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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF
INDIADA WATER COMPANY, INC., FOR
APPROVAL OF A PERMANENT INCREASE IN
ITS WATER RATES.

DOCKET NO. W-02031A-10-0168

IN THE MATTER OF THE APPLICATION OF
ANTELOPE RUN WATER COMPANY FOR
APPROVAL OF A PERMANENT INCREASE IN
ITS WATER RATES.

DOCKET NO. W-02327A-10-0169

IN THE MATTER OF THE APPLICATION OF
BOB B. WATKINS DBA EAST SLOPE WATER
COMPANY FOR APPROVAL OF A
PERMANENT INCREASE IN ITS WATER
RATES.

DOCKET NO. W-01906A-10-0170

IN THE MATTER OF THE APPLICATIONS OF
BOB B. WATKINS DBA EAST SLOPE WATER
COMPANY, INDIADA WATER COMPANY,
INC., AND ANTELOPE RUN WATER COMPANY
FOR APPROVAL OF A TRANSFER OF ASSETS
AND CERTIFICATES OF CONVENIENCE AND
NECESSITY.

DOCKET NO. W-01906A-10-0171
DOCKET NO. W-02031A-10-0171
DOCKET NO. W-02327A-10-0171

IN THE MATTER OF THE APPLICATION OF
BOB B. WATKINS DBA EAST SLOPE WATER
COMPANY FOR AUTHORITY TO INCUR
LONG-TERM DEBT.

DOCKET NO. W-01906A-10-0183

IN THE MATTER OF THE APPLICATION OF
INDIADA WATER COMPANY, INC. FOR
AUTHORITY TO INCUR LONG-TERM DEBT.

DOCKET NO. W-02031A-10-0184

IN THE MATTER OF THE APPLICATION OF
ANTELOPE RUN WATER COMPANY FOR
AUTHORITY TO INCUR LONG-TERM DEBT.

DOCKET NO. W-02327A-10-0185

**STAFF'S NOTICE OF FILING DIRECT
TESTIMONY**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("ACC") hereby files
the Direct Testimony of Staff Witness Jeffrey M. Michlik in the above-referenced matter.

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Arizona Corporation Commission
DOCKETED

JUL 27 2011

DOCKETED BY

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RESPECTFULLY SUBMITTED this 27th day of July, 2011.



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of the foregoing were filed this
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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-02031A-10-0168
INDIADA WATER COMPANY, INC., FOR)
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ITS WATER RATES.)

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CERTIFICATES OF CONVENIENCE AND)
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BOB B. WATKINS DBA EAST SLOPE WATER)
COMPANY FOR AUTHORITY TO INCUR LONG-)
TERM DEBT.)

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-02031A-10-0184
INDIADA WATER COMPANY, INC., FOR)
AUTHORITY TO INCUR LONG-TERM DEBT.)

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-02327A-10-0185
ANTELOPE RUN WATER COMPANY FOR)
AUTHORITY TO INCUR LONG-TERM DEBT)

DIRECT
TESTIMONY
OF
JEFFREY M. MICHLIK
PUBLIC UTILITIES ANALYST V
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

JULY 27, 2011

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EXECUTIVE SUMMARY

INDIADA WATER COMPANY, INC. DOCKET NO. W-02031A-10-0168
ANTELOPE RUN WATER COMPANY DOCKET NO. W-02327A-10-0169
EAST SLOPE WATER COMPANY DOCKET NO. W-01906A-10-0170
INDIADA WATER COMPANY, INC., ANTELOPE RUN WATER COMPANY, AND
EAST SLOPE WATER COMPANY, DOCKET NOS. W-02031A-10-0170,
W-02327A-10-0171, AND W-01906A-10-0170
EAST SLOPE WATER COMPANY DOCKET NO. W-01906A-10-0183
INDIADA WATER COMPANY, INC. DOCKET NO. W-02031A-10-0184
ANTELOPE RUN WATER COMPANY DOCKET NO. W-02327A-10-0185

Indiada Water Company, Inc. ("Indiada"), Antelope Run Water Company ("Antelope"), East Slope Water Company ("East Slope"), collectively ("ESARIN") are certificated Arizona public service corporations that provided water service during 2009 in Cochise County, Arizona. The average number of customers per ESARIN during the test year was as follows: 56 for Indiada; 168 for Antelope; and 820 for East Slope.

On April 30, 2010, ESARIN filed amended applications for permanent rate increases, with a test year ending December 31, 2009. Concomitantly, ESARIN also filed a joint application to transfer the Indiada and the Antelope assets and Certificates of Convenience and Necessity ("CC&Ns") to East Slope, and for consolidation of rates.

On May 7, 2010, ESARIN filed applications for authority to incur long-term debt.

Rate Application:

Antelope

Antelope proposes rates that would increase operating revenue by \$90,065, or a 182.85 percent increase over test year revenue of \$49,257, to produce operating revenue of \$139,322 resulting in operating income of \$55,675. Antelope also proposes a fair value rate base ("FVRB") of \$61,769, which is its original cost rate base ("OCRB"). Antelope discards its rate base/rate of return revenue requirement of \$91,059 that uses a 12.00 percent rate of return in favor of a 39.96 percent operating margin to support its requested revenue requirement of \$139,322.

Staff recommends rates that would increase operating revenue by \$25,542 to produce operating revenue of \$74,799 resulting in operating income of \$5,497, or a 51.85 percent increase over adjusted test year revenue of \$49,257. Staff recommends an OCRB of \$54,975 which is its FVRB, and a 10.0 percent rate of return on the FVRB.

The typical 5/8 x 3/4-inch meter residential customer with a median usage of 6,900 gallons would experience a \$25.05, or a 136.13 percent, increase in his/her monthly bill, from \$18.40 to \$43.45, under Antelope's proposed rates. The typical 5/8 x 3/4-inch meter residential

customer with a median usage of 6,900 gallons would experience a \$3.73 or a 20.24 percent increase in his/her monthly bill, from \$18.40 to \$22.13, under Staff's recommended rates.

East Slope

East Slope proposes rates that would increase operating revenue by \$331,372, or a 160.33 percent increase over test year revenue of \$206,686, to produce operating revenue of \$538,058 resulting in operating income of \$217,583. East Slope also proposes a FVRB of \$168,488, which is its OCRB. East Slope discards its rate base/rate of return revenue requirement of \$264,955 that uses a 12.00 percent rate of return in favor of a 40.44 percent operating margin to support its requested revenue requirement of \$538,058.

Staff recommends rates that would increase operating revenue by \$20,347 to produce operating revenue of \$227,033 resulting in operating income of \$11,472, or a 9.84 percent, increase over adjusted test year revenue of \$206,686. Staff recommends an OCRB of \$114,716 which is its FVRB, and a 10.00 percent rate of return on the FVRB.

The typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,330 gallons would experience a \$14.06 or a 95.66 percent increase in his/her monthly bill, from \$26.25 to \$42.40, under East Slope's proposed rates. The typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,330 gallons would experience a \$0.47 or a 3.19 percent increase in his/her monthly bill, from \$14.69 to \$15.16, under Staff's recommended rates.

Indiada

Indiada proposes rates that would increase operating revenue by \$29,922, or a 106.33 percent increase over test year revenue of \$28,140, to produce operating revenue of \$58,062 resulting in operating income of \$23,725,. Indiada also proposes a FVRB of \$45,684, which is its OCRB. Indiada discards its rate base/rate of return revenue requirement of \$39,819 that uses a 12.00 percent rate of return in favor of a 40.86 percent operating margin to support its requested revenue requirement of \$58,062.

Staff recommends rates that would decrease operating revenue by \$930 to produce operating revenue of \$27,210 resulting in operating income of \$2,723, or a 3.31 percent decrease from adjusted test year revenue of \$28,140. Staff recommends an OCRB of \$27,227 which is its FVRB, and a 10.0 percent rate of return on the FVRB.

The typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,260 gallons would experience a \$27.04 or a 90.42 percent increase in his/her monthly bill, from \$29.91 to \$56.95, under Indiada's proposed rates. The typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,260 gallons would experience a \$3.63, or a 12.14 percent, decrease in his/her monthly bill, from \$29.91 to \$26.28, under Staff's recommended rates.

ESARIN Consolidated

ESARIN proposes rates that would increase operating revenue by \$470,029, or a 165.45 percent increase over test year revenue of \$284,083, to produce operating revenue of \$754,112 resulting in operating income of \$296,981. ESARIN also proposes a FVRB of \$274,479, which is its OCRB. ESARIN discards its rate base/rate of return revenue requirement of \$380,285 that uses a 12.00 percent rate of return in favor of a 39.38 percent operating margin to support its requested revenue requirement of \$754,112.

Staff recommends rates that would increase operating revenue by \$47,154 to produce operating revenue of \$331,237 resulting in operating income of \$19,692, or a 16.60 percent increase over adjusted test year revenue of \$284,083. Staff recommends an OCRB of \$196,918 which is its FVRB, and a 10.0 percent rate of return on the FVRB.

Antelope - Consolidated

The typical 5/8 x 3/4-inch meter residential customer with a median usage of 6,900 gallons would experience a \$21.56, or a 117.20 percent, increase in his/her monthly bill, from \$18.40 to \$39.96, under ESARIN's proposed rates. The typical 5/8 x 3/4-inch meter residential customer with a median usage of 6,900 gallons would experience no increase or decrease under Staff's recommended rates.

East Slope - Consolidated

The typical 5/8 x 3/4-inch meter residential customers with a median usage of 5,330 gallons would experience a \$19.68, or a 133.93 percent, increase in his/her monthly bill, from \$14.69 to \$34.37, under ESARIN's proposed rates. The typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,330 gallons would experience a \$1.35 or a 9.19 percent decrease in his/her monthly bill, from \$14.69 to \$16.05, under Staff's recommended rates.

Indiada - Consolidated

The typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,260 gallons would experience a \$4.22, or a 14.09 percent, increase in his/her monthly bill, from \$29.91 to \$34.13, under ESARIN's proposed rates. The typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,260 gallons would experience a \$13.97 or a 46.71 percent decrease in his/her monthly bill, from \$29.91 to \$15.94, under Staff's recommended rates.

Consolidation:

Staff recommends consolidation of rates across the East Slope, Indiada and Antelope systems. Staff further recommends approval of the transfer of assets and CC&Ns from Antelope and Indiada to East Slope.

Financing Application:

ESARIN is requesting approval to borrow \$2,748,504 from the Water Infrastructure Financing Authority of Arizona ("WIFA") to fund various capital improvement projects for all three systems. Staff recommends approval of ESARIN's request. Staff further recommends that the debt service on the loan be funded via a surcharge mechanism. Staff estimates that a \$2,748,504 loan, taken over twenty years at 3.675 percent would result in a monthly surcharge of \$14.29 for a 5/8 x 3/4-inch meter customer.

1 **I. INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Jeffrey M. Michlik. I am a Public Utilities Analyst V employed by the
4 Arizona Corporation Commission (“ACC” or “Commission”) in the Utilities Division
5 (“Staff”). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.
6

7 **Q. Briefly describe your responsibilities as a Public Utilities Analyst V.**

8 A. In my capacity as a Public Utilities Analyst V, I analyze and examine accounting,
9 financial, statistical and other information and prepare reports based on my analyses that
10 present Staff’s recommendations to the Commission on utility revenue requirements, rate
11 design and other financial regulatory matters.
12

13 **Q. Please describe your educational background and professional experience.**

14 A. In 2000, I graduated from Idaho State University, receiving a Bachelor of Business
15 Administration Degree in Accounting and Finance, and I am a Certified Public
16 Accountant registered with the Arizona State Board of Accountancy. I have attended the
17 National Association of Regulatory Utility Commissioners’ (“NARUC”) Utility Rate
18 School, which presents general regulatory and business issues.
19

20 I joined the Commission as a Public Utilities Analyst in May of 2006. Prior to
21 employment with the Commission, I worked four years for the Arizona Office of the
22 Auditor General as a Staff Auditor, and one year in public accounting as a Senior Auditor.
23

24 **Q. What is the scope of your testimony in this case?**

25 A. I am presenting Staff’s analysis and recommendations regarding Indiada Water Company,
26 Inc. (“Indiada”), Antelope Run Water Company (“Antelope”), East Slope Water Company

1 (“East Slope”), collectively (“ESARIN” or “Companies”) applications for a permanent
2 rate increase, transfer of Certificates of Convenience and Necessity (“CC&Ns”), and
3 financing. I am presenting testimony and schedules addressing rate base, operating
4 revenues and expenses, revenue requirement, rate of return and rate design. Mrs. Katrin
5 Stukov is presenting Staff’s engineering analysis and related recommendations.

6
7 **Q. What is the basis of your testimony in this case?**

8 A. I performed a regulatory audit of the Companies’ application and records. The regulatory
9 audit consisted of examining and testing financial information, accounting records, and
10 other supporting documentation and verifying that the accounting principles applied were
11 in accordance with the Commission-adopted NARUC Uniform System of Accounts.

12
13 **Q. How is your testimony organized?**

14 A. My testimony is presented in eleven sections. Section I is this introduction. Section II
15 provides a background of the Companies. Section III is a summary of consumer service
16 issues. Section IV presents compliance status. Section V discusses consolidation.
17 Section VI is a summary of ESARIN’s filing and Staff’s rate base and operating income
18 adjustments. Section VII presents Staff’s rate base recommendations. Section VIII
19 presents Staff’s operating income recommendations. Section IX presents Staff’s cost of
20 capital recommendations. Section X discusses rate design. Section XI presents Staff’s
21 recommendation pertaining to the Companies’ request to issue long-term debt. Where
22 applicable, Staff presents its discussion for each issue in the following order by system:
23 Antelope, East Slope, Indiada and ESARIN.

1 **II. BACKGROUND**

2 **Q. Please review the background of this application.**

3 A. ESARIN is engaged in the business of providing water utility services in Cochise County,
4 Arizona. The average number of customers per ESARIN during the 2009 test year was as
5 follows: 56 for Indiada; 168 for Antelope; and 820 for East Slope.

6
7 ESARIN's present permanent rates were approved as follows: Indiada, Decision No.
8 54500, dated May 1, 1985; Antelope, Decision No. 49820, dated April 5, 1979; and East
9 Slope, Decision No. 57076, dated October 1, 1990.

10
11 ESARIN's interim emergency rates in the form of a monthly surcharge were approved as
12 follows: Indiada, Decision No. 71321, dated October 30, 2009; Antelope, Decision No.
13 71323, dated October 30, 2009; and East Slope, in Decision No. 71322, dated October 30,
14 2009.

15
16 The Decision granting interim emergency rates ordered ESARIN to file a general rate case
17 application by April 30, 2010, using a December 31, 2009, test year.

18
19 Staff found ESARIN's applications sufficient on March 3, 2011.

20
21 By way of a procedural order dated March 25, 2011, all of ESARIN's rate and financing
22 filings were consolidated into one docket.

1 **III. CONSUMER SERVICES**

2 **Q. Please provide a brief history of customer complaints received by the Commission**
3 **regarding the Companies. Additionally, please discuss customer responses to the**
4 **Companies' proposed rate increase.**

5 A. A review of the Commission's Consumer Services database for the Companies from
6 January 1, 2008, to June 10, 2011, revealed the following:

7
8 *Antelope*

9 2011 – Zero complaints, zero opinions, and zero inquiries.

10 2010 – Zero complaints, zero opinions, and zero inquiries.

11 2009 – One complaint (quality of service), zero opinions, and zero inquiries.

12 2008 – Zero complaints, zero opinions, and zero inquiries.

13
14 *East Slope*

15 2011 – One complaint (billing), seven opinions opposed to the rate case, and zero
16 inquiries.

17 2010 – One complaint (billing), zero opinions, and zero inquiries.

18 2009 – Zero complaints, zero opinions, and zero inquiries.

19 2008 – Zero complaints, zero opinions, and zero inquiries.

20
21 *Indiada*

22 2011 - Zero complaints, zero opinions, and zero inquiries.

23 2010 - Zero complaints, zero opinions, and zero inquiries.

24 2009 – Two complaints (quality of service, rates/tariff), three opinions all opposed to the
25 rate case, and zero inquiries.

26 2008 - Zero complaints, zero opinions, and zero inquiries.

1 2007 - Zero complaints, zero opinions, and zero inquiries.

2
3 All complaints and inquiries have been resolved and closed.

4
5 **IV. COMPLIANCE**

6 **Q. Please provide a summary of the compliance status of the Companies.**

7 A. A check of the ACC's Compliance database indicates that there are currently no
8 delinquencies for the Companies.

9
10 **V. CONSOLIDATON**

11 **Q. Do the applications of East Slope, Indiada, and Antelope, which are all under**
12 **common ownership of Bob B. Watkins, request that the Commission approve the**
13 **transfer of assets and CC&Ns from Antelope and Indiada to East Slope?**

14 A. Yes.

15
16 **Q. Did the Companies provide any rationale for the consolidation?**

17 A. Yes. The joint application for approval of transfer of assets and CC&Ns states:

- 18
19 1. The three systems are in close proximity to each other in Sierra Vista,
20 Arizona.
21 2. All three of these Companies are owned and/or closely held by Bob Watkins
22 and his family.
23 3. All three Companies are managed and operated by Southwestern Utility
24 Management, Inc.
25 4. Will allow the Companies to save money by operating more efficiently and
26 consequently is in the best interest of customers.

27
28 **Q. Does Staff support the concept of rate consolidation and/or system interconnection?**

29 A. Yes, Staff supports Commission consideration of rate consolidation and/or system
30 interconnection in appropriate circumstances. Consolidation is an appropriate

1 consideration where it is technically and financially feasible and the timing and other
2 circumstances are likely to provide benefits such that consolidation serves the public
3 interest.

4
5 **Q. Can you please define rate consolidation and system interconnection?**

6 A. Rate consolidation, also known as Single Tariff Pricing (“STP”), is the use of a unified
7 rate structure for multiple utility systems that are owned and operated by a single utility,
8 but that may or may not be contiguous or physically interconnected. System
9 interconnection is when two or more systems or districts owned and operated by a single
10 utility are physically connected or tied together. When a system or district is
11 interconnected, in most instances, they share storage tanks, pipelines, etc.

12
13 **Q. Is physical interconnection an attribute that supports use of an STP?**

14 A. Yes. When systems are physically interconnected, they usually share common facilities
15 and personnel.

16
17 **Q. Is system interconnection a requirement for rate consolidation or STP?**

18 A. No. Staff supports rate consolidation in the absence of a physical interconnection in
19 appropriate circumstances.

20
21 **Q. What criteria other than a physical interconnection should be considered in
22 recommending rate consolidation?**

23 A. At a minimum, Staff uses the following criteria:

24 Public health and safety - These issues come into play with small, troubled water systems
25 that are not currently a part of a larger system. Small troubled systems often need
26 substantial investment to alleviate health or public safety issues such as water quality. The

1 cost of upgrades to such systems can be substantial; since the cost may be spread over
2 only a few customers, the rates to support the upgrades may be burdensome. For example,
3 if a small, 300-customer system needed to make an investment of \$1.0 million, each
4 customer would face an increase of roughly \$50 per month just to meet the revenue
5 requirement for this investment. By spreading the same cost over 10,000 customers
6 represented by consolidation of systems, the customers would realize an increase of only
7 \$1.50 per month.

8
9 Proximity and location - Proximity may help psychologically getting people to accept
10 single tariffs, but it certainly is not a requirement. Where technically and financially
11 feasible and beneficial, physical interconnection should be undertaken.

12
13 Economies of scale/rate case expense – Rate cases present one example where significant
14 economies of scale may be realized. Preparing, analyzing and litigating a consolidated
15 case could be much more efficient than processing cases individually. Issues which have
16 caused delays and added costs such as allocating shared plant or other costs between
17 districts could disappear as there would be only a single number for rate base or expenses.

18
19 Price shock/mitigation - Price shock is an issue during the transition period and, in reality,
20 is relative to the prices customers now pay. The transition from separate system pricing to
21 consolidated rates may benefit one group of customers more than another group.

22
23 **Q. Has Staff evaluated these factors in this case?**

24 A. Yes.

1 **Q. What is Staff's recommendation?**

2 A. Staff recommends consolidation of rates across the East Slope, Indiada, and Antelope
3 systems, and that the Commission approve the transfer of assets and CC&Ns from
4 Antelope and Indiada to East Slope.

5
6 **Q. Has Staff prepared schedules on a stand-alone basis and on a consolidated basis?**

7 A. Yes. Staff has prepared Schedules JMM-1 to JMM-17 for each of the stand-alone systems
8 and for the three systems combined as one, i.e., on a consolidated basis.

9
10 **Q. Why has Staff presented both separate system and consolidated schedules?**

11 A. In the event that the Commission does not approve consolidation of the three systems, the
12 information to establish rates for each system is available.

13
14 **VI. SUMMARY OF FILING, RECOMMENDATIONS, AND ADJUSTMENTS**

15 **Q. Please summarize ESARIN's proposals in this filing, for each of its Companies, and
16 on a consolidated basis.**

17 A. ESARIN proposes the following for each of its individual Companies, and on a
18 consolidated basis.

19
20 ***Antelope***

21 Antelope proposes rates that would increase operating revenue by \$90,065, or a 182.85
22 percent increase over test year revenue of \$49,257, to produce operating revenue of
23 \$139,322 resulting in operating income of \$55,675. Antelope also proposes a fair value
24 rate base ("FVRB") of \$61,769, which is its original cost rate base ("OCRB"). Antelope
25 discards its rate base/rate of return revenue requirement of \$91,059 that uses a 12.00

1 percent rate of return in favor of a 39.96 percent operating margin to support its requested
2 revenue requirement of \$139,322.

3
4 ***East Slope***

5 East Slope proposes rates that would increase operating revenue by \$331,372, or a 160.33
6 percent increase over test year revenue of \$206,686, to produce operating revenue of
7 \$538,058 resulting in operating income of \$217,583. East Slope also proposes a FVRB of
8 \$168,488, which is its OCRB. East Slope discards its rate base/rate of return revenue
9 requirement of \$264,955 that uses a 12.00 percent rate of return in favor of a 40.44 percent
10 operating margin to support its requested revenue requirement of \$538,058.

11
12 ***Indiada***

13 Indiada proposes rates that would increase operating revenue by \$29,922, or a 106.33
14 percent over test year revenue of \$28,140, to produce operating revenue of \$58,062
15 resulting in operating income of \$23,725. Indiada also proposes a FVRB of \$45,684,
16 which is its OCRB. Indiada discards its rate base/rate of return revenue requirement of
17 \$39,819 that uses a 12.00 percent rate of return in favor of a 40.86 percent operating
18 margin to support its requested revenue requirement of \$58,062.

19
20 ***ESARIN Consolidated***

21 ESARIN proposes rates that would increase operating revenue by \$470,029, or a 165.45
22 percent increase over test year revenue of \$284,083, to produce operating revenue of
23 \$754,112 resulting in operating income of \$296,981. ESARIN also proposes a FVRB of
24 \$274,479, which is its OCRB. ESARIN discards its rate base/rate of return revenue
25 requirement of \$380,285 that uses a 12.00 percent rate of return in favor of a 39.38 percent
26 operating margin to support its requested revenue requirement of \$754,112.

