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BEFORE THE ARIZONA CORPORATION COMMISSION

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7
8 IN THE MATTER OF THE APPLICATION OF
9 ARIZONA-AMERICAN WATER COMPANY,
10 AN ARIZONA CORPORATION, FOR A
11 DETERMINATION OF THE CURRENT FAIR
12 VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE BY ITS ANTHEM
WATER DISTRICT AND ITS SUN CITY
WATER DISTRICT.

Docket No. W-01303A-09-0343

13 IN THE MATTER OF THE APPLICATION OF
14 ARIZONA-AMERICAN WATER COMPANY,
15 AN ARIZONA CORPORATION, FOR A
16 DETERMINATION OF THE CURRENT FAIR
17 VALUE OF ITS UTILITY PLANT AND
18 PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE BY ITS
ANTHEM/AGUA FRIA WASTEWATER
DISTRICT, ITS SUN CITY WASTEWATER
DISTRICT AND ITS SUN CITY WEST
WASTEWATER DISTRICT.

Docket No. SW-01303A-09-0343

Arizona Corporation Commission

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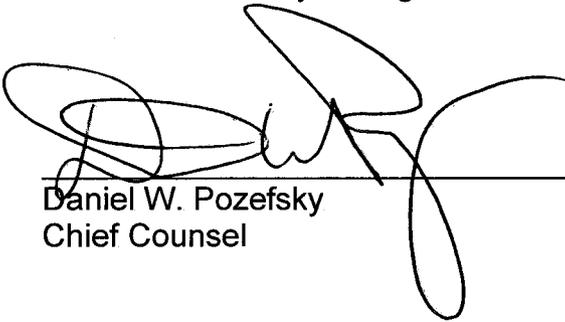
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NOTICE OF FILING

19
20
21 The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the
22 Direct Testimony of William A. Rigsby, CRRA, and Rodney L. Moore in the above-referenced
23 matter.
24

1 RESPECTFULLY SUBMITTED THIS 16th day of August, 2011

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6

Daniel W. Pozefsky
Chief Counsel

6 AN ORIGINAL AND THIRTEEN COPIES
7 of the foregoing filed this 16th day
8 of August , 2011 with:

8 Docket Control
9 Arizona Corporation Commission
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11 Phoenix, Arizona 85007

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12 Mailed or emailed this 16th day of August, 2011 to:

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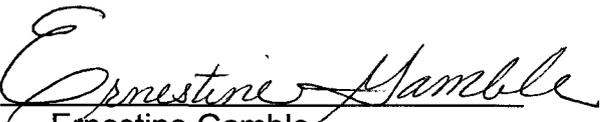
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ARIZONA-AMERICAN WATER COMPANY

**DOCKET NO. W-01303A-09-0343
AND DOCKET NO. SW-01303A-09-0343**

DIRECT TESTIMONY

OF

WILLIAM A. RIGSBY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

AUGUST 16, 2011

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EXECUTIVE SUMMARY

Pursuant to Decision No. 72047, dated January 6, 2011, Arizona-American Water Company, Inc., filed an application to support consideration of stand-alone revenue requirements and rate designs for the Anthem/Agua Fria Wastewater District with the Arizona Corporation Commission on April 1, 2011.

RUCO has reviewed Arizona-American Water Company, Inc.'s filing and is recommending that the Arizona Corporation Commission adopt the Company's proposed stand-alone rate base and operating income levels.

RUCO also recommends that the Commission adopt the Anthem Community Council's plan to mitigate the rate impact of Arizona-American Water Company, Inc.'s proposed stand-alone rate base and operating income levels.

1 **INTRODUCTION**

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

3 A. My Name is William A. Rigsby. I am a Public Utilities Analyst V employed
4 by the Residential Utility Consumer Office ("RUCO") located at 1110 W.
5 Washington, Suite 220, Phoenix, Arizona 85007.

6
7 Q. Please state the purpose of your testimony.

8 A. The purpose of my testimony is to present my analysis of Arizona-
9 American Water Company, Inc.'s ("AAWC" or "Company") compliance
10 application ("Compliance Application") to support consideration of stand-
11 alone revenue requirements and rate designs for the Anthem/Agua Fria
12 Wastewater District ("Deconsolidation Proposal"). AAWC filed its
13 Compliance Application with the Arizona Corporation Commission ("ACC"
14 or "Commission") on April 1, 2011.

