NEW APPLICATION

ORIGINAL

0000129702

RECEIVEL

2011 AUG 29 P 3:44

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

AUG 29 2011

DOCKETED BY	
	nr

FENNEMORE CRAIG
A Professional Corporation
Jay L. Shapiro (No. 014650)
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012
Telephone (602) 916-5000

Attorneys for Pima Utility Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02199A-11-_____ **APPLICATION** W-02199A-11-0329

Pima Utility Company, an Arizona public service corporation ("Pima" or the "Company"), hereby applies for an order establishing the fair value of its plant and property used for the provision of public water utility service and, based on such finding, approving permanent rates and charges for utility service designed to produce a fair return thereon. In support thereof, Pima states as follows:

1. Pima is a public service corporation engaged in providing water and wastewater utility services in portions of Maricopa County, Arizona, pursuant to certificates of convenience and necessity granted by the Arizona Corporation Commission. During the Test Year, Pima served approximately 10,175 water service connections.

2. Pima's business office is located at 9532 E. Riggs Road, Sun Lakes, Arizona 85248, and its telephone number is (480) 895-4200. The Company's primary

management contact is Steven Soriano. Mr. Soriano is employed by Pima as its Vice President and General Manager.

3. The persons responsible for overseeing and directing the conduct of this rate application are Steven Soriano, Mr. Thomas Bourassa (the Company's rate case consultant), and Mr. Ray Jones (the Company's engineering consultant). Mr. Soriano's mailing address is 9532 E. Riggs Road, Sun Lakes, Arizona 85248, his telephone number is (480) 895-4200, his telecopier number is (480) 895-5455, and his email address is steve.soriano@robson.com. Mr. Bourassa's mailing address is 139 W. Wood Drive, Phoenix, Arizona 85029, his telephone number is (602) 246-7150, his telecopier number is (602) 246-1040, and his email address is tjb114@cox.net. Mr. Jones' mailing address is 25213 N. 49th Drive, Phoenix, Arizona 85083, his telephone number is (623) 341-4771, his telecopier number is (623) 582-5160, and his email address is ray.jones@aricor.com. **All discovery, data requests and other requests for information concerning this Application should be directed by email to Mr. Soriano, Mr. Bourassa, and Mr. Jones, with a copy to undersigned counsel for the Company, including by email to jshapiro@fclaw.com and wbirk@fclaw.com.**

4. The Company's present rates and charges for water utility service were approved by the Commission in Decision No. 58743 (August 11, 1994) using a test year ending December 31, 1992. There have been no other changes to the Company's rates since the current rates went into effect on or after September 1, 1994.

5. Pima maintains that revenues from its utility operations are presently inadequate to provide the Company a fair rate of return on the fair value of its utility plant and property devoted to public service. Operating expenses have increased since the last test year. Additionally, since the last rate case, the water division's rate base has increased by more than $8 million. These increases since the test year in the prior rate proceeding have caused the revenues produced by the current rates and charges for service

to become inadequate to meet operating expenses and provide a reasonable rate of return. Therefore, the Company requests that certain adjustments to its rates and charges for utility service be approved by the Commission so that the Company may recover its operating expenses and be given an opportunity to earn a just and reasonable rate of return on the fair value of its property. The Company agrees to use its original cost rate base as its fair value rate base in this proceeding to minimize disputes and reduce rate case expense.

6. Filed concurrently herewith are the schedules required pursuant to A.A.C. R14-2-103 for rate applications by Class "B" utilities. The test year utilized by the Company in connection with the preparation of such schedules is the 12-month period that ended December 31, 2010. The Company requests that the Commission utilize such test year in connection with this Application, with appropriate adjustments to obtain a normal or more realistic relationship between revenues, expenses and rate base during the period in which the rates established in this proceeding are in effect.

7. During the test year, the Company's adjusted gross revenues were $1,977,627 from water utility service. The adjusted operating income from the water division was $132,560, leading to an operating income deficiency of $728,976. The adjusted fair value rate base was $9,097,529. Thus, the rate of return on the Company's water operations during the test year was 1.46 percent.

8. The Company submits that this rate of return is inadequate to allow it to obtain debt, pay a reasonable dividend to its stockholder, maintain a sound credit rating, and/or enable Pima to attract additional capital on reasonable and acceptable terms in order to continue the investment in utility plant necessary to adequately serve customers.

9. The Company is requesting an increase in water utility revenues equal to $1,023,565, an increase in revenues of 51.76 percent. The adjustments to the Company's

rates and charges that are proposed herein, when fully implemented, will produce a rate of return on the fair value rate base equal to 9.47 percent from water operations.

10. Attached hereto as **Attachment 1** are water plant descriptions and a completed water use data sheet for the 2010 calendar year.

11. Filed concurrently in support of this Application is the Direct Testimony of Steven Soriano, providing an overview of Pima and discussing the Company's improvements since the last rate decision; the Direct Testimony of Ray L. Jones, providing an overview of Pima's water system and operations and support for plant additions, and discussing the B-2 Schedules, and deferred operating costs and income tax; and the Direct Testimony of Thomas J. Bourassa, in two separate volumes that collectively provide an overview of the Company's rate filing, discussion of the revenue requirement, including the "A" through "F" schedules, and the "G" schedules for the water division, development of the rate base and income statement adjustments, cost of equity capital and related issues, proposed rates, including the "H" schedules, and discussion of the effects of the proposed rates on customers' bills. The Company's "D" schedules, which concern the cost of capital, are attached to the volume of Mr. Bourassa's testimony addressing cost of capital.

WHEREFORE, Pima requests the following relief:

A. That the Commission, upon proper notice and at the earliest possible time, conduct a hearing in accordance with A.R.S. § 40-251 and determine the fair value of Pima's water plant and property devoted to providing water utility service;

B. Based upon such determination, that the Commission approve permanent adjustments to the rates and charges for water utility service provided by Pima, as proposed by the Company herein, or approve such other rates and charges as will produce a just and reasonable rate of return on the fair value of the Company's utility plant and property; and

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

RESPECTFULLY SUBMITTED this 29th day of August, 2011.

FENNEMORE CRAIG, P.C.

By_____
Jay L. Shapiro
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012
Attorneys for Pima Utility Company

ORIGINAL and ~~thirteen~~ fifteen (~~13~~ 15) copies of the foregoing, together with the direct testimonies and schedules supporting this application, were delivered this 29th day of August, 2011, to:

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

By: Maria Del Jore

2441028.2/075040.0025

Pima Utility Company

Application For A Determination Of The Fair Value Of Its Utility Plants And Property And For Increases In Its Water Rates And Charges For Utility Service Based Thereon.

Attachment 1

COMPANY NAME Pima Water Company	
Name of System:	**ADEQ Public Water System Number:**

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
See Attached						

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
75	4	709	
40	2		
25	8		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
400,000	1	5,000	
600,000	1	15,000	1
750,000	2		1

Note: If you are filing for more than one system, please provide separate sheets for each system.