1 **Q. Please summarize Staff's recommendations.**

2 A. Staff recommends the following for each of ESARIN's individual Companies and for
3 ESARIN on a consolidated basis.

4
5 ***Antelope***

6 Staff recommends rates that would increase operating revenue by \$25,542 to produce
7 operating revenue of \$74,799 resulting in operating income of \$5,497, or a 51.85 percent,
8 increase over adjusted test year revenue of \$49,257. Staff recommends an OCRB of
9 \$54,975 which is its FVRB, and a 10.00 percent rate of return on the FVRB.

10
11 ***East Slope***

12 Staff recommends rates that would increase operating revenue by \$20,347 to produce
13 operating revenue of \$227,033 resulting in operating income of \$11,472, or a 9.84 percent,
14 increase over adjusted test year revenue of \$206,686. Staff recommends an OCRB of
15 \$114,716 which is its FVRB, and a 10.00 percent rate of return on the FVRB.

16
17 ***Indiada***

18 Staff recommends rates that would decrease operating revenue by \$930 to produce
19 operating revenue of \$27,210 resulting in operating income of \$2,723, or a 3.31 percent
20 decrease from adjusted test year revenue of \$28,140. Staff recommends an OCRB of
21 \$27,227 which is its FVRB, and a 10.0 percent rate of return on the FVRB.

22
23 ***ESARIN Consolidated***

24 Staff recommends rates that would increase operating revenue by \$47,154 to produce
25 operating revenue of \$331,237 resulting in operating income of \$19,692, or a 16.60

1 percent increase over adjusted test year revenue of \$284,083. Staff recommends an
2 OCRB of \$196,918 which is its FVRB, and a 10.0 percent rate of return on the FVRB.

3
4 **Q. What test year did the Companies use in this filing?**

5 A. The Companies' rate filing is based on the twelve months ended December 31, 2009 ("test
6 year").

7
8 **Q. Please summarize the rate base adjustments addressed in your testimony.**

9 A. My testimony addresses the following issues:

10
11 Unsubstantiated Plant-in-Service Costs – This adjustment, applicable for East Slope
12 (\$42,344) and Indiada (\$21,834), removes recorded Plant in Service that were not
13 supported with invoices or other types of source documentation.

14
15 Accumulated Depreciation – This adjustment, applicable for East Slope (\$15,483) and
16 Indiada (\$4,692), decreases accumulated depreciation based upon the adjustments Staff
17 made to Plant-in-Service.

18
19 Customer Deposits – This adjustment, applicable for all three Companies (Antelope
20 (\$5,139), East Slope (\$21,904) and Indiada (\$680)), recognizes customer deposits as a
21 deduction in the rate base calculation.

22
23 Cash Working Capital – This adjustment, applicable for all three Companies (Antelope
24 (\$1,655), East Slope (\$5,007), and Indiada (\$634)), adjusts cash working capital based on
25 Staff's adjustments to operating expenses.

1 **Q. Please summarize the operating revenue and expense adjustments addressed in your**
2 **testimony.**

3 A. My testimony addresses the following issues:

4
5 Purchased Power Expense – This adjustment, applicable for East Slope (\$4,862), decreases
6 purchased power expense to remove unsubstantiated invoices.

7
8 Management Fee Expenses – This adjustment, applicable for all three Companies
9 (Antelope (\$12,770), East Slope (\$37,846), and Indiada (\$4,704)), removes expenses not
10 known and measureable.

11
12 Rate Case Expenses – This adjustment, for all three Companies (Antelope (\$468), East
13 Slope (\$592), and Indiada (\$374)), removes rate case expense related to the emergency
14 rate case, as it is not representative of an on-going cost that the Companies will incur.

15
16 Depreciation Expense – This adjustment, for East Slope (\$6,724) and Indiada (\$4,041),
17 results from Staff's adjustments to Plant-in-Service.

18
19 Property Tax Expense – This adjustment for all three Companies (Antelope (\$1,310), East
20 Slope (\$5,573), and Indiada (\$724)), decreases test year property tax expenses to reflect
21 application of the Arizona Department of Revenue's property tax methodology which the
22 Commission has consistently adopted.

23
24 Income Tax Expense – This adjustment, for East Slope (\$50,582), increases test year
25 income tax expenses to reflect application of statutory state and federal income tax rate to
26 Staff-adjusted taxable income.

1 **VII. RATE BASE**

2 Fair Value Rate Base

3 **Q. Did the Companies prepare a schedule showing the elements of Reconstruction Cost**
4 **New Rate Base?**

5 A. No, the Companies did not. The Companies' filing treats the OCRB the same as the
6 FVRB.

7
8 Rate Base Summary

9 **Q. Please summarize Staff's adjustments to the Companies' rate bases as shown in**
10 **Schedule JMM-3 for each of the Companies.**

11 A. A Summary of the Companies' proposed and Staff's recommended rate bases follows:

12
13 Test Year Rate Bases

	Per Company	Per Staff	Differences
Antelope	\$61,769	\$54,975	\$(6,794)
East Slope	\$168,488	\$114,716	\$(53,772)
<u>Indiada</u>	<u>\$45,683</u>	<u>\$27,227</u>	<u>\$(18,456)</u>
Combined	\$275,941	\$196,918	\$(79,023)

14
15 The net decrease is primarily due to: (1) the removal of unsubstantiated Plant-in-Service,
16 (2) adjustments to accumulated depreciation, (3) adjustments to customer deposits, and (4)
17 adjustments to cash working capital.

18

1 Rate Base Adjustment No. 1 – Unsubstantiated Plant-in-Service (East Slope and Indiada).

2 **Q. Did Staff make an adjustment to East Slope and Indiada for inadequately supported**
3 **plant?**

4 A. Yes.

5
6 **Q. Is there a requirement that Plant-in-Service costs be supported?**

7 A. Yes. The Arizona Administrative Code R14-2-610 (D)(1) states, “Each utility shall keep
8 general and auxiliary accounting records reflecting the cost of its properties . . . and all
9 other accounting and statistical data necessary to give complete and authentic information
10 as to its properties”

11
12 **Q. During the audit did Staff identify plant items that were not adequately supported?**

13 A. Yes, Staff removed \$3,123 in Electric Pumping Equipment, \$11,330 in Office Furniture,
14 and \$27,891 in Transportation Equipment for a total of \$42,344 from East Slope Plant-in-
15 Service. Likewise Staff removed \$3,789 in Office Furniture and \$18,045 in
16 Transportation Equipment for a total of \$21,834 from Indiada Plant-in-Service. Source
17 documentation is essential and, without it, plant costs cannot be verified.

18
19 **Q. Should unsubstantiated Plant-in-Service costs be removed from rate base?**

20 A. Yes. It is the Companies’ responsibility to support its claimed costs. If unsupported costs
21 are not removed, ratepayers are at risk of paying a return on plant values that may be
22 overstated or on plant items that may not even exist.

23
24 **Q. What is Staff’s recommendation?**

25 A. Staff recommends removing \$3,123 in Electric Pumping Equipment, \$11,330 in Office
26 Furniture, and \$27,891 in Transportation Equipment for a total of \$42,344 from East

1 Slope Plant-in-Service. Likewise, Staff recommends removing \$3,789 in Office Furniture
2 and \$18,045 in Transportation Equipment for a total of \$21,834 from Indiada Plant-in-
3 Service.

4
5 These recommended adjustments also decrease accumulated depreciation by \$15,483 for
6 East Slope and \$4,692 for Indiada, as shown on Staff Schedules JMM-5 and JMM-4
7 respectively.

8
9 Rate Base Adjustment No. 2 – Customer Deposits (Antelope, East Slope, and Indiada).

10 **Q. Are any of the Companies proposing to include customer deposits in their rate base**
11 **calculation?**

12 A. No, they are not.

13
14 **Q. Are customer deposits normally treated as a reduction from rate base?**

15 A. Yes. Customer deposits are a deduction in the calculation of rate base.

16
17 **Q. Why are customer deposits normally a deduction in the calculation of rate base?**

18 A. Customer deposits are normally a deduction in the calculation of rate base in order to
19 recognize capital provided by non-investors.

20
21 **Q. What were the customer deposit balances at the end of the test year?**

22 A. The customer deposit balances at the end of the test year were \$5,139 for Antelope,
23 \$21,904 for East Slope, and \$680 for Indiada.

1 **Q. What is Staff's recommendation?**

2 A. Staff recommends deducting customer deposits in the calculation of rate base, as shown in
3 Schedules JMM-6 for each of the Companies.

4

5 Rate Base Adjustment No. 3 – Cash Working Capital (Antelope, East Slope, and Indiada).

6 **Q. Did Staff make an adjustment to Cash Working Capital?**

7 A. Yes.

8

9 **Q. What is the basis for Staff's adjustments to cash working capital for the Companies?**

10 A. Staff calculated cash working capital using the formula method that recognizes one-eighth
11 of Purchased Power and one-twenty fourth of operating and maintenance expenses. Staff's
12 calculation reflects adjustments to these expenses.

13

14 **Q. Does Staff typically allow a cash working capital allowance for class C utilities if it is
15 not supported by a lead lag study?**

16 A. No. However, ESARIN is a company in transition. Only East Slope is a class C utility
17 based on proposed stand-alone revenues. None of the Companies is a class C utility based
18 on test year or Staff-recommended stand-alone revenues. Although the Staff-
19 recommended revenue for ESARIN on a consolidated basis exceeds \$250,000, Staff does
20 not recommend the removal of the cash working capital allowance based solely on the
21 consolidation of the Companies, if adopted, in this case.

22

23 **Q. What is Staff's recommendation?**

24 A. Staff recommends decreasing cash working capital by \$1,655 for Antelope, \$5,007 for
25 East Slope, and \$634 for Indiada, as shown in Schedules JMM-7 for each of the
26 Companies.

1 **VIII. OPERATING INCOME**

2 Operating Income Summary

3 **Q. What are the results of Staff's analysis of test year revenues, expenses, and operating**
4 **income?**

5 A. Staff's analysis resulted in adjusted test year operating revenues, expenses, and operating
6 income as follows:

7
8 Adjusted Test Year Revenues, Expenses, and Operating Income

	Antelope	East Slope	Indiada	ESARIN ¹
Revenues	\$49,257	\$206,686	\$28,140	\$284,083
Expenses	<u>\$(69,099)</u>	<u>\$(211,175)</u>	<u>\$(24,495)</u>	<u>\$(301,380)</u>
Operating Income	\$(19,842)	\$(4,489)\$	\$3,645	\$(17,297)

9
10 Operating Income Adjustment No. 1 – Purchased Power Expense (East Slope)

11 **Q. Did Staff make an adjustment to Purchased Power Expense for East Slope for**
12 **inadequately supported documentation?**

13 A. Yes.

14
15 **Q. Is there a requirement that operating expenses be supported?**

16 A. Yes. The Arizona Administrative Code R14-2-610 (D)(1) states, "Each utility shall keep
17 general and auxiliary accounting records reflecting the cost of its properties . . . and all
18 other accounting and statistical data necessary to give complete and authentic information
19 as to its properties"

¹ ESARIN results do not equal to sum of the individual Companies due to differences in income tax for individual versus combined results.

1 **Q. Did Staff's audit identify expense items that were not adequately supported?**

2 A. Yes. The Companies provided no source documentation for a purchased power line item
3 in the amount of \$4,862. Source documentation is essential and, without it, the expense
4 items cannot be verified.

5
6 **Q. Should unsubstantiated expenses be removed from operating expenses?**

7 A. Yes. It is the Companies' responsibility to support its claimed costs. If unsupported costs
8 are not removed, ratepayers are at risk of paying a return on plant values that may be
9 overstated or on plant items that may not even exist.

10
11 **Q. What is Staff's recommendation?**

12 A. Staff recommends removing unsupported purchased power costs in the amount of \$4,862,
13 as shown in schedule JMM-10.

14
15 Operating Income Adjustment No. 2 – Management Fees Expense (all Companies).

16 **Q. What are the Companies requesting of Management Fees Expense?**

17 A. The Companies are proposing a pro forma amount based on a suggested increase by their
18 operating manager, Southwestern Utility Management, Inc. ("SUM"). SUM suggests
19 raising its current charge of \$9.00 per customer per month to \$14.60 for the first 200
20 active customers, \$12.40 for the next 300 active customers and \$10.20 for 500 or more
21 active customers.

22
23 **Q. Are the proposed management fees known and measureable?**

24 A. No. Staff includes pro forma adjustments when those adjustments represent changes that
25 are known and measureable. SUM is presently charging the Companies at the \$9.00 rate

1 pursuant to the written agreement with SUM that is currently in effect. The amount or
2 timing of any actual future increase is unknown.

3
4 **Q. What management fees should be recognized?**

5 A. The management fees incurred in the test year, which are consistent with the fees
6 indicated in the current fee agreement, should be recognized. Thus, the Companies' pro-
7 forma adjustment to Management Fee Expense should be removed and the test year
8 Management Fee Expense, excluding out-of-test year amounts, should be reinstated.

9
10 **Q. What is Staff's recommendation?**

11 A. Staff recommends removing management fees as follows: Antelope (\$12,770), East Slope
12 (\$37,846), and Indiada (\$4,704), as shown in Staff schedules JMM-11 for each of the
13 Companies.

14
15 Operating Income Adjustment No. 3 – Rate Case Expense (all Companies).

16 **Q. Do the Companies propose to include as an operating expense rate case expense**
17 **incurred in prior proceedings?**

18 A. Yes. In addition to the rate case expense requested for the current proceeding, the
19 Companies proposed to include recovery of rate case expense from its emergency rate
20 case.

21
22 **Q. Are the rate case expenses from the emergency rate case on-going expenses the**
23 **Companies will incur?**

24 A. No, accordingly, the rate case expense from the emergency rate case should not be
25 included in operating cost in the current case.

1 **Q. What is Staff's recommendation?**

2 A. Staff recommends removing rate case expense as follows; Antelope (\$468), East Slope
3 (\$592), and Indiada (\$374), as shown in Staff schedules JMM-12 for each of the
4 Companies.

5

6 Operating Income Adjustment No. 4 – Depreciation Expense (East Slope, and Indiada).

7 **Q. Did Staff make an adjustment to depreciation expense?**

8 A. Yes.

9

10 **Q. Why did Staff make this adjustment?**

11 A. As shown is schedule JMM-13 for each of the Companies, Staff recalculated depreciation
12 expense on a going-forward basis by applying Staff's recommended depreciation rates to
13 Staff's recommended plant by account.

14

15 **Q. What is Staff's recommendation?**

16 A. Staff recommends removing depreciation expense as follows: East Slope (\$6,724) and
17 Indiada (\$4,041), as shown in Staff schedules JMM-13.

18

19 Operating Income Adjustment No. 5 – Property Tax Expense (all Companies).

20 **Q. What method has the Commission typically adopted to determine property tax
21 expense for ratemaking purposes of Class C water utilities?**

22 A. The Commission's practice in recent years has been to use a modified ADOR
23 methodology for water and wastewater utilities.

1 **Q. Did the Companies use the modified ADOR methodology to calculate their proposed**
2 **property taxes?**

3 A. No. The Companies proposed the recorded amounts less a pro forma adjustment to
4 remove amounts not pertaining to the test year.

5
6 **Q. Did Staff calculate property taxes using the modified ADOR method?**

7 A. Yes. As shown in Schedule JMM-14 for each of the Companies, Staff calculated property
8 tax expense using the modified ADOR method to test year and Staff-recommended
9 revenues. Since the modified ADOR method is revenue-dependent, the property tax is
10 different for test year and recommended revenues. Staff has included a factor of property
11 taxes in the gross revenue conversion factor for each of the Companies that automatically
12 adjusts the revenue requirement for changes in revenue in the same way that income taxes
13 are adjusted for changes in operating income.

14
15 **Q. What does Staff recommend for test year property tax expense?**

16 A. Staff recommends a decreasing test year property tax expense as follows: Antelope
17 (\$1,310), East Slope (\$5,573), and Indiada (\$724), as shown in schedules JMM-14 for
18 each of the Companies.

19
20 Operating Income Adjustment No. 6 – Income Tax Expense (East Slope)

21 **Q. Does ESARIN propose income tax expense for each of the Companies?**

22 A. No. Since only East Slope is a taxable entity, ESARIN only proposed income taxes for
23 East Slope and the consolidated ESARIN.

24
25 **Q. How did Staff calculate income tax expense for East Slope and ESARIN?**

26 A. Staff applied the statutory state and federal income tax rates to Staff's taxable income.

1 **Q. What adjustment does Staff recommend for test year income tax expense for East**
2 **Slope?**

3 A. Staff recommends increasing test year income tax expense for East Slope by \$38,216, as
4 shown in Schedule JMM-15.

5
6 **Q. Do the operating income and taxable income for ESARIN reflect all of the operating**
7 **expense adjustments recommended by Staff and discussed above?**

8 A. Yes. For example, the purchased power adjustment that only affected East Slope is
9 included in the consolidated schedule. Likewise, the consolidated schedules contain a
10 gross revenue conversion factor for income taxes, even though two of the companies are
11 not taxed at the corporate level. Staff recommends increasing the test year income tax
12 expense for ESARIN by \$50,582, as shown in Schedule JMM-15. Since Antelope and
13 Indiada are not taxable entities, including the taxable income for these two utilities in the
14 taxable income for ESARIN results in a higher income tax expense than for the sum of the
15 individual Companies.

16
17 **IX. COST OF CAPITAL**

18 **Q. Did ESARIN provide a Cost of Capital Analysis?**

19 A. No. Consequently, in an effort to efficiently utilize its resources, Staff is not providing a
20 comprehensive cost of capital analysis.

21
22 **Q. What is Staff's recommended capital structure in this case?**

23 A. Staff recommends a capital structure composed of 100 percent equity. Thus, the return on
24 equity ("ROE") equals the overall rate of return ("ROR"). Although ESARIN obtained
25 funds from family members in the form of debt, the Companies obtained these funds

1 without the required Commission authorization, and Staff does not recommend
2 recognition of these funds as debt.

3
4 **Q. What is Staff's recommended ROR in this case?**

5 A. Staff recommends a 10.00 percent ROR, as this is an approximation of the cost of equity
6 ("COE") recently authorized by the Commission for other water utilities.

7
8 **Q. What is the basis of Staff's COE recommendation?**

9 A. Staff has examined the COE of several similarly-situated Companies², and has determined
10 a COE of 10.00 percent to be reasonable.

11

12 **X. RATE DESIGN**

13 Present Rates

14 **Q. Would you please summarize the present rate designs for the Companies?**

15 A. The present rate designs for the Companies are listed below:

16

17 *Antelope*

18 The present monthly minimum charges established in the by meter size are as follows: 5/8
19 x 3/4-inch \$11.50; 3/4-inch \$17.25; 1-inch \$28.75; 1 1/2-inch \$57.50; 2-inch \$92.00; 3-
20 inch \$172.50; 4-inch \$287.50; 6-inch \$575.00. Zero gallons are included in the monthly
21 minimum charge. The water commodity rate for all meter sizes and customer classes is
22 \$1.00 per thousand gallons for all gallon usage. Additionally, there is the emergency
23 monthly minimum surcharge of \$5.58.

24

² See Bella Vista Water Company (Docket No. W-02465A-09-04111) COE 9.5 percent; Goodman Water Company (Docket No. W-02500A-10-0382) COE 9.3 percent; and Abra Water Company (Docket No. 01782A-10-0224) COE 10.3 percent.

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East Slope

The present monthly minimum charges established in the by meter size are as follows: 5/8 x 3/4-inch \$9.00; 3/4-inch \$9.00; 1-inch \$15.00; 1 1/2-inch \$25.00; 2-inch \$50.00; 3-inch N/A; 4-inch N/A; 6-inch N/A. 2,000 gallons are included in the monthly minimum charge. The water commodity rate for all meter sizes and customer classes is \$1.71 per thousand gallons for all gallon usage. Additionally, there is the emergency monthly minimum surcharge of \$7.60.

Indiada

The present monthly minimum charges established in the by meter size are as follows: 5/8 x 3/4-inch \$15.00; 3/4-inch \$15.00; 1-inch \$15.00; 1 1/2-inch \$15.00; 2-inch \$15.00; 3-inch \$15.00; 4-inch \$15.00; 6-inch \$15.00. 1,000 gallons are included in the monthly minimum charge. The water commodity rate for all meter sizes and customer classes is \$3.50 per thousand gallons for all gallon usage. Additionally, there is the emergency monthly minimum surcharge of \$7.83.

Company-Proposed Rates

Q. Would you please summarize the proposed rate designs for the Companies?

A. The proposed rate designs for the Companies and on a consolidated basis are listed below. The Companies' proposed base rates were developed inclusive of the originally-proposed \$3,000,000 financing.

Antelope

The proposed monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch \$29.42; 3/4-inch \$44.13; 1-inch \$73.55; 1 1/2-inch \$147.10; 2-inch \$235.36; 3-inch \$470.72; 4-inch \$735.50; 6-inch \$1,471.00. Zero gallons are included in the monthly

1 minimum charge. Antelope proposes a 3-tier inverted commodity rate for 5/8 x 3/4-inch
2 and 3/4-inch residential customers, and a 2-tier inverted commodity rate for all other
3 meter sizes. For the 5/8 x 3/4-inch and 3/4-inch meter, ESARIN proposes commodity
4 charges of \$1.40 per thousand gallons for zero to 3,000 gallons, \$2.52 per thousand
5 gallons for 3,001 to 10,000 gallons, and \$4.536 per thousand gallons for any consumption
6 over 10,000 gallons. The proposed break-over points for larger residential, commercial,
7 industrial, and irrigation customers vary by meter size, but are \$1.40 per thousand gallons
8 for the first tier and \$2.52 per thousand gallons for any consumption over the first tier.
9

10 ***East Slope***

11 The proposed monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch
12 \$18.68; 3/4-inch \$28.02; 1-inch \$46.70; 1 1/2-inch \$93.40; 2-inch \$149.44; 3-inch
13 \$298.88; 4-inch \$467.00; 6-inch \$934.00. Zero gallons are included in the monthly
14 minimum charge. East Slope proposes a 3-tier inverted commodity rate for 5/8 x 3/4-inch
15 and 3/4-inch customers, and a 2-tier inverted commodity rate for all other meter sizes. For
16 the 5/8 x 3/4-inch and 3/4-inch meter customers, ESARIN proposes commodity charges of
17 \$2.00 per thousand gallons for zero to 3,000 gallons, \$3.60 per thousand gallons for 3,001
18 to 10,000 gallons, and \$6.48 per thousand gallons for any consumption over 10,000
19 gallons. The proposed break-over points for larger residential, commercial, industrial, and
20 irrigation customers vary by meter size, but are \$2.00 per thousand gallons for the first tier
21 and \$3.60 per thousand gallons for any consumption over the first tier.
22

23 ***Indiada***

24 The proposed monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch
25 \$37.87; 3/4-inch \$56.81; 1-inch \$94.68; 1 1/2-inch \$189.35; 2-inch \$302.96; 3-inch
26 \$605.92; 4-inch \$946.75; 6-inch \$1,893.50. Zero gallons are included in the monthly

1 minimum charge. Indiada proposes a 3-tier inverted commodity rate for 5/8 x 3/4-inch
2 and 3/4-inch customers, and a 2-tier inverted commodity rate for all other meter sizes. For
3 the 5/8 x 3/4-inch and 3/4-inch meter customers, ESARIN proposes commodity charges of
4 \$2.70 per thousand gallons for zero to 3,000 gallons, \$4.86 per thousand gallons for 3,001
5 to 10,000 gallons, and \$8.75 per thousand gallons for any consumption over 10,000
6 gallons. The proposed break-over points for larger residential, commercial, industrial, and
7 irrigation customers vary by meter size, but are \$2.70 per thousand gallons for the first tier
8 and \$4.86 per thousand gallons for any consumption over the first tier.