15
16 Q. Have you filed any prior testimony in this proceeding on behalf of RUCO?

17 A. Yes. I filed direct testimony with the Commission on March 8, 2010 and I
18 filed surrebuttal testimony on April 15, 2010.

19
20 Q. What aspects of AAWC's Compliance Application will you address in your
21 testimony?

22 A. I will address the required revenue and rate base aspects of AAWC's
23 Compliance Application. I will also discuss RUCO's position on a proposal

1 by the Anthem Community Council (“Anthem”) to mitigate the impact of
2 the Company-proposed rates on Agua Fria customers that will result from
3 AAWC’s Deconsolidation Proposal.

4

5 Q. Will RUCO also offer testimony on the rate design aspects of the
6 Company’s Deconsolidation Proposal?

7 A. Yes. The rate design aspects of the Company’s Deconsolidation Proposal
8 will be addressed in the testimony of RUCO analyst Rodney L. Moore.

9

10 Q. How is your testimony organized?

11 A. My testimony contains five parts: the introduction that I have just
12 presented; a brief section on the background behind AAWC’s filing; a
13 section on my analysis of the Company’s Deconsolidation Proposal; a
14 discussion on RUCO’s position on the aforementioned rate impact
15 mitigation proposal being offered by Anthem consultant Dan Neidlinger;
16 and a section containing RUCO’s recommendations to the ACC.

17

18 **FILING BACKGROUND**

19 Q. Why has AAWC filed a Deconsolidation Proposal in this docket?

20 A. AAWC was ordered to file the Deconsolidation Proposal pursuant to
21 Decision No. 72047, dated January 6, 2011. Decision No. 72047 adopted
22 an agreement between AAWC, Anthem, ACC Staff, and RUCO for
23 phased-in water rates to mitigate the impact of \$23.3 million in AAWC

1 repayments to Pulte Homes for Anthem water and wastewater
2 infrastructure. The agreement also sought to keep the existing docket
3 open for the purpose of deconsolidating the Anthem/Agua Fria
4 Wastewater District. In regard to the deconsolidation issue, the Decision
5 states the following:

6 “Good public policy requires the Commission to correctly
7 assign cost responsibility for all ratemaking components in
8 as expeditious a manner as possible, and deconsolidation of
9 Anthem/Agua Fria Wastewater District is consistent with such
10 action. However, the record does not include adequate rate
11 base or operating income information to immediately
12 implement stand-alone rate designs for the resulting Anthem
13 Wastewater district and Agua Fria Wastewater district at this
14 time. Therefore, we will (i) approve the rates adopted herein
15 for Anthem/Agua Fria Wastewater district as a consolidated
16 district on an interim basis, and (ii) order the docket in the
17 instant proceeding to remain open for the sole purpose of
18 considering the design and implementation of stand-alone
19 revenue requirements and rate designs as agreed to in the
20 settlement reached during the Open Meeting for the Anthem
21 Wastewater district and Agua Fria Wastewater district as
22 soon as possible. The Company shall file its initial
23 application no later than April 1, 2011.”
24

25 As noted earlier in my testimony, AAWC filed its Compliance Application
26 on April 1, 2011 as ordered in Decision No. 72047.

27

28 **ANALYSIS**

29 Q. Have you had an opportunity to analyze AAWC’s Compliance Application?

30 A. Yes.

31 ...

32

1 Q. Does the Company's Compliance Application provide the needed rate
2 base and operating income information to implement stand-alone rate
3 designs for the resulting Anthem Wastewater district and Agua Fria
4 Wastewater district?

5 A. Yes. The Company's Compliance Application provides rate base and
6 operating income schedules and stand-alone rate designs for separate
7 Anthem and Agua Fria wastewater districts.

8

9 Q. Does AAWC accurately separate the Agua Fria system from the Anthem
10 system?

11 A. Technically yes. While AAWC properly calculates the rate base and
12 revenue requirements for both systems, the Company improperly
13 allocates a portion of revenues within the Anthem system.