Pima Utility Company - Water Division
Water Company Plant Descriptions
December 31, 2010

Wells:

ADWR ID No.	Pump Horsepower	Pump Yield (gpm)	Casing Depth (feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled	Well #	POE	Arsenic Levels (mg/l)
55-520891	150	1,600	900	20/16	10/8/10	1988	27	3	0.0048
55-625796	200	1,700	600	20	12	1952	29	Irrig	
55-806730	200	1,200	861	16	12	rehab 1994	29A	3	0.0048
55-566937	200	1,500	910	20	12	1999	29B	3	0.0048
55-625798	125	1,100	820	20	10	1947	31	1	0.0087
55-625799	250	2,200	750	16	10	1950	32	Irrig	
55-625800	150	1,600	502	14	8	1955	33	2	0.0065
55-514527	150	1,500	874	20/16	8	1986	34	2	0.0065

COMPANY NAME Pima Water Company	
Name of System:	**ADEQ Public Water System Number:**

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	PVC	221
3		
4	PVC	7,031
5		
6	PVC	306,747
8	PVC	96,682
10	PVC	43,488
12	PVC	13,527

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X ¾	9,806
3/4	4
1	267
1 1/2	11
2	97
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT:

Chlorinators (4)

STRUCTURES:

Pump Houses (2)

OTHER:

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME: Pima Water Company	
Name of System:	**ADEQ Public Water System Number:**

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2010

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	10,176	82,361	99,906	0
FEBRUARY	10,171	80,766	93,464	0
MARCH	10,172	93,350	108,883	0
APRIL	10,178	161,995	184,963	0
MAY	10,178	208,018	236,575	0
JUNE	10,182	239,688	255,955	0
JULY	10,177	247,176	276,844	0
AUGUST	10,176	196,628	221,865	0
SEPTEMBER	10,177	197,869	213,893	0
OCTOBER	10,176	154,846	183,033	0
NOVEMBER	10,176	141,344	163,028	0
DECEMBER	10,175	100,679	121,393	0
	TOTALS →	1,904,720	2,159,802	0

What is the level of arsenic for each well on your system? See Attached mg/l
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? 1,000 GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
(X) Yes ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
(X) Yes ( ) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
(X) Yes ( ) No

If yes, provide the GPCPD amount: 462

Note: If you are filing for more than one system, please provide separate data sheets for each system.

FENNEMORE CRAIG
A Professional Corporation
Jay L. Shapiro (No. 014650)
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012
Telephone (602) 916-5000

Attorneys for Pima Utility Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02199A-11-_____
IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: SW-02199A-11-_____

DIRECT TESTIMONY OF

STEVEN SORIANO

August 29, 2011

TABLE OF CONTENTS

I. INTRODUCTION AND PURPOSE OF TESTIMONY 1
II. OVERVIEW OF PIMA UTILITY COMPANY 3
III. SUMMARY OF CHANGED CIRCUMSTANCES SINCE THE LAST TEST YEARS 6
IV. MISCELLANEOUS ISSUES. 7

2447714.2/075040.0025

I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Steven Soriano. My business address is 9532 E. Riggs Road, Sun Lakes, Arizona 85248.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. On behalf of the Applicant Pima Utility Company ("Pima" or the "Company").

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

A. I am employed as a Vice-President for Robson Communities, Inc. I also hold the titles of Vice-President and Assistant Secretary for Pima, and function as Pima's General Manager.

Q. WHAT IS THE RELATIONSHIP BETWEEN ROBSON COMMUNITIES, INC. AND PIMA?

A. Robson Communities, Inc. provides accounting and administrative services to a group of affiliated companies collectively referred to as "Robson." Pima provides water and wastewater utility services to the Sun Lakes community (developed by Robson) and two additional small adjacent subdivisions to Sun Lakes.

Q. IS ROBSON THE PARENT OF PIMA?

A. No. Pima is owned by the shareholders listed on **Exhibit SS-DT1**. Robson and Pima would be better described as affiliated companies.

Q. DOES THE ROBSON FAMILY OF COMPANIES INCLUDE OTHER WATER AND WASTEWATER UTILITIES REGULATED BY THE ARIZONA CORPORATION COMMISSION?

A. Yes, in addition to Pima, the Robson family includes the following water and wastewater utilities:

Lago Del Oro Water Company
Ridgeview Utility Company

Saddlebrooke Utility Company
Quail Creek Water Company, Inc.
Picacho Water Company
Picacho Sewer Company
Mountain Pass Utility Company
Santa Rosa Water Company
Santa Rosa Utility Company

Q. WHAT ARE YOUR RESPONSIBILITIES FOR PIMA?

A. I oversee the operations and business management functions for Pima. I am responsible for the daily operations and administration of the utility, for the financial and operating results, for capital and operating cost budgeting, for rate case planning and oversight, and rate setting policies and procedures.

Q. WHAT WAS YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND BEFORE GOING TO WORK WITH ROBSON?

A. Before joining Robson in 1995, I was employed as an auditor and a CPA with Kenneth Leventhal/Ernst and Young in Phoenix. In 1991, I received my degree in business administration and accounting from State University of New York at Buffalo.

Q. WHAT OTHER POSITIONS HAVE YOU HELD WITH ROBSON?

A. During my employment with Robson I have, at times, served as an accountant.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. Yes, my direct testimony was recently filed and admitted into evidence in Phase 2 of Litchfield Park Service Company's pending rate case, Docket Nos. W-01427A-09-0104 and SW-01428A-09-0103.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS DOCKET?

A. To support Pima's application for a determination of fair value and the setting of new rates. Specifically, I will provide background on the Company and describe

the integrated nature of our operations. I will also summarize significant capital improvements completed by the Company and other factors that are contributing to the need for a rate increase.

II. OVERVIEW OF PIMA UTILITY COMPANY

Q. PLEASE PROVIDE AN OVERVIEW OF PIMA.

A. The Company is an integrated water and wastewater provider located in southeastern Maricopa County. Pima was formed in 1972 to provide water and wastewater services to the unincorporated master planned community of Sun Lakes. Sun Lakes was built in three phases between 1973 and 2008, and currently consists of approximately 10,000 homes with supporting neighborhood commercial development.

In addition to Sun Lakes, Pima serves two subdivisions immediately adjacent to Sun Lakes—Oakwood Hills Subdivision and San Tan Vista Subdivision. Oakwood Hills was developed in 1991 and consists of 32 custom home lots. San Tan Vista began development in 2004 and consists of approximately 200 custom home lots.

As of year-end 2010, Pima served approximately 10,175 water connections and 10,051 wastewater connections. Pima's customer base is approximately 96% residential customers, with only 196 commercial customers and 4 irrigation customers. Nearly all of the residential customers are served by 5/8"x3/4" meters. Commercial customers are served by meters ranging from 5/8"x3/4" to 2" in size.

Q. WHAT DOES IT MEAN TO BE AN INTEGRATED WATER AND WASTEWATER PROVIDER?

A. Simply put, an integrated water and wastewater provider does not treat the delivery of water and the treatment of wastewater as separate unrelated activities. Rather, an integrated water and wastewater provider recognizes that the delivery of water

services is substantially interrelated with the provision of wastewater services. An integrated provider recognizes that groundwater is a scarce resource and that the use of reclaimed (recycled) water for turf facilities and recharge of the aquifer are critical to the long-term sustainable provision of water and wastewater services to its customers.

Q. PLEASE DESCRIBE PIMA'S INTEGRATED WATER AND WASTEWATER SYSTEM.

A. Pima uses groundwater as its initial source of water supply. Using a system of wells, storage facilities and booster stations, groundwater is distributed to residential and commercial customers throughout Pima's service area. Pima then collects sewage generated by its customers and treats the wastewater to B+ quality at Pima's wastewater reclamation facility. The reclaimed effluent is recycled into the Sun Lakes community through the use of Pima's reclaimed water distribution system installed in the community. Pima delivers reclaimed (recycled) water to the Oakwood Golf Course for direct use, and to five dual use recharge and recovery wells for recharge into the local aquifer. Reclaimed effluent is recovered from the recharge and recovery wells for delivery to landscaping and golf course uses in the Sun Lakes community. Pima's fully integrated system directly reduces groundwater pumping by meeting turf and landscaping demands with reclaimed water, and replenishes the aquifer by returning remaining unused effluent to the aquifer.