9
10 ***ESARIN Consolidated***

11 The proposed monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch
12 \$20.14; 3/4-inch \$50.35; 1-inch \$50.35; 1 1/2-inch \$100.70; 2-inch \$161.12; 3-inch
13 \$322.24; 4-inch \$503.50; 6-inch \$1,007.00. Zero gallons are included in the monthly
14 minimum charge. ESARIN proposes a 3-tier inverted commodity rate for 5/8 x 3/4-inch
15 and 3/4-inch customers, and a 2-tier inverted commodity rate for all other meter sizes. For
16 the 5/8 x 3/4-inch and 3/4-inch meter customers, ESARIN proposes commodity charges of
17 \$2.12 per thousand gallons for zero to 3,000 gallons, \$3.82 per thousand gallons for 3,001
18 to 10,000 gallons, and \$6.87 per thousand gallons for any consumption over 10,000
19 gallons. The proposed break-over points for larger residential, commercial, industrial, and
20 irrigation customers vary by meter size, but are \$2.12 per thousand gallons for the first tier
21 and \$3.82 per thousand gallons for any consumption over the first tier.

22
23 **Q. Do the Companies' other service charges include an after-hours service charge?**

24 **A.** For each of the Companies, ESARIN proposes to continue the existing tariffs or add tariffs
25 for after-hour service that are specific to individual activities such as establishment, re-
26 establishment and reconnection.

1 Staff-Recommended Rates

2 **Q. Would you please summarize Staff's recommended rate designs for the Companies?**

3 A. Staff's recommended rate designs for the Companies and on a consolidated basis are listed
4 below. Staff's recommended base rates are exclusive of any impacts of the proposed
5 financings, for which Staff is recommending the use of a surcharge mechanism (see
6 discussion under financing section below).

7
8 ***Antelope***

9 Staff's recommended rates and charges are presented on Schedule JMM-16. Staff's
10 recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch
11 \$15.00; 3/4-inch \$22.50; 1-inch \$37.50; 1 1/2-inch \$75.00; 2-inch \$120.00; 3-inch
12 \$240.00; 4-inch \$375.00; 6-inch \$750.00. Zero gallons are included in the monthly
13 minimum charge. For the 5/8 x 3/4-inch and 3/4-inch meter residential customers, Staff
14 recommends an inverted 3-tier rate design with commodity charges of \$0.75 per thousand
15 gallons for zero to 3,000 gallons, \$1.25 per thousand gallons for 3,001 to 9,000 gallons,
16 and \$2.65 per thousand gallons for any consumption over 9,000 gallons. Staff's
17 recommended commodity rates for the larger residential, and all commercial and
18 industrial customers have two tiers and vary by meter size, set at \$1.25 per thousand
19 gallons for the first tier and \$2.65 per thousand gallons for any consumption over the first
20 tier.

21
22 **Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in**
23 ***Antelope*?**

24 A. The typical 5/8 x 3/4-inch meter residential customer with a median usage of 6,900
25 gallons would experience a \$25.05 or a 136.13 percent increase in his/her monthly bill,
26 from \$18.40 to \$43.45, under Antelope's proposed rates. The typical 5/8 x 3/4-inch meter

1 residential customer with a median usage of 6,900 gallons would experience a \$3.73 or a
2 20.24 percent increase in his/her monthly bill, from \$18.40 to \$22.13, under Staff's
3 recommended rates. A typical bill analysis is provided on Schedule JMM-17. Including
4 the existing emergency surcharge, the typical 5/8 x 3/4-inch meter residential customer
5 with a median usage of 6,900 gallons would experience a \$19.47 or a 81.18 percent
6 increase in his/her monthly bill, from \$23.98 to \$43.45, under Antelopes's proposed rates.
7 The typical 5/8 x 3/4-inch meter residential customer with a median usage of 6,900
8 gallons would experience a \$1.86 or a 7.74 percent decrease in his/her monthly bill, from
9 \$23.98 to \$22.13, under Staff's recommended rates.

10
11 ***East Slope***

12 Staff's recommended rates and charges are presented on Schedule JMM-16. Staff's
13 recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch
14 \$10.00; 3/4-inch \$15.00; 1-inch \$25.00; 1 1/2-inch \$50.00; 2-inch \$80.00; 3-inch \$160.00;
15 4-inch \$250.00; 6-inch \$500.00. Zero gallons are included in the monthly minimum
16 charge. For the 5/8 x 3/4-inch and 3/4-inch meter residential customers, Staff
17 recommends an inverted 3-tier rate design with commodity charges of \$0.75 per thousand
18 gallons for zero to 3,000 gallons, \$1.25 per thousand gallons for 3,001 to 9,000 gallons,
19 and \$2.00 per thousand gallons for any consumption over 9,000 gallons. Staff's
20 recommended commodity rates for the larger residential, and all commercial and
21 industrial customers have two tiers and vary by meter size, set at 1.25 per thousand gallons
22 for the first tier and \$2.00 per thousand gallons for any consumption over the first tier.

1 **Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in East**
2 **Slope?**

3 A. The typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,330
4 gallons would experience a \$14.06 or a 95.66 percent increase in his/her monthly bill,
5 from \$14.69 to \$28.75, under East Slope's proposed rates. The typical 5/8 x 3/4-inch
6 meter residential customer with a median usage of 5,330 gallons would experience a \$0.47
7 or a 3.19 percent increase in his/her monthly bill, from \$14.69 to \$15.16, under Staff's
8 recommended rates. A typical bill analysis is provided on Schedule JMM-17. Including
9 the existing emergency surcharge, the typical 5/8 x 3/4-inch meter residential customer
10 with a median usage of 5,330 gallons would experience a \$6.46 or a 28.96 percent
11 increase in his/her monthly bill, from \$22.29 to \$28.75, under East Slope's proposed rates.
12 The typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,330
13 gallons would experience a \$7.13 or a 31.99 percent decrease in his/her monthly bill, from
14 \$22.29 to \$15.16, under Staff's recommended rates..

15
16 ***Indiada***

17 Staff's recommended rates and charges are presented on Schedule JMM-16. Staff's
18 recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch
19 \$15.00; 3/4-inch \$22.50; 1-inch \$37.50; 1 1/2-inch \$75.00; 2-inch \$120.00; 3-inch \$240.00;
20 4-inch \$375.00; 6-inch \$750.00. Zero gallons are included in the monthly minimum
21 charge. For the 5/8 x 3/4-inch and 3/4-inch meter residential customers, Staff
22 recommends an inverted 3-tier rate design with commodity charges of \$1.50 per thousand
23 gallons for zero to 3,000 gallons, \$3.00 per thousand gallons for 3,001 to 9,000 gallons,
24 and \$4.50 per thousand gallons for any consumption over 9,000 gallons. Staff's
25 recommended commodity rates for the larger residential, and all commercial and
26 industrial customers have two tiers and vary by meter size, set at \$3.00 per thousand

1 gallons for the first tier and \$4.50 per thousand gallons for any consumption over the first
2 tier.

3
4 **Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in**
5 **Indiada?**

6 A. The typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,260
7 gallons would experience a \$27.04 or a 90.42 percent increase in his/her monthly bill,
8 from \$29.91 to \$56.95, under Indiada's proposed rates. The typical 5/8 x 3/4-inch meter
9 residential customer with a median usage of 5,260 gallons would experience a \$3.63 or a
10 12.14 percent decrease in his/her monthly bill, from \$29.91 to \$26.28, under Staff's
11 recommended rates. A typical bill analysis is provided on Schedule JMM-17. Including
12 the existing emergency surcharge, the typical 5/8 x 3/4-inch meter residential customer
13 with a median usage of 5,260 gallons would experience a \$19.21 or a 50.91 percent
14 increase in his/her monthly bill, from \$37.74 to \$56.95, under Indiada's proposed rates.
15 The typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,260
16 gallons would experience an \$11.46 or a 30.37 percent decrease in his/her monthly bill,
17 from \$37.74 to \$26.28, under Staff's recommended rates.

18
19 ***ESARIN Consolidated***

20 Staff's recommended rates and charges are presented on Schedule JMM-16. Staff's
21 recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch
22 \$10.00; 3/4-inch \$15.00; 1-inch \$25.00; 1 1/2-inch \$50.00; 2-inch \$80.00; 3-inch \$160.00;
23 4-inch \$250.00; 6-inch \$500.00. Zero gallons are included in the monthly minimum
24 charge. For the 5/8 x 3/4-inch and 3/4-inch meter residential customers, Staff
25 recommends an inverted 3-tier rate design with commodity charges of \$0.85 per thousand
26 gallons for zero to 3,000 gallons, \$1.50 per thousand gallons for 3,001 to 9,000 gallons,

1 and \$2.56 per thousand gallons for any consumption over 9,000 gallons. Staff's
2 recommended larger residential, commercial, and industrial commodity rates have two
3 tiers and vary by meter size, set at \$1.50 per thousand gallons for the first tier and \$2.56
4 per thousand gallons for any consumption over the first tier.

5
6 **Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer on a**
7 **consolidated basis in Antelope?**

8 A. The typical 5/8 x 3/4-inch meter residential customer with a median usage of 6,900
9 gallons would experience a \$21.56 or a 117.20 percent increase in his/her monthly bill,
10 from \$18.40 to \$39.96, under Antelope's proposed rates. The typical 5/8 x 3/4-inch meter
11 residential customer with a median usage of 6,900 gallons would experience no increase
12 or decrease, under Staff's recommended rates. A typical bill analysis is provided on
13 Schedule JMM-17, page 1. Including the existing emergency surcharge, the typical 5/8 x
14 3/4-inch meter residential customer with a median usage of 6,900 gallons would
15 experience a \$15.98 or a 66.66 percent increase in his/her monthly bill, from \$23.98 to
16 \$39.96, under Antelope's proposed rates. The typical 5/8 x 3/4-inch meter residential
17 customer with a median usage of 6,900 gallons would experience a \$5.58 or 23.27 percent
18 decrease in his/her monthly bill, from \$23.98 to \$18.40, under Staff's recommended rates.

19
20 **Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer on a**
21 **consolidated basis in East Slope?**

22 A. The typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,330
23 gallons would experience a \$19.68 or a 133.93 percent increase in his/her monthly bill,
24 from \$14.69 to \$34.37, under East Slope's proposed rates. The typical 5/8 x 3/4-inch
25 meter residential customer with a median usage of 5,330 gallons would experience a \$1.35
26 or a 9.19 percent decrease in his/her monthly bill, from \$14.69 to \$16.05, under Staff's

1 recommended rates. A typical bill analysis is provided on Schedule JMM-17, page 2.
2 Including the existing emergency surcharge, the typical 5/8 x 3/4-inch meter residential
3 customer with a median usage of 5,330 gallons would experience a \$12.08 or a 54.19
4 percent increase in his/her monthly bill, from \$22.29 to \$34.37, under East Slope's
5 proposed rates. The typical 5/8 x 3/4-inch meter residential customer with a median usage
6 of 5,330 gallons would experience a \$6.25 or a 28.03 percent decrease in his/her monthly
7 bill, from \$22.29 to \$16.05, under Staff's recommended rates.

8
9 **Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer on a**
10 **consolidated basis in Indiada?**

11 A. The typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,260
12 gallons would experience a \$4.22 or a 14.09 percent increase in his/her monthly bill, from
13 \$29.91 to \$34.13, under Indiada's proposed rates. The typical 5/8 x 3/4-inch meter
14 residential customer with a median usage of 5,260 gallons would experience a \$13.97 or a
15 46.71 percent decrease in his/her monthly bill, from \$29.91 to \$15.94, under Staff's
16 recommended rates. A typical bill analysis is provided on Schedule JMM-17, page 3.
17 Including the existing emergency surcharge, the typical 5/8 x 3/4-inch meter residential
18 customer with a median usage of 5,260 gallons would experience a \$3.61 or a 9.58 percent
19 decrease in his/her monthly bill, from \$37.74 to \$34.13, under Indiada's proposed rates.
20 The typical 5/8 x 3/4-inch meter residential customer with a median usage of 5,260
21 gallons would experience a \$21.80 or a 57.76 percent decrease in his/her monthly bill,
22 from \$37.74 to \$15.94, under Staff's recommended rates.

23
24 **Q. What does Staff recommend for service line and meter installation charges?**

25 A. Staff recommends the service line and meter installation charges as discussed in Table B
26 of the Staff Engineering Reports and as presented in each of the Schedules JMM-16.

1 **Q. What does Staff recommended for other service charges?**

2 A. Staff's recommended other service charges are presented in its rate design schedules and
3 reflect Staff's experience of what are reasonable and customary charges.

4
5 **Q. What is Staff's position on after-hours service charges?**

6 A. Staff agrees that an after-hours service charge is appropriate when it is at the customer's
7 request/convenience. Such a tariff compensates the utility for additional expenses
8 incurred from providing after-hours service. However, Staff concludes that establishing a
9 separate after-hours tariff that is applicable for any utility service provided after regular
10 hours at the customer's request or for the customer's convenience is preferable to having
11 after-hours tariffs for each specific activity. The after-hours fee would apply in addition to
12 the applicable regular-hours charge for the specific service if the customer requests that
13 the service be performed after normal working hours.

14
15 **Q. What does Staff recommend?**

16 A. Staff recommends elimination or denial of any tariffs that include an after-hours charge
17 related to a specific activity. Staff further recommends the establishment of a separate
18 \$35.00 after-hours tariff that is applicable for any utility service provided after regular
19 hours at the customer's request or for the customer's convenience and is to be charged in
20 addition to the charge for the regular-hour tariff.

21
22 **XI. FINANCING**

23 **Q. Please give a brief introduction on the Companies' proposed financing plan.**

24 A. On May 7, 2010, Antelope, East Slope, and Indiada submitted a consolidated financing
25 application to incur long term debt, requesting Commission approval to borrow
26 \$3,000,000 from the Water Infrastructure Financing Authority of Arizona ("WIFA"). On

1 May 28, 2011 a revised engineering report was submitted to Staff indicating total
2 estimated project costs of \$2,748,504.

3
4 **Q. What is the purpose of the loan?**

5 A. ESARIN stated that it will use the proceeds of the loan to fund capital improvements, such
6 as interconnection with Antelope and Indiada, and other improvements.

7
8 **Q. Did Staff conduct an engineering analysis of the proposed financing?**

9 A. Yes. Staff concludes that the proposed capital improvements and estimated costs appear
10 to be reasonable and appropriate. No "used and useful" determination of the proposed
11 plant was made, and no conclusions should be inferred for rate making or rate base
12 purposes.

13
14 **Q. Please provide a summary of Staff's financial analysis.**

15 A. Staff has completed a financial analysis to ensure that the Company will have the
16 wherewithal to finance the proposed improvement projects.

17
18 Staff's analysis is based on the consolidated test year adjusted financial statements dated
19 December 31, 2009, and on its recommended consolidated rates. The financial analysis
20 shown on Schedule JMM-18 presents selected financial information from the financial
21 statements and the pro forma effect of the proposed debt amount. Schedule JMM-18 also
22 shows the debt service coverage ("DSC") and the times interest earned ("TIER") ratio.

23
24 Staff also examined the effects of the proposed financing on the Company's TIER and
25 DSC. DSC represents the number of times internally generated cash (i.e. earnings before
26 interest, income tax, depreciation and amortization expenses) cover required principle and

1 interest payments on debt. A DSC greater than 1.0 means operating cash flow is sufficient
2 to cover debt obligations.

3
4 TIER represents the number of times earnings before income tax expense covers interest
5 expense on debt. A TIER greater than 1.0 means that operating income is greater than
6 interest expense. A TIER less than 1.0 is not sustainable in the long term but does not
7 necessarily mean that debt obligations cannot be met in the short term.

8
9 The Company's TIER and DSC resulting from Staff's recommended revenue requirement
10 and fully drawing the loan in the amount of \$2,748,504, taken over 20 years at 3.675
11 percent interest, results in a pro forma TIER and DSC of 0.25 and 0.33, respectively. The
12 pro forma TIER and DSC show that ESARIN would not have adequate cash flows to meet
13 all obligations including the proposed debt. Therefore, Staff concludes that the debt
14 service on any authorized loan amounts should be funded via a loan surcharge mechanism.

15
16 Staff further concludes that issuance of the proposed debt financing for the purposes stated
17 in the application is within ESARIN's corporate powers, is compatible with the public
18 interest, will not impair its ability to provide services and is consistent with sound
19 financial practices provided Staff's recommended operating income and surcharge
20 amounts are adopted.

21
22 **Q. Has Staff determined an estimate of the impact on ratepayers of the potential**
23 **infrastructure surcharge?**

24 A. Yes. Assuming that all the systems are consolidated, using the engineering cost of the
25 loan in the amount of \$2,748,504, taken over 20 years at 3.675 percent produces a
26 monthly surcharge of \$14.29 for a 5/8" x 3/4" customer, as shown on Schedule JMM-19.

1 **Q. What are Staff's recommendations?**

2 A. Staff recommends:

- 3 • That the Commission authorize ESARIN to incur a 20-year amortizing loan in an
4 amount not to exceed \$2,748,504 and at an interest rate not to exceed that which is
5 available from WIFA.
- 6 • That any authorization to incur debt granted in this proceeding terminate two years
7 from the date of a decision in this matter.
- 8 • That the Commission authorize ESARIN to engage in any transaction and to execute
9 any documents necessary to effectuate the authorizations granted.
- 10 • That ESARIN be ordered to file with Docket Control, as a compliance item in this
11 matter, copies of the loan documents within 60 days of the execution of any financing
12 transaction authorized herein.
- 13 • That the Company file with Docket Control, as a compliance item in this docket,
14 within 18 months, a copy of the Certificate for Approval to construct for the capital
15 improvement projects.

16

17 **Q. Does this conclude your direct testimony?**

18 A. Yes, it does

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 61,769	\$ 54,975
2	Adjusted Operating Income (Loss)	\$ (34,390)	\$ (19,842)
3	Current Rate of Return (L2 / L1)	-55.68%	-36.09%
4	Required Rate of Return	12.00%	10.00%
5	Required Operating Income (L4 * L1)	\$ 7,412	\$ 5,497
6	Operating Income Deficiency (L6 - L2)	\$ 41,802	\$ 25,339
7	Gross Revenue Conversion Factor	1.0000	1.0080
8	Required Revenue Increase (L7 * L6)	\$ 41,802	\$ 25,542
9	Adjusted Test Year Revenue	\$ 49,257	\$ 49,257
10	Proposed Annual Revenue ¹	\$ 139,322	\$ 74,799
11	Required Increase in Revenue (%)	182.85%	51.85%

¹ Company's proposed revenue discards its rate base/rate of return calculation and substitutes a 39.96 percent operating margin.

References:

Column (A): Company Schedule A-1

Column (B): Staff Schedules JMM-3 and JMM-6

Antelope Run Water Company
Docket No. W-02327A-10-0169
Test Year Ended December 31, 2009

Schedule JMM-2

NOT USED

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	\$ 194,971	\$ -	\$ 194,971
2	93,631	-	93,631
3	<u>\$ 101,340</u>	<u>\$ -</u>	<u>\$ 101,340</u>
<u>LESS:</u>			
4	\$ -	\$ -	\$ -
5	-	-	-
6	<u>-</u>	<u>-</u>	<u>\$ -</u>
7	46,435	-	46,435
8	-	5,139	5,139
9	-	-	-
<u>ADD:</u>			
10	6,864	(1,655)	5,209
11	-	-	-
12	<u>\$ 61,769</u>	<u>\$ (6,794)</u>	<u>\$ 54,975</u>

References:

Column [A]: Company as Filed
Column [B]: Schedule JMM-4
Column (C): Column (A) + Column (B)

**Antelope Run Water Company
Docket No. W-02327A-10-0169
Test Year Ended December 31, 2009**

Schedule JMM-5

NOT USED

RATE BASE ADJUSTMENT NO. 2 - CUSTOMER DEPOSITS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Customer Deposits	\$ -	\$ 5,139	\$ 5,139

References:

- Column [A]: Company Application
- Column [B]: Testimony JMM
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 3 - CASH WORKING CAPITAL

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Cash Working Capital	\$ 6,864	\$ (1,655)	\$ 5,209

Staff's Calculation of Cash Working Capital

1/24th Purchased Power	\$ 737
1/8th Operation & Maintenance Expense	4,472
Total Cash Working Capital	<u>\$ 5,209</u>

References:

- Column [A]: Company Application
- Column [B]: Testimony JMM
- Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>					
2	Metered Water Sales	\$ 48,910	\$ -	\$ 48,910	\$ 25,542	\$ 74,452
3	Water Sales-Unmetered	-	-	-	-	-
4	Other Water Revenue	347	-	347	-	347
5	Intentionally Left Blank	-	-	-	-	-
6	Total Operating Revenues	<u>\$ 49,257</u>	<u>\$ -</u>	<u>\$ 49,257</u>	<u>\$ 25,542</u>	<u>\$ 74,799</u>
7						
8	<u>OPERATING EXPENSES:</u>					
9	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
10	Purchased Water	-	-	-	-	-
11	Purchased Power	17,695	-	17,695	-	17,695
12	Fuel for Power Production	-	-	-	-	-
13	Chemicals	166	-	166	-	166
14	Repairs and Maintenance	3,358	-	3,358	-	3,358
15	Office Supplies and Expense	2,393	-	2,393	-	2,393
16	Outside Services	33,478	(12,770)	20,708	-	20,708
17	Outside Services - Other	-	-	-	-	-
18	Outside Services - Legal	-	-	-	-	-
19	Water Testing	1,899	-	1,899	-	1,899
20	Rents	-	-	-	-	-
21	Transportation Expenses	5,245	-	5,245	-	5,245
22	Insurance - General Liability	-	-	-	-	-
23	Insurance - Health and Life	-	-	-	-	-
24	Regulatory Commission Expense	-	-	-	-	-
25	Regulatory Commission Expense - Rate Case	2,468	(468)	2,000	-	2,000
26	General and Administrative	5	-	5	-	5
27	Bad Debt Expense	-	-	-	-	-
28	Depreciation Expense	14,443	-	14,443	-	14,443
29	Amortization of CIAC	-	-	-	-	-
30	Taxes Other than Income	-	-	-	-	-
31	Property Taxes	2,497	(1,310)	1,187	205	1,392
32	Income Taxes	-	-	-	-	-
33	Intentionally Left Blank	-	-	-	-	-
34	Total Operating Expenses	<u>\$ 83,647</u>	<u>\$ (14,548)</u>	<u>\$ 69,099</u>	<u>\$ 205</u>	<u>\$ 69,304</u>
35	Operating Income (Loss)	<u>\$ (34,390)</u>	<u>\$ 14,548</u>	<u>\$ (19,842)</u>	<u>\$ 25,337</u>	<u>\$ 5,495</u>

References:

Column (A): Company Schedule C-1
Column (B): Schedule JMM-W12
Column (C): Column (A) + Column (B)
Column (D): Schedules JMM-1 and JMM-W14
Column (E): Column (C) + Column (D)