14

15 Q. Please explain how the Company has improperly allocated a portion of
16 revenues within the Anthem system?

17 A. As RUCO witness Rodney L. Moore discusses in his testimony, the
18 Company improperly shifts revenue into the Anthem residential class from
19 the other water users ("OWC") class in order to lower rates for the City of
20 Phoenix. RUCO's recommended rate design corrects this situation.

21

22 ...

23

1 Q. What is the rate impact of AAWC's Deconsolidation Proposal under
2 RUCO's recommended rate design?

3 A. Under RUCO's recommended rate design, a typical Anthem ratepayer,
4 with an average monthly water consumption of 5,814 gallons, will see their
5 monthly bill fall from \$68.88 to \$54.39 or a decrease of \$14.49. On the
6 other hand, a typical Agua Fria customer with an average monthly water
7 consumption of 5,297 gallons will see their monthly bill climb from \$66.30
8 to \$108.34 or an increase of \$42.04.

9

10 Q. Does RUCO still support deconsolidation of AAWC's Anthem/Agua Fria
11 Wastewater District given the rate impact on Agua Fria customers?

12 A. Yes.

13

14 Q. Why does RUCO still support deconsolidation of AAWC's Anthem/Agua
15 Fria Wastewater District given the rate impact on Agua Fria customers?

16 A. RUCO has consistently taken the position that the Commission should set
17 rates on a cost of service basis in order to avoid cross-subsidization. In
18 the case of the Anthem/Agua Fria Wastewater District, ratepayers paid
19 rates that reflected the costs of operating two separate wastewater
20 systems that were not interconnected and provided service to customers
21 living in two different communities that were miles apart from one another.
22 The deconsolidated figures presented in the Company's Compliance
23 Application reveals that Anthem ratepayers have been subsidizing Agua

1 Fria customers under the existing consolidated arrangement. RUCO
2 believes that had the two districts not been consolidated when the
3 Commission issued the certificate of convenience and necessity, the rates
4 for the two separate districts would have more closely reflected the
5 Company's actual cost of service and ratepayers would have had a much
6 better idea of what they could expect to pay for wastewater services when
7 they bought homes or relocated in their respective service areas. While
8 hindsight is always 20/20, RUCO believes that this case provides a good
9 example of why new developments such as Anthem, which are not
10 interconnected or not close enough for interconnection to be practical,
11 should not be consolidated in order to keep rates artificially low.

12
13 **RATE IMPACT MITIGATION PROPOSAL**

14 Q. Has RUCO developed a plan to mitigate the rate impact of AAWC's
15 Deconsolidation Proposal on the Company's Agua Fria customers?

16 A. No. However, RUCO has been in contact with representatives from
17 intervenor Anthem and their consultant Mr. Dan Neidlinger, who has
18 developed a plan to mitigate the rate impact of AAWC's Deconsolidation
19 Proposal on the Company's Agua Fria customers ("Anthem Mitigation
20 Plan").

21
22 ...

1 Q. Briefly describe the Anthem Mitigation Plan.

2 A. The Anthem Mitigation Plan, developed by Mr. Neidlinger, adjusts the
3 level of revenue and the rates needed to generate that amount of revenue
4 in three separate steps over a three-year period. Under the Anthem
5 Mitigation Plan, Agua Fria wastewater rates would progressively increase
6 while Anthem wastewater rates would progressively decrease. AAAWC
7 would remain whole since there would be no foregone revenue. The
8 Company would continue to collect the \$800,000 in revenue that it was
9 authorized to receive under Decision No. 72047.

10

11 Q. Does RUCO support the rate impact mitigation plan being proposed by
12 Anthem?

13 A. Yes. RUCO believes that it is commendable that Anthem has offered to
14 put forth a plan that will delay, for three years, the full amount of rate
15 reduction that Anthem ratepayers would experience under the Company's
16 Deconsolidation Proposal, and softens the impact of the rate increase that
17 Agua Fria customers will face under deconsolidation. The Anthem
18 Mitigation Plan would give Agua Fria customers the ability to prepare for
19 the impact that fully deconsolidated rates will have on their monthly
20 budgets.