Q. THANK YOU. PLEASE DESCRIBE PIMA'S MOST RECENT RATE CASES.

A. The Company's last water rate case was filed based on a 1992 test year with current rates being approved in Decision No. 58743 (August 11, 1994) and becoming effective September 1, 1994. The Company's last wastewater rate case

was filed based on a 1997 test year with current rates being approved in Decision No. 62184 (January 5, 2000) and becoming effective January 1, 2000.

Q. HOW HAS PIMA BEEN ABLE TO HOLD ITS RATES STEADY FOR THIS EXTENDED PERIOD OF TIME?

A. There are several factors that have enabled Pima to avoid rate increases over the past several years. From the time of the last rate increases through build out of Sun Lakes in 2008, Pima experienced steady growth, which helped Pima to pay increasing expenses and support additional rate base without the need for an increase in rates. This factor affects both water and wastewater, and has been particularly important in holding the line on water rates. Another favorable factor for the water division is the low arsenic level present in our groundwater supply. Unlike many water utilities, Pima has not had to construct any arsenic treatment facilities, which have driven rate increases for many water providers.

On the wastewater side, just prior to the last rate increase, Pima constructed a new wastewater treatment plant. The treatment plant cost approximately $8.2 million and represented about two-thirds of the rate base approved in Decision No. 62184. As is typical with any utility after placing a major facility into service, the resulting significant rate increase provided a base from which significant additional capital expenditures could be made for wastewater facilities without driving immediate rate increases.

Pima is also managed and staffed by a combined water and wastewater workforce that operates in an efficient manner. As a Robson affiliated utility, Pima enjoys economies of scale that a stand-alone utility would not have.

Q. WHY IS PIMA FILING FOR NEW RATES AT THIS TIME?

A. The Pima water and wastewater systems have aged and some facilities have reached the end of their useful lives. Pima has been prudently investing in the

ongoing replacement and rehabilitation of these facilities. The impact of these and other capital expenditures on rate base together with the impact of steadily increasing expenses and regulatory requirements have forced Pima to seek a rate increase at this time in order to earn a fair return on our investment.

III. SUMMARY OF CHANGED CIRCUMSTANCES SINCE THE LAST TEST YEARS

Q. PLEASE SUMMARIZE SIGNIFICANT IMPROVEMENTS THAT PIMA HAS MADE SINCE THE LAST RATE CASES.

A. Pima completed the final phase of fully integrating its water and wastewater system, including construction of Phase two, the water reclamation facility, five recharge/recovery wells, and some components of the reclaimed water distribution system. Pima has also made several significant enhancements to the wastewater reclamation facility.

The aging water distribution system and wastewater collection system were also addressed. Nine lift stations received major improvements or rehabilitation since the last wastewater rate case, and Well 27, Water Plant #1, and Water Plant #2 were rehabilitated and rebuilt since the last water rate case. Mr. Jones provides additional details of these and other system improvements in his testimony.[1]

Q. ARE THERE ANY CHANGES TO OPERATING REVENUES OR PIMA'S OPERATIONS IN GENERAL THAT YOU WOULD LIKE TO ADDRESS?

A. Yes. Since the last wastewater rate case, Sun Lakes has essentially been built out. This has affected our wastewater revenues in two ways. First, Sun Lakes Marketing Limited Partnership ("SLLP") pays Excess Capacity Charges in accordance with the Excess Capacity Agreement (dated March 31, 1995) between SLLP and Pima. SLLP's current capacity reservation is 10 lots, resulting in an

[1] *See* the Direct Testimony of Ray Jones at 7 – 8.

annual Excess Capacity Charge of $1,200.00. In comparison, the annual Excess Capacity Charge used on the last rate case was $483,840.00.

Second, in the last rate case Pima was authorized to collect an Establishment Charge of $260.00. The charge is an impact fee assessed only to new (first time) connections. In 2010, Pima collected three Establishment Charges for total revenue of $780.00. In comparison, impact fee revenue was assumed to be $89,000.00 in the last rate case.

IV. MISCELLANEOUS ISSUES.

Q. WHAT IS THE COMPANY'S COMPLIANCE STATUS?

A. To the best of my knowledge, Pima is currently in compliance with the rules and regulations of MCESD, ADEQ, ADWR, and the Commission. We have submitted requests for evidence of current compliance to MCESD. We will provide such evidence to Staff upon receipt.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Pima Utility Company

Steven Soriano Direct Testimony

Exhibit SS-DT1

Pima Utility Company
List of Shareholders
As of September 25, 2011

SHAREHOLDER	OWNERSHIP %
JR Norton III	10.2350%
EJR Rev Trust	41.4090%
KAR Sub S Trust	4.0434%
LRR Sub S Trust	4.0434%
MER Sub S Trust	4.0434%
RDR Sub S Trust	2.9627%
SSR Sub S Trust	4.0434%
KAR	4.2367%
LRR	4.2367%
MER	4.2367%
RDR	1.8377%
SSR	4.2367%
Arthur A Carrol Irr Trust	0.9236%
Roger Stevenson Irr Trust	0.9708%
Robert A Micalizio Irrv Trust	2.7455%
MDR 1997 Irr S Trust	1.0287%
RDR 1997 Irr S Trust	1.0287%
Michael Norton Trust	1.2460%
Melanie Norton Trust	1.2460%
Norton Family Trust	1.2460%
	100.0001%

FENNEMORE CRAIG
A Professional Corporation
Jay L. Shapiro (No. 014650)
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012
Telephone (602) 916-5000

Attorneys for Pima Utility Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02199A-11-_____
IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: SW-02199A-11-_____

DIRECT TESTIMONY OF

RAY L. JONES, P.E.

August 29, 2011

TABLE OF CONTENTS

I. INTRODUCTION AND PURPOSE OF TESTIMONY 1
II. PIMA'S WATER AND WASTEWATER SYSTEM AND OPERATIONS 2
III. PLANT ADDITIONS SINCE LAST RATE CASE 6
IV. B-2 PLANT SCHEDULES 7
V. DEFERRED OPERATING COSTS 11
VI. INCOME TAX 12

2441280.4/075040.0025

I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Ray L. Jones, P.E. My business address is 25213 N. 49th Drive, Phoenix, Arizona 85083.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. On behalf of the Applicant Pima Utility Company ("Pima" or the "Company").

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

A. I am the owner and principal of ARICOR Water Solutions LC.

Q. WHAT WAS YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND BEFORE GOING TO WORK FOR ARICOR?

A. I began my working career with Citizens Utilities Company ("Citizens") in 1985 as a Staff Engineer for the Maricopa County water and wastewater division. I was employed at Citizens for 17 years, ending my career there as Vice President and General Manager for the Arizona water and wastewater operations. In 2002, American Water ("American") purchased the water and wastewater assets of Citizens and I joined American as the President of Arizona-American Company. I left American in 2004 to start up ARICOR Water Solutions.

I received a Bachelor of Science in Civil Engineering in 1985 from the University of Kansas, and a Master of Business Administration in 1991 from Arizona State University. I am a Registered Professional Engineer in Arizona and California and a Grade 3 Certified Operator in Arizona for all four water and wastewater classifications. I specialize in water resource issues, regulatory strategies, rate case filings, and water and wastewater utility management and operations. My resume is attached as **Exhibit RLJ-DT1**.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. In my time with Citizens and American, I prepared or assisted in the preparation of multiple filings before the Arizona Corporation Commission ("Commission"), including rate applications and CC&N filings. Since starting ARICOR, I have prepared several filings and assisted in the preparation of several more filings before the Commission, including rate applications and CC&N filings. I have also provided testimony in all of these cases before the Commission. A summary of my regulatory work experience is included in my resume attached as **Exhibit RLJ-DT1**.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. To support Pima's application for rate relief. Specifically, I will provide an overview of Pima's water and wastewater system and operations, provide support for plant additions and discuss the B-2 Schedules. Lastly, I will address policy issues related to Pima's request to recover income tax expense.

