$ 86,121	$ 1,187	$ 1,629	$ -
31	Sales Expenses						
32	Commodity	-	-	-	-	-	-
33	Demand	-	-	-	-	-	-
34	Customer	-	-	-	-	-	-
35	Direct Private Fire	-	-	-	-	-	-
36	Subtotal Sales Expenses	$ -	$ -	$ -	$ -	$ -	$ -
37	Administrative & General Expenses						
38	Commodity	465,836	278,858	125,367	55,937	5,673	-
39	Demand	931,809	699,608	208,170	9,427	14,604	-
40	Customer	949,590	880,996	66,422	916	1,256	-
41	Direct Private Fire	155	-	-	-	-	155
42	Subtotal A&G Expenses	$ 2,347,389	$ 1,859,463	$ 399,959	$ 66,280	$ 21,533	$ 155
43	Depreciation & Amortization Expenses						
44	Commodity	240,677	144,074	64,772	28,900	2,931	-
45	Demand	2,166,094	1,626,317	483,915	21,914	33,948	-
46	Customer	848,141	786,875	59,325	818	1,122	-
47	Direct Private Fire	58,489	-	-	-	-	58,489
48	Subtotal Depreciation & Amortization	$ 3,313,401	$ 2,557,267	$ 608,012	$ 51,632	$ 38,001	$ 58,489
49	Other Taxes						
50	Commodity	73,069	43,741	19,665	8,774	890	-
51	Demand	73,999	55,559	16,532	749	1,160	-
52	Customer	42,503	39,433	2,973	41	56	-
53	Direct Private Fire	3	-	-	-	-	3
54	Subtotal Other Taxes	$ 189,574	$ 138,732	$ 39,169	$ 9,564	$ 2,106	$ 3

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Allocation of Operating Expenses to Classes of Service - Summary

Line No.	Operating Expenses at Present Rates	White Tank [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1	Operations & Maintenance Expense						
2	Commodity	$ 351,124	$ 289,377	$ 48,543	$ 2,538	$ 10,666	$ -
3	Demand	402,261	349,921	31,850	8,591	11,899	-
4	Customer	171,721	166,588	4,526	178	429	-
5	Direct Private Fire	9	-	-	-	-	9
6	Total Operations & Maintenance	$ 925,114	$ 805,886	$ 84,919	$ 11,307	$ 22,993	$ 9
7	Depreciation & Amortization Expenses						
8	Commodity	$ 36,589	$ 30,155	$ 5,058	$ 265	$ 1,111	$ -
9	Demand	329,302	286,455	26,073	7,033	9,741	-
10	Customer	67,850	65,822	1,788	70	169	-
11	Direct Private Fire	1,015	-	-	-	-	1,015
12	Total Depreciation & Amortization	$ 434,755	$ 382,431	$ 32,920	$ 7,367	$ 11,022	$ 1,015
13	Income Taxes at Present Rates						
14	Commodity	$ (5,041)	$ (9,545)	$ 3,577	$ 221	$ 706	$ -
15	Demand	(9,512)	(18,011)	6,748	418	1,333	-
16	Customer	(3,115)	(5,898)	2,210	137	437	-
17	Direct Private Fire	36	-	-	-	-	36
18	Total Income Taxes at Present Rates	$ (17,632)	$ (33,455)	$ 12,535	$ 776	$ 2,476	$ 36
19	Property Taxes						
20	Commodity	$ 5,761	$ 4,858	$ 635	$ 93	$ 175	$ -
21	Demand	51,851	43,726	5,713	835	1,577	-
22	Customer	3,170	2,673	349	51	96	-
23	Direct Private Fire	53	-	-	-	-	53
24	Total Property Taxes	$ 60,835	$ 51,257	$ 6,697	$ 979	$ 1,848	$ 53
25	Other Taxes						
26	Commodity	$ 7,332	$ 6,042	$ 1,014	$ 53	$ 223	$ -
27	Demand	8,400	7,307	665	179	248	-
28	Customer	3,586	3,479	95	4	9	-
29	Direct Private Fire	0	-	-	-	-	0
30	Total Other Taxes	$ 19,317	$ 16,828	$ 1,773	$ 236	$ 480	$ 0
31	Total Commodity at Present Rates	$ 395,765	$ 320,887	$ 58,826	$ 3,170	$ 12,881	$ -
32	Total Demand at Present Rates	782,301	669,397	71,050	17,056	24,798	-
33	Total Customer at Present Rates	243,211	232,663	8,969	439	1,140	-
34	Total Direct Private Fire at Present Rates	1,112	-	-	-	-	1,112
35	Total Operating Expenses at Present Rates	$ 1,422,389	$ 1,222,948	$ 138,845	$ 20,665	$ 38,819	$ 1,112
36							
37	Income Taxes at Proposed Rates						
38	Commodity	$ (2,155)	$ (7,768)	$ 4,521	$ 230	$ 862	$ -
39	Demand	(4,066)	(14,657)	8,531	433	1,627	-
40	Customer	(1,331)	(4,800)	2,794	142	533	-
41	Direct Private Fire	90	-	-	-	-	90
42	Total Income Taxes at Proposed Rates	$ (7,462)	$ (27,225)	$ 15,847	$ 804	$ 3,021	$ 90
43	Property Taxes at Proposed Rates						
44	Commodity	$ 6,518	$ 5,472	$ 742	$ 104	$ 201	$ -
45	Demand	58,658	49,244	6,676	932	1,806	-
46	Customer	3,586	3,010	408	57	110	-
47	Direct Private Fire	65	-	-	-	-	65
48	Total Property Taxes at Proposed Rates	$ 68,827	$ 57,725	$ 7,826	$ 1,092	$ 2,118	$ 65
49							
50	Total Commodity at Proposed Rates	$ 399,407	$ 323,278	$ 59,878	$ 3,189	$ 13,063	$ -
51	Total Demand at Proposed Rates	794,554	678,269	73,797	17,168	25,321	-
52	Total Customer at Proposed Rates	245,411	234,099	9,611	450	1,251	-
53	Total Direct Private Fire at Proposed Rates	1,179	-	-	-	-	1,179
54	Total Operating Expenses at Proposed Rates	$ 1,440,551	$ 1,235,646	$ 143,286	$ 20,807	$ 39,634	$ 1,179
55							

Line No.	Operating Expenses / Operations & Maintenance Expense	White Tank [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1	Source of Supply Expenses						
2	Commodity	$ 59,948	$ 49,406	$ 8,288	$ 433	$ 1,821	$ -
3	Demand	20,382	17,730	1,614	435	603	-
4	Customer	-	-	-	-	-	-
5	Direct Private Fire	-	-	-	-	-	-
6	Subtotal Source of Supply Expenses	$ 80,331	$ 67,136	$ 9,902	$ 869	$ 2,424	$ -
7	Pumping Expenses						
8	Commodity	147,190	121,306	20,349	1,064	4,471	-
9	Demand	146,009	127,011	11,561	3,118	4,319	-
10	Customer	-	-	-	-	-	-
11	Direct Private Fire	-	-	-	-	-	-
12	Subtotal Pumping Expenses	$ 293,200	$ 248,318	$ 31,910	$ 4,182	$ 8,790	$ -
13	Water Treatment Expenses						
14	Commodity	92,443	76,186	12,780	668	2,808	-
15	Demand	10,271	8,935	813	219	304	-
16	Customer	-	-	-	-	-	-
17	Direct Private Fire	-	-	-	-	-	-
18	Subtotal Water Treatment Expenses	$ 102,714	$ 85,121	$ 13,593	$ 888	$ 3,112	$ -
19	Transmission & Distribution Expenses						
20	Commodity	17,024	14,030	2,354	123	517	-
21	Demand	153,217	133,281	12,131	3,272	4,532	-
22	Customer	-	-	-	-	-	-
23	Direct Private Fire	-	-	-	-	-	-
24	Subtotal Trans. & Dist. Expenses	$ 170,241	$ 147,311	$ 14,485	$ 3,395	$ 5,049	$ -
25	Customer Accounting Expenses						
26	Commodity	-	-	-	-	-	-
27	Demand	-	-	-	-	-	-
28	Customer	98,134	95,201	2,587	101	245	-
29	Direct Private Fire	-	-	-	-	-	-
30	Subtotal Customer Accounting Exp.	$ 98,134	$ 95,201	$ 2,587	$ 101	$ 245	$ -
31	Sales Expenses						
32	Commodity	-	-	-	-	-	-
33	Demand	-	-	-	-	-	-
34	Customer	-	-	-	-	-	-
35	Direct Private Fire	-	-	-	-	-	-
36	Subtotal Sales Expenses	$ -	$ -	$ -	$ -	$ -	$ -
37	Administrative & General Expenses						
38	Commodity	34,518	28,448	4,772	250	1,049	-
39	Demand	72,381	62,963	5,731	1,546	2,141	-
40	Customer	73,587	71,387	1,940	76	184	-
41	Direct Private Fire	9	-	-	-	-	9
42	Subtotal A&G Expenses	$ 180,495	$ 162,799	$ 12,443	$ 1,871	$ 3,373	$ 9
43	Depreciation & Amortization Expenses						
44	Commodity	36,589	30,155	5,058	265	1,111	-
45	Demand	329,302	286,455	26,073	7,033	9,741	-
46	Customer	67,850	65,822	1,788	70	169	-
47	Direct Private Fire	1,015	-	-	-	-	1,015
48	Subtotal Depreciation & Amortization	$ 434,755	$ 382,431	$ 32,920	$ 7,367	$ 11,022	$ 1,015
49	Other Taxes						
50	Commodity	7,332	6,042	1,014	53	223	-
51	Demand	8,400	7,307	665	179	248	-
52	Customer	3,586	3,479	95	4	9	-
53	Direct Private Fire	0	-	-	-	-	0
54	Subtotal Other Taxes	$ 19,317	$ 16,828	$ 1,773	$ 236	$ 480	$ 0

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Allocation of Operating Expenses to Classes of Service - Summary

Line No.		[A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
				Ajo			
1	Operating Expenses at Present Rates						
2	Operations & Maintenance Expense						
3	Commodity	$ 160,530	$ 116,731	$ 43,011	$ -	$ 788	$ -
4	Demand	101,681	83,146	17,989	-	547	-
5	Customer	52,971	46,685	6,266	-	20	-
6	Direct Private Fire	3	-	-	-	-	3
7	*Total Operations & Maintenance*	$ 315,185	$ 246,561	$ 67,266	$ -	$ 1,354	$ 3
8	Depreciation & Amortization Expenses						
9	Commodity	$ 4,101	$ 2,982	$ 1,099	$ -	$ 20	$ -
10	Demand	36,905	30,178	6,529	-	199	-
11	Customer	10,610	9,351	1,255	-	4	-
12	Direct Private Fire	684	-	-	-	-	684
13	Total Depreciation & Amortization	$ 52,300	$ 42,510	$ 8,883	$ -	$ 223	$ 684
14	Income Taxes at Present Rates						
15	Commodity	$ 13,945	7785.680307	$ 6,016	$ -	$ 143	$ -
16	Demand	11,739	6,554	5,065	-	120	-
17	Customer	5,386	3,007	2,324	-	55	-
18	Direct Private Fire	(181)	-	-	-	-	(181)
19	Total Income Taxes at Present Rates	$ 30,888	$ 17,347	$ 13,405	$ -	$ 318	$ (181)
20	Property Taxes						
21	Commodity	$ 1,936	$ 1,457	$ 469	$ -	$ 10	$ -
22	Demand	17,425	13,109	4,224	-	92	-
23	Customer	4,754	3,576	1,152	-	25	-
24	Direct Private Fire	31	-	-	-	-	31
25	Total Property Taxes	$ 24,146	$ 18,141	$ 5,846	$ -	$ 128	$ 31
26	Other Taxes						
27	Commodity	$ 2,409	$ 1,752	$ 646	$ -	$ 12	$ -
28	Demand	1,526	1,248	270	-	8	-
29	Customer	795	701	94	-	0	-
30	Direct Private Fire	0	-	-	-	-	0
31	Total Other Taxes	$ 4,731	$ 3,701	$ 1,010	$ -	$ 20	$ 0
32	Total Commodity at Present Rates	$ 182,920	$ 130,707	$ 51,241	$ -	$ 973	$ -
33	Total Demand at Present Rates	169,276	134,234	34,077	-	966	-
34	Total Customer at Present Rates	74,516	63,320	11,092	-	104	-
35	Total Direct Private Fire at Present Rates	537	-	-	-	-	537
36	Total Operating Expenses at Present Rates	$ 427,250	$ 328,260	$ 96,409	$ -	$ 2,043	$ 537
37	Income Taxes at Proposed Rates						
38	Commodity	$ 17,349	$ 10,768	$ 6,414	$ -	$ 166	$ -
39	Demand	14,604	9,065	5,400	-	140	-
40	Customer	6,700	4,159	2,477	-	64	-
41	Direct Private Fire	(172)	-	-	-	-	(172)
42	Total Income Taxes at Proposed Rates	$ 38,481	$ 23,992	$ 14,291	$ -	$ 370	$ (172)
43	Property Taxes at Proposed Rates						
44	Commodity	$ 1,961	$ 1,485	$ 466	$ -	$ 10	$ -
45	Demand	17,653	13,364	4,194	-	94	-
46	Customer	4,816	3,646	1,144	-	26	-
47	Direct Private Fire	32	-	-	-	-	32
48	*Total Property Taxes at Proposed Rates*	$ 24,461	$ 18,495	$ 5,804	$ -	$ 131	$ 32
49							
50	Total Commodity at Proposed Rates	$ 186,350	$ 133,718	$ 51,635	$ -	$ 996	$ -
51	Total Demand at Proposed Rates	172,370	137,000	34,381	-	988	-
52	Total Customer at Proposed Rates	75,892	64,542	11,237	-	114	-
53	Total Direct Private Fire at Proposed Rates	547	-	-	-	-	547
54	Total Operating Expenses at Proposed Rates	$ 435,159	$ 335,260	$ 97,254	$ -	$ 2,098	$ 547
55							

Supporting Schedules:
G-5, G-7

Recap Schedules:
G-1, G-2

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Allocation of Operating Expenses to Classes of Service - Detail

Line No.		Ajo [A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Other	[F] Direct Private Fire
1	Operating Expenses						
	Operations & Maintenance Expense						
	Source of Supply Expenses						
2	Commodity	$ 132,516	$ 96,360	$ 35,505	$ -	$ 650	$ -
3	Demand	15,140	12,380	2,678	-	81	-
4	Customer	-	-	-	-	-	-
5	Direct Private Fire	-	-	-	-	-	-
6	Subtotal Source of Supply Expenses	$ 147,655	$ 108,740	$ 38,184	$ -	$ 732	$ -
7	Pumping Expenses						
8	Commodity	3,905	2,839	1,046	-	19	-
9	Demand	10,478	8,568	1,854	-	56	-
10	Customer	-	-	-	-	-	-
11	Direct Private Fire	-	-	-	-	-	-
12	Subtotal Pumping Expenses	$ 14,382	$ 11,407	$ 2,900	$ -	$ 76	$ -
13	Water Treatment Expenses						
14	Commodity	7,339	5,337	1,966	-	36	-
15	Demand	815	667	144	-	4	-
16	Customer	-	-	-	-	-	-
17	Direct Private Fire	-	-	-	-	-	-
18	Subtotal Water Treatment Expenses	$ 8,155	$ 6,004	$ 2,111	$ -	$ 40	$ -
19	Transmission & Distribution Expenses						
20	Commodity	5,961	4,335	1,597	-	29	-
21	Demand	53,653	43,872	9,492	-	289	-
22	Customer	-	-	-	-	-	-
23	Direct Private Fire	-	-	-	-	-	-
24	Subtotal Trans. & Dist. Expenses	$ 59,614	$ 48,207	$ 11,089	$ -	$ 318	$ -
25	Customer Accounting Expenses						
26	Commodity	-	-	-	-	-	-
27	Demand	-	-	-	-	-	-
28	Customer	30,955	27,282	3,662	-	11	-
29	Direct Private Fire	-	-	-	-	-	-
30	Subtotal Customer Accounting Exp.	$ 30,955	$ 27,282	$ 3,662	$ -	$ 11	$ -
31	Sales Expenses						
32	Commodity	-	-	-	-	-	-
33	Demand	-	-	-	-	-	-
34	Customer	-	-	-	-	-	-
35	Direct Private Fire	-	-	-	-	-	-
36	Subtotal Sales Expenses	$ -	$ -	$ -	$ -	$ -	$ -
37	Administrative & General Expenses						
38	Commodity	10,808	7,859	2,896	-	53	-
39	Demand	21,596	17,659	3,821	-	116	-
40	Customer	22,016	19,403	2,604	-	8	-
41	Direct Private Fire	3	-	-	-	-	3
42	Subtotal A&G Expenses	$ 54,423	$ 44,922	$ 9,321	$ -	$ 177	$ 3
43	Depreciation & Amortization Expenses						
44	Commodity	4,101	2,982	1,099	-	20	-
45	Demand	36,905	30,178	6,529	-	199	-
46	Customer	10,610	9,351	1,255	-	4	-
47	Direct Private Fire	684	-	-	-	-	684
48	Subtotal Depreciation & Amortization	$ 52,300	$ 42,510	$ 8,883	$ -	$ 223	$ 684
49	Other Taxes						
50	Commodity	2,409	1,752	646	-	12	-
51	Demand	1,526	1,248	270	-	8	-
52	Customer	795	701	94	-	0	-
53	Direct Private Fire	0	-	-	-	-	0
54	Subtotal Other Taxes	$ 4,731	$ 3,701	$ 1,010	$ -	$ 20	$ 0

Supporting Schedules:
G-5, G-7

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Recap Schedules:
G-1, G-2

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Distribution of Rate Base by Function

Line No.		Western Group [A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Total	[D] Commodity	[E] Demand	[F] Customer	[G] Direct Private Fire
1	Plant Classification							
2	Intangible Plant	$ 1,552,568	$ 3,478	$ 1,556,046	$ 155,605	$ 1,400,441	$ -	$ -
3	Source of Supply Plant	8,633,660	30	8,633,691	863,369	7,770,321	-	-
4	Pumping Plant	10,822,941	154,865	10,977,806	1,097,781	9,880,025	-	-
5	Water Treatment Plant	10,814,267	779	10,815,047	1,081,505	9,733,542	-	-
6	Transmission & Distribution Plant	126,807,423	1,138,354	127,945,777	8,619,211	77,572,897	39,183,951	2,569,718
7	General Plant	4,083,217	2,682,471	6,765,688	527,854	4,750,685	1,430,751	56,399
8	Subtotal Gross Utility Plant	$ 162,714,076	$ 3,979,977	$ 166,694,053	$ 12,345,323	$ 111,107,911	$ 40,614,702	$ 2,626,117
9								
10	Less:							
11	Accumulated Depreciation	32,640,331	640,126	33,280,458	2,455,903	22,103,130	8,182,130	539,294
12	Net Plant in Service	$ 130,073,744	$ 3,339,851	$ 133,413,595	$ 9,889,420	$ 89,004,781	$ 32,432,572	$ 2,086,823
13								
14	Less:							
15	Advances in Aid of Construction	53,463,817	-	53,463,817	3,567,590	32,108,312	16,719,767	1,068,147
16	Net Contributions in Aid of Construction	17,809,774	-	17,809,774	1,175,327	10,577,944	5,680,282	376,221
17	Deferred Income Tax	-	9,644,941	9,644,941	710,568	6,395,110	2,381,692	157,572
18	Customer Deposits	357,699	-	357,699	26,287	236,586	88,893	5,933
19	Subtotal Deductions	$ 71,631,290	$ 9,644,941	$ 81,276,232	$ 5,479,772	$ 49,317,951	$ 24,870,634	$ 1,607,874
20								
21	Add:							
22	Working Capital	1,462,431	-	1,462,431	107,617	968,555	362,240	24,019
23	Net Regulatory Asset / (Liability)	-	473,000	473,000	34,358	309,218	121,075	8,349
24	Subtotal Additions	$ 1,462,431	$ 473,000	$ 1,935,431	$ 141,975	$ 1,277,773	$ 483,315	$ 32,368
25								
26	Total Rate Base	$ 59,904,885	$ (5,832,090)	$ 54,072,795	$ 4,551,623	$ 40,964,603	$ 8,045,253	$ 511,317
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Distribution of Rate Base by Function

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Total	[D] Commodity	[E] Demand	[F] Customer	[G] Direct Private Fire
1	Plant Classification							
2	Intangible Plant	$ 1,533,974	$ 3,131	$ 1,537,106	$ 153,711	$ 1,383,395	$ -	$ -
3	Source of Supply Plant	7,110,689	27	7,110,716	711,072	6,399,645	-	-
4	Pumping Plant	9,110,796	154,865	9,265,661	926,566	8,339,095	-	-
5	Water Treatment Plant	9,119,376	702	9,120,077	912,008	8,208,070	-	-
6	Transmission & Distribution Plant	111,483,305	1,022,395	112,505,699	7,410,490	66,694,409	35,901,268	2,499,532
7	General Plant	3,731,834	2,415,071	6,146,905	478,381	4,305,433	1,311,396	51,694
8	Subtotal Gross Utility Plant	$ 142,089,974	$ 3,596,191	$ 145,686,165	$ 10,592,227	$ 95,330,046	$ 37,212,665	$ 2,551,227
9								
10	Less:							
11	Accumulated Depreciation	28,880,112	576,768	29,456,880	2,139,674	19,257,066	7,540,161	519,979
12	Net Plant in Service	$ 113,209,862	$ 3,019,422	$ 116,229,285	$ 8,452,553	$ 76,072,980	$ 29,672,503	$ 2,031,248
13								
14	Less:							
15	Advances in Aid of Construction	45,465,736	-	45,465,736	2,947,020	26,523,183	14,954,374	1,041,159
16	Net Contributions in Aid of Construction	16,161,299	-	16,161,299	1,047,551	9,427,959	5,315,698	370,092
17	Deferred Income Tax	-	8,683,491	8,683,491	630,747	5,676,724	2,222,738	153,283
18	Customer Deposits	327,277	-	327,277	23,772.56	213,953.03	83,773.95	5,777.16
19	Subtotal Deductions	$ 61,954,312	$ 8,683,491	$ 70,637,803	$ 4,649,091	$ 41,841,818	$ 22,576,583	$ 1,570,311
20								
21	Add:							
22	Working Capital	1,333,549	-	1,333,549	96,866	871,791	341,352	23,540
23	Net Regulatory Asset / (Liability)	-	473,000	473,000	34,358	309,218	121,075	8,349
24	Subtotal Additions	$ 1,333,549	$ 473,000	$ 1,806,549	$ 131,223	$ 1,181,009	$ 462,427	$ 31,890
25								
26	Total Rate Base	$ 52,916,376	$ (5,191,069)	$ 47,725,307	$ 3,958,458	$ 35,626,124	$ 7,642,121	$ 498,603
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Distribution of Rate Base by Function

White Tank

Line No.		[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Total	[D] Commodity	[E] Demand	[F] Customer	[G] Direct Private Fire
1	Plant Classification							
2	Intangible Plant	$ 14,082	$ 278	$ 14,360	$ 1,436	$ 12,924	$ -	$ -
3	Source of Supply Plant	1,511,948	2	1,511,950	151,195	1,360,755	-	-
4	Pumping Plant	1,622,914	-	1,622,914	162,291	1,460,622	-	-
5	Water Treatment Plant	1,690,602	62	1,690,664	169,066	1,521,598	-	-
6	Transmission & Distribution Plant	13,304,456	115,913	13,420,369	1,053,389	9,480,501	2,845,053	41,425
7	General Plant	218,266	214,485	432,750	33,954	305,590	89,671	3,535
8	Subtotal Gross Utility Plant	$ 18,362,266	$ 330,741	$ 18,693,007	$ 1,571,332	$ 14,141,991	$ 2,934,724	$ 44,960
9								
10	Less:							
11	Accumulated Depreciation	2,805,964	51,025	2,856,989	240,445	2,164,001	445,876	6,667
12	Net Plant in Service	$ 15,556,302	$ 279,716	$ 15,836,018	$ 1,330,888	$ 11,977,989	$ 2,488,848	$ 38,293
13								
14	Less:							
15	Advances in Aid of Construction	7,891,919	-	7,891,919	612,626	5,513,632	1,740,322	25,340
16	Net Contributions in Aid of Construction	1,580,502	-	1,580,502	122,690	1,104,206	348,531	5,075
17	Deferred Income Tax	-	771,189	771,189	64,903	584,131	120,356	1,800
18	Customer Deposits	22,494	-	22,494	1,893.06	17,037.56	3,510.46	52.49
19	Subtotal Deductions	$ 9,494,915	$ 771,189	$ 10,266,104	$ 802,112	$ 7,219,006	$ 2,212,719	$ 32,267
20								
21	Add:							
22	Working Capital	112,351	-	112,351	9,455	85,099	17,534	262
23	Net Regulatory Asset / (Liability)	-	-	-	-	-	-	-
24	Subtotal Additions	$ 112,351	$ -	$ 112,351	$ 9,455	$ 85,099	$ 17,534	$ 262
25								
26	Total Rate Base	$ 6,196,231	$ (491,473)	$ 5,704,758	$ 540,124	$ 4,861,120	$ 297,173	$ 6,341
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Distribution of Rate Base by Function

Line No.		[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Total	Ajo [D] Commodity	[E] Demand	[F] Customer	[G] Direct Private Fire
1	Plant Classification							
2	Intangible Plant	$ 4,512	$ 69	$ 4,580	$ 458	$ 4,122	$ -	$ -
3	Source of Supply Plant	11,024	1	11,024	1,102	9,922	-	-
4	Pumping Plant	89,231	-	89,231	8,923	80,308	-	-
5	Water Treatment Plant	4,290	15	4,305	431	3,875	-	-
6	Transmission & Distribution Plant	2,019,663	45	2,019,708	155,332	1,397,987	437,629	28,760
7	General Plant	133,117	52,916	186,032	15,518	139,661	29,684	1,170
8	Subtotal Gross Utility Plant	$ 2,261,836	$ 53,046	$ 2,314,881	$ 181,764	$ 1,635,874	$ 467,313	$ 29,930
9								
10	Less:							
11	Accumulated Depreciation	954,255	12,333	966,588	75,785	682,063	196,092	12,648
12	Net Plant in Service	$ 1,307,580	$ 40,713	$ 1,348,293	$ 105,979	$ 953,811	$ 271,221	$ 17,282
13								
14	Less:							
15	Advances in Aid of Construction	106,162	-	106,162	7,944	71,498	25,072	1,648
16	Net Contributions in Aid of Construction	67,973	-	67,973	5,087	45,779	16,053	1,055
17	Deferred Income Tax	-	190,261	190,261	14,917	134,255	38,598	2,490
18	Customer Deposits	7,929	-	7,929	622	5,595	1,609	104
19	Subtotal Deductions	$ 182,064	$ 190,261	$ 372,324	$ 28,570	$ 257,127	$ 81,332	$ 5,296
20								
21	Add:							
22	Working Capital	16,531	-	16,531	1,296	11,665	3,354	216
23	Net Regulatory Asset / (Liability)	-	-	-	-	-	-	-
24	Subtotal Additions	$ 16,531	$ -	$ 16,531	$ 1,296	$ 11,665	$ 3,354	$ 216
25								
26	Total Rate Base	$ 1,142,048	$ (149,548)	$ 992,500	$ 78,705	$ 708,349	$ 193,243	$ 12,202
27								

Supporting Schedules:

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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Distribution of Expenses by Function

Line No.		Western Group [A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Total	[D] Commodity	[E] Demand	[F] Customer	[G] Direct Private Fire
1	Operating Expenses							
2	Operations & Maintenance Expenses							
3	Source of Supply Expenses:							
4	Purchased Water	$ 618,095	$ 39,359	$ 657,454	$ 591,709	$ 65,745	$ -	$ -
5	Other	82,779	3,162	85,941	8,594	77,347	-	-
6	Subtotal Source of Supply Expenses	$ 700,874	$ 42,522	$ 743,396	$ 600,303	$ 143,093	$ -	$ -
7								
8	Pumping Expenses:							
9	Purchased Power	1,901,110	32,913	1,934,023	1,740,620	193,402	-	-
10	Purchased Gas	927	-	927	834	93	-	-
11	Other	643,730	159,766	803,496	80,350	723,147	-	-
12	Subtotal Pumping Expenses	$ 2,545,767	$ 192,679	$ 2,738,446	$ 1,821,804	$ 916,642	$ -	$ -
13								
14	Water Treatment Expenses	1,107,608	108,937	1,216,545	1,094,890	121,654	-	-
15	Transmission & Distribution Expenses	1,729,209	596,996	2,326,205	232,621	2,093,585	-	-
16	Customer Accounting Expenses	1,300,821	59,488	1,360,309	-	-	1,360,309	-
17	Sales Expense	-	-	-	-	-	-	-
18	Administrative & General Expenses	2,230,487	351,821	2,582,308	511,162	1,025,786	1,045,193	167
19	Total Operations & Maintenance Expense	$ 9,614,766	$ 1,352,442	$ 10,967,208	$ 4,260,780	$ 4,300,759	$ 2,405,502	$ 167
20								
21	Depreciation & Amortization Expenses	3,586,696	213,761	3,800,457	281,367	2,532,301	926,601	60,188
22								
23	Taxes							
24	Income Taxes at Present Rates	771,768	(407,935)	363,833	113,759	158,937	81,874	9,263
25	Property Taxes	723,110	209,821	932,931	78,321	704,891	144,268	5,451
26	Other	2,125,026	(1,911,404)	213,622	82,810	83,924	46,884	3
27	Total Taxes	$ 3,619,904	$ (2,109,517)	$ 1,510,387	$ 274,891	$ 947,752	$ 273,026	$ 14,717
28								
29	Total Operating Expenses	$ 16,821,366	$ (543,315)	$ 16,278,051	$ 4,817,038	$ 7,780,813	$ 3,605,130	$ 75,071
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33				Income & Property Taxes at Proposed Rates				
34				Adjusted with Increase	Commodity	Demand	Customer	Direct Private Fire
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37								
38	Income Taxes at Proposed Rates			$ 2,096,517	$ 645,902	$ 953,155	$ 484,185	$ 13,274
39								
40	Property Taxes at Proposed Rates			1,008,092	84,739	762,651	155,628	5,075
41								
42	Total Operating Expenses at Proposed Rates			$ 18,085,896	$ 5,355,599	$ 8,632,791	$ 4,018,800	$ 78,707
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Distribution of Expenses by Function