21

22

23

1 **RECOMMENDATIONS**

2 Q. What are RUCO's recommendations in this matter?

3 A. RUCO recommends that the Commission adopt the rate base and
4 operating income levels presented in the Company's Deconsolidation
5 Proposal. RUCO also recommends that the Commission adopt the
6 Anthem Mitigation Plan developed by Mr. Neidlinger.

7

8 Q. Does your silence on any of the positions taken by the Company
9 constitute your acceptance of those positions?

10 A. No, it does not.

11

12 Q. Does this conclude your testimony on the AAWC's Deconsolidation
13 Proposal?

14 A. Yes, it does.

ARIZONA-AMERICAN WATER COMPANY

**DOCKET NO. W-01303A-09-0343
AND DOCKET NO. SW-01303A-09-0343**

DIRECT TESTIMONY

OF

RODNEY L. MOORE

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

AUGUST 16, 2011

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EXECUTIVE SUMMARY

1
2 After analyzing Arizona-American Water Company, Inc.'s application to
3 support consideration of stand-alone rates for the Anthem Wastewater
4 District ("Anthem") and Agua Fria Wastewater District ("Agua Fria"),
5 RUCO recommends the following:

6
7 RUCO recommends revising the Company's rate design to hold Anthem
8 residential ratepayers harmless for any manipulation of other water user's
9 ("OWU") rates and charges so that residential ratepayers contribute the
10 same percentage of the revenue requirement as authorized in ACC
11 Decision No. 72047.

12
13 RUCO recommends increasing the revenue generated in Anthem from the
14 OWU customer class to \$500,000. A \$500,000 revenue requirement will
15 beneficially impact the Anthem residential ratepayers' contribution rate by
16 maintaining it at approximately 80 percent.

17
18 Under RUCO'S recommendations, a typical Anthem customer's bill, with
19 average water usage of 5,814 gallons per month, would be \$54.39 or an
20 increase of 13.33 percent over the present rate of \$47.99. A typical Agua
21 Fria customer's bill, with average water usage of 5,297 gallons per month,
22 would be \$108.34 or an increase of 134.53 percent over the present rate
23 of \$46.19.

1 **INTRODUCTION**

2 Q. Please state your name, position, employer and address.

3 A. My name is Rodney L. Moore. I am a Public Utilities Analyst V with the
4 Residential Utility Consumer Office ("RUCO"), located at 1110 West
5 Washington Street, Suite 220, Phoenix, Arizona 85007.

6

7 Q. What is the purpose of your testimony?

8 A. The purpose of my testimony is to present my analysis of Arizona-
9 American Water Company, Inc.'s ("AAWC" or "Company") rate designs for
10 the Anthem Wastewater District ("Anthem") and Agua Fria Wastewater
11 District ("Agua Fria") Stand-Alone Rate Design Proposal ("Deconsolidation
12 Proposal").

13

14 Q. Have you filed any prior testimony in this proceeding on behalf of RUCO?

15 A. Yes. I filed direct testimony on rate design with the Arizona Corporation
16 Commission ("ACC" or "Commission") on May 3, 2010.

17

18 Q. Please summarize your testimony.

19 A. My testimony describes RUCO's recommended rate design and presents
20 schedules that demonstrate it will produce the recommended level of
21 revenues authorized in ACC Decision No. 72047. I have also provided
22 schedules, which shows the impact of RUCO's recommended rate design
23 on a typical residential customer at various levels of consumption.

1 To support RUCO's position I am presenting rate design schedules for
2 each of Anthem ("RLM-RD1 (A)") and Agua Fria ("RLM-RD1 (AF)"), which
3 clearly depict the methodology and calculations used to produce RUCO's
4 recommended rate design.

5
6 **ANALYSIS**

7 Q. Have you had an opportunity to analyze AAWC's Deconsolidation
8 Proposal?

9 A. Yes.

10
11 Q. Does the Company's Deconsolidation Proposal produce the aggregate
12 revenue requirement as authorized in ACC Decision No. 72047 through
13 stand-alone rate designs for the resulting Anthem and Agua Fria districts?

14 A. Yes. The Company's Deconsolidation Proposal stand-alone rate designs
15 will generate aggregate annual revenue of \$13,294,893 to be produced
16 separately with \$6,881,548 generated from Anthem and \$6,413,345
17 generated from Agua Fria.