II. PIMA'S WATER AND WASTEWATER SYSTEM AND OPERATIONS

Q. WHAT IS YOUR RELATIONSHIP TO PIMA?

A. I provide consulting services to the water and wastewater companies affiliated with Robson, including Pima. Specifically, I assist and advise Pima on a variety of matters related to their ownership and operation of their water and wastewater system. In my capacity as a consultant to Pima, I have become familiar with their facilities and operations.

Q. WHO IS ROBSON?

A. Robson refers to a group of affiliated companies that developed most of the residential neighborhoods served by Pima. Pima is one of several water and wastewater utilities regulated by the Commission that is affiliated with Robson.[1]

[1] Direct Testimony of Steven Soriano at 1:11 – 2:4.

Q. WOULD YOU DESCRIBE PIMA'S WATER AND WASTEWATER SYSTEM?

A. Pima's water and wastewater system is an integrated system serving the unincorporated master planned community of Sun Lakes and two subdivisions immediately adjacent to Sun Lakes. Pima's customer base is approximately 96% residential customers, with a small number of commercial customers and irrigation customers.

The Pima water system consists of three water plant sites consisting of water storage tanks and booster pumps. The water plants are interconnected by a looped distribution system to provide system reliability. In addition, the water plants are designed to provide reliable service through the use of diesel driven booster pumps and backup generators. The system is designed to provide a 1,000 gallon per minute fire flow.

The water plant sites are fed by six potable wells, each with chlorination facilities. Four of the potable wells are used exclusively for the potable water system and two of the wells can be pumped either to the potable water system or directly to irrigation customers. Two additional wells are dedicated irrigation wells. The combination of dedicated irrigation wells, dedicated potable wells and dual use wells provides water supply reliability by allowing operational flexibility to meet customer demands.

The Pima wastewater treatment system consists of a single 2.4 million gallon per day wastewater reclamation facility ("WRF"). The WRF is a sequential batch reactor facility that includes aerobic digesters, sand filtration and ultra-violet disinfection. The collection system consists of a gravity collection system with fifteen lift stations located at various points in the collection system.

Effluent from the WRF is recycled by direct delivery of reclaimed water to the Oakwood Golf Course. The effluent reuse system includes five recharge and recovery wells. The recharge and recovery wells are used to deliver recovered effluent to the Oakwood Golf Course and to the Phase III HOA for landscape watering. All remaining effluent is recharged into the groundwater aquifer directly beneath the Pima service area, providing a renewable source of groundwater.

A detailed description of Pima's water and wastewater systems is attached as **Exhibit RLJ-DT2**.

Q. WHAT IS YOUR OPINION OF PIMA'S WATER AND WASTEWATER FACILITIES AND OPERATIONS?

A. My observations indicate that Pima's water and wastewater facilities are well designed, well maintained and provide reliable service to the community. Pima's operations staff is highly knowledgeable regarding water and wastewater system operations and operate the systems in an effective and efficient manner.

Q. WHAT IS THE SIGNIFICANCE OF HAVING AN INTEGRATED WATER AND WASTEWATER SYSTEM?

A. Historically, Arizona has relied on groundwater supplies to serve water demands. This reliance resulted in significant over-drafting of groundwater supplies. In 1980, Arizona adopted the Groundwater Code of 1980 ("Code"). The Code implemented stringent regulation of groundwater supplies by promoting water conservation and requiring the use of renewable supplies.

As an integrated water and wastewater provider, Pima is well positioned to utilize renewable effluent supplies to meet water demands and replenish the groundwater aquifer below its service area. Pima recognizes that groundwater is a scarce resource, and through the use of reclaimed (recycled) water for turf facilities

and recharge of the aquifer, Pima is helping to ensure the long-term sustainable provision of utility services to its customers.

Q. WOULD YOU SUMMARIZE PIMA'S WATER CONSERVATION PROGRAM?

A. Pima is enrolled as a regulated tier II municipal provider in ADWR's Modified Non-Per Capita Conservation Program ("NPCCP"). As a part of the program, Pima reviewed its water and wastewater system and proposed Best Management Practices ("BMPs") for implementation in the Pima service area. On August 24, 2009 ADWR approved the following BMPs for Pima:

- Customer High Water Use Inquiry Resolution
- Customer High Water Use Notification
- Water Waste Investigations and Information
- Leak Detection Program
- Meter Repair and/or Replacement Program

In addition to the BMPs, Pima has implemented a Public Education Program as required by the NPCCP.

Q. WHAT ARE THE COMPONENTS OF PIMA'S PUBLIC EDUCATION PROGRAM?

A. Pima provides water conservation education through two primary communication channels. Pima provides water wise tips to each of its customers through a note on the water bill during most months. Pima also makes AWWA conservation brochures available in all of the country clubs (4) and at its Sun Lakes offices. In addition, articles written by Pima are placed in the Sun Lakes community newspaper.

Q. DOES PIMA HAVE A PROGRAM TO ADDRESS WATER LOSSES?

A. Yes. All water providers in the Phoenix Active Management Area are required to track and report water losses to ADWR. Pima closely monitors this data and implements corrective action as warranted. Pima has a residential meter replacement program and has recently implemented a commercial meter replacement program.

Q. WHAT ARE PIMA'S LOST AND UNACCOUNTED FOR WATER PERCENTAGES FOR THE PAST FIVE YEARS?

A. ADWR reports the following 3-year averages for Pima:

- 2006 – 9.51%
- 2007 – 7.21%
- 2008 – 4.58%
- 2009 – 6.12%

The lost and unaccounted for water percentage reported to ADWR for calendar year 2010 was 9.25%.

III. <u>PLANT ADDITIONS SINCE LAST RATE CASE</u>

Q. WHAT IS PIMA'S MOST RECENT TEST YEAR USED FOR RATEMAKING?

A. The Company's last water rate case was filed based on a 1992 test year and the Company's last wastewater rate case was filed based on a 1997 test year.

Q. PLEASE DESCRIBE THE MAJOR WATER PLANT ADDITIONS ADDED SINCE THE LAST WATER TEST YEAR.

A. Pima has addressed aging water infrastructure by rehabilitating and rebuilding several facilities. Well 27, Water Plant #1 and Water Plant #2 have been rehabilitated and rebuilt since the last rate water case. Pima has also implemented a service line replacement program to address failing polyethylene water services.

To date approximately 3,500 services have been replaced. The major water system improvements are more fully described in **Exhibit RLJ-DT3**.

Q. PLEASE DESCRIBE THE MAJOR WASTEWATER PLANT ADDITIONS ADDED SINCE THE LAST WASTEWATER TEST YEAR?

A. Pima completed the final phase of fully integrating its water and wastewater system in 1998. The final phase of system integration included construction of Phase two, the water reclamation facility, four recharge/recovery wells (RW-1, 2, 4 & 5) and some components of the reclaimed water distribution system. Pima installed a fifth recharge/recovery well (RW-3) in 2008.

Pima has also made enhancements to the wastewater reclamation facility by upgrading the filter in 2000 and 2005, replacing the odor control system in 2005 and rebuilding the head works in 2008. The wastewater collection system has also received attention with nine lift stations receiving major improvements or rehabilitation since the last wastewater rate case. A complete description of the major wastewater system improvements is provided in **Exhibit RLJ-DT4**.