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield)						
		[A]	[B]	[C]	[D]	[E]	[F]	[G]
		Actual End of Test Year	Total Pro Forma Adjustments	Adjusted Total	Commodity	Demand	Customer	Direct Private Fire
1	Operating Expenses							
2	Operations & Maintenance Expenses							
3	Source of Supply Expenses:							
4	Purchased Water	$ 445,372	$ -	$ 445,372	$ 400,835	$ 44,537	$ -	$ -
5	Other	67,345	2,693	70,038	7,004	63,034	-	-
6	Subtotal Source of Supply Expenses	$ 512,717	$ 2,693	$ 515,410	$ 407,839	$ 107,571	$ -	$ -
7								
8	Pumping Expenses:	-	-					
9	Purchased Power	1,758,865	24,737	1,783,602	1,605,241	178,360	-	-
10	Purchased Gas	927	-	927	834	93	-	-
11	Other	500,924	145,411	646,335	64,634	581,702	-	-
12	Subtotal Pumping Expenses	$ 2,260,716	$ 170,148	$ 2,430,864	$ 1,670,709	$ 760,155	$ -	$ -
13								
14	Water Treatment Expenses	995,342	110,334	1,105,676	995,108	110,568	-	-
15	Transmission & Distribution Expenses	1,562,011	534,339	2,096,350	209,635	1,886,715	-	-
16	Customer Accounting Expenses	1,177,556	53,664	1,231,220	-	-	1,231,220	-
17	Sales Expense	-	-	-	-	-	-	-
18	Administrative & General Expenses	2,028,410	318,979	2,347,389	465,836	931,809	949,590	155
19	Total Operations & Maintenance Expense	$ 8,536,752	$ 1,190,157	$ 9,726,909	$ 3,749,127	$ 3,796,817	$ 2,180,810	$ 155
20								
21	Depreciation & Amortization Expenses	3,104,883	208,518	3,313,401	240,677	2,166,094	848,141	58,489
22								
23	Taxes							
24	Income Taxes at Present Rates	681,278	(330,701)	350,577	104,855	156,710	79,603	9,408
25	Property Taxes	656,118	191,833	847,951	70,624	635,615	136,345	5,367
26	Other	1,954,315	(1,764,741)	189,574	73,069	73,999	42,503	3
27	Total Taxes	$ 3,291,711	$ (1,903,609)	$ 1,388,102	$ 248,548	$ 866,324	$ 258,452	$ 14,778
28								
29	Total Operating Expenses	$ 14,933,346	$ (504,934)	$ 14,428,412	$ 4,238,353	$ 6,829,235	$ 3,287,403	$ 73,421
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34		Income & Property Taxes at Proposed Rates						
35								
36		Adjusted with Increase			Commodity	Demand	Customer	Direct Private Fire
37								
38	Income Taxes at Proposed Rates	$ 2,065,498			$ 630,708	$ 942,617	$ 478,817	$ 13,356
39								
40	Property Taxes at Proposed Rates	914,804			76,260	686,340	147,226	4,978
41								
42	Total Operating Expenses at Proposed Rates	$ 16,210,186			$ 4,769,842	$ 7,665,867	$ 3,697,497	$ 76,980
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Distribution of Expenses by Function

Line No.		White Tank [A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Total	[D] Commodity	[E] Demand	[F] Customer	[G] Direct Private Fire
1	Operating Expenses							
2	Operations & Maintenance Expenses							
3	Source of Supply Expenses:							
4	Purchased Water	$ 25,535	$ 39,359	$ 64,894	$ 58,405	$ 6,489	$ -	$ -
5	Other	15,158	278	15,436	1,544	13,893	-	-
6	Subtotal Source of Supply Expenses	$ 40,693	$ 39,638	$ 80,331	$ 59,948	$ 20,382	$ -	$ -
7								
8	Pumping Expenses:		-					
9	Purchased Power	139,162	8,176	147,338	132,604	14,734	-	-
10	Purchased Gas	-	-	-	-	-	-	-
11	Other	133,987	11,875	145,862	14,586	131,275	-	-
12	Subtotal Pumping Expenses	$ 273,149	$ 20,051	$ 293,200	$ 147,190	$ 146,009	$ -	$ -
13								
14	Water Treatment Expenses	104,242	(1,528)	102,714	92,443	10,271	-	-
15	Transmission & Distribution Expenses	123,225	47,016	170,241	17,024	153,217	-	-
16	Customer Accounting Expenses	93,431	4,703	98,134	-	-	98,134	-
17	Sales Expense	-	-	-	-	-	-	-
18	Administrative & General Expenses	155,077	25,418	180,495	34,518	72,381	73,587	9
19	Total Operations & Maintenance Expense	$ 789,817	$ 135,297	$ 925,114	$ 351,124	$ 402,261	$ 171,721	$ 9
20								
21	Depreciation & Amortization Expenses	430,907	3,848	434,755	36,589	329,302	67,850	1,015
22								
23	Taxes							
24	Income Taxes at Present Rates	64,449	(82,081)	(17,632)	(5,041)	(9,512)	(3,115)	36
25	Property Taxes	45,778	15,057	60,835	5,761	51,851	3,170	53
26	Other	133,257	(113,940)	19,317	7,332	8,400	3,586	0
27	Total Taxes	$ 243,484	$ (180,964)	$ 62,520	$ 8,052	$ 50,739	$ 3,641	$ 89
28								
29	Total Operating Expenses	$ 1,464,208	$ (41,819)	$ 1,422,389	$ 395,765	$ 782,301	$ 243,211	$ 1,112

		Income & Property Taxes at Proposed Rates: Adjusted with Increase	Commodity	Demand	Customer	Direct Private Fire
38	Income Taxes at Proposed Rates	$ (7,462)	$ (2,155)	$ (4,066)	$ (1,331)	$ 90
39						
40	Property Taxes at Proposed Rates	68,827	6,518	58,658	3,586	65
41						
42	Total Operating Expenses at Proposed Rates	$ 1,440,551	$ 399,407	$ 794,554	$ 245,411	$ 1,179

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Distribution of Expenses by Function

Line No.		[A] Actual End of Test Year	[B] Total Pro Forma Adjustments	[C] Adjusted Total	Ajo [D] Commodity	[E] Demand	[F] Customer	[G] Direct Private Fire
1	Operating Expenses							
2	Operations & Maintenance Expenses							
3	Source of Supply Expenses:							
4	Purchased Water	$ 147,188	$ -	$ 147,188	$ 132,469	$ 14,719	$ -	$ -
5	Other	276	191	467	47	421	-	-
6	Subtotal Source of Supply Expenses	$ 147,464	$ 191	$ 147,655	$ 132,516	$ 15,140	$ -	$ -
7								
8	Pumping Expenses:							
9	Purchased Power	3,083	-	3,083	2,775	308	-	-
10	Purchased Gas	-	-	-	-	-	-	-
11	Other	8,819	2,480	11,299	1,130	10,169	-	-
12	Subtotal Pumping Expenses	$ 11,902	$ 2,480	$ 14,382	$ 3,905	$ 10,478	$ -	$ -
13								
14	Water Treatment Expenses	8,024	131	8,155	7,339	815	-	-
15	Transmission & Distribution Expenses	43,973	15,641	59,614	5,961	53,653	-	-
16	Customer Accounting Expenses	29,834	1,121	30,955	-	-	30,955	-
17	Sales Expense	-	-	-	-	-	-	-
18	Administrative & General Expenses	47,000	7,423	54,423	10,808	21,596	22,016	3
19	Total Operations & Maintenance Expense	$ 288,197	$ 26,988	$ 315,185	$ 160,530	$ 101,681	$ 52,971	$ 3
20								
21	Depreciation & Amortization Expenses	50,906	1,394	52,300	4,101	36,905	10,610	684
22								
23	Taxes							
24	Income Taxes at Present Rates	26,041	4,847	30,888	13,945	11,739	5,386	(181)
25	Property Taxes	21,214	2,932	24,146	1,936	17,425	4,754	31
26	Other	37,454	(32,723)	4,731	2,409	1,526	795	0
27	Total Taxes	$ 84,709	$ (24,945)	$ 59,764	$ 18,290	$ 30,690	$ 10,934	$ (150)
28								
29	Total Operating Expenses	$ 423,812	$ 3,438	$ 427,250	$ 182,920	$ 169,276	$ 74,516	$ 537
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38	Income Taxes at Proposed Rates							
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40	Property Taxes at Proposed Rates							
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42	Total Operating Expenses at Proposed Rates							
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Income & Property Taxes at Proposed Rates

	Adjusted with Increase	Commodity	Demand	Customer	Direct Private Fire
Income Taxes at Proposed Rates	$ 38,481	$ 17,349	$ 14,604	$ 6,700	$ (172)
Property Taxes at Proposed Rates	24,461	1,961	17,653	4,816	32
Total Operating Expenses at Proposed Rates	$ 435,159	$ 186,350	$ 172,370	$ 75,892	$ 547

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Development of Allocation Factors

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] End of Test Year[1] 12/31/2010	[B] Commodity	[C] Demand	[D] Customer	[E] Direct Private Fire
1	Intangible Plant					
2	Organization	$ -	0.10	0.90	-	-
3	Franchises	82,969	0.10	0.90	-	-
4	Other Intangibles	1,451,005	0.10	0.90	-	-
5	Subtotal Intangible Plant	$ 1,533,974	0.10	0.90	-	-
6	Source of Supply Plant					
7	Water Rights	356,562	0.10	0.90	-	-
8	Other Source of Supply Land	298,548	0.10	0.90	-	-
9	Wells - Other	-	0.10	0.90	-	-
10	Wells	6,455,579	0.10	0.90	-	-
11	Subtotal Source of Supply Plant	$ 7,110,689	0.10	0.90	-	-
12	Pumping Plant					
13	Pumping Plant Land	31,897	0.10	0.90	-	-
14	Pumping Plant Structures & Improvements	239,380	0.10	0.90	-	-
15	Electtric Pumping Equipment	8,819,494	0.10	0.90	-	-
16	Gas Engine Equipment	20,026	0.10	0.90	-	-
17	Subtotal Pumping Plant	$ 9,110,796	0.10	0.90	-	-
18	Water Treatment Plant					
19	Water Treatment Plant Land	680,718	0.10	0.90	-	-
20	Water Treatment Structures & Improvements	1,523,410	0.10	0.90	-	-
21	Water Treatment Equipment	6,915,247	0.10	0.90	-	-
22	Subtotal Water Treatment Plant	$ 9,119,376	0.10	0.90	-	-
23	Transmission & Distribution Plant					
24	Transmission and Distribution Land	345,492	0.10	0.90	-	-
25	Storage Tanks	2,979,202	0.10	0.90	-	-
26	Transmission & Distribution Mains	70,106,777	0.10	0.90	-	-
27	Fire Sprinkler Taps	2,476,818	-	-	-	1.00
28	Services	23,373,813	-	-	1.00	-
29	Meters	3,072,138	-	-	1.00	-
30	Hydrants	9,129,065	-	-	1.00	-
31	Subtotal Transmission & Distribution Plant	$ 111,483,305	0.07	0.59	0.32	0.02
32	General Plant					
33	General Plant Land	8,772	0.10	0.90	-	-
34	General Plant Structures	473,042	0.10	0.90	-	-
35	Leasehold Improvements	51,930	0.07	0.67	0.24	0.01
36	Office Furniture & Equipment	321,305	0.07	0.67	0.24	0.01
37	Warehouse Equipment	22,189	0.07	0.67	0.24	0.01
38	Tools, Shop & Garage Equipment	351,350	0.07	0.67	0.24	0.01
39	Laboratory Equipment	63,649	0.07	0.67	0.24	0.01
40	Power Operated Equipment	102,718	0.07	0.67	0.24	0.01
41	Communication Equipment	2,135,247	0.07	0.67	0.24	0.01
42	Miscellaneous Equipment	201,633	0.07	0.67	0.24	0.01
43	Subtotal General Plant	$ 3,731,834	0.08	0.70	0.21	0.01
44						
45	Total Plant in Service	$ 142,089,974	0.07	0.65	0.26	0.02
46						
47						
48	Advances & Contributions					
49	(T&D Mains, Fire Sprinkler Taps, Services					
50	Meters, & Hydrants)					
51		$ 108,158,611	0.06	0.58	0.33	0.02
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55	[1]Excludes Phoenix office & meter shop					

Supporting Schedules:

Recap Schedules:
G-4, G-3

Line No.		Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] End of Test Year 12/31/2010	[B] Commodity	[C] Demand	[D] Customer	[E] Direct Private Fire
1	Operating Expenses					
2	Source of Supply Expenses:					
3	Purchased Water	$ 445,372	0.90	0.10	-	-
4	Other	67,345	0.10	0.90	-	-
5	Pumping Expenses:					
6	Purchased Power	1,758,865	0.90	0.10	-	-
7	Purchased Gas	927	0.90	0.10	-	-
8	Other	500,924	0.10	0.90	-	-
9	Water Treatment Expenses	995,342	0.90	0.10	-	-
10	Transmission & Distribution Expenses	1,562,011	0.10	0.90	-	-
11	Customer Accounting Expenses	1,177,556	-	-	1.00	-
12	Sales Expense	-	-	-	1.00	-
13	Administrative & General Expenses	2,028,410	0.20	0.40	0.40	0.00
14	Total Operations & Maintenance Expense	$ 8,536,752	0.41	0.36	0.23	0.00
15						
16	Depreciation & Amortization Expenses	$ 3,104,883	0.07	0.65	0.26	0.02
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Pinal Valley (Casa Grande, Coolidge, Stanfield)

Commodity Allocation Factor

Line No.	Class	[A] Total M Gallons	[B] Percent of Total / Factor
6	Residential	2,974,686	59.86%
7	Commercial	1,337,338	26.91%
8	Industrial	596,704	12.01%
9	Other	60,516	1.22%
11	Totals	4,969,244	100.00%

Demand Allocation Factor

Line No.	Class	[C] 5/8-inch	[D] 1-inch	[E] 1.5-inch	[F] 2-inch	[G] 3-inch	[H] 4-inch	[I] 6-inch	[J] 8-inch	10-inch	Total	Percent of Total / Factor
19	Residential											
20	Meters/Services	25,067	491	-	75	7	4	8	-	-		
21	Equivalent Weight	1.0	2.5	5.0	8.0	16.0	25.0	50.0	80.0	115.0		
22	Equivalent Meters/Services	25,067	1,228	-	603	112	94	399	-	-	27,502	75.08%
23	Commercial											
24	Meters/Services	874	485	-	498	35	25	15	3	-		
25	Equivalent Weight	1.0	2.5	5.0	8.0	16.0	25.0	50.0	80.0	115.0		
26	Equivalent Meters/Services	874	1,213	-	3,987	553	619	736	202	-	8,183	22.34%
27	Industrial											
28	Meters/Services	3	7	-	11	-	3	2	1	-		
29	Equivalent Weight	1.0	2.5	5.0	8.0	16.0	25.0	50.0	80.0	115.0		
30	Equivalent Meters/Services	3	16	-	88	-	75	108	80	-	371	1.01%
31	Other											
32	Meters/Services	-	-	-	3	32	1	-	-	-		
33	Equivalent Weight	1.0	2.5	5.0	8.0	16.0	25.0	50.0	80.0	115.0		
34	Equivalent Meters/Services	-	-	-	24	515	35	-	-	-	574	1.57%
35	Totals											
36											36,630	100.00%

Customer Allocation Factor

Line No.	Class	Meters / Services	Bills	Percent of Total / Factor
45	Residential	25,652	307,824	92.78%
46	Commercial	1,934	23,208	6.99%
47	Industrial	27	320	0.10%
48	Other	37	439	0.13%
		27,649	331,791	100.00%

*Allocation factors include customer growth

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Development of Allocation Factors

Line No.		White Tank [A] End of Test Year[1] 12/31/2010	[B] Commodity	[C] Demand	[D] Customer	[E] Direct Private Fire
1	Intangible Plant					
2	Organization	$ -	0.10	0.90	-	-
3	Franchises	-	0.10	0.90	-	-
4	Other Intangibles	14,082	0.10	0.90	-	-
5	Subtotal Intangible Plant	$ 14,082	0.10	0.90	-	-
6	Source of Supply Plant					
7	Water Rights	26,224	0.10	0.90	-	-
8	Other Source of Supply Land	45,043	0.10	0.90	-	-
9	Wells - Other	-	0.10	0.90	-	-
10	Wells	1,440,680	0.10	0.90	-	-
11	Subtotal Source of Supply Plant	$ 1,511,948	0.10	0.90	-	-
12	Pumping Plant					
13	Pumping Plant Land	-	0.10	0.90	-	-
14	Pumping Plant Structures & Improvements	22,985	0.10	0.90	-	-
15	Electtric Pumping Equipment	1,599,928	0.10	0.90	-	-
16	Gas Engine Equipment	-	0.10	0.90	-	-
17	Subtotal Pumping Plant	$ 1,622,914	0.10	0.90	-	-
18	Water Treatment Plant					
19	Water Treatment Plant Land	-	0.10	0.90	-	-
20	Water Treatment Structures & Improvements	40,103	0.10	0.90	-	-
21	Water Treatment Equipment	1,650,499	0.10	0.90	-	-
22	Subtotal Water Treatment Plant	$ 1,690,602	0.10	0.90	-	-
23	Transmission & Distribution Plant					
24	Transmission and Distribution Land	35,990	0.10	0.90	-	-
25	Storage Tanks	478,301	0.10	0.90	-	-
26	Transmission & Distribution Mains	9,928,618	0.10	0.90	-	-
27	Fire Sprinkler Taps	41,067	-	-	-	1.00
28	Services	1,952,221	-	-	1.00	-
29	Meters	244,729	-	-	1.00	-
30	Hydrants	623,530	-	-	1.00	-
31	Subtotal Transmission & Distribution Plant	$ 13,304,456	0.08	0.71	0.21	0.00
32	General Plant					
33	General Plant Land	-	0.10	0.90	-	-
34	General Plant Structures	33,643	0.10	0.90	-	-
35	Leasehold Improvements	-	0.07	0.67	0.24	0.01
36	Office Furniture & Equipment	27,194	0.07	0.67	0.24	0.01
37	Warehouse Equipment	1,306	0.07	0.67	0.24	0.01
38	Tools, Shop & Garage Equipment	34,073	0.07	0.67	0.24	0.01
39	Laboratory Equipment	6,654	0.07	0.67	0.24	0.01
40	Power Operated Equipment	1,788	0.07	0.67	0.24	0.01
41	Communication Equipment	100,557	0.07	0.67	0.24	0.01
42	Miscellaneous Equipment	13,051	0.07	0.67	0.24	0.01
43	Subtotal General Plant	$ 218,266	0.08	0.71	0.21	0.01
44						
45	Total Plant in Service	$ 18,362,266	0.08	0.76	0.16	0.00
46						
47						
48	Advances & Contributions					
49	(T&D Mains, Fire Sprinkler Taps, Services					
50	Meters, & Hydrants)	$ 12,790,165	0.08	0.70	0.22	0.00
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55	[1]Excludes Phoenix office & meter shop					

Supporting Schedules:

Recap Schedules:
G-4, G-3

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Development of Allocation Factors

Line No.		White Tank [A] End of Test Year 12/31/2010	[B] Commodity	[C] Demand	[D] Customer	[E] Direct Private Fire
1	Operating Expenses					
2	Source of Supply Expenses:					
3	Purchased Water	$ 25,535	0.90	0.10	-	-
4	Other	15,158	0.10	0.90	-	-
5	Pumping Expenses:					
6	Purchased Power	139,162	0.90	0.10	-	-
7	Purchased Gas	-	0.90	0.10	-	-
8	Other	133,987	0.10	0.90	-	-
9	Water Treatment Expenses	104,242	0.90	0.10	-	-
10	Transmission & Distribution Expenses	123,225	0.10	0.90	-	-
11	Customer Accounting Expenses	93,431	-	-	1.00	-
12	Sales Expense	-	-	-	1.00	-
13	Administrative & General Expenses	155,077	0.19	0.40	0.41	0.00
14	Total Operations & Maintenance Expense	$ 789,817	0.38	0.42	0.20	0.00
15						
16	Depreciation & Amortization Expenses	$ 430,907	0.08	0.76	0.16	0.00
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Supporting Schedules:

Recap Schedules:
G-4, G-3

White Tank

Commodity Allocation Factor

Line No.	Class	[A] Total M Gallons	[B] Percent of Total / Factor
5	Class		
6	Residential	302,019	82.41%
7	Commercial	50,663	13.82%
8	Industrial	2,649	0.72%
9	Other	11,132	3.04%
11	Totals	366,463	100.00%

Demand Allocation Factor

Line No.	Class	[C] 5/8-inch	[D] 1-inch	[E] 1.5-inch	[F] 2-inch	[G] 3-inch	[H] 4-inch	[I] 6-inch	[J] 8-inch	10-inch	Total	Percent of Total / Factor
17	Class											
18	Residential											
19	Meters/Services	1,561	314	-	2	-	-	-	-	-		
20	Equivalent Weight	1.0	2.5	5.0	8.0	16.0	25.0	50.0	80.0	115.0		
21	Equivalent Meters/Services	1,561	786	-	16	-	-	-	-	-	2,362	86.99%
22	Commercial											
23	Meters/Services	17	17	-	16	2	-	-	-	-		
24	Equivalent Weight	1.0	2.5	5.0	8.0	16.0	25.0	50.0	80.0	115.0		
25	Equivalent Meters/Services	17	41	-	126	31	-	-	-	-	215	7.92%
26	Industrial											
27	Meters/Services	-	-	-	1	-	-	1	-	-		
28	Equivalent Weight	1.0	2.5	5.0	8.0	16.0	25.0	50.0	80.0	115.0		
29	Equivalent Meters/Services	-	-	-	8	-	-	50	-	-	58	2.14%
30	Other											
31	Meters/Services	-	-	-	-	5	0	-	-	-		
32	Equivalent Weight	1.0	2.5	5.0	8.0	16.0	25.0	50.0	80.0	115.0		
33	Equivalent Meters/Services	-	-	-	-	72	8	-	-	-	80	2.96%
35	Totals										2,716	100.00%

Customer Allocation Factor

Line No.	Class	Meters / Services	Bills	Percent of Total / Factor
45	Residential	1,877	22,524	97.01%
46	Commercial	51	612	2.64%
47	Industrial	2	24	0.10%
48	Other	5	58	0.25%
50		1,935	23,218	100.00%

*Allocation factors include customer growth

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Development of Allocation Factors

Line No.		[A] End of Test Year[1] 12/31/2010	Ajo [B] Commodity	[C] Demand	[D] Customer	[E] Direct Private Fire
1	Intangible Plant					
2	Organization	$ -	0.10	0.90	-	-
3	Franchises	-	0.10	0.90	-	-
4	Other Intangibles	4,512	0.10	0.90	-	-
5	Subtotal Intangible Plant	$ 4,512	0.10	0.90	-	-
6	Source of Supply Plant					
7	Water Rights	10,222	0.10	0.90	-	-
8	Other Source of Supply Land	-	0.10	0.90	-	-
9	Wells - Other	-	0.10	0.90	-	-
10	Wells	802	0.10	0.90	-	-
11	Subtotal Source of Supply Plant	$ 11,024	0.10	0.90	-	-
12	Pumping Plant					
13	Pumping Plant Land	3,208	0.10	0.90	-	-
14	Pumping Plant Structures & Improvements	3,015	0.10	0.90	-	-
15	Electtric Pumping Equipment	83,008	0.10	0.90	-	-
16	Gas Engine Equipment	-	0.10	0.90	-	-
17	Subtotal Pumping Plant	$ 89,231	0.10	0.90	-	-
18	Water Treatment Plant					
19	Water Treatment Plant Land	-	0.10	0.90	-	-
20	Water Treatment Structures & Improvements	-	0.10	0.90	-	-
21	Water Treatment Equipment	4,290	0.10	0.90	-	-
22	Subtotal Water Treatment Plant	$ 4,290	0.10	0.90	-	-
23	Transmission & Distribution Plant					
24	Transmission and Distribution Land	6,065	0.10	0.90	-	-
25	Storage Tanks	160,595	0.10	0.90	-	-
26	Transmission & Distribution Mains	1,386,625	0.10	0.90	-	-
27	Fire Sprinkler Taps	28,759	-	-	-	1.00
28	Services	306,627	-	-	1.00	-
29	Meters	51,129	-	-	1.00	-
30	Hydrants	79,863	-	-	1.00	-
31	Subtotal Transmission & Distribution Plant	$ 2,019,663	0.08	0.69	0.22	0.01
32	General Plant					
33	General Plant Land	-	0.10	0.90	-	-
34	General Plant Structures	46,411	0.10	0.90	-	-
35	Leasehold Improvements	-	0.07	0.67	0.24	0.01
36	Office Furniture & Equipment	9,884	0.07	0.67	0.24	0.01
37	Warehouse Equipment	193	0.07	0.67	0.24	0.01
38	Tools, Shop & Garage Equipment	8,618	0.07	0.67	0.24	0.01
39	Laboratory Equipment	34,889	0.07	0.67	0.24	0.01
40	Power Operated Equipment	3,234	0.07	0.67	0.24	0.01
41	Communication Equipment	29,119	0.07	0.67	0.24	0.01
42	Miscellaneous Equipment	768	0.07	0.67	0.24	0.01
43	Subtotal General Plant	$ 133,117	0.08	0.75	0.16	0.01
44						
45	Total Plant in Service	$ 2,261,836	0.08	0.71	0.20	0.01
46						
47						
48	Advances & Contributions					
49	(T&D Mains, Fire Sprinkler Taps, Services					
50	Meters, & Hydrants)	$ 1,853,004	0.07	0.67	0.24	0.02
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55	[1]Excludes Phoenix office & meter shop					

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Development of Allocation Factors

Line No.		[A] End of Test Year 12/31/2010	Ajo [B] Commodity	[C] Demand	[D] Customer	[E] Direct Private Fire
1	Operating Expenses					
2	Source of Supply Expenses:					
3	Purchased Water	$ 147,188	0.90	0.10	-	-
4	Other	276	0.10	0.90	-	-
5	Pumping Expenses:					
6	Purchased Power	3,083	0.90	0.10	-	-
7	Purchased Gas	-	0.90	0.10	-	-
8	Other	8,819	0.10	0.90	-	-
9	Water Treatment Expenses	8,024	0.90	0.10	-	-
10	Transmission & Distribution Expenses	43,973	0.10	0.90	-	-
11	Customer Accounting Expenses	29,834	-	-	1.00	-
12	Sales Expense	-	-	-	1.00	-
13	Administrative & General Expenses	47,000	0.20	0.40	0.40	0.00
14	Total Operations & Maintenance Expense	$ 288,197	0.55	0.29	0.17	0.00
15						
16	Depreciation & Amortization Expenses	$ 50,906	0.08	0.71	0.20	0.01
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Ajo

Commodity Allocation Factor

Line No.	Class	[A] Total M Gallons	[B] Percent of Total / Factor
6	Residential	34,299	72.72%
7	Commercial	12,638	26.79%
8	Industrial	-	0.00%
9	Other	232	0.49%
11	Totals	47,168	100.00%

Demand Allocation Factor

Line No.	Class	[C] 5/8-inch	[D] 1-inch	[E] 1.5-inch	[F] 2-inch	[G] 3-inch	[H] 4-inch	[I] 6-inch	[J] 8-inch	10-inch	Total	Percent of Total / Factor
18	Residential											
19	Meters/Services	588	8	-	-	-	-	-	-	-		
20	Equivalent Weight	1.0	2.5	5.0	8.0	16.0	25.0	50.0	80.0	115.0		
21	Equivalent Meters/Services	588	20	-	-	-	-	-	-	-	608	81.77%
22	Commercial											
23	Meters/Services	57	20	-	3	-	-	-	-	-		
24	Equivalent Weight	1.0	2.5	5.0	8.0	16.0	25.0	50.0	80.0	115.0		
25	Equivalent Meters/Services	57	51	-	24	-	-	-	-	-	132	17.69%
26	Industrial											
27	Meters/Services	-	-	-	-	-	-	-	-	-		
28	Equivalent Weight	1.0	2.5	5.0	8.0	16.0	25.0	50.0	80.0	115.0		
29	Equivalent Meters/Services	-	-	-	-	-	-	-	-	-	-	0.00%
30	Other											
31	Meters/Services	-	-	-	-	0	-	-	-	-		
32	Equivalent Weight	1.0	2.5	5.0	8.0	16.0	25.0	50.0	80.0	115.0		
33	Equivalent Meters/Services	-	-	-	-	4	-	-	-	-	4	0.54%
35	Totals										744	100.00%

Customer Allocation Factor

Line No.	Class	Meters / Services	Bills	Percent of Total / Factor
45	Residential	596	7,152	88.13%
46	Commercial	80	960	11.83%
47	Industrial	-	-	0.00%
48	Other	0	3	0.04%
50		676	8,115	100.00%

54 *Allocation factors include customer growth

EFFECT OF PROPOSED TARIFF SCHEDULES

H-1 SUMMARY OF REVENUES BY CUSTOMER

H-2 ANALYSIS OF REVENUES BY DETAILED CLASS

H-3 CHANGES IN REPRESENTATIVE RATE SCHEDULES

H-4 TYPICAL BILL ANALYSIS

H-5 BILL COUNT – SEPARATELY BOUND

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Summary of Revenues by Customer
Classification - Present & Proposed Rates

Line No.	Customer Classification	Western Group [A] Revenues in Test Year: Test Year Rates Sch. H-2 Col. E	[B] Revenues in Test Year: Proposed Rates Sch. H-2 Col. F	[C] Proposed Increase: Amount	[D] Proposed Increase: %
1	Customer Classification	Sch. H-2 Col. E	Sch. H-2 Col. F	Amount	%
2					
3	Residential	$ 12,151,216	$ 15,125,401	$ 2,974,185	24.48%
4	Commercial	4,419,455	5,667,871	1,248,416	28.25%
5	Industrial	965,015	994,504	29,490	3.06%
6	Private Fire Service	102,252	111,700	9,448	9.24%
7	Other Water Revenues	268,754	336,427	67,673	25.18%
8					
9	Total Water Revenues	$ 17,906,691	$ 22,235,903	$ 4,329,212	24.18%
10					
11					
12	Miscellaneous Revenues	759,466	994,322	234,856	30.92%
13					
14	Total Operating Revenues	$ 18,666,157	$ 23,230,225	$ 4,564,068	24.45%
15					
16					
17	Pro Forma Adjustments (Sch. C-1, Ln. 10)	(902,517)			
18	Subtotal (Ln. 14 - Ln. 17)	$ 19,568,674			
19					
20	Total G.L. Operating Revenues				
21	Test Year Ended 12/31/10 (Sch. C-1, Ln. 10)	19,568,633			
22	Unreconciled Difference (Ln. 18 - Ln. 21)	$ 41			
23	%	0.00%			
24					
25	Target Revenue Requirement (Sch. C-1, Ln. 10)		23,230,225		
26	Difference (Ln. 14 - Ln. 25)		$ (1)		
27	Less: Consolidated Revenue Adjustment[1]		-		
28	Over/(Short)		$ (1)		
29	%		0.00%		
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53	[1]Consolidated Revenue Adjustment represents				
54	the increase/(decrease) in revenue requirement				
55	resulting from proposed rate consolidation.				