18
19 Q. Does RUCO propose any changes to AAWC's stand-alone rate design for
20 Agua Fria?

21 A. No. RUCO accepts the Company's rate design for Agua Fria.
22
23

1 Q. Does RUCO propose any changes to AAWC's stand-alone rate design for
2 Anthem?

3 A. Yes. RUCO is recommending revisions to AAWC's proposed stand-alone
4 rate design for Anthem.

5

6 Q. Please explain the basis for RUCO's recommend rate design for Anthem.

7 A. Company Witness Sandra Murrey indicates in her testimony on page 14,
8 lines 4 through 6, the Company's deconsolidation proposal will increase
9 the revenue required from the residential and commercial classes to
10 recover a reduction in revenue from the City of Phoenix through a
11 manipulation of the interim rate design authorized in ACC Decision No.
12 72047.

13

14 RUCO believes deconsolidation should not require residential ratepayers
15 to pay for the loss revenue from the City of Phoenix. Residential
16 ratepayers should not be required to contribute a higher percentage of the
17 required revenue than proposed in the interim rate design authorized in
18 ACC Decision No. 72047.

19

20 Q. Please explain the Company's manipulation of Anthem's interim rate
21 design.

22 A. The Company proposes reducing the revenue collected from City of
23 Phoenix by \$346,512 from adjusted test year revenues of \$733,665 down

1 to \$387,153 in AAWC's proposed deconsolidated rate design. This
2 reduction is accomplished by adjusting the methodology used to calculate
3 the billing charges to the City of Phoenix for wastewater services provided
4 to an area of Phoenix west of I-17.

5
6 AAWC proposes to assess the interim Other Water Users ("OWU" – the
7 only customer in this rate class is the City of Phoenix) commodity charge
8 of \$5.5760 per thousand gallons now on only 30 percent of the actual test
9 year recorded OWU water usage of 231,722 kgals or 69,517 kgals. The
10 shortfall in revenue has been shifted to the residential and commercial
11 customer classes.

12
13 Q. What is RUCO's recommendation?

14 A. RUCO recommends revising the Company's rate design to hold the
15 residential ratepayers harmless for any manipulation of the OWU rates
16 and charges. Therefore, RUCO recommends the residential ratepayers
17 contribute the same percentage of the revenue requirement as authorized
18 in ACC Decision No. 72047. Under ACC Decision No. 72047 the
19 Anthem/Agua Fria residential ratepayers are required to contribute 80.07
20 percent of the revenue requirement ($\$10,645,749 / \$13,294,894 = .8007$).
21 The Company's proposed OWU revenue requirement increases the
22 Anthem residential ratepayers' percentage of revenue contribution to
23 81.06 percent.

1 Q. What revision is RUCO recommending to the Company's deconsolidation
2 rate design?

3 A. RUCO recommends increasing the revenue generated from the OWU
4 customer class to \$500,000. A \$500,000 OWU revenue requirement will
5 beneficially impact the Anthem residential ratepayers' contribution rate by
6 maintaining it at approximately 80 percent. The \$500,000 OWU revenue
7 requirement and subsequent revised rates and charges are displayed on
8 RUCO's Anthem Rate Design Schedule RLM-1 (A).

9

10 **TYPICAL BILL ANALYSIS**

11 Q. Has RUCO prepared a Schedule representing the financial impact of
12 RUCO's recommended rate design on the typical residential customer?

13 A. Yes. A typical bill analysis for residential customers with various levels of
14 usage (both average and median) is presented on the Typical Bill Analysis
15 Schedule for each of the two systems.