Antelope Run Water Company
 Docket No. W-02327A-10-0169
 Test Year Ended December 31, 2009

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]
		COMPANY AS FILED	Management Expense ADJ #2	Rate Case Expense ADJ #3	Property Tax Expense ADJ #5	STAFF ADJUSTED
		Ref: Sch JMM-11	Ref: Sch JMM-12	Ref: Sch JMM-14		
1	<u>REVENUES:</u>					
2	Metered Water Sales	\$ 48,910	\$ -	\$ -	\$ -	48,910
3	Water Sales-Unmetered	-	-	-	-	-
4	Other Water Revenue	347	-	-	-	347
5	Intentionally Left Blank	-	-	-	-	-
6	Total Operating Revenues	\$ 49,257	\$ -	\$ -	\$ -	49,257
7						
8	<u>OPERATING EXPENSES:</u>					
9	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	-
10	Purchased Water	-	-	-	-	-
11	Purchased Power	17,695	-	-	-	17,695
12	Fuel for Power Production	-	-	-	-	-
13	Chemicals	166	-	-	-	166
14	Repairs and Maintenance	3,358	-	-	-	3,358
15	Office Supplies and Expense	2,393	-	-	-	2,393
16	Outside Services	33,478	(12,770)	-	-	20,708
17	Outside Services - Other	-	-	-	-	-
18	Outside Services - Legal	-	-	-	-	-
19	Water Testing	1,899	-	-	-	1,899
20	Rents	-	-	-	-	-
21	Transportation Expenses	5,245	-	-	-	5,245
22	Insurance - General Liability	-	-	-	-	-
23	Insurance - Health and Life	-	-	-	-	-
24	Regulatory Commission Expense	-	-	-	-	-
25	Regulatory Commission Expense - Rate Case	2,468	-	(468)	-	2,000
26	Miscellaneous Expense	5	-	-	-	5
27	Bad Debt Expense	-	-	-	-	-
28	Depreciation Expense	14,443	-	-	-	14,443
29	Amortization of CIAC	-	-	-	-	-
30	Taxes Other than Income	-	-	-	(1,310)	-
31	Property Taxes	2,497	-	-	-	1,187
32	Income Taxes	-	-	-	-	-
33	Intentionally Left Blank	-	-	-	-	-
34	Total Operating Expenses	\$ 83,647	\$ (12,770)	\$ (468)	\$ (1,310)	69,099
35	Operating Income (Loss)	\$ (34,390)	\$ 12,770	\$ 468	\$ 1,310	(19,842)

Operating Income Adjustment Nos. 1 and 4- Not Used

Antelope Run Water Company
Docket No. W-02327A-10-0169
Test Year Ended December 31, 2009

Schedule JMM-10

NOT USED

OPERATING ADJUSTMENT NO. 2 - MANAGEMENT FEES EXPENSE

Line No.	Description	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Outside Service	\$ 33,478	\$ (12,770)	\$ 20,708
2				
3	Staff's Calculation			
4	Remove Pro-forma Management Fees	\$ (29,258)		
5	Insert Test Year Management Fees	\$ 18,528		
6	Less Management Fees out of Test Year	\$ (2,040)		
7		\$ (12,770)		

References:

Column [A]: Company Application

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

Antelope Run Water Company
Docket No. W-02327A-10-0169
Test Year Ended December 31, 2009

Schedule JMM-12

OPERATING INCOME ADJUSTMENT NO. 3 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Rate Case Expense	\$ 2,468	\$ (468)	\$ 2,000

References:

- Column (A), Company Schedule C-1
- Column (B): Testimony JMM
- Column (C): Column (A) + Column (B)

Antelope Run Water Company
Docket No. W-02327A-10-0169
Test Year Ended December 31, 2009

Schedule JMM-13

NOT USED

OPERATING INCOME ADJUSTMENT NO. 5 - PROPERTY TAX EXPENSE

LINE NO.		[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
	Property Tax Calculation		
1	Staff Adjusted Test Year Revenues	\$ 49,257	\$ 49,257
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	98,514	\$ 98,514
4	Staff Recommended Revenue, Per Schedule JMM-1	49,257	\$ 74,799
5	Subtotal (Line 4 + Line 5)	147,771	173,313
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	49,257	\$ 57,771
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	98,514	\$ 115,542
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	\$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	98,514	\$ 115,542
13	Assessment Ratio	20.5%	20.5%
14	Assessment Value (Line 12 * Line 13)	20,195	\$ 23,686
15	Composite Property Tax Rate (Per Company Schedule)	5.8778%	5.8778%
16			\$ -
17	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 1,187	
18	Company Proposed Property Tax	2,497	
19			
20	Staff Test Year Adjustment (Line 17-Line 18)	\$ (1,310)	
21	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 1,392
22	Staff Test Year Adjusted Property Tax Expense (Line 17)		\$ 1,187
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		\$ 205
24			
25	Increase to Property Tax Expense		\$ 205
26	Increase in Revenue Requirement		25,542
27	Increase to Property Tax per Dollar Increase in Revenue (Line 25/Line 26)		0.803299%

References:

Column (A), Company Schedule C-1
Column (B): Testimony JMM
Column (C): Column (A) + Column (B)

Antelope Run Water Company
Docket No. W-02327A-10-0169
Test Year Ended December 31, 2009

Schedule JMM-15

NOT USED

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
Meter Size (All Classes):			
5/8 x 3/4 Inch	\$ 11.50	\$ 29.42	\$ 15.00
3/4 Inch	17.25	44.13	22.50
1 Inch	28.75	73.55	37.50
1 1/2 Inch	57.50	147.10	75.00
2 Inch	92.00	235.36	120.00
3 Inch	172.50	470.72	240.00
4 Inch	287.50	735.50	375.00
6 Inch	575.00	1,471.00	750.00
Commodity Charge - Per 1,000 Gallons			
5/8" x 3/4" Meter (Residential)			
First 3,000 gallons	\$ 1.0000	\$ 1.4000	N/A
3,001 to 10,000 gallons	1.0000	2.5200	N/A
All gallons over 10,000	1.0000	4.5360	N/A
First 3,000 gallons	N/A	N/A	\$ 0.7500
3,001 to 9,000 gallons	N/A	N/A	1.2500
Over 9,000 gallons	N/A	N/A	2.6500
3/4" Meter (Residential)			
First 3,000 gallons	1.0000	1.4000	N/A
3,001 to 10,000 gallons	1.0000	2.5200	N/A
All gallons over 10,000	1.0000	4.5360	N/A
First 3,000 gallons	N/A	N/A	0.7500
3,001 to 9,000 gallons	N/A	N/A	1.2500
Over 9,000 gallons	N/A	N/A	2.6500
5/8" x 3/4" Meter (Commercial/Irrigation)			
First 3,000 gallons	1.0000	1.4000	N/A
3,001 to 10,000 gallons	1.0000	2.5200	N/A
All gallons over 10,000	1.0000	4.5360	N/A
First 9,000 gallons	N/A	N/A	1.2500
Over 9,000 gallons	N/A	N/A	2.6500
3/4" Meter (Commercial/Irrigation)			
First 3,000 gallons	1.0000	1.4000	N/A
3,001 to 10,000 gallons	1.0000	2.5200	N/A
All gallons over 10,000	1.0000	4.5360	N/A
First 9,000 gallons	N/A	N/A	1.2500
Over 9,000 gallons	N/A	N/A	2.6500
1" Meter (All Sizes)			
First 8,000 gallons	1.0000	1.4000	N/A
Over 8,000 gallons	1.0000	2.5200	N/A
First 15,000 gallons	N/A	N/A	1.2500
Over 15,000 gallons	N/A	N/A	2.6500
1.5" Meter (All Sizes)			
First 8,000 gallons	1.0000	1.4000	N/A
Over 8,000 gallons	1.0000	2.5200	N/A
First 35,000 gallons	N/A	N/A	1.2500
Over 35,000 gallons	N/A	N/A	2.6500
2" Meter (All Sizes)			
First 8,000 gallons	1.0000	1.4000	N/A
Over 8,000 gallons	1.0000	2.5200	N/A
First 60,000 gallons	N/A	N/A	1.2500
Over 60,000 gallons	N/A	N/A	2.6500
3" Meter (All Sizes)			
First 8,000 gallons	1.0000	1.4000	N/A
Over 8,000 gallons	1.0000	2.5200	N/A
First 120,000 gallons	N/A	N/A	1.2500
Over 120,000 gallons	N/A	N/A	2.6500

4" Meter (All Sizes)			
First 8,000 gallons	1.0000	1.4000	N/A
Over 8,000 gallons	1.0000	2.5200	N/A
First 200,000 gallons	N/A	N/A	1.2500
Over 200,000 gallons	N/A	N/A	2.6500
6" Meter (All Sizes)			
First 8,000 gallons	1.0000	1.4000	N/A
Over 8,000 gallons	1.0000	2.5200	N/A
First 400,000 gallons	N/A	N/A	1.2500
Over 400,000 gallons	N/A	N/A	2.6500
Other Service Charges			
Establishment	\$ 20.00	\$ 35.00	\$ 35.00
Establishment (After Hours)	\$ 30.00	\$ 50.00	N/A
Reconnection (Delinquent)	\$ 10.00	\$ 35.00	\$ 35.00
Reconnection (Delinquent) - After Hours	N/A	\$ 50.00	N/A
Meter Test (If Correct)	\$ 20.00	\$ 25.00	\$ 25.00
Meter Reread (If Correct)	\$ 10.00	\$ 20.00	\$ 20.00
NSF Check Charge	\$ 15.00	\$ 25.00	\$ 25.00
Deposit	*	*	*
Deposit Interest (Per Annum)	6%	*	*
Deferred Payment (Per Month)	N/A	**	**
Late Charge (Per Month)	N/A	**	**
Re-establishment (within 12 months)	***	***	***
Monthly Service Charge for Fire Sprinkler	N/A	****	****
After Hours Service Charge	N/A	N/A	\$ 35.00

* Per Commission Rule A.A.C. R-14-2-403(B)

** Per Commission Rule A.A.C. R-14-2-403(B)

*** Per Commission Rule A.A.C. R-14-2-403(D) - Months off the system times the monthly minimum.

**** 1% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Service and Meter Installation Charges

	Total Present Charge	Proposed Service Line Charge	Proposed Meter Installation Charge	Total Proposed Charge	Recommended Service Line Charge	Recommended Meter Installation Charge	Total Recommended Charge
Service Size 5/8"	\$ 175.00	\$ 430.00	\$ 130.00	\$ 560.00	\$ 430.00	\$ 130.00	\$ 560.00
3/4"	\$ 220.00	\$ 430.00	\$ 230.00	\$ 660.00	\$ 430.00	\$ 230.00	\$ 660.00
1"	\$ 250.00	\$ 480.00	\$ 290.00	\$ 770.00	\$ 480.00	\$ 290.00	\$ 770.00
1-1/2"	\$ 275.00	\$ 535.00	\$ 500.00	\$ 1,035.00	\$ 535.00	\$ 500.00	\$ 1,035.00
2" Turbine	\$ 500.00	\$ 815.00	\$ 1,020.00	\$ 1,835.00	\$ 815.00	\$ 1,020.00	\$ 1,835.00
2" Compound	\$ 500.00	\$ 815.00	\$ 1,865.00	\$ 2,680.00	\$ 815.00	\$ 1,865.00	\$ 2,680.00
3" Turbine	\$ 700.00	\$ 1,030.00	\$ 1,645.00	\$ 2,675.00	\$ 1,030.00	\$ 1,645.00	\$ 2,675.00
3" Compound	\$ 700.00	\$ 1,150.00	\$ 2,545.00	\$ 3,695.00	\$ 1,150.00	\$ 2,545.00	\$ 3,695.00
4" Turbine	\$ 1,300.00	\$ 1,460.00	\$ 2,620.00	\$ 4,080.00	\$ 1,460.00	\$ 2,620.00	\$ 4,080.00
4" Compound	\$ 1,300.00	\$ 1,640.00	\$ 3,595.00	\$ 5,235.00	\$ 1,640.00	\$ 3,595.00	\$ 5,235.00
6" Turbine	\$ 2,800.00	\$ 2,180.00	\$ 4,975.00	\$ 7,155.00	\$ 2,180.00	\$ 4,975.00	\$ 7,155.00
6" Compound	\$ 2,800.00	\$ 2,300.00	\$ 6,870.00	\$ 9,170.00	\$ 2,300.00	\$ 6,870.00	\$ 9,170.00

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	11,839	\$ 23.34	\$ 59.60	\$ 36.26	155.37%
Median Usage	6,900	18.40	43.45	\$ 25.05	136.13%
Staff Recommended					
Average Usage	11,839	\$ 23.34	\$ 32.27	\$ 8.93	38.28%
Median Usage	6,900	18.40	22.13	\$ 3.73	20.24%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons	Company Proposed		%	Staff Recommended	
	Present	Proposed		Rates	Increase
	3/4"	3/4"		3/4"	
	Minimum Charge \$ 11.50	Minimum Charge \$ 29.42		Minimum Charge \$ 15.00	
	1st Tier Rate 1.0000	1st Tier Rate 1.4000		1st Tier Rate 0.7500	
	1st Tier Breakover 3,000	1st Tier Breakover 3,000		1st Tier Breakover 3,000	
	2nd Tier Rate 1.0000	2nd Tier Rate 2.5200		2nd Tier Rate 1.2500	
	2nd Tier Breakover 10,000	2nd Tier Breakover 10,000		2nd Tier Breakover 9,000	
	3rd Tier Rate 1.0000	3rd Tier Rate 4.5360		3rd Tier Rate 2.6500	
Consumption	Rates	Rates	Increase	Rates	Increase
-	\$ 11.50	\$ 29.42	155.83%	\$ 15.00	30.43%
1,000	12.50	30.82	146.56%	15.75	26.00%
2,000	13.50	32.22	138.67%	16.50	22.22%
3,000	14.50	33.62	131.86%	17.25	18.97%
4,000	15.50	36.14	133.16%	18.50	19.35%
5,000	16.50	38.66	134.30%	19.75	19.70%
6,000	17.50	41.18	135.31%	21.00	20.00%
7,000	18.50	43.70	136.22%	22.25	20.27%
8,000	19.50	46.22	137.03%	23.50	20.51%
9,000	20.50	48.74	137.76%	24.75	20.73%
10,000	21.50	51.26	138.42%	27.40	27.44%
11,000	22.50	55.80	147.98%	30.05	33.56%
12,000	23.50	60.33	156.73%	32.70	39.15%
13,000	24.50	64.87	164.77%	35.35	44.29%
14,000	25.50	69.40	172.17%	38.00	49.02%
15,000	26.50	73.94	179.02%	40.65	53.40%
16,000	27.50	78.48	185.37%	43.30	57.45%
17,000	28.50	83.01	191.27%	45.95	61.23%
18,000	29.50	87.55	196.77%	48.60	64.75%
19,000	30.50	92.08	201.91%	51.25	68.03%
20,000	31.50	96.62	206.73%	53.90	71.11%
25,000	36.50	119.30	226.85%	67.15	83.97%
30,000	41.50	141.98	242.12%	80.40	93.73%
35,000	46.50	164.66	254.11%	93.65	101.40%
40,000	51.50	187.34	263.77%	106.90	107.57%
45,000	56.50	210.02	271.72%	120.15	112.65%
50,000	61.50	232.70	278.37%	133.40	116.91%
75,000	86.50	346.10	300.12%	199.65	130.81%
100,000	111.50	459.50	312.11%	265.90	138.48%

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 168,488	\$ 114,716
2	Adjusted Operating Income (Loss)	\$ (21,870)	\$ (4,489)
3	Current Rate of Return (L2 / L1)	-12.98%	-3.91%
4	Required Rate of Return	12.00%	10.00%
5	Required Operating Income (L4 * L1)	\$ 20,219	\$ 11,472
6	Operating Income Deficiency (L5 - L2)	\$ 42,089	\$ 15,961
7	Gross Revenue Conversion Factor	1.3844	1.2748
8	Required Revenue Increase (L7 * L6)	\$ 58,269	\$ 20,347
9	Adjusted Test Year Revenue	\$ 206,686	\$ 206,686
10	Proposed Annual Revenue ¹	\$ 538,058	\$ 227,033
11	Required Increase in Revenue (%)	160.33%	9.84%

¹ Company's proposed revenue discards its rate base/rate of return calculation and substitutes a 40.44 percent operating margin.

References:

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<i>Calculation of Gross Revenue Conversion Factor:</i>					
1	Revenue	100.0000%			
2	Uncollectible Factor	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 18)	21.5572%			
5	Subtotal (L3 - L4)	78.4428%			
6	Revenue Conversion Factor (L1 / L5)	1.274814			
<i>Calculation of Effective Tax Rate:</i>					
7	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
8	Arizona State Income Tax Rate	6.9680%			
9	Federal Taxable Income (L7 - L8)	93.0320%			
10	Applicable Federal Income Tax Rate (Line 48)	15.0000%			
11	Effective Federal Income Tax Rate (L9 x L10)	13.9548%			
12	Combined Federal and State Income Tax Rate (L8 +L11)		20.9228%		
<i>Calculation of Effective Property Tax Factor</i>					
13	Unity	100.0000%			
14	Combined Federal and State Income Tax Rate (L12)	20.9228%			
15	One Minus Combined Income Tax Rate (L13-L14)	79.0772%			
16	Property Tax Factor (JMM-14, L27)	0.8022%			
17	Effective Property Tax Factor (L15*L16)		0.6344%		
18	Combined Federal and State Income Tax and Property Tax Rate (L12+L17)			21.5572%	
19	Required Operating Income (Schedule JMM-1, Line 5)	\$ 11,472			
20	Adjusted Test Year Operating Income (Loss) (JMM-8, L35)	(4,489)			
21	Required Increase in Operating Income (L19 - L20)		\$ 15,961		
22	Income Taxes on Recommended Revenue (Col. [C], L47)	\$ 3,035			
23	Income Taxes on Test Year Revenue (Col. [A], L47)	(1,188)			
24	Required Increase in Revenue to Provide for Income Taxes (L22 - L23)		4,223		
25	Recommended Revenue Requirement (Schedule JMM-1, Line 10)	\$ 227,033			
26	Uncollectible Rate	0.0000%			
27	Uncollectible Expense on Recommended Revenue (L25*L26)	\$ -			
28	Adjusted Test Year Uncollectible Expense	\$ -			
29	Required Increase in Revenue to Provide for Uncollectible Exp. (L27-L28)		-		
30	Property Tax with Recommended Revenue (Schedule JMM-14, L21)	\$ 5,137			
31	Property Tax on Test Year Revenue (Schedule JMM-14, Line 17)	4,974			
32	Increase in Property Tax Due to Increase in Revenue (L30-31)		163		
33	Total Required Increase in Revenue (L21 + L24 + L29 + L32)		\$ 20,347		
<i>Calculation of Income Tax:</i>					
34	Revenue (Schedule JMM-1, Col. [B], Line 9 & Sch. JMM-1, Col. [B] Line 10)	\$ 206,686	\$ 20,347	\$ 227,033	
35	Operating Expenses Excluding Income Taxes	\$ 212,363		\$ 212,527	
36	Synchronized Interest (L51)	\$ -		\$ -	
37	Arizona Taxable Income (L34 - L35 - L36)	\$ (5,677)		\$ 14,507	
38	Arizona State Income Tax Rate	6.9680%		6.9680%	
39	Arizona Income Tax (L37 x L38)	\$ (396)		\$ 1,011	
40	Federal Taxable Income (L37- L39)	\$ (5,282)		\$ 13,496	
41	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ (792)		\$ 2,024	
42	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	\$ -		\$ -	
43	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -		\$ -	
44	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -		\$ -	
45	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -		\$ -	
46	Total Federal Income Tax	\$ (792)		\$ 2,024	
47	Combined Federal and State Income Tax (L39 + L46)	\$ (1,188)		\$ 3,035	
48	Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40]			15.0000%	
<i>Calculation of Interest Synchronization:</i>					
49	Rate Base (Schedule JMM-3, Col. (C), Line 11)	\$ 114,716			
50	Weighted Average Cost of Debt	0.0000%			
51	Synchronized Interest (L49 X L50)	\$ -			

East Slope Water Company
Docket No. W-01906A-10-0170
Test Year Ended December 31, 2009

Schedule JMM-3

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	\$ 494,810	\$ (42,344)	\$ 452,466
2	330,223	(15,483)	314,740
3	<u>\$ 164,587</u>	<u>\$ (26,861)</u>	<u>\$ 137,726</u>
<u>LESS:</u>			
4	\$ -	\$ -	\$ -
5	-	-	-
6	<u>-</u>	<u>-</u>	<u>\$ -</u>
7	20,383	-	20,383
8	-	21,904	21,904
9	-	-	-
<u>ADD:</u>			
10	24,284	(5,007)	19,277
11	-	-	-
12	<u>\$ 168,488</u>	<u>\$ (53,772)</u>	<u>\$ 114,716</u>

References:

Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	[A] COMPANY AS FILED	[B] Unsubstantiated Plant	[C] ADJ #2 Customer Deposits	[D] ADJ #3 Cash Working Capital	[E] STAFF ADJUSTED
		Ref. Sch JMM-5	Ref. Sch JMM-6	Ref. Sch JMM-7		
		\$	\$	\$	\$	\$
PLANT IN SERVICE:						
1		Organization Cost				
2	301	2,180				2,180
3	302	Franchise Cost				
4	303	Land and Land Rights				
5	304	75				75
6	305	Structures and Improvements				
7	306	9,003				9,003
8	307	Collecting and Impounding Res.				
9	308	Lake River and Other Intakes				
10	309	44,427				44,427
11	310	Wells and Springs				
12	311	Infiltration Galleries and Tunnels				
13	320.1	Supply Mains				
14	320.2	Power Generation Equipment				
15	330	148,499	(3,123)			145,376
16	330.1	Electric Pumping Equipment				
17	330.2	Water Treatment Plants				
18	331	Solution Chemical Feeders				
19	333	20,799				20,799
20	334	5,474				5,474
21	335	209,649				209,649
22	336	Transmission and Distribution Mains				
23	339	Services				
24	340	11,498				11,498
25	341	Meters				
26	342	Hydrants				
27	343	Backflow Prevention Devices				
28	344	Other Plant and Miscellaneous Equipment				
29	345	Office Furniture and Fixtures	(11,330)			
30	346	31,876	(27,891)			3,985
31	347	Transportation Equipment				
32	348	Stores Equipment				
33		Tools and Work Equipment				
34		Laboratory Equipment				
35		Power Operated Equipment				
36		Communications Equipment				
37		Miscellaneous Equipment				
38		Other Tangible Plant				
39		494,810				452,466
40		Post Test-Year Plant				
41		\$ 494,810	(42,344)			\$ 452,466
42		330,223	(15,483)			314,740
43		Less: Accumulated Depreciation				
44		\$ 164,587	(26,861)			\$ 137,726
45		Net Plant in Service				
46		LESS:				
47		Contributions in Aid of Construction (CIAC)				
48		Less: Accumulated Amortization				
49		Net CIAC (L39 - L40)				
50		Advances in Aid of Construction (AIAC)				
51		Customer Deposits	21,904			20,383
		Deferred Income Taxes				21,904
		ADD:				
		Working Capital Allowance			(5,007)	19,277
		Deferred Regulatory Assets				
		Original Cost Rate Base	(21,904)			114,716
		\$ 168,488	(26,861)		(5,007)	\$ 114,716