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Summary of Revenues by Customer
Classification - Present & Proposed Rates

Line No.	Customer Classification	Pinal Valley (Casa Grande, Coolidge, Stanfield) [A] Revenues in Test Year: Test Year Rates Sch. H-2 Col. E	[B] Revenues in Test Year: Proposed Rates Sch. H-2 Col. F	[C] Proposed Increase Amount	[D] %	White Tank [E] Revenues in Test Year: Test Year Rates Sch. H-2 Col. E	[F] Revenues in Test Year: Proposed Rates Sch. H-2 Col. F	[G] Proposed Increase Amount	[H] %
3	Residential	$ 10,454,403	$ 13,400,527	$ 2,946,123	28.18%	$ 1,316,859	$ 1,328,912	$ 12,053	0.92%
4	Commercial	4,124,957	5,363,447	1,238,489	30.02%	172,063	180,172	8,109	4.71%
5	Industrial	939,855	969,361	29,506	3.14%	25,159	25,143	(16)	-0.06%
6	Private Fire Service	100,237	109,525	9,288	9.27%	1,361	1,500	139	10.18%
7	Other Water Revenues	218,600	284,881	66,281	30.32%	47,484	48,750	1,266	2.67%
9	Total Water Revenues	$ 15,838,054	$ 20,127,740	$ 4,289,686	27.08%	$ 1,562,926	$ 1,584,477	$ 21,550	1.38%
12	Miscellaneous Revenues	734,234	954,090	219,856	29.94%	21,463	34,335	12,872	59.97%
14	Total Operating Revenues	$ 16,572,288	$ 21,081,830	$ 4,509,542	27.21%	$ 1,584,389	$ 1,618,812	$ 34,422	2.17%
17	Pro Forma Adjustments (Sch. C-1, Ln. 10)	(786,452)				(109,152)			
18	Subtotal (Ln. 14 - Ln. 17)	$ 17,358,740				$ 1,693,541			
20	Total G.L. Operating Revenues								
21	Test Year Ended 12/31/10 (Sch. C-1, Ln. 10)	17,358,501				1,693,624			
22	Unreconciled Difference (Ln. 18 - Ln. 21)	$ 239				$ (83)			
23	%	0.00%				0.00%			
25	Target Revenue Requirement (Sch. C-1, Ln. 10)		20,491,722				2,208,921		
26	Difference (Ln. 14 - Ln. 25)		$ 590,109				$ (590,109)		
27	Less: Consolidated Revenue Adjustment[1]		590,109				(590,109)		
28	Over/(Short)		$ (0)				$ (0)		
29	%		0.00%				0.00%		

[1]Consolidated Revenue Adjustment represents the increase/(decrease) in revenue requirement resulting from proposed rate consolidation.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Summary of Revenues by Customer
Classification - Present & Proposed Rates

Ajo

Line No.	Customer Classification	[A] Revenues in Test Year: Test Year Rates Sch. H-2 Col. E	[B] Revenues in Test Year: Proposed Rates Sch. H-2 Col. F	[C] Proposed Increase: Amount	[D] Proposed Increase: %
1	Customer Classification				
2					
3	Residential	$ 379,953	$ 395,962	$ 16,009	4.21%
4	Commercial	122,434	124,252	1,818	1.48%
5	Industrial	-	-	-	0.00%
6	Private Fire Service	653	675	22	3.35%
7	Other Water Revenues	2,671	2,797	126	4.73%
8					
9	Total Water Revenues	$ 505,711	$ 523,686	$ 17,975	3.55%
10					
11					
12	Miscellaneous Revenues	3,768	5,896	2,128	56.47%
13					
14	Total Operating Revenues	$ 509,480	$ 529,582	$ 20,103	3.95%
15					
16					
17	Pro Forma Adjustments (Sch. C-1, Ln. 10)	(6,914)			
18	Subtotal (Ln. 14 - Ln. 17)	$ 516,393			
19					
20	Total G.L. Operating Revenues				
21	Test Year Ended 12/31/10 (Sch. C-1, Ln. 10)	516,508			
22	Unreconciled Difference (Ln. 18 - Ln. 21)	$ (115)			
23	%	-0.02%			
24					
25	Target Revenue Requirement (Sch. C-1, Ln. 10)		529,583		
26	Difference (Ln. 14 - Ln. 25)		$ (0)		
27	Less: Consolidated Revenue Adjustment[1]		-		
28	Over/(Short)		$ (0)		
29	%		0.00%		
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53	[1]Consolidated Revenue Adjustment represents				
54	the increase/(decrease) in revenue requirement				
55	resulting from proposed rate consolidation.				

Supporting Schedules:
H-2

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Recap Schedules:
A-1

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Detail Analysis of Revenue by Class

Line No.	Detail Class of Service	[A] Average Number of Customers	[B] Average Consumption	[C] Test Year Rates	[D] Cust. Growth Adjustment (IS-7)	[E] Adjusted T.Y. Rates [C + D]	[F] Proposed Rates	[G] Proposed Increase [F - E]	[H] %
		Western Group		Bill Count Water Revenues					
1									
2	Residential 5/8 x 3/4 -inch	27,238	8,745	$ 10,582,674	$ (4,835)	$ 10,577,840	$ 13,255,880	$ 2,678,040	25.32%
3	Residential 1-inch	812	17,288	798,664	1,475	800,140	906,036	105,897	13.23%
4	Residential 1.5-inch	-	-	-	-	-	-	-	0.00%
5	Residential 2-inch	77	163,172	413,673	(304)	413,369	512,032	98,663	23.87%
6	Residential 3-inch	7	406,313	84,981	(117)	84,863	105,635	20,771	24.48%
7	Residential 4-inch	4	885,251	94,678	(131)	94,547	116,689	22,142	23.42%
8	Residential 6-inch	8	628,570	180,709	(252)	180,457	229,128	48,671	26.97%
9	Residential 8-inch	-	-	-	-	-	-	-	0.00%
10	Residential 10-inch	-	-	-	-	-	-	-	0.00%
11	Commercial 5/8 x 3/4 -inch	940	8,449	391,393	2,594	393,986	499,128	105,142	26.69%
12	Commercial 1-inch	517	27,930	622,833	5,283	628,116	794,118	166,002	26.43%
13	Commercial 1.5-inch	-	-	-	-	-	-	-	0.00%
14	Commercial 2-inch	512	114,096	2,170,613	17,862	2,188,475	2,811,667	623,192	28.48%
15	Commercial 3-inch	36	193,051	270,001	2,386	272,387	351,261	78,874	28.96%
16	Commercial 4-inch	25	599,542	456,927	4,660	461,587	594,569	132,981	28.81%
17	Commercial 6-inch	15	746,105	381,524	4,004	385,528	500,051	114,523	29.71%
18	Commercial 8-inch	3	908,677	88,403	973	89,375	117,077	27,702	31.00%
19	Commercial 10-inch	-	-	-	-	-	-	-	0.00%
20	Industrial 5/8 x 3/4 -inch	3	20,075	1,432	-	1,432	1,480	48	3.37%
21	Industrial 1-inch	7	113,967	15,237	-	15,237	15,729	492	3.23%
22	Industrial 1.5-inch	-	-	-	-	-	-	-	0.00%
23	Industrial 2-inch	12	82,355	34,014	-	34,014	34,923	909	2.67%
24	Industrial 3-inch	-	-	-	-	-	-	-	0.00%
25	Industrial 4-inch	3	1,105,278	68,460	-	68,460	70,675	2,215	3.23%
26	Industrial 6-inch	3	13,428,539	794,853	-	794,853	818,996	24,143	3.04%
27	Industrial 8-inch	1	2,317,283	51,019	-	51,019	52,701	1,683	3.30%
28	Industrial 10-inch	-	-	-	-	-	-	-	0.00%
29	Private Fire Serivce	372	-	102,252	-	102,252	111,700	9,448	9.24%
30	Other Water Revenues								
31	Public Fire Hydrant	-	-	-	-	-	-	-	0.00%
32	Coin Machine	-	-	19,746	-	19,746	15,029	(4,717)	-23.89%
33	Construction Water 2-Inch	-	-	-	-	-	-	-	0.00%
34	Construction Water 3-Inch	37	85,293	193,568	-	193,568	244,124	50,557	26.12%
35	Construction Water 4-Inch	1	8,133	4,377	-	4,377	5,050	673	15.38%
36	Sales for Resale 5/8 x 3/4-Inch	-	-	-	-	-	-	-	0.00%
37	Sales for Resale 1-Inch	-	-	-	-	-	-	-	0.00%
38	Sales for Resale 1.5-Inch	-	-	-	-	-	-	-	0.00%
39	Sales for Resale 2-Inch	3	390,317	25,674	-	25,674	36,319	10,644	41.46%
40	Sales for Resale 3-Inch	-	-	-	-	-	-	-	0.00%
41	Sales for Resale 4-Inch	1	1,144,667	25,389	-	25,389	35,905	10,515	41.42%
42	Sales for Resale 6-Inch	-	-	-	-	-	-	-	0.00%
43	Sales for Resale 8-Inch	-	-	-	-	-	-	-	0.00%
44	Sales for Resale 10-Inch	-	-	-	-	-	-	-	0.00%
45									
46	Totals	30,636	14,594	$ 17,873,094	$ 33,597	$ 17,906,691	$ 22,235,903	$ 4,329,212	24.18%
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Supporting Schedules:

Recap Schedules:
H-1

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Summary Analysis of Revenue by Class

Western Group

Line No.	Summary Class of Service	[A] Average Number of Customers	[B] Average Consumption	[C] Bill Count Water Revenues: Test Year Rates	[D] Cust. Growth Adjustment (IS-7)	[E] Adjusted T.Y. Rates [C + D]	[F] Proposed Rates	[G] Proposed Increase [F - E]	[H] %	[I] G.L. Water Revenues: T.Y. Ended 12/31/2010 Sch. C-2 Col. A	[J] Revenue Adjustments Sch. C-2, Col. AI	[K] Adjusted G.L. Revenues [I + J]	[L] Unreconciled Difference [E - K]	[M] %
1														
2	Total Residential	28,146	9,808	$ 12,155,380	$ (4,164)	$ 12,151,216	$ 15,125,401	$ 2,974,185	24.48%	$ 12,691,964	$ (540,880)	$ 12,151,084	$ 132	
3	Total Commercial	2,047	56,482	4,381,693	37,762	4,419,455	5,667,871	1,248,416	28.25%	4,520,297	(100,784)	4,419,514	(59)	
4	Total Industrial	29	1,742,306	965,015	-	965,015	994,504	29,490	3.06%	1,209,938	(244,923)	965,015	(0)	
5	Total Private Fire	372	-	102,252	-	102,252	111,700	9,448	9.24%	56,746	45,506	102,252	-	
6	Total Other Water Revenues	42	131,291	268,754	-	268,754	336,427	67,673	25.18%	257,514	11,271	268,786	(31)	
7														
8	Totals	30,636	14,594	$ 17,873,094	$ 33,597	$ 17,906,691	$ 22,235,903	$ 4,329,212	24.18%	$ 18,736,459	$ (829,809)	$ 17,906,650	$ 41	0.00%
9														
10	Miscellaneous Revenues	-	-	759,466	-	759,466	994,322	234,856	30.92%					
11	Total Revenue Generated						$ 23,230,225							
12														
13	Target Rev. Rqmt. (Sch. C-1)						23,230,225							
14	Difference						$ (1)							
15														
16	Less: Consolidated Revenue Adj.						-							
17	Over/(Short)						$ (1)							
18	%						0.00%							
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Supporting Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Detail Analysis of Revenue by Class

				Pinal Valley (Casa Grande, Coolidge, Stanfield)					
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
				Bill Count Water Revenues					
Line No.	Detail Class of Service	Average Number of Customers	Average Consumption	Test Year Rates	Cust. Growth Adjustment (IS-7)	Adjusted T.Y. Rates [C + D]	Proposed Rates	Proposed Increase [F - E]	%
1									
2	Residential 5/8 x 3/4 -inch	25,100	8,520	$ 9,215,386	$ (11,452)	$ 9,203,934	$ 11,847,320	$ 2,643,386	28.72%
3	Residential 1-inch	492	22,736	501,249	(668)	500,581	614,452	113,871	22.75%
4	Residential 1.5-inch	-	-	-	-	-	-	-	0.00%
5	Residential 2-inch	75	158,940	390,495	(474)	390,021	487,302	97,281	24.94%
6	Residential 3-inch	7	406,313	84,981	(117)	84,863	105,635	20,771	24.48%
7	Residential 4-inch	4	885,251	94,678	(131)	94,547	116,689	22,142	23.42%
8	Residential 6-inch	8	628,570	180,709	(252)	180,457	229,128	48,671	26.97%
9	Residential 8-inch	-	-	-	-	-	-	-	0.00%
10	Residential 10-inch	-	-	-	-	-	-	-	0.00%
11	Commercial 5/8 x 3/4 -inch	867	8,203	331,608	2,608	334,216	437,347	103,131	30.86%
12	Commercial 1-inch	480	27,502	530,038	5,152	535,190	700,661	165,471	30.92%
13	Commercial 1.5-inch	-	-	-	-	-	-	-	0.00%
14	Commercial 2-inch	493	112,714	2,046,015	19,638	2,065,654	2,682,243	616,589	29.85%
15	Commercial 3-inch	34	191,776	250,649	2,758	253,407	331,499	78,092	30.82%
16	Commercial 4-inch	25	599,542	456,927	4,660	461,587	594,569	132,981	28.81%
17	Commercial 6-inch	15	746,105	381,524	4,004	385,528	500,051	114,523	29.71%
18	Commercial 8-inch	3	908,677	88,403	973	89,375	117,077	27,702	31.00%
19	Commercial 10-inch	-	-	-	-	-	-	-	0.00%
20	Industrial 5/8 x 3/4 -inch	3	20,075	1,432		1,432	1,480	48	3.37%
21	Industrial 1-inch	7	113,967	15,237		15,237	15,729	492	3.23%
22	Industrial 1.5-inch	-	-	-		-	-	-	0.00%
23	Industrial 2-inch	11	79,473	25,902		25,902	26,820	918	3.55%
24	Industrial 3-inch	-	-	-		-	-	-	0.00%
25	Industrial 4-inch	3	1,105,278	68,460		68,460	70,675	2,215	3.23%
26	Industrial 6-inch	2	19,577,073	777,807		777,807	801,956	24,149	3.10%
27	Industrial 8-inch	1	2,317,283	51,019		51,019	52,701	1,683	3.30%
28	Industrial 10-inch	-	-	-		-	-	-	0.00%
29	Private Fire Serivce	365	-	100,237		100,237	109,525	9,288	9.27%
30	Other Water Revenues								
31	Public Fire Hydrant	-	-	-		-	-	-	0.00%
32	Coin Machine	-	-	18,977		18,977	14,297	(4,680)	-24.66%
33	Construction Water 2-Inch	-	-	-		-	-	-	0.00%
34	Construction Water 3-Inch	32	68,799	146,492		146,492	195,524	49,032	33.47%
35	Construction Water 4-Inch	0	11,000	2,068		2,068	2,836	769	37.19%
36	Sales for Resale 5/8 x 3/4-Inch	-	-	-		-	-	-	0.00%
37	Sales for Resale 1-Inch	-	-	-		-	-	-	0.00%
38	Sales for Resale 1.5-Inch	-	-	-		-	-	-	0.00%
39	Sales for Resale 2-Inch	3	390,317	25,674		25,674	36,319	10,644	41.46%
40	Sales for Resale 3-Inch	-	-	-		-	-	-	0.00%
41	Sales for Resale 4-Inch	1	1,144,667	25,389		25,389	35,905	10,515	41.42%
42	Sales for Resale 6-Inch	-	-	-		-	-	-	0.00%
43	Sales for Resale 8-Inch	-	-	-		-	-	-	0.00%
44	Sales for Resale 10-Inch	-	-	-		-	-	-	0.00%
45									
46	Totals	28,030	14,726	$ 15,811,355	$ 26,699	$ 15,838,054	$ 20,127,740	$ 4,289,686	27.08%
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Summary Analysis of Revenue by Class

Pinal Valley (Casa Grande, Coolidge, Stanfield)

Line No.	Summary Class of Service	[A] Average Number of Customers	[B] Average Consumption	[C] Bill Count Water Revenues: Test Year Rates	[D] Cust. Growth Adjustment (IS-7)	[E] Adjusted T.Y. Rates [C + D]	[F] Proposed Rates	[G] Proposed Increase [F - E]	[H] %	[I] G.L. Water Revenues: T.Y. Ended 12/31/2010 Sch. C-2 Col. A	[J] Revenue Adjustments Sch. C-2, Col. AI	[K] Adjusted G.L. Revenues [I + J]	[L] Unreconciled Difference [E - K]	[M] %
1														
2	Total Residential	25,686	9,664	$ 10,467,498	$ (13,095)	$ 10,454,403	$ 13,400,527	$ 2,946,123	28.18%	$ 10,895,910	$ (441,824)	$ 10,454,087	$ 317	
3	Total Commercial	1,916	57,558	4,085,164	39,793	4,124,957	5,363,447	1,238,489	30.02%	4,209,134	(84,136)	4,124,997	(40)	
4	Total Industrial	27	1,864,700	939,855	-	939,855	969,361	29,506	3.14%	1,185,133	(245,277)	939,855	(0)	
5	Total Private Fire	365	-	100,237	-	100,237	109,525	9,288	9.27%	55,631	44,606	100,237	-	
6	Total Other Water Revenues	37	123,915	218,600	-	218,600	284,881	66,281	30.32%	207,551	11,087	218,638	(38)	
7														
8	Totals	28,030	14,726	$ 15,811,355	$ 26,699	$ 15,838,054	$ 20,127,740	$ 4,289,686	27.08%	$ 16,553,359	$ (715,545)	$ 15,837,815	$ 239	0.00%
9														
10	Miscellaneous Revenues	-	-	734,234	-	734,234	954,090	219,856	29.94%					
11	Total Revenue Generated						$ 21,081,830							
12														
13	Target Rev. Rqmt. (Sch. C-1)						20,491,722							
14	Difference						$ 590,109							
15														
16	Less: Consolidated Revenue Adj.						590,109	(Pinal Valley/White Tank)						
17	Over/(Short)						$ (0)							
18	%						0.00%							
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Detail Analysis of Revenue by Class

		Pinal Valley (Casa Grande)							
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
				Bill Count Water Revenues					
Line No.	Detail Class of Service	Average Number of Customers	Average Consumption	Test Year Rates	Cust. Growth Adjustment (IS-7)	Adjusted T.Y. Rates [C + D]	Proposed Rates	Proposed Increase [F - E]	%
1									
2	Residential 5/8 x 3/4 -inch	20,828	8,610	$ 7,675,200	$ (10,367)	$ 7,664,832	$ 9,886,660	$ 2,221,828	28.99%
3	Residential 1-inch	429	22,977	439,473	(610)	438,863	539,365	100,502	22.90%
4	Residential 1.5-inch	-	-	-	-	-	-	-	0.00%
5	Residential 2-inch	64	161,801	337,104	(455)	336,649	421,817	85,168	25.30%
6	Residential 3-inch	7	406,313	84,981	(117)	84,863	105,635	20,771	24.48%
7	Residential 4-inch	4	885,251	94,678	(131)	94,547	116,689	22,142	23.42%
8	Residential 6-inch	8	628,570	180,709	(252)	180,457	229,128	48,671	26.97%
9	Residential 8-inch	-	-	-	-	-	-	-	0.00%
10	Residential 10-inch	-	-	-	-	-	-	-	0.00%
11	Commercial 5/8 x 3/4 -inch	603	8,725	236,390	2,959	239,349	315,031	75,682	31.62%
12	Commercial 1-inch	386	28,543	434,700	5,441	440,142	576,088	135,946	30.89%
13	Commercial 1.5-inch	-	-	-	-	-	-	-	0.00%
14	Commercial 2-inch	420	107,475	1,682,347	20,803	1,703,150	2,220,655	517,504	30.39%
15	Commercial 3-inch	30	197,915	224,839	2,834	227,673	297,597	69,924	30.71%
16	Commercial 4-inch	20	644,008	384,463	4,864	389,327	500,869	111,542	28.65%
17	Commercial 6-inch	12	850,188	331,211	4,153	335,365	433,674	98,309	29.31%
18	Commercial 8-inch	2	1,092,138	79,029	1,001	80,029	104,416	24,387	30.47%
19	Commercial 10-inch	-	-	-	-	-	-	-	0.00%
20	Industrial 5/8 x 3/4 -inch	3	20,075	1,432		1,432	1,480	48	3.37%
21	Industrial 1-inch	5	79,157	8,580		8,580	8,862	282	3.28%
22	Industrial 1.5-inch	-	-	-		-	-	-	0.00%
23	Industrial 2-inch	8	99,633	21,748		21,748	22,505	758	3.48%
24	Industrial 3-inch	-	-	-		-	-	-	0.00%
25	Industrial 4-inch	3	1,105,278	68,460		68,460	70,675	2,215	3.23%
26	Industrial 6-inch	2	19,577,073	777,807		777,807	801,956	24,149	3.10%
27	Industrial 8-inch	1	2,317,283	51,019		51,019	52,701	1,683	3.30%
28	Industrial 10-inch	-	-	-		-	-	-	0.00%
29	Private Fire Serivce	330	-	90,559		90,559	98,950	8,391	9.27%
30	Other Water Revenues								
31	Public Fire Hydrant	-	-	-		-	-	-	0.00%
32	Coin Machine	-	-	-		-	-	-	0.00%
33	Construction Water 2-Inch	-	-	-		-	-	-	0.00%
34	Construction Water 3-Inch	23	70,460	106,506		106,506	142,036	35,530	33.36%
35	Construction Water 4-Inch	0	11,000	2,068		2,068	2,836	769	37.19%
36	Sales for Resale 5/8 x 3/4-Inch	-	-	-		-	-	-	0.00%
37	Sales for Resale 1-Inch	-	-	-		-	-	-	0.00%
38	Sales for Resale 1.5-Inch	-	-	-		-	-	-	0.00%
39	Sales for Resale 2-Inch	3	390,317	25,674		25,674	36,319	10,644	41.46%
40	Sales for Resale 3-Inch	-	-	-		-	-	-	0.00%
41	Sales for Resale 4-Inch	1	1,144,667	25,389		25,389	35,905	10,515	41.42%
42	Sales for Resale 6-Inch	-	-	-		-	-	-	0.00%
43	Sales for Resale 8-Inch	-	-	-		-	-	-	0.00%
44	Sales for Resale 10-Inch	-	-	-		-	-	-	0.00%
45									
46	Totals	23,191	15,348	$ 13,364,366	$ 30,122	$ 13,394,488	$ 17,021,849	$ 3,627,361	27.08%
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Supporting Schedules:

Pinal Valley (Casa Grande)

		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]
				Bill Count Water Revenues						G.L. Water Revenues				
Line No.	Summary Class of Service	Average Number of Customers	Average Consumption	Test Year Rates	Cust. Growth Adjustment (IS-7)	Adjusted T.Y. Rates [C + D]	Proposed Rates	Proposed Increase [F - E]	%	T.Y. Ended 12/31/2010 Per G.L.	Revenue Adjustments Sch. C-2 Appdx.	Adjusted G.L. Revenues [I + J]	Unreconciled Difference [E - K]	%
1														
2	Total Residential	21,340	9,877	$ 8,812,145	$ (11,933)	$ 8,800,212	$ 11,299,295	$ 2,499,083	28.40%	$ 9,155,233	$ (355,305)	$ 8,799,928	$ 283	
3	Total Commercial	1,471	62,463	3,372,981	42,055	3,415,036	4,448,330	1,033,294	30.26%	3,443,565	(28,473)	3,415,092	(56)	
4	Total Industrial	22	2,224,204	929,045	-	929,045	958,179	29,135	3.14%	1,171,708	(242,664)	929,045	(0)	
5	Total Private Fire	330	-	90,559	-	90,559	98,950	8,391	9.27%	49,631	40,928	90,559	-	
6	Total Other Water Revenues	28	143,515	159,637	-	159,637	217,095	57,458	35.99%	148,227	11,468	159,695	(58)	
7														
8	Totals	23,191	15,348	$ 13,364,366	$ 30,122	$ 13,394,488	$ 17,021,849	$ 3,627,361	27.08%	$ 13,968,365	$ (574,045)	$ 13,394,320	$ 169	0.00%
9														
10	Miscellaneous Revenues	-	-	673,610	-	673,610	850,776	177,166	26.30%					
11	Total Revenue Generated						See p. 32							
12														
13	Target Rev. Rqmt. (Sch. C-1)						See p. 4							
14	Difference						See p. 4							
15														
16	Less: Consolidated Revenue Adj.						See p. 4							
17	Over/(Short)						See p. 4							
18	%						See p. 4							
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Detail Analysis of Revenue by Class

Pinal Valley (Coolidge)

Line No.	Detail Class of Service	[A] Average Number of Customers	[B] Average Consumption	[C] Bill Count Water Revenues: Test Year Rates	[D] Cust. Growth Adjustment (IS-7)	[E] Adjusted T.Y. Rates [C + D]	[F] Proposed Rates	[G] Proposed Increase [F - E]	[H] %
1									
2	Residential 5/8 x 3/4 -inch	4,101	8,076	$ 1,456,307	$ (1,855)	$ 1,454,452	$ 1,880,650	$ 426,198	29.30%
3	Residential 1-inch	61	21,289	59,553	(78)	59,475	73,000	13,525	22.74%
4	Residential 1.5-inch	-	-	-	-	-	-	-	0.00%
5	Residential 2-inch	10	148,301	48,872	(62)	48,810	61,321	12,511	25.63%
6	Residential 3-inch	-	-	-	-	-	-	-	0.00%
7	Residential 4-inch	-	-	-	-	-	-	-	0.00%
8	Residential 6-inch	-	-	-	-	-	-	-	0.00%
9	Residential 8-inch	-	-	-	-	-	-	-	0.00%
10	Residential 10-inch	-	-	-	-	-	-	-	0.00%
11	Commercial 5/8 x 3/4 -inch	241	7,115	85,264	(243)	85,020	112,421	27,401	32.23%
12	Commercial 1-inch	92	23,808	93,206	(265)	92,940	122,141	29,200	31.42%
13	Commercial 1.5-inch	-	-	-	-	-	-	-	0.00%
14	Commercial 2-inch	70	143,781	344,725	(966)	343,760	445,316	101,556	29.54%
15	Commercial 3-inch	4	147,580	25,810	(76)	25,734	33,902	8,169	31.74%
16	Commercial 4-inch	5	426,125	72,463	(203)	72,260	93,699	21,439	29.67%
17	Commercial 6-inch	3	344,225	50,313	(149)	50,164	66,377	16,213	32.32%
18	Commercial 8-inch	1	174,833	9,374	(28)	9,346	12,661	3,316	35.48%
19	Commercial 10-inch	-	-	-	-	-	-	-	0.00%
20	Industrial 5/8 x 3/4 -inch	-	-	-		-	-	-	0.00%
21	Industrial 1-inch	2	230,000	6,657		6,657	6,867	210	3.16%
22	Industrial 1.5-inch	-	-	-		-	-	-	0.00%
23	Industrial 2-inch	3	25,714	4,154		4,154	4,315	161	3.87%
24	Industrial 3-inch	-	-	-		-	-	-	0.00%
25	Industrial 4-inch	-	-	-		-	-	-	0.00%
26	Industrial 6-inch	-	-	-		-	-	-	0.00%
27	Industrial 8-inch	-	-	-		-	-	-	0.00%
28	Industrial 10-inch	-	-	-		-	-	-	0.00%
29	Private Fire Serivce	35	-	9,678		9,678	10,575	897	9.27%
30	Other Water Revenues								
31	Public Fire Hydrant	-	-	-		-	-	-	0.00%
32	Coin Machine	-	-	1,913		1,913	2,378	465	24.32%
33	Construction Water 2-Inch	-	-	-		-	-	-	0.00%
34	Construction Water 3-Inch	9	64,576	39,986		39,986	53,488	13,502	33.77%
35	Construction Water 4-Inch	-	-	-		-	-	-	0.00%
36	Sales for Resale 5/8 x 3/4-Inch	-	-	-		-	-	-	0.00%
37	Sales for Resale 1-Inch	-	-	-		-	-	-	0.00%
38	Sales for Resale 1.5-Inch	-	-	-		-	-	-	0.00%
39	Sales for Resale 2-Inch	-	-	-		-	-	-	0.00%
40	Sales for Resale 3-Inch	-	-	-		-	-	-	0.00%
41	Sales for Resale 4-Inch	-	-	-		-	-	-	0.00%
42	Sales for Resale 6-Inch	-	-	-		-	-	-	0.00%
43	Sales for Resale 8-Inch	-	-	-		-	-	-	0.00%
44	Sales for Resale 10-Inch	-	-	-		-	-	-	0.00%
45									
46	Totals	4,636	11,817	$ 2,308,275	$ (3,926)	$ 2,304,348	$ 2,979,112	$ 674,763	29.28%
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Pinal Valley (Coolidge)