IV. B-2 PLANT SCHEDULES

Q. DID YOU ASSIST WITH PREPARATION OF THE B-2 SCHEDULES FOR THIS FILING?

A. Yes, I conducted a comprehensive review of Pima's fixed asset records and prepared portions of the B-2 Schedules for this filing.

Q. PLEASE DESCRIBE THE SCOPE OF YOUR REVIEW OF PIMA'S FIXED ASSET RECORDS.

A. Pima provided me with a comprehensive listing of all fixed asset ledger entries for both the water division and wastewater division. Working with Pima management and operations personnel, each individual ledger entry was reviewed to determine the following:

- Is the asset entry an appropriate plant entry per the NARUC system of accounts?
- Is the asset entry charged to the correct utility service?
- Is the asset entry charged to the correct NARUC plant account?

Q. WHAT CONCLUSIONS DID YOU REACH AFTER YOUR FIXED ASSET RECORD REVIEW?

A. I found Pima's records to be generally in good order and in compliance with the NARUC system of accounts. The asset entries were generally complete with detailed descriptions and good backup documentation.

A few items were discovered that needed attention.

- Plant retirements were not being made in strict adherence to NARUC.
- Some asset items were physically retired, but not retired on Pima's books.
- Some assets were classified to the wrong service.
- Some assets were classified to the wrong NARUC plant account or required further breakdown to additional NARUC plant accounts.

Q. WHAT ACTIONS DID YOU TAKE AFTER YOUR FIXED ASSET REVIEW?

A. I constructed an Excel spreadsheet for each service listing all fixed assets entries. The line items in the listing were coded to indicate the following:

- Entries that are classified to the incorrect service.
- Entries that are plant retirements.
- The correct NARUC plant account.
- Assets that were no longer in service, but not retired.
  - For assets not in service the retirement date and replacing asset were identified.

Line items were added to the spreadsheet to account for assets disposed of but no longer listed on the asset listing, and to account for assets that were incorrectly listed on the other service division's asset ledger.

Q. CAN YOU SUMMARIZE THE FINDINGS FROM YOUR REVIEW OF THE WATER ASSET LISTING?

A. The table below reconciles and summarizes my findings.

Water Plant In Service Per Books	17,904,574
Less: Wastewater Plant on Water Books	(2,821,059)
Less: Unbooked Retirements	(567,910)
Plus: Water Plant on Sewer Books	15,403
Adjusted Water Plant In Service Per Books	14,531,008
Correction to Match Last Rate Order	15,121
Adjusted Water Plant in Service	14,546,129

Q. CAN YOU SUMMARIZE THE FINDINGS FROM YOUR REVIEW OF THE WASTEWATER ASSET LISTING?

A. The table below reconciles and summarizes my findings.

Wastewater Plant In Service Per Books	19,847,116
Less: Water Plant	(15,403)
Less: Unbooked Retirements	(1,314,477)
Plus: Wastewater Plant on Water Books	2,821,059
Adjusted Wastewater Plant In Service	21,338,296

Q. WHAT DID YOU DO NEXT?

A. The updated asset entries were used to prepare B-2 Schedule, pages 3.1 to 3.19 for the water division and pages 3.1 to 3.18 for the wastewater division. The updated entries were also the basis for the adjustments shown on Schedule B-2, page 3 for each division.

The B-2 Schedule, pages 3.1 to 3.19 were constructed as follows:

- The book balances for plant and accumulated depreciation at the end of the last test year were reconciled to the balances indicated in the appropriate decision.
  - I was unable to reconcile $15,121 of the plant in service from the last water division rate decision to current books. An adjustment was made to include this previously ordered plant in service amount.
- Since accumulated depreciation was calculated on a composite basis in the last rate cases, accumulated depreciation was allocated to the individual plant accounts.
- From these reconciled beginning balances, plant additions, adjustments, retirements, depreciation, plant balances and accumulated depreciation were calculated and brought forward for each year from the previous test year to year-end 2010.
  - Depreciation was calculated using the depreciation rates specified in the appropriate decision or using Utilities Division Staff recommended rates for NARUC plant accounts not specified in previous orders.

Q. WHAT IS THE END RESULT OF YOUR REVIEW AND CONSTRUCTION OF THE B-2 DETAIL SCHEDULES?

A. The result is calculated plant in service balances and accumulated depreciation balances for year end 2010 that are consistent with the NARUC system of accounts and the previous rate orders. These balances are the appropriate balances to use in determining Pima's rate base and depreciation expense.

Q. CAN YOU EXPLAIN THE LARGE AMOUNT OF WASTEWATER PLANT RECORDED ON THE WATER DIVISIONS BOOKS?

A. Yes. The vast majority of the wastewater plant recorded on the water division's books is related to the five recharge and recovery wells and related components of the reuse system. My review indicates that the primary function of these wells is recharge of wastewater from the WRF. A portion of the recharged water is later recovered and delivered to irrigation customers. It appears that since the assets

were wells, they were incorrectly recorded on the water company's books. The recharge and recovery wells are more appropriately wastewater division assets and should be included in the plant balances for the wastewater division.

Q. PLEASE EXPLAIN THE UNBOOKED RETIREMENTS.

A. The unbooked retirements resulted from Pima physically removing assets from service without retiring the plant from its books. Based on the detailed asset review, the unbooked retirements were identified and accounted for on the B-2 schedules during the year they were actually removed from service.

Q. WHAT HAS PIMA DONE TO ADDRESS UNBOOKED RETIREMENTS ON A GOING FORWARD BASIS?

A. With my assistance, Pima has developed and adopted a retirement policy (attached as **Exhibit RLJ-DT5**) and put processes in place to ensure timely retirement of assets on a going forward basis.

V. <u>DEFERRED OPERATING COSTS</u>

Q. IS PIMA SEEKING RECOVERY FOR DEFERRED OPERATING COSTS?

A. Yes, Pima deferred wastewater treatment plant operating and maintenance costs pursuant to Decision No. 59130 (June 27, 1995) and is seeking recovery of those costs at this time.

Q. PLEASE EXPLAIN THE ORIGIN AND AMOUNT OF THE DEFERRED COSTS.

A. Decision No. 59130 authorized deferral of 30% of the increased costs of operating the new wastewater treatment plant (placed in service in 1997) above the cost of operating the old wastewater treatment plant until such time as new rates went into effect. Pima currently seeks recovery of $314,627 in deferred costs incurred during 1998 and 1999. The requested recovery is 30% of the total difference in operating costs of $1,048,756 as prescribed in Decision No. 59130.

Q. WAS PIMA GRANTED RECOVERY FOR THESE DEFERRED COSTS IN DECISION NO. 62184 (JANUARY 5, 2000)?

A. No. The costs recovered in Decision No. 62184 were for deferred costs incurred in 1997. The request in this case is for unrecovered deferred cost incurred in 1998 and 1999 in the period between the last test year and new rates going into effect.

Q. HOW IS PIMA PROPOSING TO AMORTIZE THE COSTS?

A. Consistent with Decision No. 62184, Pima proposes to recover the costs over five years for an annual amortization of $62,925.

VI. INCOME TAX

Q. WHY IS PIMA REQUESTING INCOME TAX EXPENSE RECOVERY IN THIS CASE?

A. Pima is requesting income tax expense because the net income generated by Pima through the provision of regulated water and wastewater services is subject to state and federal income tax. Without income tax recovery, the shareholders of Pima will receive a lower rate of return on their equity investment than shareholders of other corporations that receive income tax recovery.