RATE BASE ADJUSTMENT NO. 1 - UNSUBSTANTIATED PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			Plant in Service Per Company	Unsubstantiated Plant	Plant in Service Per Staff (Col A + Col B)
1	311	Electric Pumping Equipment	\$ 148,499	\$ (3,123)	\$ 145,376
2	340	Office Furniture and Equipment	11,330	(11,330)	-
3	341	Transportation Equipment	31,876	(27,891)	3,985
4	Total		<u>\$ 191,705</u>	<u>\$ (42,344)</u>	<u>\$ 149,361</u>
5					
6					
7					
8					
9					
10		DESCRIPTION	Plant in Service Per Company	Unsubstantiated Plant	Plant in Service Per Staff (Col A + Col B)
11		Accumulated Depreciation	\$ 330,223	\$ (15,483)	\$ 314,740

References:

- Column [A]: Company Application
- Column [B]: Testimony JMM
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 2 - CUSTOMER DEPOSITS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Customer Deposits	\$ -	\$ 21,904	\$ 21,904

References:

- Column [A]: Company Application
- Column [B]: Testimony JMM
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 3 - CASH WORKING CAPITAL

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Cash Working Capital	\$ 24,284	\$ (5,007)	\$ 19,277
2				
3	<u>Staff's Calculation of Cash Working Capital</u>			
4	1/24th Purchased Power	\$ 1,979		
5	1/8th Operation & Maintenance Expense	17,297		
6	Total Cash Working Capital	<u>\$ 19,277</u>		

References:

- Column [A]: Company Application
- Column [B]: Testimony JMM
- Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>					
2	Metered Water Sales	\$ 203,436	\$ -	\$ 203,436	\$ 20,347	\$ 223,783
3	Water Sales-Unmetered	-	-	-	-	-
4	Other Water Revenue	3,250	-	3,250	-	3,250
5	Intentionally Left Blank	-	-	-	-	-
6	Total Operating Revenues	<u>\$ 206,686</u>	<u>\$ -</u>	<u>\$ 206,686</u>	<u>\$ 20,347</u>	<u>\$ 227,033</u>
7						
8	<u>OPERATING EXPENSES:</u>					
9	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
10	Purchased Water	-	-	-	-	-
11	Purchased Power	52,368	(4,862)	47,506	-	47,506
12	Fuel for Power Production	-	-	-	-	-
13	Chemicals	460	-	460	-	460
14	Repairs and Maintenance	11,895	-	11,895	-	11,895
15	Office Supplies and Expense	8,246	-	8,246	-	8,246
16	Outside Services	122,149	(37,846)	84,303	-	84,303
17	Outside Services - Other	-	-	-	-	-
18	Outside Services - Legal	-	-	-	-	-
19	Water Testing	3,980	-	3,980	-	3,980
20	Rents	-	-	-	-	-
21	Transportation Expenses	13,003	-	13,003	-	13,003
22	Insurance - General Liability	6,491	-	6,491	-	6,491
23	Insurance - Health and Life	-	-	-	-	-
24	Regulatory Commission Expense	-	-	-	-	-
25	Regulatory Commission Expense - Rate Case	10,592	(592)	10,000	-	10,000
26	General and Administrative	-	-	-	-	-
27	Bad Debt Expense	-	-	-	-	-
28	Depreciation Expense	28,229	(6,724)	21,505	-	21,505
29	Amortization of CIAC	-	-	-	-	-
30	Taxes Other than Income	-	-	-	-	-
31	Property Taxes	10,547	(5,573)	4,974	163	5,137
32	Income Taxes	(39,404)	38,216	(1,188)	4,223	3,035
33	Intentionally Left Blank	-	-	-	-	-
34	Total Operating Expenses	<u>\$ 228,556</u>	<u>\$ (17,381)</u>	<u>\$ 211,175</u>	<u>\$ 4,386</u>	<u>\$ 215,562</u>
35	Operating Income (Loss)	<u>\$ (21,870)</u>	<u>\$ 17,381</u>	<u>\$ (4,489)</u>	<u>\$ 15,961</u>	<u>\$ 11,472</u>

References:

- Column (A): Company Schedule C-1
- Column (B): Schedule JMM-9
- Column (C): Column (A) + Column (B)
- Column (D): Schedules JMM-1, JMM-14 and JMM-15
- Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Purchased Power Expense ADJ #1 Ref. Sch JMM-10	[C] Management Fees Expense ADJ #2 Ref. Sch JMM-11	[D] Rate Case Expense ADJ #3 Ref. Sch JMM-12	[E] Depreciation Expense ADJ #4 Ref. Sch JMM-13	[F] Property Tax Expense ADJ #5 Ref. Sch JMM-14	[G] Income Tax Expense ADJ #6 Ref. Sch JMM-15	[H] STAFF ADJUSTED
1	REVENUES:								
2	Metered Water Sales	\$ 203,436							\$ 203,436
3	Water Sales-Unmetered								
4	Other Water Revenue	3,250							3,250
5	Intentionally Left Blank								
6	Total Operating Revenues	\$ 206,686							\$ 206,686
7	OPERATING EXPENSES:								
9	Salaries and Wages	\$ -							\$ -
10	Purchased Water								
11	Purchased Power	52,368	(4,862)						47,506
12	Fuel for Power Production								
13	Chemicals	460							460
14	Repairs and Maintenance	11,895							11,895
15	Office Supplies and Expense	8,246							8,246
16	Outside Services - Other	122,149		(37,846)					84,303
17	Outside Services - Legal								
18	Outside Services - Legal	3,980							3,980
19	Water Testing								
20	Rents								
21	Transportation Expenses	13,003							13,003
22	Insurance - General Liability	6,491							6,491
23	Insurance - Health and Life								
24	Regulatory Commission Expense								
25	Regulatory Commission Expense - Rate Case	10,592			(592)				10,000
26	Miscellaneous Expense								
27	Bad Debt Expense								
28	Depreciation Expense	28,229				(6,724)			21,505
29	Amortization of CIAC								
30	Taxes Other than Income								
31	Property Taxes	10,547					(5,573)		4,974
32	Income Taxes	(39,404)							(1,188)
33	Intentionally Left Blank								
34	Total Operating Expenses	\$ 228,556	(4,862)	(37,846)	(592)	(6,724)	(5,573)	38,216	\$ 211,175
35	Operating Income (Loss)	\$ (21,870)	\$ 4,862	\$ 37,846	\$ 592	\$ 6,724	\$ 5,573	\$ (38,216)	\$ (4,489)

East Slope Water Company
Docket No. W-01906A-10-0170
Test Year Ended December 31, 2009

Schedule JMM-10

OPERATING ADJUSTMENT NO. 1 - PURCHASED POWER EXPENSE

Line No.	Description	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Purchased Power Expense	\$ 52,368	\$ (4,862)	\$ 47,506

References:

- Column [A]: Company Application
- Column [B]: Testimony JMM
- Column [C]: Column [A] + Column [B]

OPERATING ADJUSTMENT NO. 2 - MANAGEMENT FEES EXPENSE

Line No.	Description	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Outside Service	\$ 122,149	\$ (37,846)	\$ 84,303
2				
3	Staff's Calculation			
4	Remove Pro-forma Management Fees	\$ (115,498)		
5	Insert Test Year Management Fees	\$ 87,926		
6	Less Management Fees out of Test Year	\$ (10,274)		
7		\$ (37,846)		

References:

- Column [A]: Company Application
- Column [B]: Testimony JMM
- Column [C]: Column [A] + Column [B]

East Slope Water Company
Docket No. W-01427A-09-0104
Test Year Ended September 30, 2008

Schedule JMM-12

OPERATING INCOME ADJUSTMENT NO. 3 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Rate Case Expense	\$ 10,592	\$ (592)	\$ 10,000

References:

Column (A), Company Schedule C-1

Column (B): Testimony JMM

Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT NO. 4 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A] PLANT In SERVICE Per Staff	[B] NonDepreciable or Fully Depreciated PLANT	[C] DEPRECIABLE PLANT (Col A - Col B)	[D] DEPRECIATION RATE	[E] DEPRECIATION EXPENSE (Col C x Col D)
1	301	Organization Cost	\$ 2,180	\$ 2,180	\$ -	0.00%	\$ -
2	302	Franchise Cost	\$ -	\$ -	\$ -	0.00%	\$ -
3	303	Land and Land Rights	\$ 75	\$ 75	\$ -	0.00%	\$ -
4	304	Structures and Improvements	\$ 9,003	\$ -	\$ 9,003	3.33%	\$ 300
5	305	Collecting and Impounding Res.	\$ -	\$ -	\$ -	2.50%	\$ -
6	306	Lake River and Other Intakes	\$ -	\$ -	\$ -	2.50%	\$ -
7	307	Wells and Springs	\$ 44,427	\$ 34,863	\$ 9,564	3.33%	\$ 318
8	308	Infiltration Galleries and Tunnels	\$ -	\$ -	\$ -	6.67%	\$ -
9	309	Supply Mains	\$ -	\$ -	\$ -	2.00%	\$ -
10	310	Power Generation Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
11	311	Electric Pumping Equipment	\$ 145,376	\$ -	\$ 145,376	12.50%	\$ 18,172
12	320	Water Treatment Equipment	\$ -	\$ -	\$ -	3.33%	\$ -
13	320	Water Treatment Plant	\$ -	\$ -	\$ -	3.33%	\$ -
14	330	Distribution Reservoirs & Standpipe	\$ -	\$ -	\$ -	2.22%	\$ -
15	330.1	Storage Tanks	\$ 20,799	\$ -	\$ 20,799	2.22%	\$ 462
16	330.2	Pressure Tanks	\$ 5,474	\$ -	\$ 5,474	5.00%	\$ 274
17	331	Transmission and Distribution Mains	\$ 209,649	\$ 124,578	\$ 85,071	2.00%	\$ 1,701
18	333	Services	\$ -	\$ -	\$ -	3.33%	\$ -
19	334	Meters	\$ 11,498	\$ 8,166	\$ 3,332	8.33%	\$ 278
20	335	Hydrants	\$ -	\$ -	\$ -	2.00%	\$ -
21	336	Backflow Prevention Devices	\$ -	\$ -	\$ -	6.67%	\$ -
22	339	Other Plant and Miscellaneous Equipment	\$ -	\$ -	\$ -	6.67%	\$ -
23	340	Office Furniture and Fixtures	\$ -	\$ -	\$ -	6.67%	\$ -
24	341	Transportation Equipment	\$ 3,985	\$ 3,985	\$ -	20.00%	\$ -
25	342	Stores Equipment	\$ -	\$ -	\$ -	4.00%	\$ -
26	343	Tools and Work Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
27	344	Laboratory Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
28	345	Power Operated Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
29	346	Communications Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
30	347	Miscellaneous Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
31	348	Other Tangible Plant	\$ -	\$ -	\$ -	10.00%	\$ -
32		Total Plant	\$ 452,466	\$ 173,847	\$ 278,619		\$ 21,505
33							
34		Composite Depreciation Rate (Depr Exp / Depreciable Plant):	7.72%				
35		CIAC:	\$ -				
36		Amortization of CIAC (Line 32 x Line 33):	\$ -				
37							
38		Depreciation Expense Before Amortization of CIAC:	\$ 21,505				
39		Less Amortization of CIAC:	\$ -				
40		Test Year Depreciation Expense - Staff:	\$ 21,505				
41		Depreciation Expense - Company:	\$ 28,229				
42		Staff's Total Adjustment:	\$ (6,724)				
43							

References:

- Column [A]: Schedule JMM-4
- Column [B]: From Column [A]
- Column [C]: Column [A] - Column [B]
- Column [D]: Engineering Staff Report
- Column [E]: Column [C] x Column [D]

OPERATING INCOME ADJUSTMENT NO. 5 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 206,686	\$ 206,686
2	Weight Factor	<u>2</u>	<u>2</u>
3	Subtotal (Line 1 * Line 2)	413,372	\$ 413,372
4	Staff Recommended Revenue, Per Schedule JMM-1	206,686	\$ 227,033
5	Subtotal (Line 4 + Line 5)	620,058	640,405
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	206,686	\$ 213,468
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	413,372	\$ 426,937
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	\$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	413,372	\$ 426,937
13	Assessment Ratio	20.5%	20.5%
14	Assessment Value (Line 12 * Line 13)	84,741	\$ 87,522
15	Composite Property Tax Rate (Per Company Schedule)	<u>5.8699%</u>	<u>5.8699%</u>
16			\$ -
17	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 4,974	
18	Company Proposed Property Tax	<u>10,547</u>	
19			
20	Staff Test Year Adjustment (Line 17-Line 18)	<u>\$ (5,573)</u>	
21	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 5,137
22	Staff Test Year Adjusted Property Tax Expense (Line 17)		\$ 4,974
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		<u>\$ 163</u>
24			
25	Increase to Property Tax Expense		\$ 163
26	Increase in Revenue Requirement		20,347
27	Increase to Property Tax per Dollar Increase in Revenue (Line 25/Line 26)		0.802220%

References:

- Column [A]: Company Application
- Column [B]: Testimony JMM
- Column [C]: Column [A] + Column [B]

East Slope Water Company
Docket No. W-01906A-10-0170
Test Year Ended December 31, 2009

Schedule JMM-15

OPERATING INCOME ADJUSTMENT NO. 6 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Income Tax Expense	\$ (39,404)	\$ 38,216	\$ (1,188)

References:

- Column (A): Company Schedule C-1
- Column (B): Column [C] - Column [A]
- Column (C): Schedule JMM-2

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
Meter Size (All Classes):			
5/8 x 3/4 Inch	\$ 9.00	\$ 18.68	\$ 10.00
3/4 Inch	9.00	28.02	15.00
1 Inch	15.00	46.70	25.00
1 1/2 Inch	25.00	93.40	50.00
2 Inch	50.00	149.44	80.00
3 Inch	N/A	298.88	160.00
4 Inch	N/A	467.00	250.00
6 Inch	N/A	934.00	500.00
Commodity Charge - Per 1,000 Gallons			
5/8" x 3/4" Meter (Residential)			
First 2,000 gallons	\$ -	\$ 2.0000	N/A
2,001 to 3,000 gallons	1.7100	2.0000	N/A
3,001 to 10,000 gallons	1.7100	3.6000	N/A
All gallons over 10,000	1.7100	6.4800	N/A
First 3,000 gallons	N/A	N/A	\$ 0.7500
3,001 to 9,000 gallons	N/A	N/A	1.2500
Over 9,000 gallons	N/A	N/A	2.0000
3/4" Meter (Residential)			
First 2,000 gallons	-	2.0000	N/A
2,001 to 3,000 gallons	1.7100	2.0000	N/A
3,001 to 10,000 gallons	1.7100	3.6000	N/A
All gallons over 10,000	1.7100	6.4800	N/A
First 3,000 gallons	N/A	N/A	0.7500
3,001 to 9,000 gallons	N/A	N/A	1.2500
Over 9,000 gallons	N/A	N/A	2.0000
5/8" x 3/4" Meter (Commercial/Irrigation)			
First 2,000 gallons	-	2.0000	N/A
2,001 to 3,000 gallons	1.7100	2.0000	N/A
3,001 to 10,000 gallons	1.7100	3.6000	N/A
All gallons over 10,000	1.7100	6.4800	N/A
First 9,000 gallons	N/A	N/A	1.2500
Over 9,000 gallons	N/A	N/A	2.0000
3/4" Meter (Commercial/Irrigation)			
First 2,000 gallons	-	2.0000	N/A
2,001 to 3,000 gallons	1.7100	2.0000	N/A
3,001 to 10,000 gallons	1.7100	3.6000	N/A
All gallons over 10,000	1.7100	6.4800	N/A
First 9,000 gallons	N/A	N/A	1.2500
Over 9,000 gallons	N/A	N/A	2.0000
1" Meter (All Sizes)			
First 2,000 gallons	-	2.0000	N/A
2,001 to 5,000	1.7100	2.0000	N/A
All gallons over 5,000	1.7100	3.6000	N/A
First 15,000 gallons	N/A	N/A	1.2500
Over 15,000 gallons	N/A	N/A	2.0000
1.5" Meter (All Sizes)			
First 2,000 gallons	-	2.0000	N/A
2,001 to 20,000	1.7100	2.0000	N/A
All gallons over 20,000	1.7100	3.6000	N/A
First 30,000 gallons	N/A	N/A	1.2500
Over 30,000 gallons	N/A	N/A	2.0000
2" Meter (All Sizes)			
First 2,000 gallons	-	2.0000	N/A
2,001 to 20,000	1.7100	2.0000	N/A
All gallons over 20,000	1.7100	3.6000	N/A
First 50,000 gallons	N/A	N/A	1.2500
Over 50,000 gallons	N/A	N/A	2.0000

3" Meter (All Sizes)			
First 2,000 gallons	-	2.0000	N/A
2,001 to 20,000	1.7100	2.0000	N/A
All gallons over 20,000	1.7100	3.6000	N/A
First 100,000 gallons	N/A	N/A	1.2500
Over 100,000 gallons	N/A	N/A	2.0000
4" Meter (All Sizes)			
First 2,000 gallons	-	2.0000	N/A
2,001 to 20,000	1.7100	2.0000	N/A
All gallons over 20,000	1.7100	3.6000	N/A
First 170,000 gallons	N/A	N/A	1.2500
Over 170,000 gallons	N/A	N/A	2.0000
6" Meter (All Sizes)			
First 2,000 gallons	-	2.0000	N/A
2,001 to 20,000	1.7100	2.0000	N/A
All gallons over 20,000	1.7100	3.6000	N/A
First 350,000 gallons	N/A	N/A	1.2500
Over 350,000 gallons	N/A	N/A	2.0000
Other Service Charges			

Establishment	\$ 15.00	\$ 25.00	\$ 35.00
Establishment (After Hours)	\$ 20.00	\$ 20.00	N/A
Reconnection (Delinquent)	\$ 15.00	\$ 25.00	\$ 35.00
Reconnection (Delinquent) - After Hours	N/A	*	N/A
Meter Test (If Correct)	\$ 20.00	\$ 25.00	\$ 25.00
Meter Reread (If Correct)	\$ 10.00	\$ 20.00	\$ 20.00
NSF Check Charge	\$ 15.00	\$ 25.00	\$ 25.00
Deposit	*	*	*
Deposit Interest (Per Annum)	*	*	*
Deferred Payment (Per Month)	15% per anum	**	**
Late Charge (Per Month)	N/A	**	**
Re-establishment (within 12 months)	***	***	***
Monthly Service Charge for Fire Sprinkler	N/A	****	****
After Hours Service Charge	N/A	N/A	\$ 35.00

* Per Commission Rule A.A.C. R-14-2-403(B)

** Per Commission Rule A.A.C. R-14-2-403(B)

*** Per Commission Rule A.A.C. R-14-2-403(D) - Months off the system times the monthly minimum.

**** 1% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Service and Meter Installation Charges

	Total Present Charge	Proposed Service Line Charge	Proposed Meter Installation Charge	Total Proposed Charge	Recommended Service Line Charge	Recommended Meter Installation Charge	Total Recommended Charge
Service Size 5/8"	\$ 275.00	\$ 430.00	\$ 130.00	\$ 560.00	\$ 430.00	\$ 130.00	\$ 560.00
3/4"	\$ 300.00	\$ 430.00	\$ 230.00	\$ 660.00	\$ 430.00	\$ 230.00	\$ 660.00
1"	\$ 325.00	\$ 480.00	\$ 290.00	\$ 770.00	\$ 480.00	\$ 290.00	\$ 770.00
1-1/2"	\$ 475.00	\$ 535.00	\$ 500.00	\$ 1,035.00	\$ 535.00	\$ 500.00	\$ 1,035.00
2" Turbine	\$ 650.00	\$ 815.00	\$ 1,020.00	\$ 1,835.00	\$ 815.00	\$ 1,020.00	\$ 1,835.00
2" Compound	N/A	\$ 815.00	\$ 1,865.00	\$ 2,680.00	\$ 815.00	\$ 1,865.00	\$ 2,680.00
3" Turbine	N/A	\$ 1,030.00	\$ 1,645.00	\$ 2,675.00	\$ 1,030.00	\$ 1,645.00	\$ 2,675.00
3" Compound	N/A	\$ 1,150.00	\$ 2,545.00	\$ 3,695.00	\$ 1,150.00	\$ 2,545.00	\$ 3,695.00
4" Turbine	N/A	\$ 1,460.00	\$ 2,620.00	\$ 4,080.00	\$ 1,460.00	\$ 2,620.00	\$ 4,080.00
4" Compound	N/A	\$ 1,640.00	\$ 3,595.00	\$ 5,235.00	\$ 1,640.00	\$ 3,595.00	\$ 5,235.00
6" Turbine	N/A	\$ 2,180.00	\$ 4,975.00	\$ 7,155.00	\$ 2,180.00	\$ 4,975.00	\$ 7,155.00
6" Compound	N/A	\$ 2,300.00	\$ 6,870.00	\$ 9,170.00	\$ 2,300.00	\$ 6,870.00	\$ 9,170.00

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	9,137	\$ 21.20	\$ 38.35	\$ 17.14	80.84%
Median Usage	5,330	14.69	28.75	\$ 14.06	95.66%
Staff Recommended					
Average Usage	9,137	\$ 21.20	\$ 20.02	\$ (1.18)	-5.57%
Median Usage	5,330	14.69	15.16	\$ 0.47	3.19%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons	Present		Company Proposed		%	Staff Recommended		%
	3/4"	3/4"	3/4"	3/4"		3/4"	3/4"	
	Minimum Charge	\$ 9.00	Minimum Charge	\$ 18.68		Minimum Charge	\$ 10.00	
	1st Tier Rate	-	1st Tier Rate	1.4000		1st Tier Rate	0.7500	
	1st Tier Breakover	2,000	1st Tier Breakover	3,000		1st Tier Breakover	3,000	
	2nd Tier Rate	1.7100	2nd Tier Rate	2.5200		2nd Tier Rate	1.2500	
	2nd Tier Breakover	3,000	2nd Tier Breakover	10,000		2nd Tier Breakover	9,000	
	3rd Tier Rate	1.7100	3rd Tier Rate	4.5360		3rd Tier Rate	2.0000	
Consumption	Rates	Rates	Rates	Increase		Rates	Increase	
-	\$ 9.00	\$ 9.00	\$ 18.68	107.56%		\$ 10.00	11.11%	
1,000	9.00	20.08	123.11%		10.75	19.44%		
2,000	9.00	21.48	138.67%		11.50	27.78%		
3,000	10.71	22.88	113.63%		12.25	14.38%		
4,000	12.42	25.40	104.51%		13.50	8.70%		
5,000	14.13	27.92	97.59%		14.75	4.39%		
6,000	15.84	30.44	92.17%		16.00	1.01%		
7,000	17.55	32.96	87.81%		17.25	-1.71%		
8,000	19.26	35.48	84.22%		18.50	-3.95%		
9,000	20.97	38.00	81.21%		19.75	-5.82%		
10,000	22.68	40.52	78.66%		21.75	-4.10%		
11,000	24.39	45.06	84.73%		23.75	-2.62%		
12,000	26.10	49.59	90.01%		25.75	-1.34%		
13,000	27.81	54.13	94.64%		27.75	-0.22%		
14,000	29.52	58.66	98.73%		29.75	0.78%		
15,000	31.23	63.20	102.37%		31.75	1.67%		
16,000	32.94	67.74	105.63%		33.75	2.46%		
17,000	34.65	72.27	108.58%		35.75	3.17%		
18,000	36.36	76.81	111.24%		37.75	3.82%		
19,000	38.07	81.34	113.67%		39.75	4.41%		
20,000	39.78	85.88	115.89%		41.75	4.95%		
25,000	48.33	108.56	124.62%		51.75	7.08%		
30,000	56.88	131.24	130.73%		61.75	8.56%		
35,000	65.43	153.92	135.24%		71.75	9.66%		
40,000	73.98	176.60	138.71%		81.75	10.50%		
45,000	82.53	199.28	141.46%		91.75	11.17%		
50,000	91.08	221.96	143.70%		101.75	11.71%		
75,000	133.83	335.36	150.59%		151.75	13.39%		
100,000	176.58	448.76	154.14%		201.75	14.25%		

REVENUE REQUIREMENT

<u>LINE NO.</u>	<u>DESCRIPTION</u>	(A) COMPANY FAIR VALUE	(B) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 45,683	\$ 27,227
2	Adjusted Operating Income (Loss)	\$ (6,197)	\$ 3,645
3	Current Rate of Return (L2 / L1)	-13.57%	13.39%
4	Required Rate of Return	12.00%	10.00%
5	Required Operating Income (L4 * L1)	\$ 5,482	\$ 2,723
6	Operating Income Deficiency (L5 - L2)	\$ 11,679	\$ (923)
7	Gross Revenue Conversion Factor	1.0000	1.0080
8	Required Revenue Increase (L7 * L6)	\$ 11,679	\$ (930)
9	Adjusted Test Year Revenue	\$ 28,140	\$ 28,140
10	Proposed Annual Revenue ¹	\$ 58,062	\$ 27,210
11	Required Increase in Revenue (%)	106.33%	-3.31%

¹ Company's proposed revenue discards its rate base/rate of return calculation and substitutes a 40.86 percent operating margin.