Line No.	Summary Class of Service	[A] Average Number of Customers	[B] Average Consumption	[C] Bill Count Water Revenues: Test Year Rates	[D] Cust. Growth Adjustment (IS-7)	[E] Adjusted T.Y. Rates [C + D]	[F] Proposed Rates	[G] Proposed Increase [F - E]	[H] %	[I] G.L. Water Revenues: T.Y. Ended 12/31/2010 Per G.L.	[J] Revenue Adjustments Sch. C-2 Appdx	[K] Adjusted G.L. Revenues [I + J]	[L] Unreconciled Difference [E - K]	[M] %
1														
2	Total Residential	4,172	8,608	$ 1,564,732	$ (1,995)	$ 1,562,737	$ 2,014,970	$ 452,234	28.94%	$ 1,641,990	$ (79,261)	$ 1,562,729	$ 8	
3	Total Commercial	415	43,009	681,155	(1,931)	679,224	886,518	207,294	30.52%	731,631	(52,423)	679,207	16	
4	Total Industrial	5	93,809	10,811	-	10,811	11,182	371	3.43%	13,424	(2,614)	10,811	(0)	
5	Total Private Fire	35	-	9,678	-	9,678	10,575	897	9.27%	6,001	3,677	9,678	-	
6	Total Other Water Revenues	9	64,576	41,899	-	41,899	55,866	13,967	33.34%	41,965	(86)	41,879	20	
7														
8	Totals	4,636	11,817	$ 2,308,275	$ (3,926)	$ 2,304,348	$ 2,979,112	$ 674,763	29.28%	$ 2,435,011	$ (130,707)	$ 2,304,304	$ 45	0.00%
9														
10	Miscellaneous Revenues	-	-	58,345	-	58,345	99,727	41,382	70.93%					
11	Total Revenue Generated						See p. 32							
12														
13	Target Rev. Rqmt. (Sch. C-1)						See p. 4							
14	Difference						See p. 4							
15														
16	Less: Consolidated Revenue Adj.						See p. 4							
17	Over/(Short)						See p. 4							
18	%						See p. 4							
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Detail Analysis of Revenue by Class

				Pinal Valley (Stanfield)						
		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
				Bill Count Water Revenues					
Line No.	Detail Class of Service	Average Number of Customers	Average Consumption	Test Year Rates	Cust. Growth Adjustment (IS-7)	Adjusted T.Y. Rates [C + D]	Proposed Rates	Proposed Increase [F - E]	%
1									
2	Residential 5/8 x 3/4 -inch	171	8,271	$ 83,880	$ 770	$ 84,650	$ 80,010	$ (4,640)	-5.48%
3	Residential 1-inch	2	15,192	2,223	21	2,243	2,087	(156)	-6.96%
4	Residential 1.5-inch	-	-	-	-	-	-	-	0.00%
5	Residential 2-inch	1	82,125	4,519	43	4,562	4,164	(398)	-8.72%
6	Residential 3-inch	-	-	-	-	-	-	-	0.00%
7	Residential 4-inch	-	-	-	-	-	-	-	0.00%
8	Residential 6-inch	-	-	-	-	-	-	-	0.00%
9	Residential 8-inch	-	-	-	-	-	-	-	0.00%
10	Residential 10-inch	-	-	-	-	-	-	-	0.00%
11	Commercial 5/8 x 3/4 -inch	23	5,940	9,954	(108)	9,846	9,894	48	0.49%
12	Commercial 1-inch	3	6,481	2,132	(24)	2,108	2,432	324	15.39%
13	Commercial 1.5-inch	-	-	-	-	-	-	-	0.00%
14	Commercial 2-inch	3	118,258	18,943	(199)	18,744	16,272	(2,471)	-13.19%
15	Commercial 3-inch	-	-	-	-	-	-	-	0.00%
16	Commercial 4-inch	-	-	-	-	-	-	-	0.00%
17	Commercial 6-inch	-	-	-	-	-	-	-	0.00%
18	Commercial 8-inch	-	-	-	-	-	-	-	0.00%
19	Commercial 10-inch	-	-	-	-	-	-	-	0.00%
20	Industrial 5/8 x 3/4 -inch	-	-	-		-	-	-	0.00%
21	Industrial 1-inch	-	-	-		-	-	-	0.00%
22	Industrial 1.5-inch	-	-	-		-	-	-	0.00%
23	Industrial 2-inch	-	-	-		-	-	-	0.00%
24	Industrial 3-inch	-	-	-		-	-	-	0.00%
25	Industrial 4-inch	-	-	-		-	-	-	0.00%
26	Industrial 6-inch	-	-	-		-	-	-	0.00%
27	Industrial 8-inch	-	-	-		-	-	-	0.00%
28	Industrial 10-inch	-	-	-		-	-	-	0.00%
29	Private Fire Serivce	-	-	-		-	-	-	0.00%
30	Other Water Revenues								
31	Public Fire Hydrant	-	-	-		-	-	-	0.00%
32	Coin Machine	-	-	17,064		17,064	11,919	(5,145)	-30.15%
33	Construction Water 2-Inch	-	-	-		-	-	-	0.00%
34	Construction Water 3-Inch	-	-	-		-	-	-	0.00%
35	Construction Water 4-Inch	-	-	-		-	-	-	0.00%
36	Sales for Resale 5/8 x 3/4-Inch	-	-	-		-	-	-	0.00%
37	Sales for Resale 1-Inch	-	-	-		-	-	-	0.00%
38	Sales for Resale 1.5-Inch	-	-	-		-	-	-	0.00%
39	Sales for Resale 2-Inch	-	-	-		-	-	-	0.00%
40	Sales for Resale 3-Inch	-	-	-		-	-	-	0.00%
41	Sales for Resale 4-Inch	-	-	-		-	-	-	0.00%
42	Sales for Resale 6-Inch	-	-	-		-	-	-	0.00%
43	Sales for Resale 8-Inch	-	-	-		-	-	-	0.00%
44	Sales for Resale 10-Inch	-	-	-		-	-	-	0.00%
45									
46	*Totals*	204	10,028	$ 138,714	$ 502	$ 139,217	$ 126,779	$ (12,437)	-8.93%
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Pinal Valley (Stanfield)

Line No.	Summary Class of Service	[A] Average Number of Customers	[B] Average Consumption	[C] Bill Count Water Revenues: Test Year Rates	[D] Cust. Growth Adjustment (IS-7)	[E] Adjusted T.Y. Rates [C + D]	[F] Proposed Rates	[G] Proposed Increase [F - E]	[H] %	[I] G.L. Water Revenues: T.Y. Ended 12/31/2010 Per G.L.	[J] Revenue Adjustments Sch. C-2 Appdx.	[K] Adjusted G.L. Revenues [I + J]	[L] Unreconciled Difference [E - K]	[M] %
1														
2	Total Residential	174	8,774	$ 90,622	$ 834	$ 91,455	$ 86,262	$ (5,193)	-5.68%	$ 98,687	$ (7,257)	$ 91,430	$ 26	
3	Total Commercial	29	17,482	31,029	(331)	30,698	28,599	(2,099)	-6.84%	33,938	(3,240)	30,698	(0)	
4	Total Industrial	-	-	-	-	-	-	-	0.00%	-	-	-	-	
5	Total Private Fire	-	-	-	-	-	-	-	0.00%	-	-	-	-	
6	Total Other Water Revenues	-	-	17,064	-	17,064	11,919	(5,145)	-30.15%	17,359	(295)	17,064	-	
7														
8	*Totals*	204	10,028	$ 138,714	$ 502	$ 139,217	$ 126,779	$ (12,437)	-8.93%	$ 149,984	$ (10,793)	$ 139,191	$ 25	0.02%
9														
10	Miscellaneous Revenues	-	-	2,280	-	2,280	3,588	1,308	57.36%					
11	Total Revenue Generated						See p. 32							
12														
13	Target Rev. Rqmt. (Sch. C-1)						See p. 4							
14	Difference						See p. 4							
15														
16	Less: Consolidated Revenue Adj.						See p. 4							
17	*Over/(Short)*						See p. 4							
18	%						See p. 4							
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Detail Analysis of Revenue by Class

White Tank

Line No.	Detail Class of Service	[A] Average Number of Customers	[B] Average Consumption	[C] Test Year Rates	[D] Cust. Growth Adjustment (IS-7)	[E] Adjusted T.Y. Rates [C + D]	[F] Proposed Rates	[G] Proposed Increase [F - E]	[H] %
				Bill Count Water Revenues					
1									
2	Residential 5/8 x 3/4 -inch	1,549	13,906	$ 996,917	$ 7,460	$ 1,004,378	$ 1,023,507	$ 19,130	1.90%
3	Residential 1-inch	312	8,955	286,966	2,167	289,133	280,675	(8,458)	-2.93%
4	Residential 1.5-inch	-	-	-	-	-	-	-	0.00%
5	Residential 2-inch	2	322,754	23,179	170	23,348	24,730	1,381	5.92%
6	Residential 3-inch	-	-	-	-	-	-	-	0.00%
7	Residential 4-inch	-	-	-	-	-	-	-	0.00%
8	Residential 6-inch	-	-	-	-	-	-	-	0.00%
9	Residential 8-inch	-	-	-	-	-	-	-	0.00%
10	Residential 10-inch	-	-	-	-	-	-	-	0.00%
11	Commercial 5/8 x 3/4 -inch	17	32,539	21,244	(402)	20,843	21,257	414	1.99%
12	Commercial 1-inch	17	36,104	27,924	(510)	27,414	28,155	741	2.70%
13	Commercial 1.5-inch	-	-	-	-	-	-	-	0.00%
14	Commercial 2-inch	16	169,296	106,786	(1,960)	104,826	110,999	6,173	5.89%
15	Commercial 3-inch	2	214,825	19,352	(372)	18,980	19,762	781	4.12%
16	Commercial 4-inch	-	-	-	-	-	-	-	0.00%
17	Commercial 6-inch	-	-	-	-	-	-	-	0.00%
18	Commercial 8-inch	-	-	-	-	-	-	-	0.00%
19	Commercial 10-inch	-	-	-	-	-	-	-	0.00%
20	Industrial 5/8 x 3/4 -inch	-	-	-		-	-	-	0.00%
21	Industrial 1-inch	-	-	-		-	-	-	0.00%
22	Industrial 1.5-inch	-	-	-		-	-	-	0.00%
23	Industrial 2-inch	1	114,050	8,112		8,112	8,103	(10)	-0.12%
24	Industrial 3-inch	-	-	-		-	-	-	0.00%
25	Industrial 4-inch	-	-	-		-	-	-	0.00%
26	Industrial 6-inch	1	106,717	17,047		17,047	17,040	(6)	-0.04%
27	Industrial 8-inch	-	-	-		-	-	-	0.00%
28	Industrial 10-inch	-	-	-		-	-	-	0.00%
29	Private Fire Serivce	5	-	1,361		1,361	1,500	139	10.18%
30	Other Water Revenues								
31	Public Fire Hydrant	-	-	-		-	-	-	0.00%
32	Coin Machine	-	-	-		-	-	-	0.00%
33	Construction Water 2-Inch	-	-	-		-	-	-	0.00%
34	Construction Water 3-Inch	5	205,804	45,174		45,174	46,536	1,362	3.01%
35	Construction Water 4-Inch	0	4,550	2,309		2,309	2,214	(96)	-4.14%
36	Sales for Resale 5/8 x 3/4-Inch	-	-	-		-	-	-	0.00%
37	Sales for Resale 1-Inch	-	-	-		-	-	-	0.00%
38	Sales for Resale 1.5-Inch	-	-	-		-	-	-	0.00%
39	Sales for Resale 2-Inch	-	-	-		-	-	-	0.00%
40	Sales for Resale 3-Inch	-	-	-		-	-	-	0.00%
41	Sales for Resale 4-Inch	-	-	-		-	-	-	0.00%
42	Sales for Resale 6-Inch	-	-	-		-	-	-	0.00%
43	Sales for Resale 8-Inch	-	-	-		-	-	-	0.00%
44	Sales for Resale 10-Inch	-	-	-		-	-	-	0.00%
45									
46	Totals	1,927	15,795	$ 1,556,373	$ 6,554	$ 1,562,926	$ 1,584,477	$ 21,550	1.38%
47									
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Summary Analysis of Revenue by Class

White Tank

Line No.	Summary Class of Service	[A] Average Number of Customers	[B] Average Consumption	[C] Bill Count Water Revenues: Test Year Rates	[D] Cust. Growth Adjustment (IS-7)	[E] Adjusted T.Y. Rates [C + D]	[F] Proposed Rates	[G] Proposed Increase [F - E]	[H] %	[I] G.L. Water Revenues: T.Y. Ended 12/31/2010 Sch. C-2 Col. A	[J] Revenue Adjustments Sch. C-2, Col. AI	[K] Adjusted G.L. Revenues [I + J]	[L] Unreconciled Difference [E - K]	[M] %
1														
2	Total Residential	1,863	13,409	$ 1,307,062	$ 9,797	$ 1,316,859	$ 1,328,912	$ 12,053	0.92%	$ 1,409,477	$ (92,533)	$ 1,316,944	$ (86)	
3	Total Commercial	52	82,783	175,307	(3,243)	172,063	180,172	8,109	4.71%	188,379	(16,318)	172,061	2	
4	Total Industrial	2	110,383	25,159	-	25,159	25,143	(16)	-0.06%	24,805	354	25,159	0	
5	Total Private Fire	5	-	1,361	-	1,361	1,500	139	10.18%	702	659	1,361	-	
6	Total Other Water Revenues	5	191,924	47,484	-	47,484	48,750	1,266	2.67%	47,244	238	47,483	1	
7														
8	Totals	1,927	15,795	$ 1,556,373	$ 6,554	$ 1,562,926	$ 1,584,477	$ 21,550	1.38%	$ 1,670,608	$ (107,599)	$ 1,563,009	$ (83)	-0.01%
9														
10	Miscellaneous Revenues	-	-	21,463	-	21,463	34,335	12,872	59.97%					
11	Total Revenue Generated						$ 1,618,812							
12														
13	Target Rev. Rqmt. (Sch. C-1)						2,208,921							
14	Difference						$ (590,109)							
15														
16	Less: Consolidated Revenue Adj.						(590,109)	(Pinal Valley/White Tank)						
17	Over/(Short)						$ (0)							
18	%						0.00%							
19														
20														
21														
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23														
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Detail Analysis of Revenue by Class

Ajo

Line No.	Detail Class of Service	[A] Average Number of Customers	[B] Average Consumption	[C] Bill Count Water Revenues: Test Year Rates	[D] Cust. Growth Adjustment (IS-7)	[E] Adjusted T.Y. Rates [C + D]	[F] Proposed Rates	[G] Proposed Increase [F - E]	[H] %
1									
2	Residential 5/8 x 3/4 -inch	589	4,764	$ 370,371	$ (843)	$ 369,528	$ 385,052	$ 15,524	4.20%
3	Residential 1-inch	8	7,107	10,450	(24)	10,426	10,910	484	4.64%
4	Residential 1.5-inch	-	-	-	-	-	-	-	0.00%
5	Residential 2-inch	-	-	-	-	-	-	-	0.00%
6	Residential 3-inch	-	-	-	-	-	-	-	0.00%
7	Residential 4-inch	-	-	-	-	-	-	-	0.00%
8	Residential 6-inch	-	-	-	-	-	-	-	0.00%
9	Residential 8-inch	-	-	-	-	-	-	-	0.00%
10	Residential 10-inch	-	-	-	-	-	-	-	0.00%
11	Commercial 5/8 x 3/4 -inch	56	4,888	38,540	387	38,928	40,525	1,597	4.10%
12	Commercial 1-inch	20	31,342	64,871	641	65,512	65,303	(209)	-0.32%
13	Commercial 1.5-inch	-	-	-	-	-	-	-	0.00%
14	Commercial 2-inch	3	46,931	17,811	183	17,995	18,425	430	2.39%
15	Commercial 3-inch	-	-	-	-	-	-	-	0.00%
16	Commercial 4-inch	-	-	-	-	-	-	-	0.00%
17	Commercial 6-inch	-	-	-	-	-	-	-	0.00%
18	Commercial 8-inch	-	-	-	-	-	-	-	0.00%
19	Commercial 10-inch	-	-	-	-	-	-	-	0.00%
20	Industrial 5/8 x 3/4 -inch	-	-	-		-	-	-	0.00%
21	Industrial 1-inch	-	-	-		-	-	-	0.00%
22	Industrial 1.5-inch	-	-	-		-	-	-	0.00%
23	Industrial 2-inch	-	-	-		-	-	-	0.00%
24	Industrial 3-inch	-	-	-		-	-	-	0.00%
25	Industrial 4-inch	-	-	-		-	-	-	0.00%
26	Industrial 6-inch	-	-	-		-	-	-	0.00%
27	Industrial 8-inch	-	-	-		-	-	-	0.00%
28	Industrial 10-inch	-	-	-		-	-	-	0.00%
29	Private Fire Serivce	2	-	653		653	675	22	3.35%
30	Other Water Revenues								
31	Public Fire Hydrant	-	-	-		-	-	-	0.00%
32	Coin Machine	-	-	769		769	732	(37)	-4.84%
33	Construction Water 2-Inch	-	-	-		-	-	-	0.00%
34	Construction Water 3-Inch	0	38,400	1,902		1,902	2,065	163	8.60%
35	Construction Water 4-Inch	-	-	-		-	-	-	0.00%
36	Sales for Resale 5/8 x 3/4-Inch	-	-	-		-	-	-	0.00%
37	Sales for Resale 1-Inch	-	-	-		-	-	-	0.00%
38	Sales for Resale 1.5-Inch	-	-	-		-	-	-	0.00%
39	Sales for Resale 2-Inch	-	-	-		-	-	-	0.00%
40	Sales for Resale 3-Inch	-	-	-		-	-	-	0.00%
41	Sales for Resale 4-Inch	-	-	-		-	-	-	0.00%
42	Sales for Resale 6-Inch	-	-	-		-	-	-	0.00%
43	Sales for Resale 8-Inch	-	-	-		-	-	-	0.00%
44	Sales for Resale 10-Inch	-	-	-		-	-	-	0.00%
45									
46	Totals	679	5,768	$ 505,366	$ 345	$ 505,711	$ 523,686	$ 17,975	3.55%
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ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Summary Analysis of Revenue by Class

Ajo

Line No.	Summary Class of Service	[A] Average Number of Customers	[B] Average Consumption	[C] Bill Count Water Revenues: Test Year Rates	[D] Cust. Growth Adjustment (IS-7)	[E] Adjusted T.Y. Rates [C + D]	[F] Proposed Rates	[G] Proposed Increase [F - E]	[H] %	[I] G.L. Water Revenues: T.Y. Ended 12/31/2010 Sch. C-2 Col. A	[J] Revenue Adjustments Sch. C-2, Col. AI	[K] Adjusted G.L. Revenues [I + J]	[L] Unreconciled Difference [E - K]	[M] %
1														
2	Total Residential	597	4,796	$ 380,820	$ (867)	$ 379,953	$ 395,962	$ 16,009	4.21%	$ 386,577	$ (6,524)	$ 380,053	$ (99)	
3	Total Commercial	79	13,164	121,223	1,212	122,434	124,252	1,818	1.48%	122,784	(329)	122,455	(21)	
4	Total Industrial	-	-	-	-	-	-	-	0.00%	-	-	-	-	
5	Total Private Fire	2	-	653	-	653	675	22	3.35%	412	241	653	-	
6	Total Other Water Revenues	0	38,400	2,671	-	2,671	2,797	126	4.73%	2,719	(54)	2,665	6	
7														
8	Totals	679	5,768	$ 505,366	$ 345	$ 505,711	$ 523,686	$ 17,975	3.55%	$ 512,492	$ (6,666)	$ 505,826	$ (115)	-0.02%
9														
10	Miscellaneous Revenues	-	-	3,768	-	3,768	5,896	2,128	56.47%					
11	Total Revenue Generated						$ 529,582							
12														
13	Target Rev. Rqmt. (Sch. C-1)						529,583							
14	Difference						$ (0)							
15														
16	Less: Consolidated Revenue Adj.						-							
17	Over/(Short)						$ (0)							
18	%						0.00%							

Supporting Schedules:

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Processing Date: 5/3/2011 9:32 AM

Recap Schedules:
H-1

Line No.	Class of Service	Pinal Valley (Casa Grande/Coolidge) [A] Rate Block	[B] Present	[C] Proposed	[D] Basic Service Charge Present Rate	[E] Basic Service Charge Proposed Rate	[F] Basic Service Charge Change	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate	[I] Volumetric Charge (/M Gal) Change
1										
2	Residential 5/8 x 3/4 -inch	Tier One Breakover (M Gal):	3	3	$ 15.79	$ 21.75	$ 5.96	$ 1.3700	$ 1.7111	$ 0.3411
3		Tier Two Breakover (M Gal):	10	10				1.7123	2.1389	0.4266
4		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
5										
6	Residential 1-inch	Tier One Breakover (M Gal):	10	40	$ 39.47	$ 54.38	$ 14.91	$ 1.7123	$ 2.1389	$ 0.4266
7		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
8		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
9										
10	Residential 1.5-inch	Tier One Breakover (M Gal):	n/a	75	n/a	$ 108.75	n/a	n/a	$ 2.1389	n/a
11		Tier Two Breakover (M Gal):	n/a	99,999				n/a	2.6736	n/a
12		Tier Three Breakover (M Gal):	n/a	99,999				n/a	2.6736	n/a
13										
14	Residential 2-inch	Tier One Breakover (M Gal):	125	125	$ 126.29	$ 174.00	$ 47.71	$ 1.7123	$ 2.1389	$ 0.4266
15		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
16		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
17										
18	Residential 3-inch	Tier One Breakover (M Gal):	299	300	$ 252.59	$ 348.00	$ 95.41	$ 1.7123	$ 2.1389	$ 0.4266
19		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
20		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
21										
22	Residential 4-inch	Tier One Breakover (M Gal):	494	500	$ 394.67	$ 543.75	$ 149.08	$ 1.7123	$ 2.1389	$ 0.4266
23		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
24		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
25										
26	Residential 6-inch	Tier One Breakover (M Gal):	925	1,000	$ 789.33	$ 1,087.50	$ 298.17	$ 1.7123	$ 2.1389	$ 0.4266
27		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
28		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
29										
30	Residential 8-inch	Tier One Breakover (M Gal):	1,500	1,500	$ 1,262.93	$ 1,740.00	$ 477.07	$ 1.7123	$ 2.1389	$ 0.4266
31		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
32		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
33										
34	Residential 10-inch	Tier One Breakover (M Gal):	2,264	2,300	$ 1,815.47	$ 2,501.25	$ 685.78	$ 1.7123	$ 2.1389	$ 0.4266
35		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
36		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
37										
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55	**For Service Charges See Company-wide Service Charge Tariff at the end of this schedule**									

(Continued)

Pinal Valley (Casa Grande/Coolidge)

Line No.	Class of Service	[A] Rate Block	[B] Present	[C] Proposed	[D] Basic Service Charge Present Rate	[E] Basic Service Charge Proposed Rate	[F] Basic Service Charge Change	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate	[I] Volumetric Charge (/M Gal) Change
1										
2	Commercial 5/8 x 3/4 -inch	Tier One Breakover (M Gal):	10	10	$ 15.79	$ 21.75	$ 5.96	$ 1.7123	$ 2.1389	$ 0.4266
3		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
4		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
5										
6	Commercial 1-inch	Tier One Breakover (M Gal):	40	40	$ 39.47	$ 54.38	$ 14.91	$ 1.7123	$ 2.1389	$ 0.4266
7		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
8		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
9										
10	Commercial 1.5-inch	Tier One Breakover (M Gal):	n/a	75	n/a	$ 108.75	n/a	n/a	$ 2.1389	n/a
11		Tier Two Breakover (M Gal):	n/a	99,999				n/a	2.6736	n/a
12		Tier Three Breakover (M Gal):	n/a	99,999				n/a	2.6736	n/a
13										
14	Commercial 2-inch	Tier One Breakover (M Gal):	125	125	$ 126.29	$ 174.00	$ 47.71	$ 1.7123	$ 2.1389	$ 0.4266
15		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
16		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
17										
18	Commercial 3-inch	Tier One Breakover (M Gal):	299	300	$ 252.59	$ 348.00	$ 95.41	$ 1.7123	$ 2.1389	$ 0.4266
19		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
20		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
21										
22	Commercial 4-inch	Tier One Breakover (M Gal):	494	500	$ 394.67	$ 543.75	$ 149.08	$ 1.7123	$ 2.1389	$ 0.4266
23		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
24		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
25										
26	Commercial 6-inch	Tier One Breakover (M Gal):	925	1,000	$ 789.33	$ 1,087.50	$ 298.17	$ 1.7123	$ 2.1389	$ 0.4266
27		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
28		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
29										
30	Commercial 8-inch	Tier One Breakover (M Gal):	1,500	1,500	$ 1,262.93	$ 1,740.00	$ 477.07	$ 1.7123	$ 2.1389	$ 0.4266
31		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
32		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
33										
34	Commercial 10-inch	Tier One Breakover (M Gal):	2,264	2,300	$ 1,815.47	$ 2,501.25	$ 685.78	$ 1.7123	$ 2.1389	$ 0.4266
35		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
36		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
37										
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51					(Continued)					
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53										
54										
55	**For Service Charges See Company-wide Service Charge Tariff at the end of this schedule**									

Line No.	Class of Service	Pinal Valley (Casa Grande/Coolidge) [A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
		Rate Block			Basic Service Charge			Volumetric Charge (/M Gal)		
			Present	Proposed	Present Rate	Proposed Rate	Change	Present Rate	Proposed Rate	Change
1										
2	Industrial 5/8 x 3/4 -inch	Tier One Breakover (M Gal):	99,999	99,999	$ 9.59	$ 10.00	$ 0.41	$ 1.5036	$ 1.5500	$ 0.0464
3		Tier Two Breakover (M Gal):	99,999	99,999				1.5036	1.5500	0.0464
4		Tier Three Breakover (M Gal):	99,999	99,999				1.5036	1.5500	0.0464
5										
6	Industrial 1-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 23.98	$ 25.00	$ 1.02	$ 1.5036	$ 1.5500	$ 0.0464
7		Tier Two Breakover (M Gal):	99,999	99,999				1.5036	1.5500	0.0464
8		Tier Three Breakover (M Gal):	99,999	99,999				1.5036	1.5500	0.0464
9										
10	Industrial 1.5-inch	Tier One Breakover (M Gal):	n/a	99,999	n/a	$ 50.00	n/a	n/a	$ 1.5500	n/a
11		Tier Two Breakover (M Gal):	n/a	99,999				n/a	1.5500	n/a
12		Tier Three Breakover (M Gal):	n/a	99,999				n/a	1.5500	n/a
13										
14	Industrial 2-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 76.73	$ 80.00	$ 3.27	$ 1.5036	$ 1.5500	$ 0.0464
15		Tier Two Breakover (M Gal):	99,999	99,999				1.5036	1.5500	0.0464
16		Tier Three Breakover (M Gal):	99,999	99,999				1.5036	1.5500	0.0464
17										
18	Industrial 3-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 153.46	$ 160.00	$ 6.54	$ 1.5036	$ 1.5500	$ 0.0464
19		Tier Two Breakover (M Gal):	99,999	99,999				1.5036	1.5500	0.0464
20		Tier Three Breakover (M Gal):	99,999	99,999				1.5036	1.5500	0.0464
21										
22	Industrial 4-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 239.77	$ 250.00	$ 10.23	$ 1.5036	$ 1.5500	$ 0.0464
23		Tier Two Breakover (M Gal):	99,999	99,999				1.5036	1.5500	0.0464
24		Tier Three Breakover (M Gal):	99,999	99,999				1.5036	1.5500	0.0464
25										
26	Industrial 6-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 479.55	$ 500.00	$ 20.45	$ 1.5036	$ 1.5500	$ 0.0464
27		Tier Two Breakover (M Gal):	99,999	99,999				1.5036	1.5500	0.0464
28		Tier Three Breakover (M Gal):	99,999	99,999				1.5036	1.5500	0.0464
29										
30	Industrial 8-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 767.28	$ 800.00	$ 32.72	$ 1.5036	$ 1.5500	$ 0.0464
31		Tier Two Breakover (M Gal):	99,999	99,999				1.5036	1.5500	0.0464
32		Tier Three Breakover (M Gal):	99,999	99,999				1.5036	1.5500	0.0464
33										
34	Industrial 10-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 1,102.96	$ 1,150.00	$ 47.04	$ 1.5036	$ 1.5500	$ 0.0464
35		Tier Two Breakover (M Gal):	99,999	99,999				1.5036	1.5500	0.0464
36		Tier Three Breakover (M Gal):	99,999	99,999				1.5036	1.5500	0.0464
37										
38										
39	Private Fire Service	All meter connection sizes:			$ 22.88	$ 25.00	$ 2.12	n/a	n/a	n/a
40										
41										
42										
43										
44										
45										
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53										
54										
55	**For Service Charges See Company-wide Service Charge Tariff at the end of this schedule**									

(Continued)

Pinal Valley (Casa Grande/Coolidge)