Q. IS PIMA A C-CORP OR AN S-CORP?

A. Pima is organized as an S-Corp.

Q. HOW IS THE INCOME OF S-CORPS TAXED?

A. The tax liability for regular income is passed-through to the shareholders of the corporation with individual shareholders paying the income tax due on their share of the S-Corp income. In certain limited circumstances, S-Corps pay income tax directly.

Q. HAS THE COMMISSION PREVIOUSLY ADDRESSED INCOME TAX RECOVERY FOR S-CORPS?

A. Yes, and Utilities Division Staff has recommended against such income tax recovery and the Commission has followed this recommendation.

Q. THEN WHY IS PIMA SEEKING INCOME TAX RECOVERY?

A. Because the Commission is reviewing the issue in its ongoing water workshops (Docket No. W-00000C-06-0149) and Pima believes it is entitled to recover this cost as part of its cost of service. I can explain it this way.

The passed-through tax liability incurred by Pima's shareholders would not exist absent the provision of regulated water and wastewater services by Pima. The income taxes are "inescapable business outlays and are directly comparable with similar corporate taxes."[2] Like any other expense prudently incurred in the operation of a regulated entity, the income tax expense should be recovered in rates of the regulated entity.

Q. HAS PIMA PARTICIPATED IN THE WORKSHOP PROCESS?

A. Yes. Representatives of Pima have attended the workshops and Pima has retained me to represent their interests in the workshop process.

Q. WAS THE POSITION YOU'VE TAKEN HERE PRESENTED IN THE WATER WORKSHOP PROCESS?

A. Yes. I made the presentation attached as **Exhibit RLJ-DT6** in the water workshop held on March 25, 2011 on behalf of Pima and others.

---

[2] *Suburban Utility Corp. v. Public Utility Com'n of Texas* 652 S.W.2d 358 (Tex. 1983).

Q. HAS THE FEDERAL REGULATORY ENERGY COMMISSION ("FERC") ADDRESSED THIS ISSUE?

A. Yes. FERC issued a *Policy Statement on Income Tax Allowances* on May 4, 2005 (111 FERC ¶ 61,139).[3]

Q. WHAT IS FERC'S POLICY ON INCOME TAX RECOVERY FOR PASS-THROUGH ENTITIES?

A. FERC concluded that it should:

> ...permit an income tax allowance for all entities or individuals owning public utility assets, provided an entity or individual has an actual or potential income tax liability to be paid on that income from those assets.[4]

In support of its conclusion, FERC stated:

> While the pass-through entity does not itself pay income taxes, the owners of a pass-through entity pay income taxes on the utility income generated by the assets they own via the device of the pass-through entity. Therefore, the taxes paid by the owners of the pass-through entity are just as much a cost of acquiring and operating the assets of that entity as if the utility assets were owned by a corporation.[5]

Q. IS PIMA PROPOSING THAT THE COMMISSION FOLLOW THE FERC POLICY ON INCOME TAX RECOVERY?

A. Yes. The FERC Policy is comprehensive in scope, well-reasoned and thoroughly vetted and should be adopted by the Commission. However, Pima has not used the FERC presumed marginal income tax rates of 28 percent for individuals and 35 percent for corporate entities. Instead, Pima determined the tax rate for each shareholder/taxpayer individually. Pima believes that since it has twenty shareholders, some with relatively small percentages of ownership, use of the

---

[3] A copy of FERC's *Policy Statement on Income Tax Allowances* ("*Policy Statement*") is attached to the Direct Testimony of Thomas J. Bourassa (Rate Base) at Exhibit TJB-RB-DT1.

[4] *Id.* at 32.

[5] *Id.* at 33.

FERC presumptive rates is not appropriate in this instance. As explained by Mr. Bourassa, use of individual tax rates results in a lower composite tax rate for Pima and lower cost to ratepayers.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Pima Utility Company

Ray Jones Direct Testimony

Exhibit RLJ-DT1

Ray L. Jones P.E.
Principal
ARICOR Water Solutions, LC
25213 N. 49th Drive
Phoenix, Arizona 85083

EMPLOYMENT HISTORY

2004 – Present

ARICOR Water Solutions
Principal
ARICOR Water Solutions offers a wide range of services to the private and public sectors. Projects include water resources strategy development, water rights evaluation and development of regulatory strategies. Services also include consultation on water and wastewater utility formation, management and operations, and valuation, including due diligence analysis and preparation of financial schedules and testimony in support of CC&N, Rate Case and other filings before the Arizona Corporation Commission. ARICOR Water Solutions provides water, wastewater and water resource master planning, water and wastewater facilities design, and owner representation; including value engineering, program management and construction oversight. Lastly, ARICOR Water Solutions supports water solutions with contract operations and expert witness testimony and litigation support.

2002 to 2004

Arizona-American Water Company
President
Responsible for leadership of the Arizona business activities of Arizona-American Water Company. Key responsibilities include developing and evaluation new business opportunities, developing strategic plans, establishing effective government and community relations, insuring compliance with all regulatory requirements, and providing management and guidance to key operations and support personnel.

1998 to 2002

Citizens Water Resources, Arizona Operations
Vice President and General Manager
Responsible for leadership of the Arizona regulated and unregulated business activities of Citizens Water Resources. Key responsibilities included developing and evaluation new business opportunities, developing strategic plans, establishing effective government and community relations, insuring compliance with all regulatory requirements, and providing management and guidance to key operations and support personnel.

1990 to 1998

Citizens Water Resources, Arizona Operations
Engineering and Development Services Manager
Responsible for management of a diverse group of business growth related activities. Responsibilities include: marketing of operation and maintenance services (unregulated business growth), management of new development activity (regulated business growth), management of engineering functions (infrastructure planning and construction), management of water resources planning and compliance, management of growth-related regulatory functions (CC&N's and Franchises), and management of capital budgeting functions and capital accounting functions.

1985 to 1990

Citizens Water Resources, Arizona Operations
Civil Engineer
Responsible for the planning, coordination and supervision of capital expansion and major maintenance and rehabilitation projects as assigned. Responsible for development of capital program for Maricopa County Operations.

EDUCATION

Arizona State University – Master of Business Administration (1991)
University of Kansas – Bachelor of Science in Civil Engineering (1985)

PROFESSIONAL CERTIFICATION

Registered Professional Engineer – Civil Engineering – Arizona
Professional Engineer – Civil Engineering – California
Certified Operator – Wastewater Treatment, Wastewater Collection, Water Treatment, Water Distribution – Arizona

PROFESSIONAL AFFILIATIONS

- Director - Water Utilities Association of Arizona (1998 – 2004)
- Member - American Society of Professional Engineers
- Member - American Water Works Association
- Member - Arizona Water Pollution Control Association
- Member - Water Environment Federation

CIVIC AND COMMUNITY INVOLVEMENT

- Advisory Member - Water Resources Development Commission (2010 – Present)
- Board of Directors – Greater Maricopa FTZ, Inc. (2009 – Present)
- Chairman WESTMARC (2008)
- Director and Member of the Executive Committee- WESTMARC (1998 – Present)
- Co-Chairman, WESTMARC Water Committee (2006 – 2007)
- Chairman-Elect WESTMARC (2007)
- Member – Corporate Contributions Committee, West Valley Fine Arts Council Diamond Ball (Chairman 2005)
- Member – Technical Advisory Committee – Governor's Water Management Commission (2001)
- Board Member, Manager & Past Chairman – North Valley Little League Softball

REGULATORY EXPERIENCE

Testimony has been provided before the Arizona Corporation Commission in the dockets listed below. Unless otherwise indicated testimony was provided on behalf of the utility.