References:

Column (A): Company Schedule A-1

Column (B): Staff Schedules JMM-2 and JMM-7

Indiada Water Company
Docket No. W-02327A-10-0169
Test Year Ended December 31, 2009

Schedule JMM-2

NOT USED

Indiada Water Company
Docket No. W-01427A-09-0104
Test Year Ended December 31, 2009

Schedule JMM-3

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	\$ 95,971	\$ (21,834)	\$ 74,137
2	53,371	(4,692)	48,679
3	<u>\$ 42,600</u>	<u>\$ (17,142)</u>	<u>\$ 25,458</u>
<u>LESS:</u>			
4	\$ -	\$ -	\$ -
5	-	-	-
6	<u>-</u>	<u>-</u>	<u>-</u>
7	-	-	-
8	-	680	680
9	-	-	-
<u>ADD:</u>			
10	3,083	(634)	2,449
11	-	-	-
12	<u>\$ 45,683</u>	<u>\$ (18,456)</u>	<u>\$ 27,227</u>

References:

Column [A]: Company as Filed
Column [B]: Schedule JMM-4
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	[A] COMPANY AS FILED	[B] ADJ #1 Unsubstantiated Plant Ref. Sch JMM-5	[C] ADJ #2 Customer Deposits Ref. Sch JMM-6	[D] ADJ #3 Cash Working Capital Ref. Sch JMM-7	[E] STAFF ADJUSTED
<u>PLANT IN SERVICE:</u>						
1						
2	301	Organization Cost				
3	302	Franchise Cost				
4	303	Land and Land Rights	750			750
5	304	Structures and Improvements				
6	305	Collecting and Impounding Res.				
7	306	Lake River and Other Intakes				
8	307	Wells and Springs	7,786			7,786
9	308	Infiltration Galleries and Tunnels				
10	309	Supply Mains				
11	310	Power Generation Equipment				
12	311	Electric Pumping Equipment	16,453			16,453
13	320.1	Water Treatment Plants				
14	320.2	Solution Chemical Feeders	1,076			1,076
15	330	Distribution Reservoirs & Standpipe	1,503			1,503
16	330.1	Storage Tanks	10,865			10,865
17	330.2	Pressure Tanks	5,054			5,054
18	331	Transmission and Distribution Mains	26,736			26,736
19	333	Services	474			474
20	334	Meters	3,440			3,440
21	335	Hydrants				
22	336	Backflow Prevention Devices				
23	339	Other Plant and Miscellaneous Equipment				
24	340	Office Furniture and Fixtures	3,789			
25	341	Transportation Equipment	(18,045)			
26	342	Stores Equipment				
27	343	Tools and Work Equipment				
28	344	Laboratory Equipment				
29	345	Power Operated Equipment				
30	346	Communications Equipment				
31	347	Miscellaneous Equipment				
32	348	Other Tangible Plant				
33		Total Plant in Service - Actual	95,971			74,137
34		Post Test-Year Plant				
35		Total Plant in Service	\$ 95,971	\$ (21,834)	\$	\$ 74,137
36		Less: Accumulated Depreciation	53,371	(4,692)		48,679
37		Net Plant in Service	\$ 42,600	\$ (17,142)	\$	\$ 25,458
<u>LESS:</u>						
38		Contributions in Aid of Construction (CIAC)				
39		Less: Accumulated Amortization				
40		Net CIAC (L25 - L26)				
41		Advances in Aid of Construction (AIAC)				
42		Customer Deposits		680		680
43		Deferred Income Taxes				
44						
45						
46						
47						
48		Working Capital Allowance	3,083		(634)	2,449
49		Deferred Regulatory Assets				
50						
51		Original Cost Rate Base	\$ 45,684	\$ (17,142)	\$ (634)	\$ 27,227

Indiada Water Company
 Docket No. W-01427A-09-0104
 Test Year Ended December 31, 2009

Schedule JMM-5

RATE BASE ADJUSTMENT NO. 1 - UNSUBSTANTIATED PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			Plant in Service Per Company	Unsubstantiated Plant	Plant in Service Per Staff (Col A + Col B)
1	340	Office Furniture and Fixtures	\$ 3,789	\$ (3,789)	\$ -
2	341	Transportation Equipment	18,045	(18,045)	-
3		Total Plant	\$ 21,834	\$ (21,834)	\$ -
4					
5		Accumulated Depreciation	\$ 53,371	\$ (4,692)	\$ 47,374

RATE BASE ADJUSTMENT NO. 2 - CUSTOMER DEPOSITS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Customer Deposits	\$ -	\$ 680	\$ 680

References:

- Column [A]: Company Application
- Column [B]: Testimony JMM
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 3 - CASH WORKING CAPITAL

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Cash Working Capital	\$ 3,083	\$ (634)	\$ 2,449
2				
3	<u>Staff's Calculation of Cash Working Capital</u>			
4	1/24th Purchased Power	\$ 76		
5	1/8th Operation & Maintenance Expense	2,373		
6	Total Cash Working Capital	<u>\$ 2,449</u>		
7				

References:

Column [A]: Company Application

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>					
2	Metered Water Sales	\$ 28,013	\$ -	\$ 28,013	\$ (930)	\$ 27,083
3	Water Sales-Unmetered	-	-	-	-	-
4	Other Water Revenue	127	-	127	-	127
5	Intentionally Left Blank	-	-	-	-	-
6	Total Operating Revenues	<u>\$ 28,140</u>	<u>\$ -</u>	<u>\$ 28,140</u>	<u>\$ (930)</u>	<u>\$ 27,210</u>
7						
8	<u>OPERATING EXPENSES:</u>					
9	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
10	Purchased Water	-	-	-	-	-
11	Purchased Power	1,818	-	1,818	-	1,818
12	Fuel for Power Production	-	-	-	-	-
13	Chemicals	166	-	166	-	166
14	Repairs and Maintenance	910	-	910	-	910
15	Office Supplies and Expense	1,384	-	1,384	-	1,384
16	Outside Services	14,101	(4,704)	9,397	-	9,397
17	Outside Services - Other	-	-	-	-	-
18	Outside Services - Legal	-	-	-	-	-
19	Water Testing	2,129	-	2,129	-	2,129
20	Rents	-	-	-	-	-
21	Transportation Expenses	3,557	-	3,557	-	3,557
22	Insurance - General Liability	-	-	-	-	-
23	Insurance - Health and Life	-	-	-	-	-
24	Regulatory Commission Expense	-	-	-	-	-
25	Regulatory Commission Expense - Rate Case	1,813	(374)	1,439	-	1,439
26	General and Administrative	-	-	-	-	-
27	Bad Debt Expense	-	-	-	-	-
28	Depreciation Expense	7,057	(4,041)	3,016	-	3,016
29	Amortization of CIAC	-	-	-	-	-
30	Taxes Other than Income	-	-	-	-	-
31	Property Taxes	1,402	(724)	678	(7)	671
32	Income Taxes	-	-	-	-	-
33	Intentionally Left Blank	-	-	-	-	-
34	Total Operating Expenses	<u>\$ 34,337</u>	<u>\$ (9,842)</u>	<u>\$ 24,495</u>	<u>\$ (7)</u>	<u>\$ 24,487</u>
35	Operating Income (Loss)	<u>\$ (6,197)</u>	<u>\$ 9,842</u>	<u>\$ 3,645</u>	<u>\$ (923)</u>	<u>\$ 2,723</u>

References:

Column (A): Company Schedule C-1
Column (B): Schedule JMM-8
Column (C): Column (A) + Column (B)
Column (D): Schedules JMM-1 and JMM-14
Column (E): Column (C) + Column (D)

Indiana Water Company
 Docket No. W-02031A-10-0168
 Test Year Ended December 31, 2009

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]	[F]
		COMPANY AS FILED	Management Fee Expense ADJ #2 Ref. Sch JMM-11	Rate Case Expense ADJ #3 Ref. Sch JMM-12	Depreciation Expense ADJ #4 Ref. Sch JMM-13	Property Tax Expense ADJ #5 Ref. Sch JMM-14	STAFF AS ADJUSTED
1	<u>REVENUES:</u>						
2	Metered Water Sales	\$ 28,013	\$ -	\$ -	\$ -	\$ -	28,013
3	Water Sales-Unmetered	-	-	-	-	-	-
4	Other Water Revenue	127	-	-	-	-	127
5	Intentionally Left Blank	-	-	-	-	-	-
6	Total Operating Revenues	\$ 28,140	\$ -	\$ -	\$ -	\$ -	28,140
7							
8	<u>OPERATING EXPENSES:</u>						
9	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	-
10	Purchased Water	-	-	-	-	-	-
11	Purchased Power	1,818	-	-	-	-	1,818
12	Fuel for Power Production	-	-	-	-	-	-
13	Chemicals	166	-	-	-	-	166
14	Repairs and Maintenance	910	-	-	-	-	910
15	Office Supplies and Expense	1,384	-	-	-	-	1,384
16	Outside Services	14,101	(4,704)	-	-	-	9,397
17	Outside Services - Other	-	-	-	-	-	-
18	Outside Services - Legal	-	-	-	-	-	-
19	Water Testing	2,129	-	-	-	-	2,129
20	Rents	-	-	-	-	-	-
21	Transportation Expenses	3,557	-	-	-	-	3,557
22	Insurance - General Liability	-	-	-	-	-	-
23	Insurance - Health and Life	-	-	-	-	-	-
24	Regulatory Commission Expense	-	-	(374)	-	-	-
25	Regulatory Commission Expense - Rate Case	1,813	-	-	-	-	1,439
26	Miscellaneous Expense	-	-	-	-	-	-
27	Bad Debt Expense	-	-	-	-	-	-
28	Depreciation Expense	7,057	-	-	(4,041)	-	3,016
29	Amortization of CIAC	-	-	-	-	-	-
30	Taxes Other than Income	-	-	-	-	-	-
31	Property Taxes	1,402	-	-	-	(724)	678
32	Income Taxes	-	-	-	-	-	-
33	Intentionally Left Blank	-	-	-	-	-	-
34	Total Operating Expenses	\$ 34,337	(4,704)	(374)	(4,041)	(724)	24,495
35	Operating Income (Loss)	\$ (6,197)	4,704	374	4,041	724	3,645

**Antelope Run Water Company
Docket No. W-02327A-10-0169
Test Year Ended December 31, 2009**

Schedule JMM-10

NOT USED

Indiada Water Company
Docket No. W-02327A-10-0169
Test Year Ended December 31, 2009

Schedule JMM-10

NOT USED

OPERATING ADJUSTMENT NO. 2 - MANAGEMENT FEES EXPENSE

Line No.	Description	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Outside Service	\$ 14,101	\$ (4,704)	\$ 9,397
2				
3	<u>Staff's Calculation</u>			
4	Remove Pro-forma Management Fees	\$ (9,636)		
5	Insert Test Year Management Fees	\$ 5,602		
6	Less Management Fees out of Test Year	\$ (670)		
7		<u>\$ (4,704)</u>		

References:

Column [A]: Company Application

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 3 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Rate Case Expense	\$ 1,813	\$ (374)	\$ 1,439

References:

- Column (A), Company Schedule C-1
- Column (B): Testimony JMM
- Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT NO. 3 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Rate Case Expense	\$ 1,813	\$ (374)	\$ 1,439

References:

- Column (A), Company Schedule C-1
- Column (B): Testimony JMM
- Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT NO. 4 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]
			PLANT In SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
1	301	Organization Cost	\$ -	\$ -	\$ -	0.00%	\$ -
2	302	Franchise Cost	\$ -	\$ -	\$ -	0.00%	\$ -
3	303	Land and Land Rights	\$ 750	\$ 750	\$ -	0.00%	\$ -
4	304	Structures and Improvements	\$ -	\$ -	\$ -	3.33%	\$ -
5	305	Collecting and Impounding Res.	\$ -	\$ -	\$ -	2.50%	\$ -
6	306	Lake River and Other Intakes	\$ -	\$ -	\$ -	2.50%	\$ -
7	307	Wells and Springs	\$ 7,786	\$ 7,786	\$ -	3.33%	\$ -
8	308	Infiltration Galleries and Tunnels	\$ -	\$ -	\$ -	6.67%	\$ -
9	309	Supply Mains	\$ -	\$ -	\$ -	2.00%	\$ -
10	310	Power Generation Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
11	311	Electric Pumping Equipment	\$ 16,453	\$ -	\$ 16,453	12.50%	\$ 2,057
12	320	Water Treatment Equipment	\$ -	\$ -	\$ -	3.33%	\$ -
13	320	Water Treatment Plant	\$ 1,076	\$ -	\$ 1,076	3.33%	\$ 36
14	330	Distribution Reservoirs & Standpipe	\$ 1,503	\$ -	\$ 1,503	2.22%	\$ 33
15	330.1	Storage Tanks	\$ 10,865	\$ -	\$ 10,865	2.22%	\$ 241
16	330.2	Pressure Tanks	\$ 5,054	\$ -	\$ 5,054	5.00%	\$ 253
17	331	Transmission and Distribution Mains	\$ 26,736	\$ 18,780	\$ 7,956	2.00%	\$ 159
18	333	Services	\$ 474	\$ 474	\$ -	3.33%	\$ -
19	334	Meters	\$ 3,440	\$ 593	\$ 2,847	8.33%	\$ 237
20	335	Hydrants	\$ -	\$ -	\$ -	2.00%	\$ -
21	336	Backflow Prevention Devices	\$ -	\$ -	\$ -	6.67%	\$ -
22	339	Other Plant and Miscellaneous Equipment	\$ -	\$ -	\$ -	6.67%	\$ -
23	340	Office Furniture and Fixtures	\$ -	\$ -	\$ -	6.67%	\$ -
24	341	Transportation Equipment	\$ -	\$ -	\$ -	20.00%	\$ -
25	342	Stores Equipment	\$ -	\$ -	\$ -	4.00%	\$ -
26	343	Tools and Work Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
27	344	Laboratory Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
28	345	Power Operated Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
29	346	Communications Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
30	347	Miscellaneous Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
31	348	Other Tangible Plant	\$ -	\$ -	\$ -	10.00%	\$ -
32		Total Plant	\$ 74,137	\$ 28,383	\$ 45,754		\$ 3,016
33							
34		Composite Depreciation Rate (Depr Exp / Depreciable Plant):	6.59%				
35		CIAC:	\$ -				
36		Amortization of CIAC (Line 32 x Line 33):	\$ -				
37							
38		Depreciation Expense Before Amortization of CIAC:	\$ 3,016				
39		Less Amortization of CIAC:	\$ -				
40		Test Year Depreciation Expense - Staff:	\$ 3,016				
41		Depreciation Expense - Company:	\$ 7,057				
42		Staff's Total Adjustment:	\$ (4,041)				

References:

- Column [A]: Schedule JMM-3
- Column [B]: From Column [A]
- Column [C]: Column [A] - Column [B]
- Column [D]: Engineering Staff Report
- Column [E]: Column [C] x Column [D]

OPERATING INCOME ADJUSTMENT NO. 4 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 28,140	\$ 28,140
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	56,280	\$ 56,280
4	Staff Recommended Revenue, Per Schedule JMM-1	28,140	\$ 27,210
5	Subtotal (Line 4 + Line 5)	84,420	83,490
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	28,140	\$ 27,830
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	56,280	\$ 55,660
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	\$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	56,280	\$ 55,660
13	Assessment Ratio	20.5%	20.5%
14	Assessment Value (Line 12 * Line 13)	11,537	\$ 11,410
15	Composite Property Tax Rate (Per Company Schedule)	5.8791%	5.8791%
16			\$ -
17	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 678	
18	Company Proposed Property Tax	1,402	
19			
20	Staff Test Year Adjustment (Line 17-Line 18)	\$ (724)	
21	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 671
22	Staff Test Year Adjusted Property Tax Expense (Line 17)		\$ 678
23	Change in Property Tax Expense Due to Change in Revenue Requirement		\$ (7)
24			
25	Change in Property Tax Expense		\$ (7)
26	Change in Revenue Requirement		(930)
27	Change in Property Tax per Dollar Increase in Revenue (Line 25/Line 26)		0.803477%

References:

Column [A]: Company Application
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Indiada Water Company
Docket No. W-02327A-10-0169
Test Year Ended December 31, 2009

Schedule JMM-15

NOT USED

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
Meter Size (All Classes):			
5/8 x 3/4 Inch	\$ 15.00	\$ 37.87	\$ 15.00
3/4 Inch	15.00	56.81	22.50
1 Inch	15.00	94.68	37.50
1 1/2 Inch	15.00	189.35	75.00
2 Inch	15.00	302.96	120.00
3 Inch	15.00	605.92	240.00
4 Inch	15.00	946.75	375.00
6 Inch	15.00	1,893.50	750.00
8 inch	N/A	N/A	1,200.00
Commodity Charge - Per 1,000 Gallons			
5/8" x 3/4" Meter (Residential)			
First 1,000 gallons	\$ -	\$ 2.7000	N/A
1,001 to 3,000 gallons	3.5000	2.7000	N/A
3,001 to 10,000 gallons	3.5000	4.8600	N/A
All gallons over 10,000	3.5000	8.7500	N/A
First 3,000 gallons	N/A	N/A	\$ 1.5000
3,001 to 9,000 gallons	N/A	N/A	3.0000
Over 9,000 gallons	N/A	N/A	4.5000
3/4" Meter (Residential)			
First 1,000 gallons	-	2.7000	N/A
1,001 to 3,000 gallons	3.5000	2.7000	N/A
3,001 to 10,000 gallons	3.5000	4.8600	N/A
All gallons over 10,000	3.5000	8.7500	N/A
First 3,000 gallons	N/A	N/A	1.5000
3,001 to 9,000 gallons	N/A	N/A	3.0000
Over 9,000 gallons	N/A	N/A	4.5000
5/8" x 3/4" Meter (Commercial/Irrigation)			
First 9,000 gallons	N/A	N/A	3.0000
Over 9,000 gallons	N/A	N/A	4.5000
3/4" Meter (Commercial, Irrigation)			
First 9,000 gallons	N/A	N/A	3.0000
Over 9,000 gallons	N/A	N/A	4.5000
1" Meter (All Sizes)			
First 1,000 gallons	-	2.7000	N/A
1,001 to 6,000 gallons	3.5000	2.7000	N/A
Over 6,000 gallons	3.5000	4.8600	N/A
First 15,000 gallons	N/A	N/A	3.0000
Over 15,000 gallons	N/A	N/A	4.5000
1.5" Meter (All Sizes)			
First 1,000 gallons	-	2.7000	N/A
1,001 to 6,000 gallons	3.5000	2.7000	N/A
Over 6,000 gallons	3.5000	4.8600	N/A
First 35,000 gallons	N/A	N/A	3.0000
Over 35,000 gallons	N/A	N/A	4.5000
2" Meter (All Sizes)			
First 1,000 gallons	-	2.7000	N/A
1,001 to 6,000 gallons	3.5000	2.7000	N/A
Over 6,000 gallons	3.5000	4.8600	N/A
First 60,000 gallons	N/A	N/A	3.0000
Over 60,000 gallons	N/A	N/A	4.5000
3" Meter (All Sizes)			
First 1,000 gallons	-	2.7000	N/A
1,001 to 6,000 gallons	3.5000	2.7000	N/A
Over 6,000 gallons	3.5000	4.8600	N/A
First 130,000 gallons	N/A	N/A	3.0000
Over 130,000 gallons	N/A	N/A	4.5000

<u>4" Meter (All Sizes)</u>			
First 1,000 gallons	-	2.7000	N/A
1,001 to 6,000 gallons	3.5000	2.7000	N/A
Over 6,000 gallons	3.5000	4.8600	N/A
First 200,000 gallons	N/A	N/A	3.0000
Over 200,000 gallons	N/A	N/A	4.5000
<u>6" Meter (All Sizes)</u>			
First 1,000 gallons	-	2.7000	N/A
1,001 to 6,000 gallons	3.5000	2.7000	N/A
Over 6,000 gallons	3.5000	4.8600	N/A
First 400,000 gallons	N/A	N/A	3.0000
Over 400,000 gallons	N/A	N/A	4.5000
<u>8" Meter (All Sizes)</u>			
First 1,000 gallons	-	2.7000	N/A
1,001 to 6,000 gallons	3.5000	2.7000	N/A
Over 6,000 gallons	3.5000	4.8600	N/A
First 600,000 gallons	N/A	N/A	3.0000
Over 600,000 gallons	N/A	N/A	4.5000
Other Service Charges			
Establishment	\$ 20.00	\$ 35.00	\$ 35.00
Establishment (After Hours)	\$ 50.00	\$ 50.00	N/A
Reconnection (Delinquent)	\$ 10.00	\$ 35.00	\$ 35.00
Reconnection (Delinquent) - After Hours	\$ 40.00	\$ 50.00	N/A
Meter Test (If Correct)	\$ 20.00	Cost	Cost
Meter Reread (If Correct)	\$ 10.00	\$ 5.00	\$ 5.00
NSF Check Charge	\$ 15.00	\$ 35.00	\$ 35.00
Deposit	N/A	*	*
Deposit Interest (Per Annum)	N/A	*	*
Deferred Payment (Per Month)	N/A	**	**
Late Charge (Per Month)	N/A	**	**
Re-establishment (within 12 months)	\$ 50.00	***	***
Monthly Service Charge for Fire Sprinkler	N/A	****	****
After-Hours Service Charge	N/A	N/A	\$ 35.00