Line No.	Class of Service	[A] Rate Block	[B] Present	[C] Proposed	[D] Basic Service Charge Present Rate	[E] Basic Service Charge Proposed Rate	[F] Basic Service Charge Change	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate	[I] Volumetric Charge (/M Gal) Change
1										
2	Public Fire Hydrant				n/a	n/a	n/a	n/a	n/a	n/a
3										
4	Coin Machine	No. Gallons / $ .25 (quarter)			n/a	n/a	n/a	132.99	107	0.1956
5										
6	Construction Water (2-Inch)	Tier One Breakover (M Gal):	125	125	$ 126.29	$ 174.00	$ 47.71	$ 1.7123	$ 2.1389	$ 0.4266
7		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
8		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
9										
10	Construction Water (3-Inch)	Tier One Breakover (M Gal):	299	300	$ 252.59	$ 348.00	$ 95.41	$ 1.7123	$ 2.1389	$ 0.4266
11		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
12		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
13										
14	Construction Water (4-Inch)	Tier One Breakover (M Gal):	494	500	$ 394.67	$ 543.75	$ 149.08	$ 1.7123	$ 2.1389	$ 0.4266
15		Tier Two Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
16		Tier Three Breakover (M Gal):	99,999	99,999				2.1406	2.6736	0.5330
17										
18	Sales for Resale (5/8-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 15.79	$ 21.75	$ 5.96	$ 1.5036	$ 2.1389	$ 0.6353
19		Tier Two Breakover (M Gal):	99,999	99,999				1.5036	2.1389	0.6353
20		Tier Three Breakover (M Gal):	99,999	99,999				1.5036	2.1389	0.6353
21										
22	Sales for Resale (1-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 39.47	$ 54.38	$ 14.91	$ 1.5036	$ 2.1389	$ 0.6353
23		Tier Two Breakover (M Gal):	99,999	99,999				1.5036	2.1389	0.6353
24		Tier Three Breakover (M Gal):	99,999	99,999				1.5036	2.1389	0.6353
25										
26	Sales for Resale (1.5-Inch)	Tier One Breakover (M Gal):	n/a	99,999	n/a	$ 108.75	n/a	n/a	$ 2.1389	n/a
27		Tier Two Breakover (M Gal):	n/a	99,999				n/a	2.1389	n/a
28		Tier Three Breakover (M Gal):	n/a	99,999				n/a	2.1389	n/a
29										
30	Sales for Resale (2-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 126.29	$ 174.00	$ 47.71	$ 1.5036	$ 2.1389	$ 0.6353
31		Tier Two Breakover (M Gal):	99,999	99,999				1.5036	2.1389	0.6353
32		Tier Three Breakover (M Gal):	99,999	99,999				1.5036	2.1389	0.6353
33										
34	Sales for Resale (3-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 252.59	$ 348.00	$ 95.41	$ 1.5036	$ 2.1389	$ 0.6353
35		Tier Two Breakover (M Gal):	99,999	99,999				1.5036	2.1389	0.6353
36		Tier Three Breakover (M Gal):	99,999	99,999				1.5036	2.1389	0.6353
37										
38	Sales for Resale (4-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 394.67	$ 543.75	$ 149.08	$ 1.5036	$ 2.1389	$ 0.6353
39		Tier Two Breakover (M Gal):	99,999	99,999				1.5036	2.1389	0.6353
40		Tier Three Breakover (M Gal):	99,999	99,999				1.5036	2.1389	0.6353
41										
42	Sales for Resale (6-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 789.33	$ 1,087.50	$ 298.17	$ 1.5036	$ 2.1389	$ 0.6353
43		Tier Two Breakover (M Gal):	99,999	99,999				1.5036	2.1389	0.6353
44		Tier Three Breakover (M Gal):	99,999	99,999				1.5036	2.1389	0.6353
45										
46	Sales for Resale (8-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 1,262.93	$ 1,740.00	$ 477.07	$ 1.5036	$ 2.1389	$ 0.6353
47		Tier Two Breakover (M Gal):	99,999	99,999				1.5036	2.1389	0.6353
48		Tier Three Breakover (M Gal):	99,999	99,999				1.5036	2.1389	0.6353
49										
50	Sales for Resale (10-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 1,815.47	$ 2,501.25	$ 685.78	$ 1.5036	$ 2.1389	$ 0.6353
51		Tier Two Breakover (M Gal):	99,999	99,999				1.5036	2.1389	0.6353
52		Tier Three Breakover (M Gal):	99,999	99,999				1.5036	2.1389	0.6353
53										
54										
55	**For Service Charges See Company-wide Service Charge Tariff at the end of this schedule**									

Casa Grande (Stanfield)

Line No.	Class of Service	[A] Rate Block	[B] Present	[C] Proposed	[D] Basic Service Charge Present Rate	[E] Basic Service Charge Proposed Rate	[F] Basic Service Charge Change	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate	[I] Volumetric Charge (/M Gal) Change
1										
2	Residential 5/8 x 3/4 -inch	Tier One Breakover (M Gal):	3	3	$ 15.79	$ 21.75	$ 5.96	$ 2.4379	$ 1.7111	$ (0.7268)
3		Tier Two Breakover (M Gal):	10	10				3.0476	2.1389	(0.9087)
4		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
5										
6	Residential 1-inch	Tier One Breakover (M Gal):	10	40	$ 39.47	$ 54.38	$ 14.91	$ 3.0476	$ 2.1389	$ (0.9087)
7		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
8		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
9										
10	Residential 1.5-inch	Tier One Breakover (M Gal):	n/a	75	n/a	$ 108.75	n/a	n/a	$ 2.1389	n/a
11		Tier Two Breakover (M Gal):	n/a	99,999				n/a	2.6736	n/a
12		Tier Three Breakover (M Gal):	n/a	99,999				n/a	2.6736	n/a
13										
14	Residential 2-inch	Tier One Breakover (M Gal):	122	125	$ 126.29	$ 174.00	$ 47.71	$ 3.0476	$ 2.1389	$ (0.9087)
15		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
16		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
17										
18	Residential 3-inch	Tier One Breakover (M Gal):	286	300	$ 252.59	$ 348.00	$ 95.41	$ 3.0476	$ 2.1389	$ (0.9087)
19		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
20		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
21										
22	Residential 4-inch	Tier One Breakover (M Gal):	471	500	$ 394.67	$ 543.75	$ 149.08	$ 3.0476	$ 2.1389	$ (0.9087)
23		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
24		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
25										
26	Residential 6-inch	Tier One Breakover (M Gal):	925	1,000	$ 789.33	$ 1,087.50	$ 298.17	$ 3.0476	$ 2.1389	$ (0.9087)
27		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
28		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
29										
30	Residential 8-inch	Tier One Breakover (M Gal):	1,500	1,500	$ 1,262.93	$ 1,740.00	$ 477.07	$ 3.0476	$ 2.1389	$ (0.9087)
31		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
32		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
33										
34	Residential 10-inch	Tier One Breakover (M Gal):	2,223	2,300	$ 1,815.47	$ 2,501.25	$ 685.78	$ 3.0476	$ 2.1389	$ (0.9087)
35		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
36		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
37										
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55	**For Service Charges See Company-wide Service Charge Tariff at the end of this schedule**									

(Continued)

Casa Grande (Stanfield)

Line No.	Class of Service	[A] Rate Block	[B] Present	[C] Proposed	[D] Basic Service Charge Present Rate	[E] Basic Service Charge Proposed Rate	[F] Basic Service Charge Change	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate	[I] Volumetric Charge (/M Gal) Change
1										
2	Commercial 5/8 x 3/4 -inch	Tier One Breakover (M Gal):	10	10	$ 15.79	$ 21.75	$ 5.96	$ 3.0476	$ 2.1389	$ (0.9087)
3		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
4		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
5										
6	Commercial 1-inch	Tier One Breakover (M Gal):	40	40	$ 39.47	$ 54.38	$ 14.91	$ 3.0476	$ 2.1389	$ (0.9087)
7		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
8		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
9										
10	Commercial 1.5-inch	Tier One Breakover (M Gal):	n/a	75	n/a	$ 108.75	n/a	n/a	$ 2.1389	n/a
11		Tier Two Breakover (M Gal):	n/a	99,999				n/a	2.6736	n/a
12		Tier Three Breakover (M Gal):	n/a	99,999				n/a	2.6736	n/a
13										
14	Commercial 2-inch	Tier One Breakover (M Gal):	125	125	$ 126.29	$ 174.00	$ 47.71	$ 3.0476	$ 2.1389	$ (0.9087)
15		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
16		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
17										
18	Commercial 3-inch	Tier One Breakover (M Gal):	289	300	$ 252.59	$ 348.00	$ 95.41	$ 3.0476	$ 2.1389	$ (0.9087)
19		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
20		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
21										
22	Commercial 4-inch	Tier One Breakover (M Gal):	474	500	$ 394.67	$ 543.75	$ 149.08	$ 3.0476	$ 2.1389	$ (0.9087)
23		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
24		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
25										
26	Commercial 6-inch	Tier One Breakover (M Gal):	925	1,000	$ 789.33	$ 1,087.50	$ 298.17	$ 3.0476	$ 2.1389	$ (0.9087)
27		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
28		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
29										
30	Commercial 8-inch	Tier One Breakover (M Gal):	1,500	1,500	$ 1,262.93	$ 1,740.00	$ 477.07	$ 3.0476	$ 2.1389	$ (0.9087)
31		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
32		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
33										
34	Commercial 10-inch	Tier One Breakover (M Gal):	2,223	2,300	$ 1,815.47	$ 2,501.25	$ 685.78	$ 3.0476	$ 2.1389	$ (0.9087)
35		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
36		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
37										
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55	**For Service Charges See Company-wide Service Charge Tariff at the end of this schedule**									

(Continued)

Casa Grande (Stanfield)

Line No.	Class of Service	[A] Rate Block	[B] Present	[C] Proposed	[D] Basic Service Charge Present Rate	[E] Basic Service Charge Proposed Rate	[F] Basic Service Charge Change	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate	[I] Volumetric Charge (/M Gal) Change
1										
2	Industrial 5/8 x 3/4 -inch	Tier One Breakover (M Gal):	99,999	99,999	$ 9.59	$ 10.00	$ 0.41	$ 3.0476	$ 1.5500	$ (1.4976)
3		Tier Two Breakover (M Gal):	99,999	99,999				3.0476	1.5500	(1.4976)
4		Tier Three Breakover (M Gal):	99,999	99,999				3.0476	1.5500	(1.4976)
5										
6	Industrial 1-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 40.00	$ 25.00	$ (15.00)	$ 3.0476	$ 1.5500	$ (1.4976)
7		Tier Two Breakover (M Gal):	99,999	99,999				3.0476	1.5500	(1.4976)
8		Tier Three Breakover (M Gal):	99,999	99,999				3.0476	1.5500	(1.4976)
9										
10	Industrial 1.5-inch	Tier One Breakover (M Gal):	n/a	99,999	n/a	$ 50.00	n/a	n/a	$ 1.5500	n/a
11		Tier Two Breakover (M Gal):	n/a	99,999				n/a	1.5500	n/a
12		Tier Three Breakover (M Gal):	n/a	99,999				n/a	1.5500	n/a
13										
14	Industrial 2-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 200.00	$ 80.00	$ (120.00)	$ 3.0476	$ 1.5500	$ (1.4976)
15		Tier Two Breakover (M Gal):	99,999	99,999				3.0476	1.5500	(1.4976)
16		Tier Three Breakover (M Gal):	99,999	99,999				3.0476	1.5500	(1.4976)
17										
18	Industrial 3-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 153.46	$ 160.00	$ 6.54	$ 3.0476	$ 1.5500	$ (1.4976)
19		Tier Two Breakover (M Gal):	99,999	99,999				3.0476	1.5500	(1.4976)
20		Tier Three Breakover (M Gal):	99,999	99,999				3.0476	1.5500	(1.4976)
21										
22	Industrial 4-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 239.77	$ 250.00	$ 10.23	$ 3.0476	$ 1.5500	$ (1.4976)
23		Tier Two Breakover (M Gal):	99,999	99,999				3.0476	1.5500	(1.4976)
24		Tier Three Breakover (M Gal):	99,999	99,999				3.0476	1.5500	(1.4976)
25										
26	Industrial 6-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 479.55	$ 500.00	$ 20.45	$ 3.0476	$ 1.5500	$ (1.4976)
27		Tier Two Breakover (M Gal):	99,999	99,999				3.0476	1.5500	(1.4976)
28		Tier Three Breakover (M Gal):	99,999	99,999				3.0476	1.5500	(1.4976)
29										
30	Industrial 8-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 767.28	$ 800.00	$ 32.72	$ 3.0476	$ 1.5500	$ (1.4976)
31		Tier Two Breakover (M Gal):	99,999	99,999				3.0476	1.5500	(1.4976)
32		Tier Three Breakover (M Gal):	99,999	99,999				3.0476	1.5500	(1.4976)
33										
34	Industrial 10-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 1,102.96	$ 1,150.00	$ 47.04	$ 3.0476	$ 1.5500	$ (1.4976)
35		Tier Two Breakover (M Gal):	99,999	99,999				3.0476	1.5500	(1.4976)
36		Tier Three Breakover (M Gal):	99,999	99,999				3.0476	1.5500	(1.4976)
37										
38										
39	Private Fire Service	All meter connection sizes:			$ 22.88	$ 25.00	$ 2.12	n/a	n/a	n/a
40										
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55	**For Service Charges See Company-wide Service Charge Tariff at the end of this schedule**									

(Continued)

Casa Grande (Stanfield)

Line No.	Class of Service	[A] Rate Block	[B] Present	[C] Proposed	[D] Basic Service Charge Present Rate	[E] Basic Service Charge Proposed Rate	[F] Basic Service Charge Change	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate	[I] Volumetric Charge (/M Gal) Change
1										
2	Public Fire Hydrant				n/a	n/a	n/a	n/a	n/a	n/a
3										
4	Coin Machine	No. Gallons / $ .25 (quarter)			n/a	n/a	n/a	74.72	107	(0.4317)
5										
6	Construction Water (2-Inch)	Tier One Breakover (M Gal):	125	125	$ 126.29	$ 174.00	$ 47.71	$ 3.0476	$ 2.1389	$ (0.9087)
7		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
8		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
9										
10	Construction Water (3-Inch)	Tier One Breakover (M Gal):	289	300	$ 252.59	$ 348.00	$ 95.41	$ 3.0476	$ 2.1389	$ (0.9087)
11		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
12		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
13										
14	Construction Water (4-Inch)	Tier One Breakover (M Gal):	474	500	$ 394.67	$ 543.75	$ 149.08	$ 3.0476	$ 2.1389	$ (0.9087)
15		Tier Two Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
16		Tier Three Breakover (M Gal):	99,999	99,999				3.8097	2.6736	(1.1361)
17										
18	Sales for Resale (5/8-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 15.79	$ 21.75	$ 5.96	$ 3.0476	$ 2.1389	$ (0.9087)
19		Tier Two Breakover (M Gal):	99,999	99,999				3.0476	2.1389	(0.9087)
20		Tier Three Breakover (M Gal):	99,999	99,999				3.0476	2.1389	(0.9087)
21										
22	Sales for Resale (1-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 39.47	$ 54.38	$ 14.91	$ 3.0476	$ 2.1389	$ (0.9087)
23		Tier Two Breakover (M Gal):	99,999	99,999				3.0476	2.1389	(0.9087)
24		Tier Three Breakover (M Gal):	99,999	99,999				3.0476	2.1389	(0.9087)
25										
26	Sales for Resale (1.5-Inch)	Tier One Breakover (M Gal):	n/a	99,999	n/a	$ 108.75	n/a	n/a	$ 2.1389	n/a
27		Tier Two Breakover (M Gal):	n/a	99,999				n/a	2.1389	n/a
28		Tier Three Breakover (M Gal):	n/a	99,999				n/a	2.1389	n/a
29										
30	Sales for Resale (2-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 126.29	$ 174.00	$ 47.71	$ 3.0476	$ 2.1389	$ (0.9087)
31		Tier Two Breakover (M Gal):	99,999	99,999				3.0476	2.1389	(0.9087)
32		Tier Three Breakover (M Gal):	99,999	99,999				3.0476	2.1389	(0.9087)
33										
34	Sales for Resale (3-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 252.59	$ 348.00	$ 95.41	$ 3.0476	$ 2.1389	$ (0.9087)
35		Tier Two Breakover (M Gal):	99,999	99,999				3.0476	2.1389	(0.9087)
36		Tier Three Breakover (M Gal):	99,999	99,999				3.0476	2.1389	(0.9087)
37										
38	Sales for Resale (4-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 394.67	$ 543.75	$ 149.08	$ 3.0476	$ 2.1389	$ (0.9087)
39		Tier Two Breakover (M Gal):	99,999	99,999				3.0476	2.1389	(0.9087)
40		Tier Three Breakover (M Gal):	99,999	99,999				3.0476	2.1389	(0.9087)
41										
42	Sales for Resale (6-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 789.33	$ 1,087.50	$ 298.17	$ 3.0476	$ 2.1389	$ (0.9087)
43		Tier Two Breakover (M Gal):	99,999	99,999				3.0476	2.1389	(0.9087)
44		Tier Three Breakover (M Gal):	99,999	99,999				3.0476	2.1389	(0.9087)
45										
46	Sales for Resale (8-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 1,262.93	$ 1,740.00	$ 477.07	$ 3.0476	$ 2.1389	$ (0.9087)
47		Tier Two Breakover (M Gal):	99,999	99,999				3.0476	2.1389	(0.9087)
48		Tier Three Breakover (M Gal):	99,999	99,999				3.0476	2.1389	(0.9087)
49										
50	Sales for Resale (10-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 1,815.47	$ 2,501.25	$ 685.78	$ 3.0476	$ 2.1389	$ (0.9087)
51		Tier Two Breakover (M Gal):	99,999	99,999				3.0476	2.1389	(0.9087)
52		Tier Three Breakover (M Gal):	99,999	99,999				3.0476	2.1389	(0.9087)
53										
54										
55	**For Service Charges See Company-wide Service Charge Tariff at the end of this schedule**									

White Tank

Line No.	Class of Service	[A] Rate Block	[B] Present	[C] Proposed	[D] Basic Service Charge Present Rate	[E] Basic Service Charge Proposed Rate	[F] Basic Service Charge Change	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate	[I] Volumetric Charge (/M Gal) Change
1										
2	Residential 5/8 x 3/4 -inch	Tier One Breakover (M Gal):	3	3	$ 22.72	$ 21.75	$ (0.97)	$ 1.6493	$ 1.7111	$ 0.0618
3		Tier Two Breakover (M Gal):	10	10				2.0614	2.1389	0.0775
4		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
5										
6	Residential 1-inch	Tier One Breakover (M Gal):	10	40	$ 56.80	$ 54.38	$ (2.43)	$ 2.0614	$ 2.1389	$ 0.0775
7		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
8		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
9										
10	Residential 1.5-inch	Tier One Breakover (M Gal):	n/a	75	n/a	$ 108.75	n/a	n/a	$ 2.1389	n/a
11		Tier Two Breakover (M Gal):	n/a	99,999				n/a	2.6736	n/a
12		Tier Three Breakover (M Gal):	n/a	99,999				n/a	2.6736	n/a
13										
14	Residential 2-inch	Tier One Breakover (M Gal):	185	125	$ 181.76	$ 174.00	$ (7.76)	$ 2.0614	$ 2.1389	$ 0.0775
15		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
16		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
17										
18	Residential 3-inch	Tier One Breakover (M Gal):	400	300	$ 363.51	$ 348.00	$ (15.51)	$ 2.0614	$ 2.1389	$ 0.0775
19		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
20		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
21										
22	Residential 4-inch	Tier One Breakover (M Gal):	795	500	$ 567.99	$ 543.75	$ (24.24)	$ 2.0614	$ 2.1389	$ 0.0775
23		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
24		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
25										
26	Residential 6-inch	Tier One Breakover (M Gal):	1,895	1,000	$ 1,135.98	$ 1,087.50	$ (48.48)	$ 2.0614	$ 2.1389	$ 0.0775
27		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
28		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
29										
30	Residential 8-inch	Tier One Breakover (M Gal):	2,500	1,500	$ 1,817.56	$ 1,740.00	$ (77.56)	$ 2.0614	$ 2.1389	$ 0.0775
31		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
32		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
33										
34	Residential 10-inch	Tier One Breakover (M Gal):	5,024	2,300	$ 2,612.75	$ 2,501.25	$ (111.50)	$ 2.0614	$ 2.1389	$ 0.0775
35		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
36		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
37										
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54										
55	**For Service Charges See Company-wide Service Charge Tariff at the end of this schedule**									

White Tank

Line No.	Class of Service	[A] Rate Block	[B] Present	[C] Proposed	[D] Basic Service Charge Present Rate	[E] Basic Service Charge Proposed Rate	[F] Basic Service Charge Change	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate	[I] Volumetric Charge (/M Gal) Change
1										
2	Commercial 5/8 x 3/4 -inch	Tier One Breakover (M Gal):	10	10	$ 22.72	$ 21.75	$ (0.97)	$ 2.0614	$ 2.1389	$ 0.0775
3		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
4		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
5										
6	Commercial 1-inch	Tier One Breakover (M Gal):	75	40	$ 56.80	$ 54.38	$ (2.43)	$ 2.0614	$ 2.1389	$ 0.0775
7		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
8		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
9										
10	Commercial 1.5-inch	Tier One Breakover (M Gal):	n/a	75	n/a	$ 108.75	n/a	n/a	$ 2.1389	n/a
11		Tier Two Breakover (M Gal):	n/a	99,999				n/a	2.6736	n/a
12		Tier Three Breakover (M Gal):	n/a	99,999				n/a	2.6736	n/a
13										
14	Commercial 2-inch	Tier One Breakover (M Gal):	316	125	$ 181.76	$ 174.00	$ (7.76)	$ 2.0614	$ 2.1389	$ 0.0775
15		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
16		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
17										
18	Commercial 3-inch	Tier One Breakover (M Gal):	667	300	$ 363.51	$ 348.00	$ (15.51)	$ 2.0614	$ 2.1389	$ 0.0775
19		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
20		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
21										
22	Commercial 4-inch	Tier One Breakover (M Gal):	1,062	500	$ 567.99	$ 543.75	$ (24.24)	$ 2.0614	$ 2.1389	$ 0.0775
23		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
24		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
25										
26	Commercial 6-inch	Tier One Breakover (M Gal):	2,162	1,000	$ 1,135.98	$ 1,087.50	$ (48.48)	$ 2.0614	$ 2.1389	$ 0.0775
27		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
28		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
29										
30	Commercial 8-inch	Tier One Breakover (M Gal):	3,483	1,500	$ 1,817.56	$ 1,740.00	$ (77.56)	$ 2.0614	$ 2.1389	$ 0.0775
31		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
32		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
33										
34	Commercial 10-inch	Tier One Breakover (M Gal):	5,024	2,300	$ 2,612.75	$ 2,501.25	$ (111.50)	$ 2.0614	$ 2.1389	$ 0.0775
35		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
36		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
37										
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55	**For Service Charges See Company-wide Service Charge Tariff at the end of this schedule**									

(Continued)

White Tank

Line No.	Class of Service	[A] Rate Block	[B] Present	[C] Proposed	[D] Basic Service Charge Present Rate	[E] Basic Service Charge Proposed Rate	[F] Basic Service Charge Change	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate	[I] Volumetric Charge (/M Gal) Change
1										
2	Industrial 5/8 x 3/4 -inch	Tier One Breakover (M Gal):	99,999	99,999	$ 18.54	$ 18.54	$ -	$ 4.6274	$ 4.6200	$ (0.0074)
3		Tier Two Breakover (M Gal):	99,999	99,999				4.6274	4.6200	(0.0074)
4		Tier Three Breakover (M Gal):	99,999	99,999				4.6274	4.6200	(0.0074)
5										
6	Industrial 1-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 46.34	$ 46.35	$ 0.01	$ 4.6274	$ 4.6200	$ (0.0074)
7		Tier Two Breakover (M Gal):	99,999	99,999				4.6274	4.6200	(0.0074)
8		Tier Three Breakover (M Gal):	99,999	99,999				4.6274	4.6200	(0.0074)
9										
10	Industrial 1.5-inch	Tier One Breakover (M Gal):	n/a	99,999	n/a	$ 92.70	n/a	n/a	$ 4.6200	n/a
11		Tier Two Breakover (M Gal):	n/a	99,999				n/a	4.6200	n/a
12		Tier Three Breakover (M Gal):	n/a	99,999				n/a	4.6200	n/a
13										
14	Industrial 2-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 148.28	$ 148.32	$ 0.04	$ 4.6274	$ 4.6200	$ (0.0074)
15		Tier Two Breakover (M Gal):	99,999	99,999				4.6274	4.6200	(0.0074)
16		Tier Three Breakover (M Gal):	99,999	99,999				4.6274	4.6200	(0.0074)
17										
18	Industrial 3-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 296.56	$ 296.64	$ 0.08	$ 4.6274	$ 4.6200	$ (0.0074)
19		Tier Two Breakover (M Gal):	99,999	99,999				4.6274	4.6200	(0.0074)
20		Tier Three Breakover (M Gal):	99,999	99,999				4.6274	4.6200	(0.0074)
21										
22	Industrial 4-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 463.38	$ 463.50	$ 0.12	$ 4.6274	$ 4.6200	$ (0.0074)
23		Tier Two Breakover (M Gal):	99,999	99,999				4.6274	4.6200	(0.0074)
24		Tier Three Breakover (M Gal):	99,999	99,999				4.6274	4.6200	(0.0074)
25										
26	Industrial 6-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 926.75	$ 927.00	$ 0.25	$ 4.6274	$ 4.6200	$ (0.0074)
27		Tier Two Breakover (M Gal):	99,999	99,999				4.6274	4.6200	(0.0074)
28		Tier Three Breakover (M Gal):	99,999	99,999				4.6274	4.6200	(0.0074)
29										
30	Industrial 8-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 1,482.81	$ 1,483.20	$ 0.39	$ 4.6274	$ 4.6200	$ (0.0074)
31		Tier Two Breakover (M Gal):	99,999	99,999				4.6274	4.6200	(0.0074)
32		Tier Three Breakover (M Gal):	99,999	99,999				4.6274	4.6200	(0.0074)
33										
34	Industrial 10-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 2,131.54	$ 2,132.10	$ 0.56	$ 4.6274	$ 4.6200	$ (0.0074)
35		Tier Two Breakover (M Gal):	99,999	99,999				4.6274	4.6200	(0.0074)
36		Tier Three Breakover (M Gal):	99,999	99,999				4.6274	4.6200	(0.0074)
37										
38										
39	Private Fire Service	All meter connection sizes:			$ 22.69	$ 25.00	$ 2.31	n/a	n/a	n/a
40										
41										
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55	**For Service Charges See Company-wide Service Charge Tariff at the end of this schedule**									

(Continued)

White Tank

Line No.	Class of Service	[A] Rate Block	[B] Present	[C] Proposed	[D] Basic Service Charge Present Rate	[E] Basic Service Charge Proposed Rate	[F] Basic Service Charge Change	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate	[I] Volumetric Charge (/M Gal) Change
1										
2	Public Fire Hydrant				n/a	n/a	n/a	n/a	n/a	n/a
3										
4	Coin Machine	No. Gallons / $ .25 (quarter)			n/a	n/a	n/a	-	n/a	n/a
5										
6	Construction Water (2-Inch)	Tier One Breakover (M Gal):	316	125	$ 181.76	$ 174.00	$ (7.76)	$ 2.0614	$ 2.1389	$ 0.0775
7		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
8		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
9										
10	Construction Water (3-Inch)	Tier One Breakover (M Gal):	667	300	$ 363.51	$ 348.00	$ (15.51)	$ 2.0614	$ 2.1389	$ 0.0775
11		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
12		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
13										
14	Construction Water (4-Inch)	Tier One Breakover (M Gal):	1,062	500	$ 567.99	$ 543.75	$ (24.24)	$ 2.0614	$ 2.1389	$ 0.0775
15		Tier Two Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
16		Tier Three Breakover (M Gal):	99,999	99,999				2.5769	2.6736	0.0967
17										
18	Sales for Resale (5/8-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 22.72	$ 21.75	$ (0.97)	$ 4.6274	$ 2.1389	$ (2.4885)
19		Tier Two Breakover (M Gal):	99,999	99,999				4.6274	2.1389	(2.4885)
20		Tier Three Breakover (M Gal):	99,999	99,999				4.6274	2.1389	(2.4885)
21										
22	Sales for Resale (1-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 56.80	$ 54.38	$ (2.43)	$ 4.6274	$ 2.1389	$ (2.4885)
23		Tier Two Breakover (M Gal):	99,999	99,999				4.6274	2.1389	(2.4885)
24		Tier Three Breakover (M Gal):	99,999	99,999				4.6274	2.1389	(2.4885)
25										
26	Sales for Resale (1.5-Inch)	Tier One Breakover (M Gal):	n/a	99,999	n/a	$ 108.75	n/a	n/a	$ 2.1389	n/a
27		Tier Two Breakover (M Gal):	n/a	99,999				n/a	2.1389	n/a
28		Tier Three Breakover (M Gal):	n/a	99,999				n/a	2.1389	n/a
29										
30	Sales for Resale (2-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 181.76	$ 174.00	$ (7.76)	$ 4.6274	$ 2.1389	$ (2.4885)
31		Tier Two Breakover (M Gal):	99,999	99,999				4.6274	2.1389	(2.4885)
32		Tier Three Breakover (M Gal):	99,999	99,999				4.6274	2.1389	(2.4885)
33										
34	Sales for Resale (3-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 363.51	$ 348.00	$ (15.51)	$ 4.6274	$ 2.1389	$ (2.4885)
35		Tier Two Breakover (M Gal):	99,999	99,999				4.6274	2.1389	(2.4885)
36		Tier Three Breakover (M Gal):	99,999	99,999				4.6274	2.1389	(2.4885)
37										
38	Sales for Resale (4-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 567.99	$ 543.75	$ (24.24)	$ 4.6274	$ 2.1389	$ (2.4885)
39		Tier Two Breakover (M Gal):	99,999	99,999				4.6274	2.1389	(2.4885)
40		Tier Three Breakover (M Gal):	99,999	99,999				4.6274	2.1389	(2.4885)
41										
42	Sales for Resale (6-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 1,135.98	$ 1,087.50	$ (48.48)	$ 4.6274	$ 2.1389	$ (2.4885)
43		Tier Two Breakover (M Gal):	99,999	99,999				4.6274	2.1389	(2.4885)
44		Tier Three Breakover (M Gal):	99,999	99,999				4.6274	2.1389	(2.4885)
45										
46	Sales for Resale (8-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 1,817.56	$ 1,740.00	$ (77.56)	$ 4.6274	$ 2.1389	$ (2.4885)
47		Tier Two Breakover (M Gal):	99,999	99,999				4.6274	2.1389	(2.4885)
48		Tier Three Breakover (M Gal):	99,999	99,999				4.6274	2.1389	(2.4885)
49										
50	Sales for Resale (10-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 2,612.75	$ 2,501.25	$ (111.50)	$ 4.6274	$ 2.1389	$ (2.4885)
51		Tier Two Breakover (M Gal):	99,999	99,999				4.6274	2.1389	(2.4885)
52		Tier Three Breakover (M Gal):	99,999	99,999				4.6274	2.1389	(2.4885)
53										
54										
55	**For Service Charges See Company-wide Service Charge Tariff at the end of this schedule**									