Filing Year	Utility(ies)	Filing Type(s)	Docket(s)
1992	Sun City West Utilities Company	CC&N Extension (Expansion of Sun City West)	U-2334-92-244
1993	Sun City Water Company Sun City Sewer Company	CC&N Extension (Addition of Coyote Lakes)	U-1656-93-060 U-2276-93-060
1993	Tubac Valley Water Co., Inc.	CC&N Extension (Various Subdivisions on western border)	U-1595-93-241
1993	Sun City West Utilities Company	CC&N Extension (Expansion of Sun City West)	U-2334-93-293
1995	Citizens Utilities Company Sun City Water Company Sun City Sewer Company Sun City West Utilities Company Tubac Valley Water Company	Ratemaking	E-1032-95-417 U-1656-95-417 U-2276-95-417 U-2334-95-417 U-1595-95-417
1996	City Water Company Sun City Sewer Company	CC&N Extension (Acquisition of Youngtown)	U-1656-96-282 U-2276-96-282
1996	Citizens Utilities Company	CC&N Extension and Deletion (Realignment of Surprise Bdry.)	E-1032-96-518
1998	Sun City Water Company Sun City West Utilities Company	CAP Water Plan and Accounting Order (Sun Cities CAP plan)	W-01656A-98-0577 SW-02334A-98-0577

Filing Year	Utility(ies)	Filing Type(s)	Docket(s)
2000	Citizens Water Resources Company of Arizona Citizens Water Services Company of Arizona	CC&N Extension and Accounting Order (Anthen Jacka Property and Phoenix Treatment Agreement)	SW-3455-00-1022 SW-3454-00-1022
2000	Citizens Communications Company Citizens Water Services Company of Arizona	CC&N Extension and Approval of Hook-Up Fee (Verrado)	W-0132B-00-1043 SW-0354A-00-1043
2002	Arizona-American Water Company	Ratemaking	WS-01303A-02-0867 WS-01303A-02-0868 WS-01303A-02-0869 WS-01303A-02-0870 WS-01303A-02-0908
2004	Arizona-American Water Company Rancho Cabrillo Water Company Rancho Cabrillo Sewer Company	CC&N Transfer	WS-01303A-04-0089 W-01303A-04-0089 SW-03898A-04-0089
2004	Johnson Utilities Company, LLC (Representing Pulte Home Corporation)	CC&N Extension	WS-02987A-04-0288
2005	Perkins Mountain Utility Company Perkins Mountain Water Company	New CC&N & Initial Rates	WS-20379A-05-0489 W-20380A-05-0490
2005	West End Water Company	CC&N Extension	W-01157A-05-706
2005	Arizona-American Water Company	Approvals Associated with Construction of Surface Water Treatment Facility	W-01303A-05-0718
2006	Arizona-American Water Company	Ratemaking	WS-01303A-06-0403
2008	Sunrise Water Company	Ratemaking	W-02069A-08-0406
2009	Baca Float Water Company	Ratemaking	WS-01678A-09-0376
2009	Aubrey Water Company	Lost Water Evaluation (Rate Case Compliance)	W-03476A-06-0425
2009	White Horse Ranch Owner's Assn.	Ratemaking	W-04161A-09-0471
2010	Litchfield Park Service Company	Ratemaking	W-01427A-09-0104

Pima Utility Company

Ray Jones Direct Testimony

Exhibit RLJ-DT2

PIMA UTILITY COMPANY
Water and Wastewater System Description
August 23, 2011

General

Pima Utility Company ("Pima") was formed in 1972 to provide water and wastewater services to the unincorporated master planned community of Sun Lakes, located in southeastern Maricopa County. Sun Lakes was built in three phases between 1973 and 2008 and currently consists of approximately 10,000 homes with supporting neighborhood commercial development.

In addition to Sun Lakes, Pima serves two subdivisions immediately adjacent to Sun Lakes, Oakwood Hills Subdivision and San Tan Vista Subdivision. Oakwood Hills was developed in 1991 and consists of 32 custom home lots. San Tan Vista began development in 2004 and consists of 95 custom home lots. San Tan Vista is the only development served by Pima that is a member land in the Central Arizona Groundwater Replenishment District.

As of year-end 2010, Pima served approximately 10,175 water connections and 10,051 wastewater connections. Pima's customer base is approximately 96% residential customers, with only 196 commercial customers and 4 irrigation customers. Nearly all of the residential customers are served by 5/8"x 3/4" meters. The commercial customers are served by meters ranging from 5/8"x 3/4" to 2" in size.

Water System

The Pima water system consists of three (3) water plant sites consisting of water storage tanks and booster pumps. The water plants are interconnected by a looped distribution system to provide system reliability. In addition, the water plants are designed to provide reliable service through the use of diesel driven booster pumps and backup generators. The system is designed to provide a 1,000 gallon per minute fire flow.

The water plant sites are feed by six (6) potable wells, each with chlorination facilities. Four (4) of the potable wells are used exclusively for the potable water system and two (2) of the wells can be pumped either to the potable water system or directly to irrigation customers. Two (2) additional wells are dedicated irrigation wells. The combination of dedicated irrigation wells, dedicated potable wells and dual use wells provides water supply reliability by allowing operational flexibility to meet customer demands.

The water system facilities are summarized below:

Potable Wells:

Well 31 – 55-625798 –	at WP #1 – Used for potable water only
Well 34 – 55-514527 –	at WP#2 – Used for potable water only
Well 33 – 55-625800 –	Pumps to WP#2, WP #1, Phase I HOA (Sun Lakes Country Club) and Phase II HOA (Cottonwood Country Club) – Used for potable water and irrigation
Well 29A – 55-806730 –	at WP #3 – Used for potable water only, Permitted as effluent recovery well
Well 29B – 55-566937 –	Pumps to WP#3 – Used for potable water only

Well 27 – 55-520891 – Primarily used for irrigation supply at Oakwood Golf Course and Ironwood lakes – Also pumps to WP#3 and is used as backup potable water – Permitted as effluent recovery well

Irrigation Wells:

Well 29 – 55-625796 – Irrigation well for Oakwood Golf Course – Permitted as effluent recovery well

Well 32 – 55-625799 – Irrigation well for Phase II HOA (Palo Verde Country Club and Cottonwood Golf)

Water Plants:

WP#1 – 400,000 gallons storage (1 tank), 4 booster pumps (1 can be powered by either electric or diesel)

WP #2 – 650,000 gallons storage (1 tank), 6 electric booster pumps, 1 diesel booster pump

WP #3 – Two 750,000 gallon storage tanks, 4 electric booster pumps, backup generator

Wastewater System

The Pima wastewater treatment system consists of a single 2.4 million gallon per day wastewater reclamation facility (WRF). The WRF is a sequential batch reactor facility that includes aerobic digesters, sand filtration and ultra-violet disinfection. The collection system consists of a gravity collection system with 15 lift stations located at various points in the collection system.

Effluent from the WRF is recycled by direct delivery of reclaimed water to the Oakwood Golf Course. The effluent reuse system includes five recharge and recovery wells. The recharge and recovery wells are used to deliver recovered effluent to the Oakwook Golf Course and to the Phase III HOA for landscape watering. All remaining effluent is recharged into the groundwater aquifer directly beneath the Pima service area providing a renewable source of groundwater.

The wastewater system facilities are summarized below:

Wastewater Facilities:

WRF – 2.4 MGD Sequential Batch Reactor

Lift Stations – 15 lift stations located in service area

Recharge Recovery Wells:

RR Well #1 – 55-554079 – Located on Oakwood Golf Course at intersection of Desert Dr. and Cedar Waxing Dr.