* Per Commission Rule A.A.C. R-14-2-403(B)
** Per Commission Rule A.A.C. R-14-2-403(B)
*** Per Commission Rule A.A.C. R-14-2-403(D) - Months off the system times the monthly minimum.
**** 1% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Service and Meter Installation Charges							
	Total Present Charge	Proposed Service Line Charge	Proposed Meter Installation Charge	Total Proposed Charge	Recommended Service Line Charge	Recommended Meter Installation Charge	Total Recommended Charge
Service Size 5/8"	\$ 100.00	\$ 400.00	\$ 100.00	\$ 500.00	\$ 400.00	\$ 100.00	\$ 500.00
3/4"	\$ 120.00	\$ 415.00	\$ 205.00	\$ 620.00	\$ 415.00	\$ 205.00	\$ 620.00
1"	\$ 200.00	\$ 465.00	\$ 265.00	\$ 730.00	\$ 465.00	\$ 265.00	\$ 730.00
1-1/2"	\$ 300.00	\$ 520.00	\$ 475.00	\$ 995.00	\$ 520.00	\$ 475.00	\$ 995.00
2" Turbine	N/A	\$ 800.00	\$ 995.00	\$ 1,795.00	\$ 800.00	\$ 995.00	\$ 1,795.00
2" Compound	N/A	\$ 800.00	\$ 1,840.00	\$ 2,640.00	\$ 800.00	\$ 1,840.00	\$ 2,640.00
3" Turbine	N/A	\$ 1,015.00	\$ 1,620.00	\$ 2,635.00	\$ 1,015.00	\$ 1,620.00	\$ 2,635.00
3" Compound	N/A	\$ 1,135.00	\$ 2,495.00	\$ 3,630.00	\$ 1,135.00	\$ 2,495.00	\$ 3,630.00
4" Turbine	N/A	\$ 1,430.00	\$ 2,570.00	\$ 4,000.00	\$ 1,430.00	\$ 2,570.00	\$ 4,000.00
4" Compound	N/A	\$ 1,610.00	\$ 3,545.00	\$ 5,155.00	\$ 1,610.00	\$ 3,545.00	\$ 5,155.00
6" Turbine	N/A	\$ 2,150.00	\$ 4,925.00	\$ 7,075.00	\$ 2,150.00	\$ 4,925.00	\$ 7,075.00
6" Compound	N/A	\$ 2,270.00	\$ 6,820.00	\$ 9,090.00	\$ 2,270.00	\$ 6,820.00	\$ 9,090.00
8" Turbine	N/A	\$ 2,881.00	\$ 9,456.00	\$ 12,337.00	\$ 2,881.00	\$ 9,456.00	\$ 12,337.00
8" Compound	N/A	\$ 3,860.54	\$ 18,155.52	\$ 22,016.06	\$ 3,860.54	\$ 18,155.52	\$ 22,016.06

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	8,731	\$ 42.06	\$ 73.82	\$ 31.76	75.52%
Median Usage	5,260	29.91	56.95	\$ 27.04	90.42%
Staff Recommended					
Average Usage	8,731	\$ 42.06	\$ 36.69	\$ (5.37)	-12.76%
Median Usage	5,260	29.91	26.28	\$ (3.63)	-12.14%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons	Company Proposed		%	Staff Recommended	
	Present	Proposed		Recommended	%
	3/4"			3/4"	
	Minimum Charge \$ 15.00	Minimum Charge \$ 37.87		Minimum Charge \$ 15.00	
	1st Tier Rate -	1st Tier Rate 2.7000		1st Tier Rate 1.5000	
	1st Tier Breakover 1,000	1st Tier Breakover 3,000		1st Tier Breakover 3,000	
	2nd Tier Rate 3.5000	2nd Tier Rate 4.8600		2nd Tier Rate 3.0000	
	2nd Tier Breakover 10,000	2nd Tier Breakover 10,000		2nd Tier Breakover 9,000	
	3rd Tier Rate 3.5000	3rd Tier Rate 8.7500		3rd Tier Rate 4.5000	
Consumption	Rates	Rates	Increase	Rates	Increase
-	\$ 15.00	\$ 37.87	152.47%	\$ 15.00	0.00%
1,000	15.00	40.57	170.47%	16.50	10.00%
2,000	18.50	43.27	133.89%	18.00	-2.70%
3,000	22.00	45.97	108.95%	19.50	-11.36%
4,000	25.50	50.83	99.33%	22.50	-11.76%
5,000	29.00	55.69	92.03%	25.50	-12.07%
6,000	32.50	60.55	86.31%	28.50	-12.31%
7,000	36.00	65.41	81.69%	31.50	-12.50%
8,000	39.50	70.27	77.90%	34.50	-12.66%
9,000	43.00	75.13	74.72%	37.50	-12.79%
10,000	46.50	79.99	72.02%	42.00	-9.68%
11,000	50.00	88.74	77.48%	46.50	-7.00%
12,000	53.50	97.49	82.22%	51.00	-4.67%
13,000	57.00	106.24	86.39%	55.50	-2.63%
14,000	60.50	114.99	90.07%	60.00	-0.83%
15,000	64.00	123.74	93.34%	64.50	0.78%
16,000	67.50	132.49	96.28%	69.00	2.22%
17,000	71.00	141.24	98.93%	73.50	3.52%
18,000	74.50	149.99	101.33%	78.00	4.70%
19,000	78.00	158.74	103.51%	82.50	5.77%
20,000	81.50	167.49	105.51%	87.00	6.75%
25,000	99.00	211.24	113.37%	109.50	10.61%
30,000	116.50	254.99	118.88%	132.00	13.30%
35,000	134.00	298.74	122.94%	154.50	15.30%
40,000	151.50	342.49	126.07%	177.00	16.83%
45,000	169.00	386.24	128.54%	199.50	18.05%
50,000	186.50	429.99	130.56%	222.00	19.03%
75,000	274.00	648.74	136.77%	334.50	22.08%
100,000	361.50	867.49	139.97%	447.00	23.65%

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 275,941	\$ 196,918
2	Adjusted Operating Income (Loss)	\$ (35,013)	\$ (17,297)
3	Current Rate of Return (L2 / L1)	-12.69%	-8.78%
4	Required Rate of Return	12.00%	10.00%
5	Required Operating Income (L4 * L1)	\$ 33,113	\$ 19,692
6	Operating Income Deficiency (L5 - L2)	\$ 68,126	\$ 36,988
7	Gross Revenue Conversion Factor	1.4158	1.2748
8	Required Revenue Increase ¹	\$ 470,029	\$ 47,154
9	Adjusted Test Year Revenue	\$ 284,083	\$ 284,083
10	Proposed Annual Revenue ¹	\$ 754,112	\$ 331,237
11	Required Increase in Revenue (%)	165.45%	16.60%

¹ Company's proposed revenue and revenue increase discards its rate base/rate of return calculation and substitutes a 39.38 percent operating margin.

References:

Column (A): Company Schedule A-1
Column (B): Staff Schedules JMM-3 and JMM-7

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Income Tax and Property Tax Rate (Line 18)	21.5574%			
5	Subtotal (L3 - L4)	78.4426%			
6	Revenue Conversion Factor (L1 / L5)	1.274818			
<u>Calculation of Effective Tax Rate:</u>					
7	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
8	Arizona State Income Tax Rate	6.9680%			
9	Federal Taxable Income (L7 - L8)	93.0320%			
10	Applicable Federal Income Tax Rate (Line 48)	15.0000%			
11	Effective Federal Income Tax Rate (L9 x L10)	13.9548%			
12	Combined Federal and State Income Tax Rate (L8 +L11)		20.9228%		
<u>Calculation of Effective Property Tax Factor</u>					
13	Unity	100.0000%			
14	Combined Federal and State Income Tax Rate (L12)	20.9228%			
15	One Minus Combined Income Tax Rate (L13-L14)	79.0772%			
16	Property Tax Factor (JMM-14, L27)	0.8025%			
17	Effective Property Tax Factor (L15*L16)		0.6346%		
18	Combined Federal and State Income Tax and Property Tax Rate (L12+L17)			21.5574%	
19	Required Operating Income (Schedule JMM-1, Line 5)	\$ 19,692			
20	Adjusted Test Year Operating Income (Loss) (JMM-8, L35)	(17,297)			
21	Required Increase in Operating Income (L19 - L20)		\$ 36,988		
22	Income Taxes on Recommended Revenue (Col. [C], L47)	\$ 5,210			
23	Income Taxes on Test Year Revenue (Col. [A], L47)	(4,576)			
24	Required Increase in Revenue to Provide for Income Taxes (L22 - L23)		9,787		
25	Recommended Revenue Requirement (Schedule JMM-1, Line 10)	\$ 331,237			
26	Uncollectible Rate	0.0000%			
27	Uncollectible Expense on Recommended Revenue (L25*L26)	\$ -			
28	Adjusted Test Year Uncollectible Expense	\$ -			
29	Required Increase in Revenue to Provide for Uncollectible Exp. (L27-L28)		-		
30	Property Tax with Recommended Revenue (Schedule JMM-14, L21)	\$ 7,218			
31	Property Tax on Test Year Revenue (Schedule JMM-14, Line 17)	6,840			
32	Increase in Property Tax Due to Increase in Revenue (L30-31)		378		
33	Total Required Increase in Revenue (L21 + L24 + L29 + L32)		\$ 47,154		
<u>Calculation of Income Tax:</u>					
34	Revenue (Schedule JMM-1, Col. [B], Line 9 & Sch. JMM-1, Col. [B] Line 10)	\$ 284,083	\$ 47,154	\$ 331,237	
35	Operating Expenses Excluding Income Taxes	\$ 305,956		\$ 306,335	
36	Synchronized Interest (L51)	\$ -		\$ -	
37	Arizona Taxable Income (L34 - L35 - L36)	\$ (21,873)		\$ 24,902	
38	Arizona State Income Tax Rate	6.9680%		6.9680%	
39	Arizona Income Tax (L37 x L38)	\$ (1,524)		\$ 1,735	
40	Federal Taxable Income (L37- L39)	\$ (20,349)		\$ 23,167	
41	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ (3,052)		\$ 3,475	
42	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	\$ -		\$ -	
43	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -		\$ -	
44	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -		\$ -	
45	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -		\$ -	
46	Total Federal Income Tax	\$ (3,052)		\$ 3,475	
47	Combined Federal and State Income Tax (L39 + L46)	\$ (4,576)		\$ 5,210	
48	Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40]			15.0000%	
<u>Calculation of Interest Synchronization:</u>					
49	Rate Base (Schedule JMM-3, Col. (C), Line 11)	\$ 196,918			
50	Weighted Average Cost of Debt	0.0000%			
51	Synchronized Interest (L49 X L50)	\$ -			

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Schedule JMM-3

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 785,752	\$ 721,574
2	Less: Accumulated Depreciation	477,224	457,049
3	Net Plant in Service	<u>\$ 308,528</u>	<u>\$ 264,525</u>
<u>LESS:</u>			
4	Contributions in Aid of Construction (CIAC)	\$ -	\$ -
5	Less: Accumulated Amortization	-	-
6	Net CIAC	<u>-</u>	<u>\$ -</u>
7	Advances in Aid of Construction (AIAC)	66,818	66,818
8	Customer Deposits	-	27,723
9	Deferred Income Tax Credits	-	-
<u>ADD:</u>			
10	Working Capital Allowance	34,231	26,934
11	Deferred Regulatory Asset	-	-
12	Original Cost Rate Base	<u>\$ 275,941</u>	<u>\$ 196,918</u>

References:

Column [A]: Company as Filed

Column [B]: Schedule JMM-4

Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	[A] COMPANY AS FILED	[B] ADJ #1 Unsubstantiated Plant	[C] ADJ #2 Customer Deposits	[D] ADJ #3 Cash Working Capital	[E] STAFF ADJUSTED
		Ref. Sch JMM-5	Ref. Sch JMM-6	Ref. Sch JMM-7		
		\$	\$	\$	\$	\$
PLANT IN SERVICE:						
1	301	Organization Cost				2,180
2	302	Franchise Cost				
3	303	Land and Land Rights	5,984			5,984
4	304	Structures and Improvements	9,622			9,622
5	305	Collecting and Impounding Res.				
6	306	Lake River and Other Intakes				
7	307	Wells and Springs	70,152			70,152
8	308	Infiltration Galleries and Tunnels				
9	309	Supply Mains				
10	310	Power Generation Equipment				
11	311	Electric Pumping Equipment	(3,123)			256,092
12	320.1	Water Treatment Plants				
13	320.2	Solution Chemical Feeders	1,076			1,076
14	330	Distribution Reservoirs & Standpipe	4,978			4,978
15	330.1	Storage Tanks	32,089			32,089
16	330.2	Pressure Tanks	13,941			13,941
17	331	Transmission and Distribution Mains	299,883			299,883
18	333	Services	474			474
19	334	Meters	21,118			21,118
20	335	Hydrants				
21	336	Backflow Prevention Devices				
22	339	Other Plant and Miscellaneous Equipment	(15,119)			
23	340	Office Furniture and Fixtures	(45,936)			
24	341	Transportation Equipment	49,921			3,985
25	342	Stores Equipment				
26	343	Tools and Work Equipment				
27	344	Laboratory Equipment				
28	345	Power Operated Equipment				
29	346	Communications Equipment				
30	347	Miscellaneous Equipment				
31	348	Other Tangible Plant				
32		Total Plant in Service - Actual	785,752			721,574
33		Post Test-Year Plant				
34		Total Plant in Service	785,752			721,574
35		Less: Accumulated Depreciation	(477,224)			457,049
36		Net Plant in Service	308,527			264,525
37						
38						
39						
40						
41						
42						
43						
44						
45						
46						
47						
48						
49						
50						
51						
52						
53						

LESS:
 Contributions in Aid of Construction (CIAC)
 Less: Accumulated Amortization
 Net CIAC (L41 - L42)
 Advances in Aid of Construction (AIAC)
 Customer Deposits
 Deferred Income Taxes

ADD:
 Working Capital Allowance
 Deferred Regulatory Assets

Original Cost Rate Base

RATE BASE ADJUSTMENT NO. 1 - UNSUBSTANTIATED PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			Plant in Service Per Company	Unsubstantiated Plant	Plant in Service Per Staff (Col A + Col B)
	311	Electric Pumping Equipment	\$ 259,215	\$ (3,123)	\$ 256,092
1	340	Office Furniture and Fixtures	\$ 15,119	\$ (15,119)	\$ -
2	341	Transportation Equipment	49,921	(45,936)	3,985
3		Total Plant	<u>\$ 324,255</u>	<u>\$ (64,178)</u>	<u>\$ 260,077</u>
4					
5		Accumulated Depreciation	\$ 477,224	\$ (20,175)	\$ 457,049

References:

- Column [A]: Company Application
- Column [B]: Testimony JMM
- Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 2 - CUSTOMER DEPOSITS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Customer Deposits	\$	- \$ 27,723	\$ 27,723

References:

Column [A]: Company Application

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 3 - CASH WORKING CAPITAL

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Cash Working Capital	\$ 34,231	\$ (7,297)	\$ 26,934

Staff's Calculation of Cash Working Capital

1/24th Purchased Power	\$	2,792
1/8th Operation & Maintenance Expense		24,142
Total Cash Working Capital	\$	<u>26,934</u>

References:

- Column [A]: Company Application
- Column [B]: Testimony JMM
- Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>REVENUES:</u>					
2	Metered Water Sales	\$ 280,359	\$ -	\$ 280,359	\$ 47,154	\$ 327,513
3	Water Sales-Unmetered	-	-	-	-	-
4	Other Water Revenue	3,724	-	3,724	-	3,724
5	Intentionally Left Blank	-	-	-	-	-
6	Total Operating Revenues	<u>\$ 284,083</u>	<u>\$ -</u>	<u>\$ 284,083</u>	<u>\$ 47,154</u>	<u>\$ 331,237</u>
7						
8	<u>OPERATING EXPENSES:</u>					
9	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
10	Purchased Water	-	-	-	-	-
11	Purchased Power	71,881	(4,862)	67,019	-	67,019
12	Fuel for Power Production	-	-	-	-	-
13	Chemicals	792	-	792	-	792
14	Repairs and Maintenance	16,163	-	16,163	-	16,163
15	Office Supplies and Expense	12,023	-	12,023	-	12,023
16	Outside Services	158,038	(43,630)	114,408	-	114,408
17	Outside Services - Other	-	-	-	-	-
18	Outside Services - Legal	-	-	-	-	-
19	Water Testing	8,008	-	8,008	-	8,008
20	Rents	-	-	-	-	-
21	Transportation Expenses	21,805	-	21,805	-	21,805
22	Insurance - General Liability	6,491	-	6,491	-	6,491
23	Insurance - Health and Life	-	-	-	-	-
24	Regulatory Commission Expense	-	-	-	-	-
25	Regulatory Commission Expense - Rate Case	14,873	(1,434)	13,439	-	13,439
26	General and Administrative	5	-	5	-	5
27	Bad Debt Expense	-	-	-	-	-
28	Depreciation Expense	49,729	(10,765)	38,964	-	38,964
29	Amortization of CIAC	-	-	-	-	-
30	Taxes Other than Income	-	-	-	-	-
31	Property Taxes	14,446	(7,606)	6,840	378	7,218
32	Income Taxes	(55,158)	50,582	(4,576)	9,787	5,210
33	Intentionally Left Blank	-	-	-	-	-
34	Total Operating Expenses	<u>\$ 319,096</u>	<u>\$ (17,716)</u>	<u>\$ 301,380</u>	<u>\$ 10,165</u>	<u>\$ 311,545</u>
35	Operating Income (Loss)	<u>\$ (35,013)</u>	<u>\$ 17,716</u>	<u>\$ (17,297)</u>	<u>\$ 36,988</u>	<u>\$ 19,692</u>

References:

Column (A): Company Schedule C-1
Column (B): Schedule JMM-9
Column (C): Column (A) + Column (B)
Column (D): Schedules JMM-14 and JMM-15
Column (E): Column (C) + Column (D)

Antelope Run Water Company, East Slope Water Company, and Indiada Water Company, Inc.
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SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	[A] COMPANY AS FILED	[B] Purchased Power Expense ADJ #1 Ref. Sch JMM-10	[C] Management Fees Expense ADJ #2 Ref. Sch JMM-11	[D] Rate Case Expense ADJ #3 Ref. Sch JMM-12	[E] Depreciation Expense ADJ #4 Ref. Sch JMM-13	[F] Property Tax Expense ADJ #5 Ref. Sch JMM-14	[G] Income Tax Expense ADJ #6 Ref. Sch JMM-15	[H] STAFF ADJUSTED
1	REVENUES:							
2	Metered Water Sales	\$ 280,359						\$ 280,359
3	Water Sales-Unmetered							
4	Other Water Revenue	3,724						3,724
5	Intentionally Left Blank							
6	Total Operating Revenues	\$ 284,083						\$ 284,083
7								
8	OPERATING EXPENSES:							
9	Salaries and Wages							
10	Purchased Water							
11	Purchased Power	(4,862)						
12	Fuel for Power Production							
13	Chemicals	792						792
14	Repairs and Maintenance	16,163						16,163
15	Office Supplies and Expense	12,023						12,023
16	Outside Services	158,038	(43,630)					114,408
17	Outside Services - Other							
18	Outside Services - Legal							
19	Water Testing	8,008						8,008
20	Rents							
21	Transportation Expenses	21,805						21,805
22	Insurance - General Liability	6,491						6,491
23	Insurance - Health and Life							
24	Regulatory Commission Expense			(1,434)				13,439
25	Regulatory Commission Expense - Rate Case							5
26	Miscellaneous Expense							
27	Bad Debt Expense							
28	Depreciation Expense				(10,765)			38,964
29	Amortization of CIAC							
30	Taxes Other than Income							
31	Property Taxes	14,446				(7,606)		6,840
32	Income Taxes	(55,158)						(4,576)
33	Intentionally Left Blank							
34	Total Operating Expenses	\$ 319,096	(43,630)	(1,434)	(10,765)	(7,606)	50,582	\$ 301,380
35	Operating Income (Loss)	\$ (35,013)	43,630	1,434	10,765	7,606	(50,582)	\$ (17,297)

References:

- Column (A): Company Schedule C-1
- Column (B): Schedule JMM-9
- Column (C): Column (A) + Column (B)
- Column (D): Schedules JMM-1, JMM-14 and JMM-15
- Column (E): Column (C) + Column (D)

Antelope Run Water Company, East Slope Water Company, and Indiada Water Company, Inc.
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Test Year Ended December 31, 2009

Schedule JMM-10

OPERATING ADJUSTMENT NO. 1 - PURCHASED POWER EXPENSE

Line No.	Description	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Purchased Power Expense	\$ 71,881	\$ (4,862)	\$ 67,019

References:

- Column [A]: Company Application
- Column [B]: Testimony JMM
- Column [C]: Column [A] + Column [B]

OPERATING ADJUSTMENT NO. 2 - MANAGEMENT FEES EXPENSE

Line No.	Description	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Outside Service	\$ 158,038	\$ (43,630)	\$ 114,408
	Company Proposed - East Slope	\$ 122,149	\$ (37,846)	\$ 84,303
	Company Proposed - Antelope Run	\$ 33,478	\$ (12,770)	\$ 20,708
	Company Proposed - Indiada	\$ 14,101	\$ (4,704)	\$ 9,397
	Total for Individual Systems	\$ 169,728	\$ (55,320)	\$ 114,408
	Less: Company Proposed - Combined	\$ 158,038	\$ 11,690	
	Company Combined Understatement	\$ 11,690	\$ (43,630)	

References:

- Column [A]: Company Application
- Column [B]: Testimony JMM
- Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 3 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Rate Case Expense	\$ 14,873	\$ (1,434)	\$ 13,439

References:

- Column (A), Company Schedule C-1
- Column (B): Testimony JMM
- Column (C): Column (A) + Column (B)