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Line No.	Class of Service	[A] Rate Block	[B] Present	[C] Proposed	[D] Basic Service Charge Present Rate	[E] Proposed Rate	[F] Change	[G] Volumetric Charge (/M Gal) Present Rate	[H] Proposed Rate	[I] Change
1										
2	Residential 5/8 x 3/4 -inch	Tier One Breakover (M Gal):	3	3	$ 25.16	$ 29.20	$ 4.04	$ 4.8189	$ 4.6070	$ (0.2119)
3		Tier Two Breakover (M Gal):	10	10				6.0236	5.7588	(0.2649)
4		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
5										
6	Residential 1-inch	Tier One Breakover (M Gal):	10	30	$ 62.90	$ 73.00	$ 10.10	$ 6.0236	$ 5.7588	$ (0.2649)
7		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
8		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
9										
10	Residential 1.5-inch	Tier One Breakover (M Gal):	n/a	75	n/a	$ 146.00	n/a	n/a	$ 5.7588	n/a
11		Tier Two Breakover (M Gal):	n/a	99,999				n/a	7.1984	n/a
12		Tier Three Breakover (M Gal):	n/a	99,999				n/a	7.1984	n/a
13										
14	Residential 2-inch	Tier One Breakover (M Gal):	90	125	$ 201.27	$ 233.60	$ 32.33	$ 6.0236	$ 5.7588	$ (0.2649)
15		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
16		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
17										
18	Residential 3-inch	Tier One Breakover (M Gal):	200	275	$ 402.54	$ 467.20	$ 64.66	$ 6.0236	$ 5.7588	$ (0.2649)
19		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
20		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
21										
22	Residential 4-inch	Tier One Breakover (M Gal):	325	450	$ 628.97	$ 730.00	$ 101.03	$ 6.0236	$ 5.7588	$ (0.2649)
23		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
24		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
25										
26	Residential 6-inch	Tier One Breakover (M Gal):	725	950	$ 1,257.94	$ 1,460.00	$ 202.06	$ 6.0236	$ 5.7588	$ (0.2649)
27		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
28		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
29										
30	Residential 8-inch	Tier One Breakover (M Gal):	1,200	1,500	$ 2,012.70	$ 2,336.00	$ 323.30	$ 6.0236	$ 5.7588	$ (0.2649)
31		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
32		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
33										
34	Residential 10-inch	Tier One Breakover (M Gal):	1,783	2,200	$ 2,893.25	$ 3,358.00	$ 464.75	$ 6.0236	$ 5.7588	$ (0.2649)
35		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
36		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
37										
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55	**For Service Charges See Company-wide Service Charge Tariff at the end of this schedule**									

(Continued)

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Line No.	Class of Service	[A] Rate Block	[B] Present	[C] Proposed	[D] Basic Service Charge Present Rate	[E] Basic Service Charge Proposed Rate	[F] Basic Service Charge Change	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate	[I] Volumetric Charge (/M Gal) Change
1										
2	Commercial 5/8 x 3/4 -inch	Tier One Breakover (M Gal):	10	10	$ 25.16	$ 29.20	$ 4.04	$ 6.0236	$ 5.7588	$ (0.2649)
3		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
4		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
5										
6	Commercial 1-inch	Tier One Breakover (M Gal):	30	30	$ 62.90	$ 73.00	$ 10.10	$ 6.0236	$ 5.7588	$ (0.2649)
7		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
8		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
9										
10	Commercial 1.5-inch	Tier One Breakover (M Gal):	n/a	75	n/a	$ 146.00	n/a	n/a	$ 5.7588	n/a
11		Tier Two Breakover (M Gal):	n/a	99,999				n/a	7.1984	n/a
12		Tier Three Breakover (M Gal):	n/a	99,999				n/a	7.1984	n/a
13										
14	Commercial 2-inch	Tier One Breakover (M Gal):	100	125	$ 201.27	$ 233.60	$ 32.33	$ 6.0236	$ 5.7588	$ (0.2649)
15		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
16		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
17										
18	Commercial 3-inch	Tier One Breakover (M Gal):	200	275	$ 402.54	$ 467.20	$ 64.66	$ 6.0236	$ 5.7588	$ (0.2649)
19		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
20		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
21										
22	Commercial 4-inch	Tier One Breakover (M Gal):	325	450	$ 628.97	$ 730.00	$ 101.03	$ 6.0236	$ 5.7588	$ (0.2649)
23		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
24		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
25										
26	Commercial 6-inch	Tier One Breakover (M Gal):	725	950	$ 1,257.94	$ 1,460.00	$ 202.06	$ 6.0236	$ 5.7588	$ (0.2649)
27		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
28		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
29										
30	Commercial 8-inch	Tier One Breakover (M Gal):	1,200	1,500	$ 2,012.70	$ 2,336.00	$ 323.30	$ 6.0236	$ 5.7588	$ (0.2649)
31		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
32		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
33										
34	Commercial 10-inch	Tier One Breakover (M Gal):	1,783	2,200	$ 2,893.25	$ 3,358.00	$ 464.75	$ 6.0236	$ 5.7588	$ (0.2649)
35		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
36		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
37										
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54										
55	**For Service Charges See Company-wide Service Charge Tariff at the end of this schedule**									

(Continued)

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Line No.	Class of Service	[A] Rate Block	[B] Present	[C] Proposed	[D] Basic Service Charge Present Rate	[E] Basic Service Charge Proposed Rate	[F] Basic Service Charge Change	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate	[I] Volumetric Charge (/M Gal) Change
1										
2	Industrial 5/8 x 3/4 -inch	Tier One Breakover (M Gal):	99,999	99,999	$ 25.16	$ 29.20	$ 4.04	$ 6.0236	$ 5.7588	$ (0.2649)
3		Tier Two Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
4		Tier Three Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
5										
6	Industrial 1-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 65.60	$ 73.00	$ 7.40	$ 6.0236	$ 5.7588	$ (0.2649)
7		Tier Two Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
8		Tier Three Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
9										
10	Industrial 1.5-inch	Tier One Breakover (M Gal):	n/a	99,999	n/a	$ 146.00	n/a	n/a	$ 5.7588	n/a
11		Tier Two Breakover (M Gal):	n/a	99,999				n/a	5.7588	n/a
12		Tier Three Breakover (M Gal):	n/a	99,999				n/a	5.7588	n/a
13										
14	Industrial 2-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 201.27	$ 233.60	$ 32.33	$ 6.0236	$ 5.7588	$ (0.2649)
15		Tier Two Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
16		Tier Three Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
17										
18	Industrial 3-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 402.54	$ 467.20	$ 64.66	$ 6.0236	$ 5.7588	$ (0.2649)
19		Tier Two Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
20		Tier Three Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
21										
22	Industrial 4-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 628.97	$ 730.00	$ 101.03	$ 6.0236	$ 5.7588	$ (0.2649)
23		Tier Two Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
24		Tier Three Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
25										
26	Industrial 6-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 1,257.94	$ 1,460.00	$ 202.06	$ 6.0236	$ 5.7588	$ (0.2649)
27		Tier Two Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
28		Tier Three Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
29										
30	Industrial 8-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 2,012.70	$ 2,336.00	$ 323.30	$ 6.0236	$ 5.7588	$ (0.2649)
31		Tier Two Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
32		Tier Three Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
33										
34	Industrial 10-inch	Tier One Breakover (M Gal):	99,999	99,999	$ 2,893.25	$ 3,358.00	$ 464.75	$ 6.0236	$ 5.7588	$ (0.2649)
35		Tier Two Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
36		Tier Three Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
37										
38										
39	Private Fire Service	All meter connection sizes:			$ 24.19	$ 25.00	$ 0.81	n/a	n/a	n/a
40										
41										
42										
43										
44										
45										
46										
47										
48										
49										
50										
51					(Continued)					
52										
53										
54										
55	**For Service Charges See Company-wide Service Charge Tariff at the end of this schedule**									

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Line No.	Class of Service	[A] Rate Block	[B] Present	[C] Proposed	[D] Basic Service Charge Present Rate	[E] Basic Service Charge Proposed Rate	[F] Basic Service Charge Change	[G] Volumetric Charge (/M Gal) Present Rate	[H] Volumetric Charge (/M Gal) Proposed Rate	[I] Volumetric Charge (/M Gal) Change
1										
2	Public Fire Hydrant				n/a	n/a	n/a	n/a	n/a	n/a
3										
4	Coin Machine	No. Gallons / $ .25 (quarter)			n/a	n/a	n/a	37.81	40	(0.0508)
5										
6	Construction Water (2-Inch)	Tier One Breakover (M Gal):	100	125	$ 201.27	$ 233.60	$ 32.33	$ 6.0236	$ 5.7588	$ (0.2649)
7		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
8		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
9										
10	Construction Water (3-Inch)	Tier One Breakover (M Gal):	200	275	$ 402.54	$ 467.20	$ 64.66	$ 6.0236	$ 5.7588	$ (0.2649)
11		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
12		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
13										
14	Construction Water (4-Inch)	Tier One Breakover (M Gal):	325	450	$ 628.97	$ 730.00	$ 101.03	$ 6.0236	$ 5.7588	$ (0.2649)
15		Tier Two Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
16		Tier Three Breakover (M Gal):	99,999	99,999				7.5292	7.1984	(0.3308)
17										
18	Sales for Resale (5/8-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 25.16	$ 29.20	$ 4.04	$ 6.0236	$ 5.7588	$ (0.2649)
19		Tier Two Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
20		Tier Three Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
21										
22	Sales for Resale (1-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 62.90	$ 73.00	$ 10.10	$ 6.0236	$ 5.7588	$ (0.2649)
23		Tier Two Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
24		Tier Three Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
25										
26	Sales for Resale (1.5-Inch)	Tier One Breakover (M Gal):	n/a	99,999	n/a	$ 146.00	n/a	n/a	$ 5.7588	n/a
27		Tier Two Breakover (M Gal):	n/a	99,999				n/a	5.7588	n/a
28		Tier Three Breakover (M Gal):	n/a	99,999				n/a	5.7588	n/a
29										
30	Sales for Resale (2-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 201.27	$ 233.60	$ 32.33	$ 6.0236	$ 5.7588	$ (0.2649)
31		Tier Two Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
32		Tier Three Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
33										
34	Sales for Resale (3-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 402.54	$ 467.20	$ 64.66	$ 6.0236	$ 5.7588	$ (0.2649)
35		Tier Two Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
36		Tier Three Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
37										
38	Sales for Resale (4-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 628.97	$ 730.00	$ 101.03	$ 6.0236	$ 5.7588	$ (0.2649)
39		Tier Two Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
40		Tier Three Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
41										
42	Sales for Resale (6-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 1,257.94	$ 1,460.00	$ 202.06	$ 6.0236	$ 5.7588	$ (0.2649)
43		Tier Two Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
44		Tier Three Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
45										
46	Sales for Resale (8-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 2,012.70	$ 2,336.00	$ 323.30	$ 6.0236	$ 5.7588	$ (0.2649)
47		Tier Two Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
48		Tier Three Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
49										
50	Sales for Resale (10-Inch)	Tier One Breakover (M Gal):	99,999	99,999	$ 2,893.25	$ 3,358.00	$ 464.75	$ 6.0236	$ 5.7588	$ (0.2649)
51		Tier Two Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
52		Tier Three Breakover (M Gal):	99,999	99,999				6.0236	5.7588	(0.2649)
53										
54										
55	**For Service Charges See Company-wide Service Charge Tariff at the end of this schedule**									

Total Company

Line No.	Service Charge	[A] Current Rate	[B] Proposed Rate
2	Establishment	$16.00	$30.00
4–6	Guarantee Deposit	Residential - maximum: Two(2) times average customer class bill. Non-Residential-maximum: Two and one-half (21/2) times that customers estimated maximum monthly bill.	No Change
8	Reconnection for Delinquency	$16.00	$30.00
13–14	Re-Establishment	Eight (8) times the customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.	No Change
16–17	Service Call Out	During regular working hours - No charge. After regular working hours, on Saturdays, Sundays, or holidays - $35.00	During regular working hours - $30.00. After regular working hours, on Saturdays, Sundays, or holidays - $45.00
19–21	Returned Check	$25.00	No Change in rate. Change language to read "Returned payment for insufficient funds."
23–24	Meter Re-read	No charge, if done during regular working hours, otherwise, a $35.00 service call out.	$15.00 if done during regular working hours. After regular working hours, on Saturdays, Sundays, or holidays - $45.00
26–28	Meter Test	No charge for the first test; for the second test for the same customer within any twelve (12) month period, $50.00, or actual time and material whichever is greater.	No Change

Service Line and Meter Installation (30–45)

Meter Size	Service Line	Meter	Total	Meter Size	Service Line[1]	Meter	Total[1]
5/8-inch	$ 445.00	$ 155.00	$ 600.00	5/8-inch	$ 445.00	$ 155.00	$ 600.00
1-inch	495.00	315.00	810.00	1-inch	495.00	315.00	810.00
2" turbine	830.00	1,045.00	1,875.00	2" turbine	830.00	1,045.00	1,875.00
2" compound	830.00	1,890.00	2,720.00	2" compound	830.00	1,890.00	2,720.00
3" turbine	1,045.00	1,670.00	2,715.00	3" turbine	Actual Cost	Actual Cost	Actual Cost
3" compound	1,165.00	2,545.00	3,710.00	3" compound	Actual Cost	Actual Cost	Actual Cost
4" turbine	1,490.00	2,670.00	4,160.00	4" turbine	Actual Cost	Actual Cost	Actual Cost
4" compound	1,670.00	3,645.00	5,315.00	4" compound	Actual Cost	Actual Cost	Actual Cost
6" turbine	2,210.00	5,025.00	7,235.00	6" turbine	Actual Cost	Actual Cost	Actual Cost
6" compound	2,330.00	6,920.00	9,250.00	6" compound	Actual Cost	Actual Cost	Actual Cost
8" turbine	2,210.00	5,025.00	7,235.00	8" turbine	Actual Cost	Actual Cost	Actual Cost
8" compound	2,330.00	6,920.00	9,250.00	8" compound	Actual Cost	Actual Cost	Actual Cost
10" turbine	2,210.00	5,025.00	7,235.00	10" turbine	Actual Cost	Actual Cost	Actual Cost
10" compound	2,330.00	6,920.00	9,250.00	10" compound	Actual Cost	Actual Cost	Actual Cost

[1]Actual cost of service line if boring under roadway is required.

50	Late Charge	1.5 percent after 15 days.	No Change

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Typical Bill Analysis

Pinal Valley (Casa Grande, Coolidge)

Line No.		[A] Base Rates	[B] ACRM / PPA Surcharge	[C] Monthly Consumption (M Gal)	[D] Typical Bill Present Rates Base	[E] Present Rates Surcharge	[F] Present Rates Total	[G] Proposed Rates	[H] Increase Amount	[I] Increase Percent
1	Residential 5/8 x 3/4 -inch									
2				-	$ 15.79	$ -	$ 15.79	$ 21.75	$ 5.96	37.75%
3				5	23.32	-	23.32	31.16	7.84	33.60%
4				15	42.59	-	42.59	55.22	12.63	29.67%
5	Present Rates			20	53.29	-	53.29	68.59	15.30	28.71%
6				25	64.00	-	64.00	81.96	17.96	28.07%
7				30	74.70	-	74.70	95.33	20.63	27.62%
8	Basic Service Charge:	$ 15.79	$ -	35	85.40	-	85.40	108.70	23.30	27.28%
9				40	96.10	-	96.10	122.06	25.96	27.01%
10	Tier One Breakover (M Gal):	3		45	106.81	-	106.81	135.43	28.63	26.80%
11	Tier Two Breakover (M Gal):	10		50	117.51	-	117.51	148.80	31.29	26.63%
12	Tier Three Breakover (M Gal):	99,999		55	128.21	-	128.21	162.17	33.96	26.48%
13				60	138.92	-	138.92	175.54	36.62	26.36%
14	Tier One Rate:	$ 1.3700	$ -	65	149.62	-	149.62	188.91	39.29	26.26%
15	Tier Two Rate:	1.7123	-	70	160.32	-	160.32	202.27	41.95	26.17%
16	Tier Three Rate:	2.1406	-	75	171.03	-	171.03	215.64	44.62	26.09%
17				100	224.54	-	224.54	282.48	57.94	25.80%
18				150	331.57	-	331.57	416.16	84.59	25.51%
19	Proposed Rates			200	438.60	-	438.60	549.84	111.24	25.36%
20				250	545.63	-	545.63	683.53	137.90	25.27%
21				300	652.66	-	652.66	817.21	164.55	25.21%
22	Basic Service Charge:	$ 21.75	$ -	350	759.69	-	759.69	950.89	191.20	25.17%
23				400	866.72	-	866.72	1,084.57	217.85	25.13%
24	Tier One Breakover (M Gal):	3		450	973.75	-	973.75	1,218.25	244.50	25.11%
25	Tier Two Breakover (M Gal):	10		500	1,080.78	-	1,080.78	1,351.93	271.15	25.09%
26	Tier Three Breakover (M Gal):	99,999		550	1,187.81	-	1,187.81	1,485.61	297.80	25.07%
27				600	1,294.84	-	1,294.84	1,619.30	324.46	25.06%
28	Tier One Rate:	$ 1.7111	$ -	650	1,401.87	-	1,401.87	1,752.98	351.11	25.05%
29	Tier Two Rate:	2.1389	-	700	1,508.90	-	1,508.90	1,886.66	377.76	25.04%
30	Tier Three Rate:	2.6736	-	750	1,615.93	-	1,615.93	2,020.34	404.41	25.03%
31				800	1,722.96	-	1,722.96	2,154.02	431.06	25.02%
32				850	1,829.99	-	1,829.99	2,287.70	457.71	25.01%
33				900	1,937.02	-	1,937.02	2,421.38	484.36	25.01%
34				1,000	2,151.08	-	2,151.08	2,688.75	537.67	25.00%
35				1,500	3,221.38	-	3,221.38	4,025.56	804.18	24.96%
36				2,000	4,291.68	-	4,291.68	5,362.37	1,070.69	24.95%
37				2,500	5,361.98	-	5,361.98	6,699.19	1,337.21	24.94%
38				3,000	6,432.28	-	6,432.28	8,036.00	1,603.72	24.93%
39										
40										
41			Average Usage:	8.5	$ 29.36	$ -	$ 29.36	$ 38.69	$ 9.34	31.81%
42			Median Usage:	6.1	$ 25.22	$ -	$ 25.22	$ 33.53	$ 8.31	32.95%
43			Standardized Usage:	7.5	$ 27.61	$ -	$ 27.61	$ 36.51	$ 8.90	32.25%
44										
45					Proposed Bill at Lifeline Usage (3.0 M Gal):			$ 26.88		
46					Cost of Service at Lifeline Usage (3.0 M Gal):			$ 31.52		
47					% Cost Discount at Lifeline Usage:			14.71%		
48										
49					Cost of Service at Average Usage:			$ 44.45		
50					% Cost Discount at Average Usage:			12.95%		
51										
52										
53										
54										
55										

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Typical Bill Analysis

Pinal Valley (Stanfield)

Line No.		[A] Base Rates	[B] ACRM / PPA Surcharge	[C] Monthly Consumption (M Gal)	[D] Typical Bill Present Rates Base	[E] Typical Bill Present Rates Surcharge	[F] Typical Bill Present Rates Total	[G] Typical Bill Proposed Rates	[H] Increase Amount	[I] Increase Percent
1	Residential 5/8 x 3/4 -inch									
2				-	$ 15.79	$ -	$ 15.79	$ 21.75	$ 5.96	37.75%
3				5	29.20	-	29.20	31.16	1.96	6.72%
4				15	63.49	-	63.49	55.22	(8.26)	-13.01%
5	Present Rates			20	82.53	-	82.53	68.59	(13.94)	-16.89%
6				25	101.58	-	101.58	81.96	(19.62)	-19.32%
7				30	120.63	-	120.63	95.33	(25.30)	-20.98%
8	Basic Service Charge:	$ 15.79	$ -	35	139.68	-	139.68	108.70	(30.98)	-22.18%
9				40	158.73	-	158.73	122.06	(36.66)	-23.10%
10	Tier One Breakover (M Gal):	3		45	177.78	-	177.78	135.43	(42.34)	-23.82%
11	Tier Two Breakover (M Gal):	10		50	196.82	-	196.82	148.80	(48.02)	-24.40%
12	Tier Three Breakover (M Gal):	99,999		55	215.87	-	215.87	162.17	(53.70)	-24.88%
13				60	234.92	-	234.92	175.54	(59.38)	-25.28%
14	Tier One Rate:	$ 2.4379	$ -	65	253.97	-	253.97	188.91	(65.07)	-25.62%
15	Tier Two Rate:	3.0476	-	70	273.02	-	273.02	202.27	(70.75)	-25.91%
16	Tier Three Rate:	3.8097	-	75	292.07	-	292.07	215.64	(76.43)	-26.17%
17				100	387.31	-	387.31	282.48	(104.83)	-27.07%
18				150	577.79	-	577.79	416.16	(161.63)	-27.97%
19	Proposed Rates			200	768.28	-	768.28	549.84	(218.44)	-28.43%
20				250	958.76	-	958.76	683.53	(275.24)	-28.71%
21				300	1,149.25	-	1,149.25	817.21	(332.04)	-28.89%
22	Basic Service Charge:	$ 21.75	$ -	350	1,339.73	-	1,339.73	950.89	(388.85)	-29.02%
23				400	1,530.22	-	1,530.22	1,084.57	(445.65)	-29.12%
24	Tier One Breakover (M Gal):	3		450	1,720.70	-	1,720.70	1,218.25	(502.45)	-29.20%
25	Tier Two Breakover (M Gal):	10		500	1,911.19	-	1,911.19	1,351.93	(559.26)	-29.26%
26	*Tier Three Breakover (M Gal):*	*99,999*		*550*	*2,101.67*	-	*2,101.67*	*1,485.61*	*(616.06)*	-29.31%
27				600	2,292.16	-	2,292.16	1,619.30	(672.86)	-29.36%
28	Tier One Rate:	$ 1.7111	$ -	650	2,482.64	-	2,482.64	1,752.98	(729.67)	-29.39%
29	Tier Two Rate:	2.1389	-	700	2,673.13	-	2,673.13	1,886.66	(786.47)	-29.42%
30	Tier Three Rate:	2.6736	-	750	2,863.61	-	2,863.61	2,020.34	(843.28)	-29.45%
31				800	3,054.10	-	3,054.10	2,154.02	(900.08)	-29.47%
32				850	3,244.58	-	3,244.58	2,287.70	(956.88)	-29.49%
33				900	3,435.07	-	3,435.07	2,421.38	(1,013.69)	-29.51%
34				1,000	3,816.04	-	3,816.04	2,688.75	(1,127.29)	-29.54%
35				1,500	5,720.89	-	5,720.89	4,025.56	(1,695.33)	-29.63%
36				2,000	7,625.74	-	7,625.74	5,362.37	(2,263.37)	-29.68%
37				2,500	9,530.59	-	9,530.59	6,699.19	(2,831.40)	-29.71%
38				3,000	11,435.44	-	11,435.44	8,036.00	(3,399.44)	-29.73%
39										
40										
41			Average Usage:	8.3	$ 39.17	$ -	$ 39.17	$ 38.16	$ (1.01)	-2.58%
42			*Median Usage:*	*6.5*	$ 33.88	$ -	$ 33.88	$ 34.45	$ 0.57	1.67%
43			Standardized Usage:	7.5	$ 36.82	$ -	$ 36.82	$ 36.51	$ (0.31)	-0.84%
44										
45										
46					Proposed Bill at Lifeline Usage (3.0 M Gal):			$ 26.88		
47					Cost of Service at Lifeline Usage (3.0 M Gal):			$ 31.52		
48					% Cost Discount at Lifeline Usage:			14.71%		
49										
50					Cost of Service at Average Usage:			$ 43.86		
51					% Cost Discount at Average Usage:			13.01%		
52										
53										
54										
55										

Supporting Schedules:

N:\2011_Rate_Case\Schedules\2011 AWC Rate Case Model TC-_4.29.11@300pm.xlsx\H4
Processing Date: 5/3/2011 9:32 AM

Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Typical Bill Analysis

White Tank

Line No.		[A] Base Rates	[B] ACRM / PPA Surcharge	[C] Monthly Consumption (M Gal)	[D] Typical Bill Present Rates Base	[E] Typical Bill Present Rates Surcharge	[F] Typical Bill Present Rates Total	[G] Typical Bill Proposed Rates	[H] Increase Amount	[I] Increase Percent
1	Residential 5/8 x 3/4 -inch									
2				-	$ 22.72	$ -	$ 22.72	$ 21.75	$ (0.97)	-4.27%
3				5	31.79	-	31.79	31.16	(0.63)	-1.98%
4				15	54.98	-	54.98	55.22	0.24	0.44%
5	Present Rates			20	67.87	-	67.87	68.59	0.73	1.07%
6				25	80.75	-	80.75	81.96	1.21	1.50%
7				30	93.64	-	93.64	95.33	1.69	1.81%
8	Basic Service Charge:	$ 22.72	$ -	35	106.52	-	106.52	108.70	2.18	2.04%
9				40	119.40	-	119.40	122.06	2.66	2.23%
10	Tier One Breakover (M Gal):	3		45	132.29	-	132.29	135.43	3.14	2.38%
11	Tier Two Breakover (M Gal):	10		50	145.17	-	145.17	148.80	3.63	2.50%
12	Tier Three Breakover (M Gal):	99,999		55	158.06	-	158.06	162.17	4.11	2.60%
13				60	170.94	-	170.94	175.54	4.59	2.69%
14	Tier One Rate:	$ 1.6493	$ -	65	183.83	-	183.83	188.91	5.08	2.76%
15	Tier Two Rate:	2.0614	-	70	196.71	-	196.71	202.27	5.56	2.83%
16	Tier Three Rate:	2.5769	-	75	209.60	-	209.60	215.64	6.05	2.88%
17				100	274.02	-	274.02	282.48	8.46	3.09%
18				150	402.86	-	402.86	416.16	13.30	3.30%
19	Proposed Rates			200	531.71	-	531.71	549.84	18.14	3.41%
20				250	660.55	-	660.55	683.53	22.97	3.48%
21				300	789.40	-	789.40	817.21	27.81	3.52%
22	Basic Service Charge:	$ 21.75	$ -	350	918.24	-	918.24	950.89	32.65	3.56%
23				400	1,047.09	-	1,047.09	1,084.57	37.48	3.58%
24	Tier One Breakover (M Gal):	3		450	1,175.93	-	1,175.93	1,218.25	42.32	3.60%
25	Tier Two Breakover (M Gal):	10		500	1,304.78	-	1,304.78	1,351.93	47.15	3.61%
26	Tier Three Breakover (M Gal):	99,999		550	1,433.62	-	1,433.62	1,485.61	51.99	3.63%
27				600	1,562.47	-	1,562.47	1,619.30	56.83	3.64%
28	Tier One Rate:	$ 1.7111	$ -	650	1,691.31	-	1,691.31	1,752.98	61.66	3.65%
29	Tier Two Rate:	2.1389	-	700	1,820.16	-	1,820.16	1,886.66	66.50	3.65%
30	Tier Three Rate:	2.6736	-	750	1,949.00	-	1,949.00	2,020.34	71.34	3.66%
31				800	2,077.85	-	2,077.85	2,154.02	76.17	3.67%
32				850	2,206.69	-	2,206.69	2,287.70	81.01	3.67%
33				900	2,335.54	-	2,335.54	2,421.38	85.84	3.68%
34				1,000	2,593.23	-	2,593.23	2,688.75	95.52	3.68%
35				1,500	3,881.68	-	3,881.68	4,025.56	143.88	3.71%
36				2,000	5,170.13	-	5,170.13	5,362.37	192.24	3.72%
37				2,500	6,458.58	-	6,458.58	6,699.19	240.61	3.73%
38				3,000	7,747.03	-	7,747.03	8,036.00	288.97	3.73%
39										
40										
41			Average Usage:	13.9	$ 52.16	$ -	$ 52.16	$ 52.30	$ 0.14	0.26%
42			Median Usage:	9.0	$ 40.02	$ -	$ 40.02	$ 39.70	$ (0.32)	-0.80%
43			Standardized Usage:	7.5	$ 36.94	$ -	$ 36.94	$ 36.51	$ (0.44)	-1.18%
44										
45							Proposed Bill at Lifeline Usage (3.0 M Gal):	$ 26.88		
46							Cost of Service at Lifeline Usage (3.0 M Gal):	$ 39.62		
47							% Cost Discount at Lifeline Usage:	32.15%		
48										
49							Cost of Service at Average Usage:	$ 72.30		
50							% Cost Discount at Average Usage:	27.67%		
51										
52										
53										
54										
55										