16

17 Q. Does this conclude your testimony?

18 A. Yes, it does.

**DECONSOLIATION SCHEDULES
RUCO RATE DESIGN AND PROOF OF RECOMMENDED REVENUE
ANTHEM WASTEWATER DISTRICT PROPOSED REVENUE**

LINE NO.	DESCRIPTION	(A) TEST YEAR ADJUSTED DETERMIN'TS	(B) PROPOSED CHARGES & USAGE FEES	(C) RUCO TEST YEAR REVENUES	(D) TOTAL REVENUES
RESIDENTIAL CUSTOMERS (Usage In Thousands Of Gallons)					
1	E1MS1 - All Residential Customers	100,605	\$ 29.91	\$ 3,009,422	
2	Volume Charge - First 7,000 Gallons	584,968	\$ 4.2102	\$ 2,462,838	
TOTAL RESIDENTIAL CUSTOMERS REVENUE					<u>\$ 5,472,260</u>
COMMERCIAL CUSTOMERS (Usage In Thousands Of Gallons)					
1	E2MS1 - Commercial 5/8" Customers	51	\$ 29.91	\$ 1,519	
2	Volume Charge - First 10,000 Gallons	301	\$ 4.2102	\$ 1,267	\$ 2,786
3	E2MS2 - Commercial 3/4" Customers	0	\$ -	\$ -	
4	Volume Charge - First 15,000 Gallons		\$ -	\$ -	\$ -
5	E2MS3 - Commercial 1" Customers	212	\$ 59.89	\$ 12,683	
6	Volume Charge - First 20,000 Gallons	1,869	\$ 4.2102	\$ 7,869	\$ 20,553
7	E2MS4 - Commercial Large Customers	1,309	\$ 119.73	\$ 156,678	
8	Volume Charge - All Gallons	65,872	\$ 4.2102	\$ 277,334	\$ 434,012
9	Total Customer Bills			<u>\$ 170,880</u>	
10	Total Customer Charged Usage			<u>\$ 286,470</u>	
11	TOTAL COMMERCIAL CUSTOMERS REVENUE				<u>\$ 457,350</u>
OWU CUSTOMERS (Usage In Thousands Of Gallons)					
12	E5M2 - Anthem Wholesale (Phoenix)	24		\$ -	
13	Volume Charge - All Gallons	231,722	\$ 2.1578	\$ 500,000	
		69,517	\$ 7.1925		
14	TOTAL OWU CUSTOMERS REVENUE				<u>\$ 500,000</u>
TOTAL ANTHEM/AGUA FRIA WASTEWATER - BILLED REVENUES					
			DEC. NO. 72047	RUCO	
15	TOTAL RESIDENTIAL		80.09%	79.55%	\$ 5,472,260
16	TOTAL COMMERCIAL		5.79%	6.65%	\$ 457,350
17	TOTAL OWU		9.71%	7.27%	\$ 500,000
	TOTAL ANTHEM EFFLUENT		4.41%	6.54%	\$ 449,603
18	TOTAL RUCO PROPOSED REVENUE PER BILL COUNT		100.00%	100.00%	<u>\$ 6,879,213</u>
19	Unreconciled Difference vs. Billed Revenues				\$ 1,138
20	REVISED REVENUE PER BILL COUNT				<u>\$ 6,880,351</u>
21	Other Revenue (Per Company Schedule C-1, Line 3)				\$ 1,197
22	TOTAL REVENUE				<u>\$ 6,881,548</u>
23	REVENUE PER DECISION 72047				<u>\$ 6,881,548</u>
24	Difference				\$ -

**DECONSOLIATION SCHEDULES
 RUCO PROPOSED TYPICAL RESIDENTIAL BILL ANALYSIS
 ANTHEM WASTEWATER DISTRICT PROPOSED REVENUE**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
		PRESENT		DECISION NO. 72047 (INTERIM)		RUCO PROPOSED	
REVENUE ALLOCATION							
1	RESIDENTIAL	\$ 4,828,681	81.05%	\$ 5,472,260	79.52%	\$ 5,472,260	79.52%
2	OTHER	1,128,782	18.95%	1,409,287	20.48%	1,409,287	20.48%
3	TOTAL	\$ 5,957,463	100.00%	\$ 6,881,548	100.00%	\$ 6,881,548	100.00%

RESIDENTIAL (5/8" X 3/4") RATE DESIGN

LINE NO.	DESCRIPTION	PRESENT	PROPOSED
4	BASIC MONTHLY CHARGE	\$ 27.76	\$ 39.84
5	COMMODITY CHARGE		
	Max Gallons Included	7,000	7,000
	Max Gallons Included	7,000	7,000
	Max Gallons Included	7,000	7,000