OPERATING INCOME ADJUSTMENT NO. 4 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]	[D]	[E]
			PLANT In SERVICE Per Staff	NonDepreciable or Fully Depreciated PLANT	DEPRECIABLE PLANT (Col A - Col B)	DEPRECIATION RATE	DEPRECIATION EXPENSE (Col C x Col D)
1	301	Organization Cost	\$ 2,180	\$ 2,180	\$ -	0.00%	\$ -
2	302	Franchise Cost	\$ -	\$ -	\$ -	0.00%	\$ -
3	303	Land and Land Rights	\$ 5,984	\$ 5,984	\$ -	0.00%	\$ -
4	304	Structures and Improvements	\$ 9,622	\$ -	\$ 9,622	3.33%	\$ 320
5	305	Collecting and Impounding Res.	\$ -	\$ -	\$ -	2.50%	\$ -
6	306	Lake River and Other Intakes	\$ -	\$ -	\$ -	2.50%	\$ -
7	307	Wells and Springs	\$ 70,152	\$ 42,649	\$ 27,503	3.33%	\$ 916
8	308	Infiltration Galleries and Tunnels	\$ -	\$ -	\$ -	6.67%	\$ -
9	309	Supply Mains	\$ -	\$ -	\$ -	2.00%	\$ -
10	310	Power Generation Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
11	311	Electric Pumping Equipment	\$ 256,092	\$ -	\$ 256,092	12.50%	\$ 32,012
12	320	Water Treatment Equipment	\$ -	\$ -	\$ -	3.33%	\$ -
13	320	Water Treatment Plant	\$ 1,076	\$ -	\$ 1,076	3.33%	\$ 36
14	330	Distribution Reservoirs & Standpipe	\$ 4,978	\$ -	\$ 4,978	2.22%	\$ 111
15	330.1	Storage Tanks	\$ 32,089	\$ -	\$ 32,089	2.22%	\$ 712
16	330.2	Pressure Tanks	\$ 13,941	\$ -	\$ 13,941	5.00%	\$ 697
17	331	Transmission and Distribution Mains	\$ 299,883	\$ 143,358	\$ 156,525	2.00%	\$ 3,131
18	333	Services	\$ 474	\$ 474	\$ -	3.33%	\$ -
19	334	Meters	\$ 21,118	\$ 8,759	\$ 12,359	8.33%	\$ 1,030
20	335	Hydrants	\$ -	\$ -	\$ -	2.00%	\$ -
21	336	Backflow Prevention Devices	\$ -	\$ -	\$ -	6.67%	\$ -
22	339	Other Plant and Miscellaneous Equipment	\$ -	\$ -	\$ -	6.67%	\$ -
23	340	Office Furniture and Fixtures	\$ -	\$ -	\$ -	6.67%	\$ -
24	341	Transportation Equipment	\$ 3,985	\$ 3,985	\$ -	20.00%	\$ -
25	342	Stores Equipment	\$ -	\$ -	\$ -	4.00%	\$ -
26	343	Tools and Work Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
27	344	Laboratory Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
28	345	Power Operated Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
29	346	Communications Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
30	347	Miscellaneous Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
31	348	Other Tangible Plant	\$ -	\$ -	\$ -	10.00%	\$ -
32		Total Plant	\$ 721,574	\$ 207,389	\$ 514,185		\$ 38,964
33							
34		Composite Depreciation Rate (Depr Exp / Depreciable Plant):	7.58%				
35		CIAC: \$	-				
36		Amortization of CIAC (Line 32 x Line 33): \$	-				
37							
38		Depreciation Expense Before Amortization of CIAC: \$	38,964				
39		Less Amortization of CIAC: \$	-				
40		Test Year Depreciation Expense - Staff: \$	38,964				
41		Depreciation Expense - Company: \$	49,729				
42		Staff's Total Adjustment: \$	(10,765)				

References:

- Column [A]: Schedule JMM-4
- Column [B]: From Column [A]
- Column [C]: Column [A] - Column [B]
- Column [D]: Engineering Staff Report
- Column [E]: Column [C] x Column [D]

OPERATING INCOME ADJUSTMENT NO. 5 - PROPERTY TAX EXPENSE

LINE NO.		[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
	Property Tax Calculation		
1	Staff Adjusted Test Year Revenues	\$ 284,083	\$ 284,083
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	568,166	\$ 568,166
4	Staff Recommended Revenue, Per Schedule JMM-W1	284,083	\$ 331,237
5	Subtotal (Line 4 + Line 5)	852,249	899,403
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	284,083	\$ 299,801
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	568,166	\$ 599,602
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	\$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	568,166	\$ 599,602
13	Assessment Ratio	20.5%	20.5%
14	Assessment Value (Line 12 * Line 13)	116,474	\$ 122,918
15	Composite Property Tax Rate (Per Company Schedule)	5.8722%	5.8722%
16			\$ -
17	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 6,840	
18	Company Proposed Property Tax	14,446	
19			
20	Staff Test Year Adjustment (Line 17-Line 18)	\$ (7,606)	
21	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 7,218
22	Staff Test Year Adjusted Property Tax Expense (Line 17)		\$ 6,840
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		\$ 378
24			
25	Increase to Property Tax Expense		\$ 378
26	Increase in Revenue Requirement		47,154
27	Increase to Property Tax per Dollar Increase in Revenue (Line 25/Line 26)		0.802534%

Antelope Run Water Company, East Slope Water Company, and Indiada Water Company, Inc.
Docket Nos. W-02327A-10-0171, W-01906A-10-0171, and W-02031A-10-0171
Test Year Ended December 31, 2009

Schedule JMM-15

OPERATING INCOME ADJUSTMENT NO. 6 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION	COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Income Tax Expense	\$ (55,158)	\$ 50,582	\$ (4,576)

References:

Column (A), Company Schedule C-1
Column (B): Column [C] - Column [A]
Column (C): Schedule JMM-2

Rate Design

Monthly Usage Charge	Present	Company Proposed Rates	Staff Recommended Rates
Meter Size (All Classes):			
5/8 x 3/4 Inch	N/A	\$ 20.14	\$ 10.00
3/4 Inch	N/A	50.35	15.00
1 Inch	N/A	50.35	25.00
1 1/2 Inch	N/A	100.70	50.00
2 Inch	N/A	161.12	80.00
3 Inch	N/A	322.24	160.00
4 Inch	N/A	503.50	250.00
6 Inch	N/A	1,007.00	500.00
Commodity Charge - Per 1,000 Gallons			
5/8" x 3/4" Meter (Residential)			
First 3,000 gallons	N/A	\$ 2.1200	N/A
3,001 to 10,000 gallons	N/A	3.8200	N/A
All gallons over 10,000	N/A	6.8700	N/A
First 3,000 gallons	N/A	N/A	\$ 0.8500
3,001 to 10,000 gallons	N/A	N/A	1.5000
Over 10,000 gallons	N/A	N/A	2.5600
3/4" Meter (Residential)			
First 3,000 gallons	N/A	2.1200	N/A
3,001 to 10,000 gallons	N/A	3.8200	N/A
All gallons over 10,000	N/A	6.8700	N/A
First 3,000 gallons	N/A	N/A	0.8500
3,001 to 10,000 gallons	N/A	N/A	1.5000
Over 10,000 gallons	N/A	N/A	2.5600
5/8" x 3/4" Meter (Commercial/Irrigation)			
First 3,000 gallons	N/A	2.1200	N/A
3,001 to 10,000 gallons	N/A	3.8200	N/A
All gallons over 10,000	N/A	6.8700	N/A
First 10,000 gallons	N/A	N/A	1.5000
Over 10,000 gallons	N/A	N/A	2.5600
3/4" Meter (Commercial/Irrigation)			
First 3,000 gallons	N/A	2.1200	N/A
3,001 to 10,000 gallons	N/A	3.8200	N/A
All gallons over 10,000	N/A	6.8700	N/A
First 9,000 gallons	N/A	N/A	1.5000
Over 9,000 gallons	N/A	N/A	2.5600
1" Meter (All Sizes)			
First 10,000 gallons	N/A	2.1200	N/A
Over 10,000 gallons	N/A	3.8200	N/A
First 15,000 gallons	N/A	N/A	1.5000
Over 15,000 gallons	N/A	N/A	2.5600
1.5" Meter (All Sizes)			
First 20,000 gallons	N/A	2.1200	N/A
Over 20,000 gallons	N/A	3.8200	N/A
First 34,000 gallons	N/A	N/A	1.5000
Over 34,000 gallons	N/A	N/A	2.5600
2" Meter (All Sizes)			
First 20,000 gallons	N/A	2.1200	N/A
Over 20,000 gallons	N/A	3.8200	N/A
First 55,000 gallons	N/A	N/A	1.5000
Over 55,000 gallons	N/A	N/A	2.5600

Rate Design

3" Meter (All Sizes)			
First 20,000 gallons	N/A	2.1200	N/A
Over 20,000 gallons	N/A	3.8200	N/A
First 115,000 gallons	N/A	N/A	1.5000
Over 115,000 gallons	N/A	N/A	2.5600
4" Meter (All Sizes)			
First 20,000 gallons	N/A	2.1200	N/A
Over 20,000 gallons	N/A	3.8200	N/A
First 185,000 gallons	N/A	N/A	1.5000
Over 185,000 gallons	N/A	N/A	2.5600
6" Meter (All Sizes)			
First 20,000 gallons	N/A	2.1200	N/A
Over 20,000 gallons	N/A	3.8200	N/A
First 380,000 gallons	N/A	N/A	1.5000
Over 380,000 gallons	N/A	N/A	2.5600
Other Service Charges			
Establishment	N/A	\$ 35.00	\$ 35.00
Establishment (After Hours)	N/A	\$ 50.00	N/A
Reconnection (Delinquent)	N/A	\$ 35.00	\$ 35.00
Reconnection (Delinquent) - After Hours	N/A	\$ 50.00	N/A
Meter Test (If Correct)	N/A	\$ 25.00	\$ 25.00
Meter Reread (If Correct)	N/A	\$ 20.00	\$ 20.00
NSF Check Charge	N/A	\$ 25.00	\$ 25.00
Deposit	N/A	*	*
Deposit Interest (Per Annum)	N/A	*	*
Deferred Payment (Per Month)	N/A	**	**
Late Charge (Per Month)	N/A	**	**
Re-establishment (within 12 months)	N/A	***	***
Monthly Service Charge for Fire Sprinkler	N/A	****	****
After Hours Service Charge	N/A	N/A	\$ 35.00
* Per Commission Rule A.A.C. R-14-2-403(B)			
** Per Commission Rule A.A.C. R-14-2-403(B)			
*** Per Commission Rule A.A.C. R-14-2-403(D) - Months off the system times the monthly minimum.			
**** 1% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.			

Service and Meter Installation Charges

	Total Present Charge	Proposed Service Line Charge	Proposed Meter Installation Charge	Total Proposed Charge	Recommended Service Line Charge	Recommended Meter Installation Charge	Total Recommended Charge
Service Size 5/8"	N/A	\$ 430.00	\$ 130.00	\$ 560.00	\$ 430.00	\$ 130.00	\$ 560.00
3/4"	N/A	\$ 430.00	\$ 230.00	\$ 660.00	\$ 430.00	\$ 230.00	\$ 660.00
1"	N/A	\$ 480.00	\$ 290.00	\$ 770.00	\$ 480.00	\$ 290.00	\$ 770.00
1-1/2"	N/A	\$ 535.00	\$ 500.00	\$ 1,035.00	\$ 535.00	\$ 500.00	\$ 1,035.00
2" Turbine	N/A	\$ 815.00	\$ 1,020.00	\$ 1,835.00	\$ 815.00	\$ 1,020.00	\$ 1,835.00
2" Compound	N/A	\$ 815.00	\$ 1,865.00	\$ 2,680.00	\$ 815.00	\$ 1,865.00	\$ 2,680.00
3" Turbine	N/A	\$ 1,030.00	\$ 1,645.00	\$ 2,675.00	\$ 1,030.00	\$ 1,645.00	\$ 2,675.00
3" Compound	N/A	\$ 1,150.00	\$ 2,545.00	\$ 3,695.00	\$ 1,150.00	\$ 2,545.00	\$ 3,695.00
4" Turbine	N/A	\$ 1,460.00	\$ 2,620.00	\$ 4,080.00	\$ 1,460.00	\$ 2,620.00	\$ 4,080.00
4" Compound	N/A	\$ 1,640.00	\$ 3,595.00	\$ 5,235.00	\$ 1,640.00	\$ 3,595.00	\$ 5,235.00
6" Turbine	N/A	\$ 2,180.00	\$ 4,975.00	\$ 7,155.00	\$ 2,180.00	\$ 4,975.00	\$ 7,155.00
6" Compound	N/A	\$ 2,300.00	\$ 6,870.00	\$ 9,170.00	\$ 2,300.00	\$ 6,870.00	\$ 9,170.00

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	11,839	\$ 23.34	\$ 62.81	\$ 39.47	169.10%
Median Usage	6,900	18.40	39.96	\$ 21.56	117.20%
Staff Recommended					
Average Usage	11,839	\$ 23.34	\$ 27.76	\$ 4.42	18.93%
Median Usage	6,900	18.40	18.40	\$ -	0.00%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons	Present		Company Proposed		%	Staff Recommended		%
	3/4"		3/4"			3/4"		
	Minimum Charge	\$ 11.50	Minimum Charge	\$ 20.14		Minimum Charge	\$ 10.00	
	1st Tier Rate	1,000	1st Tier Rate	1,980		1st Tier Rate	0,850	
	1st Tier Breakover	3,000	1st Tier Breakover	3,000		1st Tier Breakover	3,000	
	2nd Tier Rate	1,000	2nd Tier Rate	3,560		2nd Tier Rate	1,500	
	2nd Tier Breakover	10,000	2nd Tier Breakover	10,000		2nd Tier Breakover	10,000	
	3rd Tier Rate	1,000	3rd Tier Rate	6,420		3rd Tier Rate	2,560	
Consumption	Rates		Rates	Increase		Rates	Increase	
-	\$ 11.50	\$ 20.14	75.13%	\$ 10.00	-13.04%			
1,000	12.50	22.12	76.96%	10.85	-13.20%			
2,000	13.50	24.10	78.52%	11.70	-13.33%			
3,000	14.50	26.08	79.86%	12.55	-13.45%			
4,000	15.50	29.64	91.23%	14.05	-9.35%			
5,000	16.50	33.20	101.21%	15.55	-5.76%			
6,000	17.50	36.76	110.06%	17.05	-2.57%			
7,000	18.50	40.32	117.95%	18.55	0.27%			
8,000	19.50	43.88	125.03%	20.05	2.82%			
9,000	20.50	47.44	131.41%	21.55	5.12%			
10,000	21.50	51.00	137.21%	23.05	7.21%			
11,000	22.50	57.42	155.20%	25.61	13.82%			
12,000	23.50	63.84	171.66%	28.17	19.87%			
13,000	24.50	70.26	186.78%	30.73	25.43%			
14,000	25.50	76.68	200.71%	33.29	30.55%			
15,000	26.50	83.10	213.58%	35.85	35.28%			
16,000	27.50	89.52	225.53%	38.41	39.67%			
17,000	28.50	95.94	236.63%	40.97	43.75%			
18,000	29.50	102.36	246.98%	43.53	47.56%			
19,000	30.50	108.78	256.66%	46.09	51.11%			
20,000	31.50	115.20	265.71%	48.65	54.44%			
25,000	36.50	147.30	303.56%	61.45	68.36%			
30,000	41.50	179.40	332.29%	74.25	78.92%			
35,000	46.50	211.50	354.84%	87.05	87.20%			
40,000	51.50	243.60	373.01%	99.85	93.88%			
45,000	56.50	275.70	387.96%	112.65	99.38%			
50,000	61.50	307.80	400.49%	125.45	103.98%			
75,000	86.50	468.30	441.39%	189.45	119.02%			
100,000	111.50	628.80	463.95%	253.45	127.31%			

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	9,137	\$ 21.20	\$ 47.93	\$ 26.72	126.03%
Median Usage	5,330	14.69	34.37	\$ 19.68	133.93%
Staff Recommended					
Average Usage	9,137	\$ 21.20	\$ 21.76	\$ 0.55	2.60%
Median Usage	5,330	14.69	16.05	\$ 1.35	9.19%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons	Present		Company Proposed		Staff Recommended	
	3/4"		3/4"	%	3/4"	%
	Minimum Charge	\$ 9.00	Minimum Charge	\$ 20.14	Minimum Charge	\$ 10.00
	1st Tier Rate	-	1st Tier Rate	1.9800	1st Tier Rate	0.8500
	1st Tier Breakover	2,000	1st Tier Breakover	3,000	1st Tier Breakover	3,000
	2nd Tier Rate	1.7100	2nd Tier Rate	3.5600	2nd Tier Rate	1.5000
	2nd Tier Breakover	3,000	2nd Tier Breakover	10,000	2nd Tier Breakover	10,000
	3rd Tier Rate	1.7100	3rd Tier Rate	6.4200	3rd Tier Rate	2.5600
Consumption	Rates	Rates	Rates	Increase	Rates	Increase
-	\$ 9.00	\$ 9.00	\$ 20.14	123.78%	\$ 10.00	11.11%
1,000	9.00	9.00	22.12	145.78%	10.85	20.56%
2,000	9.00	9.00	24.10	167.78%	11.70	30.00%
3,000	10.71	10.71	26.08	143.51%	12.55	17.18%
4,000	12.42	12.42	29.64	138.65%	14.05	13.12%
5,000	14.13	14.13	33.20	134.96%	15.55	10.05%
6,000	15.84	15.84	36.76	132.07%	17.05	7.64%
7,000	17.55	17.55	40.32	129.74%	18.55	5.70%
8,000	19.26	19.26	43.88	127.83%	20.05	4.10%
9,000	20.97	20.97	47.44	126.23%	21.55	2.77%
10,000	22.68	22.68	51.00	124.87%	23.05	1.63%
11,000	24.39	24.39	57.42	135.42%	25.61	5.00%
12,000	26.10	26.10	63.84	144.60%	28.17	7.93%
13,000	27.81	27.81	70.26	152.64%	30.73	10.50%
14,000	29.52	29.52	76.68	159.76%	33.29	12.77%
15,000	31.23	31.23	83.10	166.09%	35.85	14.79%
16,000	32.94	32.94	89.52	171.77%	38.41	16.61%
17,000	34.65	34.65	95.94	176.88%	40.97	18.24%
18,000	36.36	36.36	102.36	181.52%	43.53	19.72%
19,000	38.07	38.07	108.78	185.74%	46.09	21.07%
20,000	39.78	39.78	115.20	189.59%	48.65	22.30%
25,000	48.33	48.33	147.30	204.78%	61.45	27.15%
30,000	56.88	56.88	179.40	215.40%	74.25	30.54%
35,000	65.43	65.43	211.50	223.25%	87.05	33.04%
40,000	73.98	73.98	243.60	229.28%	99.85	34.97%
45,000	82.53	82.53	275.70	234.06%	112.65	36.50%
50,000	91.08	91.08	307.80	237.94%	125.45	37.74%
75,000	133.83	133.83	468.30	249.92%	189.45	41.56%
100,000	176.58	176.58	628.80	256.10%	253.45	43.53%

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	8,731	\$ 42.06	\$ 46.48	\$ 4.42	10.52%
Median Usage	5,260	29.91	34.13	\$ 4.22	14.09%
Staff Recommended					
Average Usage	8,731	\$ 42.06	\$ 21.15	\$ (20.91)	-49.72%
Median Usage	5,260	29.91	15.94	\$ (13.97)	-46.71%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons	Company Proposed		%	Staff Recommended		
	Present	3/4"		Recommended	%	
	Minimum Charge \$	15.00	Minimum Charge \$	20.14	Minimum Charge \$	10.00
	1st Tier Rate	-	1st Tier Rate	1.9800	1st Tier Rate	0.8500
	1st Tier Breakover	1,000	1st Tier Breakover	3,000	1st Tier Breakover	3,000
	2nd Tier Rate	3.5000	2nd Tier Rate	3.5600	2nd Tier Rate	1.5000
	2nd Tier Breakover	10,000	2nd Tier Breakover	10,000	2nd Tier Breakover	10,000
	3rd Tier Rate	3.5000	3rd Tier Rate	6.4200	3rd Tier Rate	2.5600
Consumption	Rates	Rates	Increase	Rates	Increase	
-	\$ 15.00	\$ 20.14	34.27%	\$ 10.00	-33.33%	
1,000	15.00	22.12	47.47%	10.85	-27.67%	
2,000	18.50	24.10	30.27%	11.70	-36.76%	
3,000	22.00	26.08	18.55%	12.55	-42.95%	
4,000	25.50	29.64	16.24%	14.05	-44.90%	
5,000	29.00	33.20	14.48%	15.55	-46.38%	
6,000	32.50	36.76	13.11%	17.05	-47.54%	
7,000	36.00	40.32	12.00%	18.55	-48.47%	
8,000	39.50	43.88	11.09%	20.05	-49.24%	
9,000	43.00	47.44	10.33%	21.55	-49.88%	
10,000	46.50	51.00	9.68%	23.05	-50.43%	
11,000	50.00	57.42	14.84%	25.61	-48.78%	
12,000	53.50	63.84	19.33%	28.17	-47.35%	
13,000	57.00	70.26	23.26%	30.73	-46.09%	
14,000	60.50	76.68	26.74%	33.29	-44.98%	
15,000	64.00	83.10	29.84%	35.85	-43.98%	
16,000	67.50	89.52	32.62%	38.41	-43.10%	
17,000	71.00	95.94	35.13%	40.97	-42.30%	
18,000	74.50	102.36	37.40%	43.53	-41.57%	
19,000	78.00	108.78	39.46%	46.09	-40.91%	
20,000	81.50	115.20	41.35%	48.65	-40.31%	
25,000	99.00	147.30	48.79%	61.45	-37.93%	
30,000	116.50	179.40	53.99%	74.25	-36.27%	
35,000	134.00	211.50	57.84%	87.05	-35.04%	
40,000	151.50	243.60	60.79%	99.85	-34.09%	
45,000	169.00	275.70	63.14%	112.65	-33.34%	
50,000	186.50	307.80	65.04%	125.45	-32.73%	
75,000	274.00	468.30	70.91%	189.45	-30.86%	
100,000	361.50	628.80	73.94%	253.45	-29.89%	

FINANCIAL ANALYSIS

	[A] <u>12/31/2009</u>	[B] <u>Pro forma</u>
1 Operating Income	\$19,692	\$19,692
2 Depreciation & Amort.	38,964	38,964
3 Income Tax Expense	5,210	5,210
4		
5 Interest Expense	0	99,421
6 Repayment of Principal	0	94,841
7		
8 TIER		
9 [1+3] + [5]	NM	0.25
10		
11 DSC		
12 [1+2+3] + [5+6]	NM	0.33
13		
14		

CALCULATION OF LOAN SURCHARGE AMOUNT

Surcharge Inclusive of AWWA Meter Multiplier

Loan Amount		\$	2,748,504
Total Yearly Interest and Principal Payments Based on a 20-year WIFA Loan and a 3.675% Interest Rate.		\$	194,262
Total Equivalent Annual Bills (1,044 customers x 12 months)			13,590
5/8"x 3/4" Meter Surcharge Amount	(\$194,262 / 13,590)	\$	14.29
3/4" Meter Surcharge Amount	(\$194,262 / 13,590) * 1.5	\$	21.44
1" Meter Surcharge Amount	(\$194,262 / 13,590) * 2.5	\$	35.74
1 1/2" Meter Surcharge Amount	(\$194,262 / 13,590) * 5	\$	71.47
2" Meter Surcharge Amount	(\$194,262 / 13,590) * 8	\$	114.36
3." Meter Surcharge Amount	(\$194,262 / 13,590) * 16	\$	228.71
4" Meter Surcharge Amount	(\$194,262 / 13,590) * 25	\$	357.36
6" Meter Surcharge Amount	(\$194,262 / 13,590) * 50	\$	714.72

Meter Size	Number of Customers ¹	Meter Multiplier	Equivalent Customers	Equivalent No. of Bills	Monthly Surcharge	Yearly Surcharge	Total Amount
5/8" x 3/4" Meter	1,011	1	1,011	12,132	\$ 14.29	\$ 171.53	\$ 173,420.46
3/4" Meter	-	1.5	-	-	21.44	257.30	-
1" Meter	19	2.5	48	570	35.74	428.83	8,147.85
1 1/2" Meter	10	5	50	600	71.47	857.67	8,576.68
2" Meter	3	8	24	288	114.36	1,372.27	4,116.81
3" Meter	-	16	-	-	228.71	2,744.54	-
4" Meter	-	25	-	-	357.36	4,288.34	-
6" Meter	-	50	-	-	714.72	8,576.68	-
TOTAL	1,043		1132.5	13590			\$ 194,261.80

¹ As of Test Year.