ARIZONA WATER COMPANY
Test Year Ended December 31, 2010
Typical Bill Analysis

Ajo

Line No.		[A] Base Rates	[B] ACRM / PPA Surcharge	[C] Monthly Consumption (M Gal)	[D] Typical Bill Present Rates Base	[E] Typical Bill Present Rates Surcharge	[F] Typical Bill Present Rates Total	[G] Typical Bill Proposed Rates	[H] Increase Amount	[I] Increase Percent
1	Residential 5/8 x 3/4 -inch									
2				-	$ 25.16	$ -	$ 25.16	$ 29.20	$ 4.04	16.06%
3				5	51.66	-	51.66	54.54	2.87	5.56%
4				15	119.43	-	119.43	119.32	(0.10)	-0.09%
5	Present Rates			20	157.07	-	157.07	155.32	(1.76)	-1.12%
6				25	194.72	-	194.72	191.31	(3.41)	-1.75%
7				30	232.37	-	232.37	227.30	(5.06)	-2.18%
8	Basic Service Charge:	$ 25.16	$ -	35	270.01	-	270.01	263.29	(6.72)	-2.49%
9				40	307.66	-	307.66	299.29	(8.37)	-2.72%
10	Tier One Breakover (M Gal):	3		45	345.30	-	345.30	335.28	(10.03)	-2.90%
11	Tier Two Breakover (M Gal):	10		50	382.95	-	382.95	371.27	(11.68)	-3.05%
12	Tier Three Breakover (M Gal):	99,999		55	420.60	-	420.60	407.26	(13.33)	-3.17%
13				60	458.24	-	458.24	443.25	(14.99)	-3.27%
14	Tier One Rate:	$ 4.8189	$ -	65	495.89	-	495.89	479.25	(16.64)	-3.36%
15	Tier Two Rate:	6.0236	-	70	533.53	-	533.53	515.24	(18.30)	-3.43%
16	Tier Three Rate:	7.5292	-	75	571.18	-	571.18	551.23	(19.95)	-3.49%
17				100	759.41	-	759.41	731.19	(28.22)	-3.72%
18				150	1,135.87	-	1,135.87	1,091.11	(44.76)	-3.94%
19	Proposed Rates			200	1,512.33	-	1,512.33	1,451.04	(61.29)	-4.05%
20				250	1,888.79	-	1,888.79	1,810.96	(77.83)	-4.12%
21				300	2,265.25	-	2,265.25	2,170.88	(94.37)	-4.17%
22	Basic Service Charge:	$ 29.20	$ -	350	2,641.71	-	2,641.71	2,530.80	(110.91)	-4.20%
23				400	3,018.17	-	3,018.17	2,890.72	(127.45)	-4.22%
24	Tier One Breakover (M Gal):	3		450	3,394.63	-	3,394.63	3,250.64	(143.99)	-4.24%
25	Tier Two Breakover (M Gal):	10		500	3,771.09	-	3,771.09	3,610.57	(160.52)	-4.26%
26	Tier Three Breakover (M Gal):	99,999		550	4,147.55	-	4,147.55	3,970.49	(177.06)	-4.27%
27				600	4,524.01	-	4,524.01	4,330.41	(193.60)	-4.28%
28	Tier One Rate:	$ 4.6070	$ -	650	4,900.47	-	4,900.47	4,690.33	(210.14)	-4.29%
29	Tier Two Rate:	5.7588	-	700	5,276.93	-	5,276.93	5,050.25	(226.68)	-4.30%
30	Tier Three Rate:	7.1984	-	750	5,653.39	-	5,653.39	5,410.18	(243.21)	-4.30%
31				800	6,029.85	-	6,029.85	5,770.10	(259.75)	-4.31%
32				850	6,406.31	-	6,406.31	6,130.02	(276.29)	-4.31%
33				900	6,782.77	-	6,782.77	6,489.94	(292.83)	-4.32%
34				1,000	7,535.69	-	7,535.69	7,209.79	(325.90)	-4.32%
35				1,500	11,300.29	-	11,300.29	10,809.00	(491.29)	-4.35%
36				2,000	15,064.89	-	15,064.89	14,408.22	(656.67)	-4.36%
37				2,500	18,829.49	-	18,829.49	18,007.44	(822.05)	-4.37%
38				3,000	22,594.09	-	22,594.09	21,606.66	(987.43)	-4.37%
39										
40										
41			Average Usage:	4.8	$ 50.24	$ -	$ 50.24	$ 53.18	$ 2.94	5.85%
42			Median Usage:	3.2	$ 40.83	$ -	$ 40.83	$ 44.18	$ 3.35	8.21%
43			Standardized Usage:	7.5	$ 66.72	$ -	$ 66.72	$ 68.94	$ 2.21	3.32%
44										
45					Proposed Bill at Lifeline Usage (3.0 M Gal):			$ 43.02		
46					Cost of Service at Lifeline Usage (3.0 M Gal):			$ 45.03		
47					% Cost Discount at Lifeline Usage:			4.46%		
48										
49					Cost of Service at Average Usage:			$ 57.13		
50					% Cost Discount at Average Usage:			6.91%		
51										
52										
53										
54										
55										

APPENDIX

1 COMPLIANCE STATUS REPORTS

2 MONITORING ASSISTANCE PROGRAM

3 WATER USE DATA

4 MAJOR PLANT IN SERVICE INVENTORY

5 CURTAILMENT TARIFF AND/OR CROSS CONNECTION/BACKFLOW TARIFF

1. **The Arizona Department of Environmental Quality compliance status report for each system included in the application.**

PINAL VALLEY
(CASA GRANDE/COOLIDGE)

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
Mail Code 5415B-2
1110 West Washington Street
Phoenix, AZ 85007

Drinking Water Compliance Status Report

System Name		System Type		Is system consecutive?
AZ WATER CO – CASA GRANDE	X	Community		Yes,
System ID #		Non-transient Non-community		to PWS #
11009		Transient Non-community	X	No

Overall compliance status	X	No major deficiencies		Major deficiencies
Monitoring and Reporting status	X	No major deficiencies		Major deficiencies

Comments: None

Operation and Maintenance status	X	No major deficiencies		Major deficiencies
Date of last Sanitary Survey: 5-5-08		Inspector: Karen Berry, PHX		

Major unresolved/ongoing operation and maintenance deficiencies:

[ ] unable to maintain 20psi
[ ] cross connection/backflow problems
[ ] treatment deficiencies
[ ] certified operator
[ ] inadequate storage
[ ] surface water treatment rule
[ ] approval to construct/of construction
[ ] other

Comments: None

Is an ADEQ administrative order in effect?		Yes	X	No

Comments: None

System Information				
Population Served	70,039			
Service Connections	22,173			
Number of Entry Points in the Distribution System	8			
Number of Sources	17			
Date Monitoring Waiver	1993			
Medicaid Assistance Program (MAP) System		Yes	X	No

Evaluation completed by:	Donna Calderon, Manager Drinking Water Monitoring and Protection Unit		
Phone:	602-771-4641	Date:	January 6, 2010

X	Based upon data submitted by the water system, ADEQ has determined that this system **is** currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and **PWS is in compliance.**
	Based upon the monitoring and reporting deficiencies noted above, ADEQ **cannot determine** if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or **PWS is not in compliance.**
	Based upon the operation and maintenance deficiencies noted above, ADEQ **cannot determine** if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or **PWS is not in compliance.**

This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.

Revised April 2008

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
Mail Code 5415B-2
1110 West Washington Street
Phoenix, AZ 85007

Drinking Water Compliance Status Report

System Name	System Type		Is system consecutive?	
AZ WATER CO COOLIDGE	☒	Community	☐	Yes,
System ID #	☐	Non-transient Non-community		to PWS #
11014	☐	Transient Non-community	☒	No

Overall compliance status	☒	No major deficiencies	☐	Major deficiencies
Monitoring and Reporting status	☒	No major deficiencies	☐	Major deficiencies

Comments: None

Operation and Maintenance status	☒ No major deficiencies	☐ Major deficiencies	
Date of last Sanitary Survey	5-06-08	Inspector	Karen Berry, PHX

Major unresolved/ongoing operation and maintenance deficiencies:

- ☐ unable to maintain 20psi
- ☐ cross connection/backflow problems
- ☐ treatment deficiencies
- ☐ certified operator
- ☐ inadequate storage
- ☐ surface water treatment rule
- ☐ ATC/AOC
- ☐ other =

Comments: None

Is an ADEQ administrative order in effect?	☐	Yes	☒	No

Comments: None

System Information				
Population Served	13911			
Service Connections	4639			
Number of Entry Points to the Distribution System	4			
Number of Sources	5			
Initial Monitoring Year	1994			
Monitoring Assistance Program (MAP) System	☐	Yes	☒	No

Evaluation completed by	Donna Calderon, Manager, Drinking Water Monitoring and Protection Unit		
Phone	602-771-4641	Date	March 12, 2010

☒	Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and **PWS is in compliance.**
☐	Based upon the monitoring and reporting deficiencies noted above, ADEQ **cannot determine** if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or **PWS is not in compliance.**
☐	Based upon the operation and maintenance deficiencies noted above, ADEQ **cannot determine** if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or **PWS is not in compliance.**

This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.

PINAL VALLEY
(TIERRA GRANDE)

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
Mail Code 5415B-2
1110 West Washington Street
Phoenix, AZ 85007

Drinking Water Compliance Status Report

System Name	System Type		Is system consecutive?	
AZ WATER CO TIERRA GRANDE	☒	Community	☐	Yes,
System ID #	☐	Non-transient Non-community		to PWS #
11076	☐	Transient Non-community	☒	No

Overall compliance status	☒	No major deficiencies	☐	Major deficiencies
Monitoring and Reporting status	☒	No major deficiencies	☐	Major deficiencies

Comments: None

Operation and Maintenance status	☒ No major deficiencies	☐ Major deficiencies	
Date of last Sanitary Survey	5-6-08	Inspector	Karen Berry, PHX

Major unresolved/ongoing operation and maintenance deficiencies:

- ☐ unable to maintain 20psi
- ☐ cross connection/backflow problems
- ☐ treatment deficiencies
- ☐ certified operator
- ☐ inadequate storage
- ☐ surface water treatment rule
- ☐ ATC/AOC
- ☐ other =

Comments: None

Is an ADEQ administrative order in effect?	☐	Yes	☒	No

Comments: None

System Information	
Population Served	967
Service Connections	359
Number of Entry Points to the Distribution System	1
Number of Sources	2
Initial Monitoring Year	1994
Monitoring Assistance Program (MAP) System	☒ Yes ☐ No

Evaluation completed by:	Donna Calderon, Manager Drinking Water Monitoring and Protection Unit		
Phone:	602-771-4641	Date:	March 12, 2010

☒	Based upon data submitted by the water system, ADEQ has determined that this system **is** currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and **PWS is in compliance.**
☐	Based upon the monitoring and reporting deficiencies noted above, ADEQ **cannot determine** if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or **PWS is not in compliance.**
☐	Based upon the operation and maintenance deficiencies noted above, ADEQ **cannot determine** if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or **PWS is not in compliance.**

This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.

PINAL VALLEY
(COOLIDGE AIRPORT)

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
Mail Code 5415B-2
1110 West Washington Street
Phoenix, AZ 85007

Drinking Water Compliance Status Report

System Name	System Type		Is system consecutive?	
CITY OF COOLIDGE MUNICIPAL AIRPORT	☐	Community	☐	Yes, to PWS #
System ID #	☒	Non-transient Non-community		
11707	☐	Transient Non-community	☒	No

Overall compliance status	☒	No major deficiencies	☐	Major deficiencies
Monitoring and Reporting status	☒	No major deficiencies	☐	Major deficiencies

Comments: None

Operation and Maintenance status	☒	No major deficiencies	☐	Major deficiencies
Date of last Sanitary Survey: 8-28-09	Inspector:	Karen Berry, PHX		

Major unresolved/ongoing operation and maintenance deficiencies:

- ☐ unable to maintain 20psi
- ☐ cross connection/backflow problems
- ☐ treatment deficiencies
- ☐ certified operator
- ☐ inadequate storage
- ☐ surface water treatment rule
- ☐ ATC/AOC
- ☐ other =

Comments: None

Is an ADEQ administrative order in effect?	☐	Yes	☒	No

Comments: None

System Information				
Population Served	55			
Service Connections	9			
Number of Entry Points to the Distribution System	1			
Number of Sources	1			
Initial Monitoring Year	2011			
Monitoring Assistance Program (MAP) System	☒	Yes	☐	No

Evaluation completed by:	Donna Calderon, Manager, Drinking Water Monitoring and Protection Unit		
Phone	602-771-4641	Date	March 16, 2010

☒	Based upon data submitted by the water system, ADEQ has determined that this system **is** currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and **PWS is in compliance.**
☐	Based upon the monitoring and reporting deficiencies noted above, ADEQ **cannot determine** if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or **PWS is not in compliance.**
☐	Based upon the operation and maintenance deficiencies noted above, ADEQ **cannot determine** if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or **PWS is not in compliance.**

This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.

Revised March 2009

PINAL VALLEY
(STANFIELD)

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
Mail Code 5415B-2
1110 West Washington Street
Phoenix, AZ 85007

Drinking Water Compliance Status Report

System Name	System Type		Is system consecutive?	
AZ WATER CO STANFIELD	☒	Community	☐	Yes,
System ID #	☐	Non-transient Non-community		to PWS #
11012	☐	Transient Non-community	☒	No

Overall compliance status	☒	No major deficiencies	☐	Major deficiencies
Monitoring and Reporting status	☒	No major deficiencies	☐	Major deficiencies

Comments: None

Operation and Maintenance status	☒	No major deficiencies	☐ Major deficiencies
Date of last Sanitary Survey	5-5-08	Inspector	Karen Berry, PHX

Major unresolved/ongoing operation and maintenance deficiencies:

- ☐ unable to maintain 20psi
- ☐ cross connection/backflow problems
- ☐ treatment deficiencies
- ☐ certified operator
- ☐ inadequate storage
- ☐ surface water treatment rule
- ☐ ATC/AOC
- ☐ other =

Comments: None

Is an ADEQ administrative order in effect?	☐	Yes	☒	No

Comments: None

System Information				
Population Served	738			
Service Connections	204			
Number of Entry Points to the Distribution System	1			
Number of Sources	2			
Initial Monitoring Year	1994			
Monitoring Assistance Program (MAP) System	☒	Yes	☐	No

Evaluation completed by	Donna Calderon, Manager Drinking Water Monitoring and Protection Unit		
Phone	602-771-4641	Date	March 12, 2010

☒	Based upon data submitted by the water system, ADEQ has determined that this system **is** currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and **PWS is in compliance.**
☐	Based upon the monitoring and reporting deficiencies noted above, ADEQ **cannot determine** if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or **PWS is not in compliance.**
☐	Based upon the operation and maintenance deficiencies noted above, ADEQ **cannot determine** if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or **PWS is not in compliance.**

This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.

WHITE TANK

Maricopa County
Environmental Services Department

PUBLIC WATER SYSTEM COMPLIANCE STATUS REPORT

System Name: AZ Water Company - White Tanks
PWS ID#: 07- 128

Type of System: Community Number of POE's: 2 Surface Water: No
Number of Service Connections: 1685 Population Served: 4889

Assigned Monitoring Dates - Initial: 1/1/94 Phase II: 1/1/94 Phase V: 1/1/94

Does the water system have a Certified Operator? Yes. Kevin Pakka

Does the system have major treatment plant deficiencies? No
Please describe: _____

Date of last inspection: May 14, 2010

Does the system have major O & M deficiencies? No
Please describe: _____

Does the system have water quality monitoring/reporting deficiencies? No
Please describe:_____

General Public Water System Compliance Status? **Compliant**

Date of compliance review: **05/14/10** By: **Christopher Henke** Initials: **CH**
Phone: **(602) 372-2831**

Requested By: Sanitary Survey Fax Number/ Contact: _____ Tracking Number: _____
Supervisor Initials: Date: May 14, 2010

Safe Drinking Water Program
Korissa Entringer R.S., Manager
1001 N. Central Ave., Suite 150Phoenix, Arizona 85004-1940 Phone: (602) 506-6935 Fax: (602) 372-0866

AJO

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
Mail Code 5415B-2
1110 West Washington Street
Phoenix, AZ 85007

Drinking Water Compliance Status Report

System Name	System Type		Is system consecutive?	
AZ WATER CO AJO	☒	Community	☒	Yes, to PWS # 10001
System ID #	☐	Non-transient Non-community		
10003	☐	Transient Non-community	☐	No

Overall compliance status	☒	No major deficiencies	☐	Major deficiencies
Monitoring and Reporting status	☒	No major deficiencies	☐	Major deficiencies

Comments: None

Operation and Maintenance status	☒ No major deficiencies	☐ Major deficiencies	
Date of last Sanitary Survey	3-17-06	Inspector	James Jones, PDEQ

Major unresolved/ongoing operation and maintenance deficiencies:

- ☐ unable to maintain 20psi
- ☐ cross connection/backflow problems
- ☐ treatment deficiencies
- ☐ certified operator
- ☐ inadequate storage
- ☐ surface water treatment rule
- ☐ ATC/AOC
- ☐ other =

Comments: None

Is an ADEQ administrative order in effect?	☐	Yes	☒	No

Comments: None

System Information	
Population Served	1563
Service Connections	687
Number of Entry Points to the Distribution System	CONSECUTIVE
Number of Sources	CONSECUTIVE
Initial Monitoring Year	1995
Monitoring Assistance Program (MAP) System	☐ Yes ☒ No

Evaluation completed by	Donna Calderon, Manager Drinking Water Monitoring and Protection Unit		
Phone	602-771-4641	Date	March 12, 2010

☒	Based upon data submitted by the water system, ADEQ has determined that this system **is** currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and **PWS is in compliance.**
☐	Based upon the monitoring and reporting deficiencies noted above, ADEQ **cannot determine** if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or **PWS is not in compliance.**
☐	Based upon the operation and maintenance deficiencies noted above, ADEQ **cannot determine** if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or **PWS is not in compliance.**

This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.

2. The utility's most recent ADEQ annual sampling fee invoice for the Monitoring Assistance Program, if the water utility participates in the program.

PINAL VALLEY
(TIERRA GRANDE)

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
MONITORING ASSISTANCE PROGRAM
ANNUAL SAMPLING FEE INVOICE

RECEIVED
OCT 0 8 2010
ARIZONA WATER COMPANY

* Pursuant to A.R.S. § 49-113, interest will be charged if full payment is not received by the specified due date. If you dispute the amount listed, please contact ADEQ as soon as possible. To reduce interest costs on an unpaid invoice, you may remit an amount that you believe is not in dispute. *However, if nonpayment is due to willful neglect, you may suffer* an additional five percent penalty of up to twenty-five percent of the amount due for each month or fraction of a month the amount is past due.

If you have any questions about your invoice, contact W. Scott Steinhagen at (602) 771-4445 or toll-free within Arizona at (800) 234-5677, extension 771-4445.

Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-304 and R18-4-305, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 5984	Invoice Number 66697
To: ARIZONA WATER CO PO BOX 29006 PHOENIX AZ 85038-9006	Public Water System ID #: 11076
	Billing for Calendar Year: 2011
	Due Date: November 19, 2010
	Total Amount Due . . . . . $ 1,180.34
	Amount Paid . . . . . $

↑ Keep the top portion for your records. ↑ ADEQ Federal Tax #866004791

↓ This entire bottom portion must be returned to ADEQ. ↓

ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice **Invoice #** 66697

ARIZONA WATER CO PO BOX 29006		Owner Id #: 5984 **MAP**
		Billing for Calendar Year: 2011
PHOENIX AZ 85038-9006	11076 - Arizona Water Co	Due Date: 11/19/2010

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)	$ 250.00
Fee per Connection in 2011 . . . . . 362 connections X $ 2.57	$ 930.34
Total Sampling Fee	$ 1,180.34
Plus Paid Interest Charges and/or Other Adjustments	$ 0.00
Plus Unpaid Interest Charges as of 10/05/2010	$ 0.00
Minus Payments Received and/or Other Adjustments	$ 0.00
Amount Due	$ 1,180.34
Amount received by ADEQ (Make check payable to State of Arizona)	$

* A $12 fee will be charged for any check not honored by the bank.

Make your check or money order payable to **State of Arizona**
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Do not write below this line

Check Number:
Received:
Postmarked:
Entered: CS3 10/05/2010 WM300Go

PINAL VALLEY
(STANFIELD)

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
MONITORING ASSISTANCE PROGRAM
ANNUAL SAMPLING FEE INVOICE

RECEIVED
OCT 08 2010

* Pursuant to A.R.S. § 49-113, interest will be charged if full payment is not received by the specified due date. If you dispute the amount listed, please contact ADEQ as soon as possible. To reduce interest costs on an unpaid invoice, you may remit an amount that you believe is not in dispute. However, if nonpayment is due to willful neglect, you may suffer an additional five percent penalty of up to twenty-five percent of the amount due for each month or fraction of a month the amount is past due.

If you have any questions about your invoice, contact W. Scott Steinhagen at (602) 771-4445 or toll-free within Arizona at (800) 234-5677, extension 771-4445.

Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-304 and R18-4-305, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 5984	Invoice Number 66694
To: ARIZONA WATER CO PO BOX 29006 PHOENIX AZ 85038-9006	Public Water System ID #: 11012
	Billing for Calendar Year: 2011
	Due Date: **November 19, 2010**
	Total Amount Due . . . . . $ 771.71
	Amount Paid . . . . . $

↑ Keep the top portion for your records. ↑ ADEQ Federal Tax #866004791

↓ This entire bottom portion must be returned to ADEQ. ↓

ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice **Invoice #** 66694

ARIZONA WATER CO PO BOX 29006	Owner Id #: 5984	**MAP**
	Billing for Calendar Year: 2011	
PHOENIX AZ 85038-9006 11012 - Arizona Water Co	Due Date: **11/19/2010**	

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)	$ 250.00
Fee per Connection in 2011 . . . . . 203 connections X $ 2.57	$ 521.71
Total Sampling Fee	$ 771.71
Plus Paid Interest Charges and/or Other Adjustments	$ 0.00
Plus Unpaid Interest Charges as of 10/05/2010	$ 0.00
Minus Payments Received and/or Other Adjustments	$ 0.00
Amount Due	$ 771.71
Amount received by ADEQ (Make check payable to State of Arizona)	$

* A $12 fee will be charged for any check not honored by the bank.

Make your check or money order payable to **State of Arizona**
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Do not write below this line

Check Number:
Received:
Postmarked:
Entered:

CS3 10/05/2010
WM300Go

WHITE TANK

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
MONITORING ASSISTANCE PROGRAM
ANNUAL SAMPLING FEE INVOICE

RECEIVED OCT 0 8 2010 ARIZONA WATER COMPANY

* Pursuant to A.R.S. § 49-113, interest will be charged if full payment is not received by the specified due date. If you dispute the amount listed, please contact ADEQ as soon as possible. To reduce interest costs on an unpaid invoice, you may remit an amount that you believe is not in dispute. However, if nonpayment is due to willful neglect, you may suffer an additional five percent penalty of up to twenty-five percent of the amount due for each month or fraction of a month the amount is past due.

If you have any questions about your invoice, contact W. Scott Steinhagen at (602) 771-4445 or toll-free within Arizona at (800) 234-5677, extension 771-4445.

Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-304 and R18-4-305, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 5984	Invoice Number 66692
To: ARIZONA WATER CO PO BOX 29006 PHOENIX AZ 85038-9006	Public Water System ID #: 07128
	Billing for Calendar Year: 2011
	Due Date: **November 19, 2010**
	Total Amount Due . . . . . $ 5,222.95
	Amount Paid . . . . . $

↑ Keep the top portion for your records. ↑ ADEQ Federal Tax #866004791

↓ This entire bottom portion must be returned to ADEQ. ↓

ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice **Invoice #** 66692

ARIZONA WATER CO PO BOX 29006		Owner Id #: 5984 **MAP**
		Billing for Calendar Year: 2011
PHOENIX AZ 85038-9006	07128 - Arizona Water Co	Due Date: **11/19/2010**

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems)	$ 250.00
Fee per Connection in 2011 . . . . . 1,935 connections X $ 2.57	$ 4,972.95
Total Sampling Fee	$ 5,222.95
Plus Paid Interest Charges and/or Other Adjustments	$ 0.00
Plus Unpaid Interest Charges as of 10/05/2010	$ 0.00
Minus Payments Received and/or Other Adjustments	$ 0.00
Amount Due	$ 5,222.95
Amount received by ADEQ (Make check payable to State of Arizona)	$

* A $12 fee will be charged for any check not honored by the bank.

Make your check or money order payable to **State of Arizona**
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality
PO Box 18228
Phoenix, AZ 85005

Do not write below this line

Check Number:
Received:
Postmarked:
Entered:

CS3 10/05/2010
WM300Go

3. **The amount of water sold and the amount of water pumped during the last 12 months.**

PINAL VALLEY
(CASA GRANDE/COOLIDGE)

Company Name:	Arizona Water Company - Pinal Valley (Casa Grande/Coolidge)
ADEQ Public Water System No:	11-009
Year Ended:	12/31/2010

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2010

MONTH	NUMBER OF CUSTOMERS	M GALLONS SOLD	M GALLONS PRODUCED	M GALLONS PURCHASED[1]	INTER-SYSTEM TRANSFERS[2]	M GALLONS WHEELED[3]	M GALLONS OTHER BENEFICIAL USE[4]	NET PRODUCTION
JANUARY	27,384	328,698.9	319,395.0				(2,070.4)	317,324.6
FEBRUARY	27,409	266,922.0	277,146.0				(1,784.7)	275,361.3
MARCH	27,440	268,989.8	321,101.0				(1,829.4)	319,271.6
APRIL	27,616	344,267.9	441,827.0				(1,772.1)	440,054.9
MAY	27,677	410,037.2	448,724.0				(2,859.7)	445,864.3
JUNE	27,615	460,537.8	610,729.0				(4,356.3)	606,372.7
JULY	27,745	581,093.8	587,978.0				(2,986.3)	584,991.7
AUGUST	27,662	518,944.7	556,691.0				(2,292.1)	554,398.9
SEPTEMBER	27,678	515,376.5	509,439.0				(2,864.9)	506,574.1
OCTOBER	27,607	449,586.8	421,253.0				(2,553.4)	418,699.6
NOVEMBER	27,552	384,164.8	424,385.0				(2,877.6)	421,507.4
DECEMBER	27,458	352,295.5	323,060.0				(3,232.3)	319,827.7
	TOTALS	4,880,915.7	5,241,728.0	0.0	0.0	0.0	(31,479.3)	5,210,248.7

What is the level or arsenic for each well on your system? _____ mg/l
(If more than one well, please list each sepa **See Appendix Pages 12-1**

If system has fire hydrants, what is the fire flow requirement? 500-4000 GPM for 2-4 hrs
Varies based on Local Fire Authority requirements.

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

X **YES** _____ **NO**

Is the Water Utility Located in an ADWR Active Management Area (AMA)?

X **YES** _____ **NO**

Does the company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
A.R.S. § 45-566.01 Modified Non-per capita conservation program replaced GPCPD program

_____ **YES** X **NO**

If yes, provide the GPCPD amount: _____

[1] N/A
[2] N/A
[3] N/A
[4] Includes flushing of mains, services, and hydrants; tank draining, cleaning & overflow; cooling towers and fire department use.

Company Name:	**Arizona Water Company**
Year Ended:	**12/31/2010**

Arsenic Level by Well

System Name	PWSID #	Well Number Company	ADWR ID	ARSENIC LEVEL (MG/L) *
Pinal Valley (Casa Grande/Coolidge)	11-009			
		Well #19	55-616603	0.010
		Well #21	55-503113	0.012
		Well #24	55-540306	0.012
		Well #30	55-208822	0.005
		Well #29	55-595284	0.012
		Well #27	55-568553	0.007
		Well #28	55-571205	0.048
		Well #23	55-522319	0.017
		Well #25	55-546719	0.047
		Well #26	55-560803	0.010
		Well #10	55-616595	0.010
		Well #14	55-616598	0.010
		Well #17	55-616601	0.009
		Well #20	55-616604	0.015
		Well #31	55-210294	0.046
		Well #32	55-214248	0.006
		Well #33	55-212523	0.006
		Well #7	55-616606	0.005
		Well #9	55-616608	0.006
		Well #10	55-616609	0.004
		Well #2	55-616687	0.015
		Well #1	55-616686	0.002
		Well #13	55-212419	0.018

* All water delivered to customers complies with Safe Drinking Water Standards

PINAL VALLEY
(TIERRA GRANDE)

Company Name:	Arizona Water Company - Pinal Valley (Tierra Grande)
ADEQ Public Water System No:	11-076
Year Ended:	12/31/2010

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2010

MONTH	NUMBER OF CUSTOMERS	M GALLONS SOLD	M GALLONS PRODUCED	M GALLONS PURCHASED[1]	INTER-SYSTEM TRANSFERS[2]	M GALLONS WHEELED[3]	M GALLONS OTHER BENEFICIAL USE[4]	NET PRODUCTION
JANUARY	353	3,356.5	3,393.0				(11.4)	3,381.6
FEBRUARY	358	3,181.3	3,288.0				(7.4)	3,280.6
MARCH	357	2,980.6	3,882.0				(9.1)	3,872.9
APRIL	355	3,856.0	3,816.0				(14.5)	3,801.5
MAY	363	3,882.0	4,983.0				(23.8)	4,959.2
JUNE	363	4,695.3	5,202.0				(35.8)	5,166.2
JULY	355	5,457.7	5,064.0				(14.7)	5,049.3
AUGUST	355	3,803.1	4,460.0				(7.3)	4,452.7
SEPTEMBER	359	4,600.1	4,795.0				(16.1)	4,778.9
OCTOBER	356	3,776.8	3,656.0				(17.4)	3,638.6
NOVEMBER	357	3,268.4	4,009.0				(23.7)	3,985.3
DECEMBER	355	3,364.3	3,251.0				(19.7)	3,231.3
	TOTALS	46,222.1	49,799.0	0.0	0.0	0.0	(200.8)	49,598.2

What is the level or arsenic for each well on your system? _____ mg/l
(If more than one well, please list each sepa **See Appendix Pages 12-1**

If system has fire hydrants, what is the fire flow requirement? 500-4000 **GPM for** 2-4 **hrs**
Varies based on Local Fire Authority requirements.

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

X **YES** _____ **NO**

Is the Water Utility Located in an ADWR Active Management Area (AMA)?

X **YES** _____ **NO**

Does the company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

_____ **YES** X **NO**

If yes, provide the GPCPD amount: _____

[1] N/A
[2] N/A
[3] N/A
[4] Includes flushing of mains, services, and hydrants; tank draining, cleaning & overflow; cooling towers and fire department use.

Company Name:	**Arizona Water Company**
Year Ended:	**12/31/2010**

Arsenic Level by Well

System Name	PWSID #	Well Number Company	ADWR ID	ARSENIC LEVEL (MG/L) *
Pinal Valley (Tierra Grande)	11-076			
		Well #1	55-616682	0.005
		Well #3	55-801030	0.004

* All water delivered to customers complies with Safe Drinking Water Standards

PINAL VALLEY
(COOLIDGE AIRPORT)

Company Name:	Arizona Water Company - Pinal Valley (Coolidge Airport)
ADEQ Public Water System No:	11-707
Year Ended:	12/31/2010

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2010

MONTH	NUMBER OF CUSTOMERS	M GALLONS SOLD	M GALLONS PRODUCED	M GALLONS PURCHASED[1]	INTER-SYSTEM TRANSFERS[2]	M GALLONS WHEELED[3]	M GALLONS OTHER BENEFICIAL USE[4]	NET PRODUCTION
JANUARY	8	-121.2	110.0				0.0	110.0
FEBRUARY	8	32.3	57.0				0.0	57.0
MARCH	8	41.7	141.0				(15.0)	126.0
APRIL	8	121.4	186.0				(4.0)	182.0
MAY	8	268.0	426.0				(26.0)	400.0
JUNE	8	490.1	552.0				(24.0)	528.0
JULY	8	365.9	433.0				(7.0)	426.0
AUGUST	8	255.8	409.5				(100.0)	309.5
SEPTEMBER	8	228.2	430.8				0.0	430.8
OCTOBER	8	291.4	442.5				(20.0)	422.5
NOVEMBER	8	361.4	434.0				0.0	434.0
DECEMBER	8	189.1	288.0				(15.0)	273.0
	TOTALS	2,524.1	3,909.8	0.0	0.0	0.0	(211.0)	3,698.8

What is the level or arsenic for each well on your system? mg/l
(If more than one well, please list each sepa **See Appendix Pages 12-1**

If system has fire hydrants, what is the fire flow requirement? 500-4000 **GPM for** 2-4 **hrs**
Varies based on Local Fire Authority requirements.