RESIDENTIAL BILL COMPARISONS

**AVERAGE RESIDENTIAL BILL COMPARISONS
 COST OF WATER SERVICE AT DIFFERENT LEVELS OF USAGE
 AND THE PERCENTAGE INCREASE IN BILL**

LINE NO.	VARIABLE MONTHLY USAGE	% AVERAGE USAGE OF 7,000	INTERIM MONTHLY COST	RUCO PROPOSED MONTHLY COST	RUCO MONTHLY INCREASE	PERCENTAGE MONTHLY INCREASE
6	1,454	25.00%	\$ 47.10	\$ 36.03	\$ (11.07)	-23.50%
7	2,907	50.00%	\$ 54.36	\$ 42.15	\$ (12.21)	-22.46%
8	5,814	100.00%	\$ 68.88	\$ 54.39	\$ (14.49)	-21.03%
9	8,721	150.00%	\$ 74.80	\$ 59.38	\$ (15.42)	-20.61%
10	11,628	200.00%	\$ 74.80	\$ 59.38	\$ (15.42)	-20.61%

**MEDIAN RESIDENTIAL BILL COMPARISONS
 COST OF WATER SERVICE AT DIFFERENT LEVELS OF USAGE 3
 AND THE PERCENTAGE INCREASE IN BILL**

LINE NO.	VARIABLE MONTHLY USAGE	% AVERAGE USAGE OF 7,000	INTERIM MONTHLY COST	RUCO PROPOSED MONTHLY COST	RUCO MONTHLY INCREASE	PERCENTAGE MONTHLY INCREASE
11	1,750	25.00%	\$ 48.58	\$ 37.28	\$ (11.30)	-23.26%
12	3,500	50.00%	\$ 57.32	\$ 47.39	\$ (9.93)	-17.32%
13	7,000	100.00%	\$ 74.80	\$ 59.38	\$ (15.42)	-20.61%
14	10,500	150.00%	\$ 74.80	\$ 59.38	\$ (15.42)	-20.61%
15	14,000	200.00%	\$ 74.80	\$ 59.38	\$ (15.42)	-20.61%

**DECONSOLIDATION SCHEDULES
RUCO RATE DESIGN AND PROOF OF RECOMMENDED REVENUE
AGUA FRIA WASTEWATER DISTRICT PROPOSED REVENUE**

LINE NO.	DESCRIPTION	(A) TEST YEAR ADJUSTED DETERMIN'TS	(B) PROPOSED CHARGES & USAGE FEES	(C) RUCO TEST YEAR REVENUES	(D) TOTAL REVENUES
RESIDENTIAL CUSTOMERS (Usage In Thousands Of Gallons)					
1	E1MS1 - All Residential Customers	56,057	\$ 66.12	\$ 3,706,582	
2	Volume Charge - First 7,000 Gallons	296,925	\$ 7.9700	\$ 2,366,493	
TOTAL RESIDENTIAL CUSTOMERS REVENUE					<u>\$ 6,073,076</u>
COMMERCIAL CUSTOMERS (Usage In Thousands Of Gallons)					
1	E2MS1 - Commercial 5/8" Customers				
2	Volume Charge - First 10,000 Gallons				
3	E2MS2 - Commercial 3/4" Customers	13	\$ 99.18	\$ 1,296	
4	Volume Charge - First 15,000 Gallons		\$ 7.9700	\$ -	\$ 1,296
5	E2MS3 - Commercial 1" Customers	26	\$ 132.39	\$ 3,460	
6	Volume Charge - First 20,000 Gallons	248	\$ 7.9700	\$ 1,979	\$ 5,439
7	E2MS4 - Commercial Large Customers	281	\$ 264.68	\$ 74,347	
8	Volume Charge - All Gallons	14,975	\$ 7.9700	\$ 119,355	\$ 193,702
9	Total Customer Bills			<u>\$ 79,103</u>	
10	Total Customer Charged Usage			<u>\$ 121,334</u>	
11	TOTAL COMMERCIAL CUSTOMERS REVENUE				<u>\$ 200,437</u>
OWU CUSTOMERS (Usage In Thousands Of Gallons)					
12	E5M2 - Anthem Wholesale (Phoenix)				
13	Volume Charge - All Gallons				
14	TOTAL OWU CUSTOMERS REVENUE				<u>\$ -</u>
TOTAL ANTHEM/AGUA FRIA WASTEWATER - BILLED REVENUES					
15	TOTAL RESIDENTIAL		TEST-YEAR 96.78%	RUCO 94.74%	\$ 6,073,076
16	TOTAL COMMERCIAL		3.22%	3.13%	\$ 200,437
17	TOTAL EFFLUENT			2.14%	\$ 136,975
18	TOTAL RUCO PROPOSED REVENUE PER BILL COUNT				<u>\$ 6,410,487</u>
19	Unreconciled Difference vs. Billed Revenues				\$ 2,858
20	REVISED REVENUE PER BILL COUNT				<u>\$ 6,413,345</u>
21	Other Revenue (Per Company Schedule C-1, Line 3)				\$ -
22	TOTAL REVENUE				<u>\$ 6,413,345</u>
23	REVENUE PER DECISION 72047				<u>\$ 6,413,345</u>
24	Difference				\$ -