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

X **YES** _____ **NO**

Is the Water Utility Located in an ADWR Active Management Area (AMA)?

X **YES** _____ **NO**

Does the company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

_____ **YES** X **NO**

If yes, provide the GPCPD amount: _____

[1] N/A
[2] N/A
[3] N/A
[4] Includes flushing of mains, services, and hydrants; tank draining, cleaning & overflow; cooling towers and fire department use.

Company Name:	**Arizona Water Company**
Year Ended:	**12/31/2010**

Arsenic Level by Well

System Name	PWSID #	Well Number Company	ADWR ID	ARSENIC LEVEL (MG/L) *
Pinal Valley (Coolidge Airport)	11-707			
		Well #1	55-620899	0.011
		Well #2	55-620900	0.013

* All water delivered to customers complies with Safe Drinking Water Standards

PINAL VALLEY
(STANFIELD)

Company Name:	Arizona Water Company - Pinal Valley (Stanfield)
ADEQ Public Water System No:	11-012
Year Ended:	12/31/2010

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2010

MONTH	NUMBER OF CUSTOMERS	M GALLONS SOLD	M GALLONS PRODUCED	M GALLONS PURCHASED[1]	INTER-SYSTEM TRANSFERS[2]	M GALLONS WHEELED[3]	M GALLONS OTHER BENEFICIAL USE[4]	NET PRODUCTION
JANUARY	207	2,111.0	2,030.0				(25.5)	2,004.5
FEBRUARY	204	1731.9	1,834.0				(23.5)	1,810.5
MARCH	207	1964.1	2,825.5				(30.5)	2,795.0
APRIL	203	2371.8	2,770.0				(42.0)	2,728.0
MAY	204	2922.2	2,829.0				(47.5)	2,781.5
JUNE	205	2951.4	4,064.1				(69.6)	3,994.5
JULY	203	3527.3	3,417.0				(54.0)	3,363.0
AUGUST	206	2616.9	2,923.0				(84.5)	2,838.5
SEPTEMBER	203	2595.2	3,127.2				(92.7)	3,034.5
OCTOBER	202	2771.4	2,334.4				(94.1)	2,240.3
NOVEMBER	205	2029.8	2,367.3				(222.6)	2,144.7
DECEMBER	205	2015.9	2,018.0				(89.0)	1,929.0
	TOTALS	29,608.9	32,539.5	0.0	0.0	0.0	(875.5)	31,664.0

What is the level or arsenic for each well on your system? _____ mg/l
(If more than one well, please list each sepa **See Appendix Pages 12-1**

If system has fire hydrants, what is the fire flow requirement? **500-4000 GPM for 2-4 hrs**
Varies based on Local Fire Authority requirements.

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

X **YES** _____ **NO**

Is the Water Utility Located in an ADWR Active Management Area (AMA)?

X **YES** _____ **NO**

Does the company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

_____ **YES** X **NO**

If yes, provide the GPCPD amount: _____

[1] N/A
[2] N/A
[3] N/A
[4] Includes flushing of mains, services, and hydrants; tank draining, cleaning & overflow; cooling towers and fire department use.

Company Name:	**Arizona Water Company**
Year Ended:	**12/31/2010**

Arsenic Level by Well

System Name	PWSID #	Well Number Company	ADWR ID	ARSENIC LEVEL (MG/L) *
Pinal Valley (Stanfield)	11-012			
		Well #1	55-616684	0.008
		Well #3	55-526586	0.011

* All water delivered to customers complies with Safe Drinking Water Standards

WHITE TANK

Company Name:	Arizona Water Company - White Tank
ADEQ Public Water System No:	07-128
Year Ended:	12/31/2010

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2010

MONTH	NUMBER OF CUSTOMERS	M GALLONS SOLD	M GALLONS PRODUCED	M GALLONS PURCHASED[1]	INTER-SYSTEM TRANSFERS[2]	M GALLONS WHEELED[3]	M GALLONS OTHER BENEFICIAL USE[4]	NET PRODUCTION
JANUARY	1,918	21,655.7	18,838.0	1,451.4			(11.0)	20,278.4
FEBRUARY	1,919	16,238.5	16,668.0	0.0			(253.5)	16,414.5
MARCH	1,929	16,377.0	22,858.0	716.6			(65.0)	23,509.6
APRIL	1,930	20,451.1	28,769.3	692.7			(135.0)	29,327.0
MAY	1,940	28,725.9	43,444.2				(16.0)	43,428.2
JUNE	1,938	38,187.0	47,077.3				(3,231.0)	43,846.3
JULY	1,941	45,122.6	43,516.4	2,875.7			(1,867.5)	44,524.6
AUGUST	1,944	42,124.5	38,242.3	2,304.3			(826.0)	39,720.6
SEPTEMBER	1,939	40,607.4	36,244.2	2,047.0			(270.1)	38,021.1
OCTOBER	1,928	37,768.0	30,578.1	2,990.3			(122.8)	33,445.6
NOVEMBER	1,927	31,194.3	26,784.0				(97.5)	26,686.5
DECEMBER	1,937	26,822.1	18,431.0				(30.0)	18,401.0
	TOTALS	365,274.1	371,450.8	13,078.0	0.0	0.0	(6,925.4)	377,603.4

What is the level or arsenic for each well on your system? _____ mg/l
(If more than one well, please list each sepa **See Appendix Pages 12-1**

If system has fire hydrants, what is the fire flow requirement? 500-4000 **GPM for** 2-4 **hrs**
Varies based on Local Fire Authority requirements.

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

X **YES** _____ **NO**

Is the Water Utility Located in an ADWR Active Management Area (AMA)?

X **YES** _____ **NO**

Does the company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
A.R.S. § 45-566.01 Modified Non-per capita conservation program replaced GPCPD program

_____ **YES** X **NO**

If yes, provide the GPCPD amount: _____

[1] Water purchased from Arizona American Water Company
[2] N/A
[3] N/A
[4] Includes flushing of mains, services, and hydrants; tank draining, cleaning & overflow; cooling towers and fire department use.

Company Name:	**Arizona Water Company**
Year Ended:	**12/31/2010**

Arsenic Level by Well

System Name	PWSID #	Well Number Company	ADWR ID	ARSENIC LEVEL (MG/L) *
White Tank	07-128			
		Well #2	55-616689	0.008
		Well #4	55-616691	0.009
		Well #8	55-584393	0.040
		Well #7	55-616693	0.005
		Well #9	55-201426	0.014
		Well #10	55-203266	0.017

* All water delivered to customers complies with Safe Drinking Water Standards

AJO

Company Name:	Arizona Water Company - Ajo
ADEQ Public Water System No:	10-003
Year Ended:	12/31/2010

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2010

MONTH	NUMBER OF CUSTOMERS	M GALLONS SOLD	M GALLONS PRODUCED	M GALLONS PURCHASED[1]	INTER-SYSTEM TRANSFERS[2]	M GALLONS WHEELED[3]	M GALLONS OTHER BENEFICIAL USE[4]	NET PRODUCTION
JANUARY	679	3,360.7		3,921.0			(54.0)	3,867.0
FEBRUARY	682	2,932.7		2,673.0			(19.0)	2,654.0
MARCH	678	3,130.2		3,927.0			(19.0)	3,908.0
APRIL	683	3,875.5		4,140.0			(39.0)	4,101.0
MAY	683	4,149.0		4,036.0			(29.0)	4,007.0
JUNE	685	4,642.3		5,924.0			(19.0)	5,905.0
JULY	683	5,359.2		5,319.0			(34.0)	5,285.0
AUGUST	679	4,471.1		5,184.0			(44.0)	5,140.0
SEPTEMBER	683	4,662.6		4,887.0			(49.0)	4,838.0
OCTOBER	687	4,013.2		4,023.0			(32.0)	3,991.0
NOVEMBER	685	3,219.0		3,903.0			(19.0)	3,884.0
DECEMBER	681	3,307.7		3,620.0			(30.0)	3,590.0
	TOTALS	47,123.2	0.0	51,557.0	0.0	0.0	(387.0)	51,170.0

What is the level or arsenic for each well on your system? N/A Purchased water system
(If more than one well, please list each sepa

If system has fire hydrants, what is the fire flow requirement? 500-4000 **GPM for** 2-4 **hrs**
Varies based on Local Fire Authority requirements.

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

X **YES** _____ **NO**

Is the Water Utility Located in an ADWR Active Management Area (AMA)?

_____ **YES** X **NO**

Does the company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

_____ **YES** X **NO**

If yes, provide the *GPCPD amount:* _____

[1] N/A
[2] N/A
[3] N/A
[4] Includes flushing of mains, services, and hydrants; tank draining, cleaning & overflow; cooling towers and fire department use.

Company Name:	**Arizona Water Company**
Year Ended:	**12/31/2010**

Arsenic Level by Well

System Name	PWSID #	Well Number Company	ADWR ID	ARSENIC LEVEL (MG/L) *
Ajo	10-003			
		No wells, all water is purchased from Ajo Improvement Company		

* All water delivered to customers complies with Safe Drinking Water Standards

4. An inventory of the major plant in service.

PINAL VALLEY
(CASA GRANDE/COOLIDGE)

Company Name:	Arizona Water Company - Pinal Valley (Casa Grande/Coolidge)
ADEQ Public Water System No:	11-009
Year Ended:	12/31/2010

WATER COMPANY PLANT DESCRIPTION

WELLS

Company Number	ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
Well #19	55-616603	300	1500	1000	20	10	1980
Well #21	55-503113	250	680	696	20	6	1983
Well #24	55-540306	300	920	1000	18	8	1993
Well #30	55-208822	200	720	1000	18	8	2006
Well #29	55-595284	250	1280	1120	18	10	2004
Well #27	55-568553	200	455	1110	18	4	1998
Well #28	55-571205	350	1350	1210	18	10	1999
Well #23	55-522319	300	1500	1005	18	8	1989
Well #25	55-546719	300	1230	1074	18	8	1995
Well #26	55-560803	300	1360	1240	18	10	1997
Well #10	55-616595	200	840	1025	20	8	1960
Well #14	55-616598	40	160	600	20	4	n/a
Well #17	55-616601	200	700	739	16	6	1975
Well #20 [1]	55-616604	300	950	1000	20	10	1977
Well #31	55-210294	200	1045	1500	18	10	2006
Well #32	55-214248	250	1470	1200	18	10	2007
Well #33	55-212523	250	1370	1000	18	10	2007
Well #7	55-616606	200	1100	1100	20	8	1956
Well #9	55-616608	200	1240	470	20	10	1961
Well #10	55-616609	200	1430	980	20	12	1978
Well #2	55-616687	30	250	542	8	4	1971
Well #1	55-616686	15	250	n/a	10	4	1930
Well #13	55-212419	200	1250	2000	18	10	2007

*Arizona Department of Water Resources Identification Number

[1]Excess from Well # 20 that is not purchased by Abbot Labs is treated at Cottonwood Lane

OTHER WATER SOURCES

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

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
7	1	3,339	
10	2		
15	1		
20	2		
25	3		
30	2		
40	6		
60	2		
100	1		
107	1		
125	2		
150	5		
300	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
16,000	1	2,000	1
35,000	1	3,000	1
100,000	1	5,000	3
110,000	1		
115,000	1		
250,000	1		
500,000	1		
650,000	1		
1,000,000	2		
1,100,000	1		
2,000,000	1		
5,000,000	2		

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

Company Name: Arizona Water Company - Pinal Valley (Casa Grande/Coolidge)
ADEQ Public Water System No: 11-009
Year Ended: 12/31/2010

PINAL VALLEY INVENTORY OF MAJOR PLANT IN SERVICE

Office Site - 220 E. 2nd St

Office Building 40' x 50' slump block
Contents
2 - Personal Computers/W Printers
12 -Personal Computer
1 - Laptop Computers
1 - Laptop computer w/printer
Itron Computer W/Handhelds
Warehouses 15' x 25' Metal, 40'x100' Slump Block
Printer/Copier 2005
Printer/Copier 2006
3-CSR Printers
Minolta Fax 2800
Telephone System
Contents
Phone Dialer
Automatic Controls
6' Block Wall and Gate Opener

Casa Grande Mountain Tank Site

5,000,000 Gal Tank -
Cathodic Protection
Automatic Controls
Fence

Well Site #10

200 HP Pump, Motor/Panel
Liquid Chlorinator and Building
Fence/slats
SCADA Automatic Controls

Cottonwood Lane Well Site #14

Arsenic Treatment Plant
40 HP Submersible/Panel
3 - 150 HP Boosters/Panels
Cathodic Protection
SCADA Automatic Controls
8' Block Wall w/ auto gate opener
1,000,000 Gallon Storage Tank
190,000 Gallon Settling Tank

Well Site #17

200 HP Pump, Motor/Panel
SCADA Automatic Controls
Liquid Chlorinator and Building
8' Block Wall

Well Site #26

300 HP Pump, Motor/Panel
SCADA Automatic Controls
Liquid Chlorinator and Building
6 ' Block Wall

Well #31

200 hp motor & panels
Liquid Chlorinator and Building
SCADA Automatic Controls
6' block fence
pH Adjustment

Well Site #23

300 HP Pump, Motor/Panel
SCADA Automatic Controls
Liquid Chlorinator and Building
Fence - Block

Well Site #20

300 HP Pump, Motor/Panel
SCADA Automatic Controls
Liquid Chlorinator and Building
8' Block Wall w/ Auto Gate Opener

Well Site #25

300 HP Pump, Motor/Panel
SCADA Automatic Controls
Liquid Chlorinator and Building
Fence - Block & Chain Link

Well Site #24

300 HP Pump, Motor/Panel
SCADA Automatic Controls
Liquid Chlorinator and Building
Fence -Block & Chain Link
Sand Separator

Well Site #21

250 HP Pump, Motor/Panel
Liquid Chlorinator and Building
SCADA Automatic Controls
Fence
Sand Separator

Well Site #30 - Quaid

200 HP , Motor/Panel
SCADA Automatic Controls
Liquid chlorinator & bldg.
6' block wall & 6' Fence with Slats

Well Site #19

300 HP Pump, Motor/Panel
SCADA Automatic Controls
Liquid Chlorinator and Building
Cathodic Protection
Motor Control Center
2 150-HP booster, 1 100-HP booster
Arsenic Treatment
8' Block Wall w/ Auto Gate Opener
1,100,000 Gallon Storage Tank
70,000 Gallon Settling Tank

Scott Drive Tank Site

2 Booster Pumps-30HP/Panel
8' x 8' x 20' Mobile Mini
Building 24' x 24' X 12' steel 1997
1-Bridge Crane & Manual Chain Hoist
3- 40 HP Starters, 1-25 HP Starter/Panel
3-40 HP & 1-25 HP Pump & Motor
1-15 KVA Transformer/Panel
Automatic Controls
Fence
110,000 Gallon Storage Tank
5,000,000 Gallon Storage Tank

Company Name: **Arizona Water Company - Pinal Valley (Casa Grande/Coolidge)**
ADEQ Public Water System No: **11-009**
Year Ended: **12/31/2010**

PINAL VALLEY INVENTORY OF MAJOR PLANT IN SERVICE

Pinal Booster Station
- 1-20 HP & 2-25 HP Booster Pumps & Panels
- SCADA Automatic Controls
- 1 - C-5 3,000 gal Tank & Pump
- Fence w/slats

Burgess Peak Tank Site
- Base Station
- 2,000,000 Gal Tank
- Cathodic Protection
- Automatic Controls
- Fence

AC Golf Course Tank Site
- 2 Boosters/1-20HP,1-25HP/Panel
- 6,000 Gal Pressure Tank
- 60 HP Gas Booster (Out of Service/Retired)
- Autodialer
- Automatic Controls
- 115,000 Gallon Storage Tank

Arizona City Well #28
- 350 H.P. motor and panels
- Automatic Controls
- 5,000 Gal Pressure Tank
- Arsenic Treatment Plant
- Liquid Chlorinator and Building
- Fence
- 35,000 Gallon Settling Tank
- Post pH Adjustment

Tanger Booster Station
- 3- 40 HP Boosters
- 5000 gal Pressure Tank
- Automatic Controls
- 1-300 HP Booster & Panel installed 2008
- 8' Block Wall

La Palma Road Booster
- 10 HP Pump/Panel
- 50' x 125' x 6' Chain Link Fence

Mission Royale - Well #29
- 250 HP motor & panel
- Liquid chlorinator and bldg.
- Auto Controls
- Arsenic treatment
- 6' Block fence
- 31,000 Gallon Settling Tank
- 2 - 8' x 8' x 30 Mobile Mini

Mission Royale - Well #33
- 250 HP motor & panel
- liquid chlorinator and bldg
- Auto controls
- 8' Block fence

Mission Royale - Well Site #1 CG Well 32
- 250 HP motor & panel
- liquid chlorinator and bldg
- Auto controls
- 8' Block fence

North Park Tank Site
- Automatic Controls
- Panel
- Cathodic Protection
- Fence
- 650,000 Gallon Storage Tank
- 35,000 Gallon Storage Tank

Lake In The Desert Well #27
- 200HP Pump, Motor/Panel
- Automatic Controls
- Arsenic Treatment Plant
- Liquid Chlorinator & Building
- Fence
- 4,000 Gallon Settling Tank
- 60 HP 300STLA Pump
- 16,000 Storage Tank
- 60 HP VHS Booster/Panel/Controls

Randolph
- Water Salesman & Housing 6x7 Brick 1972
- Fence

Company Name: **Arizona Water Company - Pinal Valley (Casa Grande/Coolidge)**
ADEQ Public Water System No: **11-009**
Year Ended: **12/31/2010**

PINAL VALLEY INVENTORY OF MAJOR PLANT IN SERVICE

Office - 448 W. Central Ave.

- Building 25' x 61' Brick prior to 1955
- Contents/Leasehold Improvements
- Mini Mobile - 8' x 20'
- Itron Computer W/Handheld
- SCADA
- Personal Computer and Printer
- 2-Personal Computers
  - Printer/Copier
  - CSR Printer
  - Brothers IntellFax Machine

Well Site #7

- 200 HP Pump, Motor/Panel
- 100,000 Gal Elevated Tank
  - Cathodic Protection
- 500,000 Gal Tank -
  - Cathodic Protection
- 1,000,000 Gal Tank -
  - Cathodic Protection
- Underground Cathodic Protection
- 2 - 60 HP Booster Pumps/Panel/Valves
  - Champion Stationary 3 PH compressor
- Pump House 12' x 16' Metal 1948
- Base Radio Station
- Meter Shop & wrhs. 40x54 metal 1955
  - & Addition in 1972
- SCADA
- Computer/printer Equipment, Fax machine, Copier
- Chlorine Storage 4' x 6' Fiberglass Bldg
- Contents
- Bldg. 20x20 metal 1983
- 107 HP Waukesha Gas Booster
- Automatic Controls + Auto Dialer
- Radio Controls
- Mini Mobile - 8' x 25'
- Mini Mobile - 8' X 25'
- Fence + Gate Opener

Well #13

- Chlorinator and Building 6' x 10'
- Motor, 200 hp pump/panel
- Plumbing
- Pump
- 8' Block Wall
- Automatic Controls

Well Site #9 & #10

- #9-200 HP Pump, Motor/Panel
- #10-200 HP Pump, Motor/Panel
- Vacuum Pump/Panel
- 2 Booster Pumps -125 HP/Panels
- Buildings
- Chlorinator
- 6' x 9' Fiberglass Chlorine Building
- Automatic Controls
- Radio Controls
- Vac Tank Shed 6x6 wood 1987
- 2 - Sand Separators
- 7 HP Nitrate Booster Pump/Panel
- Nitrate Treatment System
- SCADA
- Fences
- 35,500 Gallon Dearation Tank
- 116,000 Gallon Settling Tank

Valley Farms Well Site #2

- Well #2-30 HP Pump/Panel
- 5000 Gal Pressure Tank
- 2000 Gal Pressure Tank
- Booster Pump - 15 HP/Panel
- Buildings 21' x 19' wood prior to 1955
- Chemical Feed Equipment
- Fence
- 250,000 Gallon Storage Tank

Valley Farms Tie Line Booster Sta

- Booster Pump-10HP/Panel
- Fence

PINAL VALLEY
(TIERRA GRANDE)

Company Name:	Arizona Water Company - Pinal Valley (Tierra Grande)
ADEQ Public Water System No:	11-076
Year Ended:	12/31/2010

WATER COMPANY PLANT DESCRIPTION

WELLS

Company Number	ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
Well #1	55-616682	75	420	n/a	20	6	n/a
Well #3	55-801030	10	100	n/a	n/a	2	n/a

*Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

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

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
15	2	8	

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
10,000	1	2,000	1
250,000	1	5,000	1

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

Company Name: Arizona Water Company - Pinal Valley (Tierra Grande)
ADEQ Public Water System No: 11-076
Year Ended: 31-Dec-10

TIERRA GRANDE INVENTORY OF MAJOR PLANT IN SERVICE

Tierra Grande Well Site Well #1 & #3

Well #1-75HP Pump, Motor/Panel
Well #3-25HP Sub. Pump/Panel
2-15 HP Boosters & Panels
1 Booster - 50 HP/Panel
1 - 5000 Gallon & 1-2000 Gal. Pressure Tanks
Automatic Controls
Liquid Chlorinator & Cabinet
Fence
10,000 Gallon Storage Tank
250,000 Gallon Storage Tank

PINAL VALLEY
(COOLIDGE AIRPORT)

Company Name:	Arizona Water Company - Pinal Valley (Coolidge Airport) (System is leased from the City of Coolidge)
ADEQ Public Water System No:	11-707
Year Ended:	12/31/2010

WATER COMPANY PLANT DESCRIPTION

WELLS

Company Number	ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
Well #1	55-620899	50	350	475	12	4	1942
Well #2	55-620900	50	320	435	16	4	1942

*Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

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

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
2	2	3	
40	2		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
15,000	1	5,000	1

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

Company Name:	**Arizona Water Company - Pinal Valley (Coolidge Airport)[1]**
ADEQ Public Water System No:	**11-707**
Year Ended:	**31-Dec-10**

PINAL VALLEY (COOLIDGE AIRPORT) INVENTORY OF MAJOR PLANT IN SERVICE

North Well - Airport Well #1 [1]

Square D 50 hp disconnect and starter panel
6 inch Simflow discharge head and discharge piping
350 lf of 6' chain link fence
5,000 gallon hydropneumatic tank (8' x 15')
12x12 metal building

Company Funded Improvements:
Post-Test Year Plant (WA 1-4675)-
50HP pump, motor & casing
Sanitary Seal
Discharge Head
15,000 Gal. storage tank
2 HP Booster pumps (2x)
40 HP Booster pumps (2x)
Starter panels & controls
New Service Entrance Section (SES)
Sensaphone phone dialer alarm, mag meter

South Airport Well #2 [1]

Company Funded Improvements:
50hp pump, motor, & electrical panels

[1]This water system is leased by the Company

PINAL VALLEY
(STANFIELD)

Company Name:	Arizona Water Company - Pinal Valley (Stanfield)
ADEQ Public Water System No:	11-012
Year Ended:	12/31/2010

WATER COMPANY PLANT DESCRIPTION

WELLS

Company Number	ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
Well #1	55-616684	100	280	811	16	4	n/a
Well #3	55-526586	60	195	1002	18	3	1990

*Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

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

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
10	1	12	
15	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
20,000	1	5,000	1
100,000	1		

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

Company Name: Arizona Water Company - Pinal Valley (Stanfield)
ADEQ Public Water System No: 11-012
Year Ended: 31-Dec-10

STANFIELD INVENTORY OF MAJOR PLANT IN SERVICE

Well Site #1

100 HP Pump, Motor/Panel
Arsenic/Nitrate Treatment Plant
1-10 HP & 1-15 HP Booster pumps installed 2008
Coin Operated Salesman
Mobile Mini for Salesman 5'x8' steel
5,000 Gal Pressure Tank
Liquid Chlorinator and Building
Automatic Controls
Fence
100,000 Gallon Storage Tank
20,000 Gallon Storage Tank

Table Top Well Site #3

60HP Pump, Subm./Panel
Automatic Controls
Liquid Chlorinator Building Storage
Fence

WHITE TANK

Company Name:	Arizona Water Company - White Tank
ADEQ Public Water System No:	07-128
Year Ended:	12/31/2010

WATER COMPANY PLANT DESCRIPTION

WELLS

Company Number	ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
Well #2	55-616689	30	155	477	6	3	n/a
Well #4	55-616691	75	390	604	12	4	1969
Well #8	55-584393	100	160	1000	12	4	2001
Well #7	55-616693	100	410	858	20	4	n/a
Well #9	55-201426	250	1490	1,418	16	10	2004
Well #10	55-203266	200	1060	1,288	16	8	2004

*Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
Arizona-American Water Company	160	-
Arizona-American Water Company	350	13,078

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
3	3	249	
50	2		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
50,000	1	5,000	2
100,000	1		
500,000	1		
1,000,000	1		

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

Company Name: Arizona Water Company - White Tank
ADEQ Public Water System No: 07-128
Year Ended: 31-Dec-10

WHITE TANK INVENTORY OF MAJOR PLANT IN SERVICE

Well Site #7 - Warehouse Site
- 100 HP Pump, Motor/Panel
- Building (Wrhs/Office) 20x20 metal
- Contents, fax, copier, computer
- Alarm (intrusion)
- Automatic Controls
- Nitrate Treatment System (Pre-Filter Included)
- Cabinet (Hypochlorinator)
- 8' x 20' Mobile Mini
- Fence
- Sand separator
- Phone Dialer

Vault Pumpsite (Citrus Interconnect) (AZ-American)
- Auto Controls
- 3HP Pump, Motor/Panel
- 2-inch service

500,000 Gal Tank Site (Beautiful Arizona Estates Sute)
- 2 Booster Pumps-3 HP/Panel
- 5,000 Gal Pressure Tank
- Automatic Controls/Radio, Auto Dialer
- Fence
- 500,000 Gallon Storage Tank
- 1,000,000 Gallon Storage Tank

Indian School Interconnect (AZ-American)
- 8-inch service, vault

Well Site #8
- 100 HP Pump/Panel
- Cabinet Storage (Not in Service - Retired)
- Automatic Controls
- Fence
- 2 Sand Separators
- Pre-Filter

Well Site #2 & #4 Monte Vista
- Well No. 2: 30 HP Pump, Motor
- Well No. 4: 75 HP Pump, Motor
- 2 Sand Separators
- 2 Booster Pumps - 50 HP (rebuilt 2006)
- Station Pump Panels
- 1- 5,000 Gallon Pressure Tank
- Automatic Controls/radio
- Auto Dialer
- Arsenic Treatment Plant
- Liquid Chlorinator & Cabinet
- Fence
- 21,000 Gallon Settling Tank
- 50,000 Gallon Storage Tank
- 100,000 Gallon Storage Tank

AJO

Company Name:	Arizona Water Company - Ajo
ADEQ Public Water System No:	10-003
Year Ended:	12/31/2010

WATER COMPANY PLANT DESCRIPTION

WELLS

Company Number	ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

*Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
Ajo Improvement Company	270	51,557

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
10	1	47	
15	2		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
250,000	1		
500,000	1		

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

Company Name: Arizona Water Company - Ajo
ADEQ Public Water System No: 10-003
Year Ended: 31-Dec-10

AJO INVENTORY OF MAJOR PLANT IN SERVICE

Tank Site

- Automatic Controls
- Fence
- 250,000 Gallon Storage Tank
- 500,000 Gallon Storage Tank

Booster Site-Saguaro & Ave G (Saguaro Booster Site)

- 3- Booster Pumps, 2-15 HP & 1-10 HP
- Buildings 30' x 30' Metal 1989 &
  - Pump shed 10' x 26' Metal 1980
- Contents
- Automatic Controls
- Coin Operated Salesman
- Liquid Chlorinator
- Fence
- 1- Personal computer
- 1- Copy/ Fax machine
- 1-4" meter on boosters

5. A copy of the proposed curtailment tariff, and/or cross connection/backflow tariff.

A copy of the Company's curtailment tariff (Tariff No. CT-273) was filed on June 24, 2004, in Docket No. 01-1012 with an effective date 30 days thereafter.

The Company's cross-connection control tariff (Tariff No. CC-258) has been in effect since November 26, 1991.

CD

-Arizona Water Company
2010 Rate Case (Amended)
Exhibits

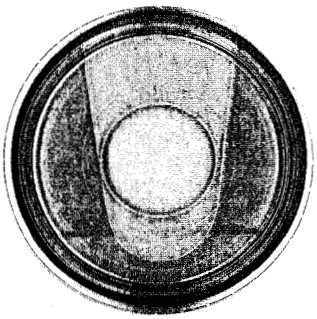
TO REVIEW SEE DOCKET SUPERVISOR

DOCKET
W-01445A-10-0517

Arizona Water Company
2010 Rate Case
(Amended)
Test Year Ended December 31, 2010
(Bookmarked)

EXHIBITS

- Summary Schedules
- Rate Base Schedules
- Test Year Income Statements
- Cost of Capital



EXHIBITS

- Financial Statements and Statistical Schedules
- Projections and Forecasts
- Cost of Service Analysis
- Effect of Proposed Tariff Schedules

ARIZONA WATER COMPANY

Disc 2 of 2

AMENDED APPLICATION

W-01445A-10-0517

PART 1 OF 5
BAR CODE # 0000125114

To review remaining parts please see the following:

PART 2 OF 5 BAR CODED #0000125115

PART 3 OF 5 BAR CODED #0000125116

PART 4 OF 5 BAR CODED #0000125117

PART 5 OF 5 BAR CODED #0000125118