DECONSOLIDATION SCHEDULES
RUCO PROPOSED TYPICAL RESIDENTIAL BILL ANALYSIS
AGUA FRIA WASTEWATER DISTRICT PROPOSED REVENUE

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
		PRESENT	PRESENT	DECISION NO. 72047 (INTERIM)	DECISION NO. 72047 (INTERIM)	RUCO PROPOSED	RUCO PROPOSED
REVENUE ALLOCATION							
1	RESIDENTIAL	\$ 2,588,018	96.78%	\$ 6,073,076	94.69%	\$ 6,087,015	94.91%
2	OTHER	85,979	3.22%	340,270	5.31%	326,308	5.09%
3	TOTAL	\$ 2,673,997	100.00%	\$ 6,413,345	100.00%	\$ 6,413,323	100.00%

RESIDENTIAL (5/8" X 3/4") RATE DESIGN

4	BASIC MONTHLY CHARGE	\$ 27.76		\$ 66.12		\$ 66.12	
COMMODITY CHARGE							
5	Max Gallons Included	7,000	Max Gallons Included	7,000	Max Gallons Included	7,9700	Max Gallons Included
	PRESENT		PROPOSED				

RESIDENTIAL BILL COMPARISONS

AVERAGE RESIDENTIAL BILL COMPARISONS

LINE NO.	COST OF WATER SERVICE AT DIFFERENT LEVELS OF USAGE AND THE PERCENTAGE INCREASE IN BILL	VARIABLE MONTHLY USAGE	% AVERAGE USAGE OF 5,297	INTERIM MONTHLY COST	RUCO PROPOSED MONTHLY COST	RUCO MONTHLY INCREASE	PERCENTAGE MONTHLY INCREASE
6		1,324	25.00%	\$ 46.45	\$ 76.68	\$ 30.22	65.06%
7		2,649	50.00%	\$ 53.07	\$ 87.23	\$ 34.16	64.37%
8		5,297	100.00%	\$ 66.30	\$ 108.34	\$ 42.04	63.42%
9		7,946	150.00%	\$ 74.80	\$ 121.91	\$ 47.11	62.98%
10		10,594	200.00%	\$ 74.80	\$ 121.91	\$ 47.11	62.98%

MEDIAN RESIDENTIAL BILL COMPARISONS

LINE NO.	COST OF WATER SERVICE AT DIFFERENT LEVELS OF USAGE AND THE PERCENTAGE INCREASE IN BILL	VARIABLE MONTHLY USAGE	% AVERAGE USAGE OF 7,000	INTERIM MONTHLY COST	RUCO PROPOSED MONTHLY COST	RUCO MONTHLY INCREASE	PERCENTAGE MONTHLY INCREASE
11		1,750	25.00%	\$ 48.58	\$ 80.07	\$ 31.49	64.82%
12		3,500	50.00%	\$ 57.32	\$ 94.02	\$ 36.70	64.02%
13		7,000	100.00%	\$ 74.80	\$ 121.91	\$ 47.11	62.98%
14		10,500	150.00%	\$ 74.80	\$ 121.91	\$ 47.11	62.98%
15		14,000	200.00%	\$ 74.80	\$ 121.91	\$ 47.11	62.98%