RR Well #2 – 55-561907 – Located on Oakwood Golf Course on E.J. Robson Blvd.

RR Well #3 – 55-211808 – Located in southeast corner of RV Storage Facility

RR Well #4 – 55-561906 – Located on Oakwood Golf Course on Champagne Dr.

RR Well #5 – 55-566383 – Located on Oakwood Golf Course on Arrow Vale Dr.

Pima Utility Company

Ray Jones Direct Testimony

Exhibit RLJ-DT3

PIMA UTILITY COMPANY

Summary of Major Water System Improvements

August 23, 2011

Water System Improvements – Placed in Service after 12/31/1992

- Well 27 – Rehabilitation - 1999
  - New 150 hp submersible motor and pump
  - Several new steel column pipes
  - SCADA System installed

- Water Plant No. 1 – Reconstruction and Rehabilitation – 2000
  - Storage Tank recoated and cathodic protection refurbished
  - Complete replacement of above ground and below ground piping
  - Replaced hydropneumatic tank
  - SCADA system installed

- Water Plant No. 2 – Reconstruction and Rehabilitation - 2007
  - Storage Tank recoated and liner installed
  - Complete replacement of above ground and below ground piping
  - Electrical gear refurbished
  - SCADA system installed

- Service Line Replacement Project – 2000 through 2010
  - Ongoing replacement program. Approximately 3,500 polyethylene service lines replaced with copper piping, new meters and in most cases new corporation and meter stops.

Pima Utility Company

Ray Jones Direct Testimony

Exhibit RLJ-DT4

PIMA UTILITY COMPANY

Summary of Major Wastewater System Improvements

August 23, 2011

Wastewater System Improvements – Placed in Service after 12/31/1997

- Phase 2 Water Reclamation Facility - 1998
  - Second centrifuge
  - 4th bank of UV
  - 20 hp sump pump in post equalization basin
  - Liquid sludge holding tank with piping for pump back
  - 3rd post equalization basin pump
  - Modified filter side troughs
  - 4 valves for filter draining and maintenance.

- WRF Filter Upgrade - 2000
  - Improved filter influent channels
  - Replaced filter media

- WWTP Gravity Line Replacement - 2004
  - 20" diameter gravity line in the plant was replaced

- Odor Control System Replacement - 2005
  - Complete replacement of odor control system due to loss of old scrubber from fire.

- WRF Filter Retrofit & Improvement – 2005
  - Retrofitted filter with new under drain and back wash system
  - Replaced filter media
  - Upgraded control system and replaced PLC

- WRF Headwork's Rehabilitation - 2008
  - Headwork's piping and valves were replaced
  - Rotating screens were raised

- Recharge/Recovery Well No. 1 - 1998
  - 210' – 12" steel casing
  - 140 feet of 6 inch stainless steel column pipe
  - 500 gpm pump
  - Stainless steel VOV Smart valve with hydraulic pump and controls
  - Piping system with vault
  - 3 motor operated valves
  - 3 water specialty meters
  - SCADA system

- Recharge/Recovery Well No. 2 - 1998
  - 220' – 14" steel casing
  - 140 feet of stainless steel column pipe
  - 6 inch stainless steel VOV smart valve
  - 500 gpm pump
  - Piping and vault system
  - 3 motor operated valves
  - 3 water specialties meters
  - SCADA system

- Recharge/Recovery Well No. 3 – 2008
  - 218' – 16" stainless steel casing
  - 500 gpm pump
  - Stainless steel VOV smart valve
  - 2 motor operated valves
  - Piping system with 2 water specialties meters
  - SCADA system

- Recharge/Recovery Well No. 4 - 1998
  - 220' – 14" steel casing
  - 140 feet of stainless steel column pipe
  - 6 inch stainless steel VOV smart valve
  - 500 gpm pump
  - Piping and vault system
  - 3 motor operated valves
  - 3 water specialties meters
  - SCADA system

- Recharge/Recovery Well No. 5 - 1998
  - 220" – 14 steel casing
  - 140 feet stainless steel column pipe
  - 6 inch VOV smart valve
  - 500 gpm pump
  - Piping and vault system
  - 3 motor operated valves
  - 3 water specialties meters
  - SCADA system

- Price Road Effluent Line - 1998
  - 1,200 feet of effluent piping replaced

- Lift Station No 1 (Maryland) – Rehabilitation – 1998
  - Vault cleaned, gutted and coated with Sewer Shield cement coating
  - Piping and pump bases replaced
  - Pumps rebuilt
  - Permanent emergency bypass piping installed

- Lift Station No 5 (North Brentwood) – Rehabilitation - 2009
  - Vault gutted, cleaned and coated with Sewer Shield cement coating.
  - Piping and pump bases replaced.
  - Pumps rebuilt
  - Permanent emergency bypass piping installed.
  - New aluminum access cover installed
  - H2S vent line and filter installed

- Lift Station No 3 (Cochise) – Rehabilitation - 2004
  - Vault gutted, cleaned and coated with Sewer Shield cement coating.
  - Piping and pump bases replaced.
  - Pumps rebuilt
  - Permanent emergency bypass piping installed.
  - New aluminum access cover installed
  - H2S vent line and filter installed

- Lift Station No 7 (North Alma School) – Rehabilitation - 1998
  - Vault gutted, cleaned and coated with Sewer Shield cement coating.
  - Piping and pump bases replaced.
  - Pumps rebuilt
  - Permanent emergency bypass piping installed.
  - New aluminum access cover installed

- Lift Station No 8 (Santan) – Rehabilitation - 1999
  - Vault gutted, cleaned and coated with Sewer Shield cement coating.
  - Piping and pump bases replaced.
  - Pumps rebuilt
  - Permanent emergency bypass piping installed.
  - New aluminum access cover installed

- Lift Station No 9 (Sunnydale) – Rehabilitation - 2000
  - Vault gutted, cleaned and coated with Sewer Shield cement coating.
  - Piping and pump bases replaced.
  - Pumps rebuilt
  - Permanent emergency bypass piping installed.
  - New aluminum access cover installed

- Lift Station No 10 (Unit 27) – Rehabilitation - 2000
    - Vault gutted, cleaned and coated with Sewer Shield cement coating.
    - Piping and pump bases replaced.
    - Pumps rebuilt
    - Permanent emergency bypass piping installed.
    - New aluminum access cover installed

- Lift Station No 12 (Unit 32) – Rehabilitation – 2009
    - Replaced piping in discharge valve vault

- Lift Station No 2 (Dobson) – Rehabilitation – 2005 & 2009
    - New vault
    - New pumps
    - New electrical system
    - New pipes and overflow pipe
    - Relocate check valves in vault outside of the wet well

Pima Utility Company

Ray Jones Direct Testimony

Exhibit RLJ-DT5

Pima Utility Company
Asset Capitalization and Retirement Policy

Policy Description: This policy shall be used to determine whether expenditures should be capitalized or expensed, the manner in which a capital asset is depreciated and shall govern the accounting treatment for capital assets removed from utility service.

Effective Date: January 1, 2011

Version: 1.0

1 CAPITALIZATION POLICY

1.1 Purpose

The purpose of capitalizing expenditures as capital assets is to provide for an equitable allocation of the cost of long-lived assets with significant costs among existing and future customers. The costs of capital assets are allocated over the estimated useful life of the class of assets to which they belong through the recording of depreciation expense.

1.2 Capitalization Policy

Costs should be capitalized in the utility plant accounts, rather than being expensed in the current year, if the service life of the item is more than one year and the cost is greater than $500.00.

Capitalized costs typically include:

- Costs to purchase or construct new assets.
- Costs of assets constructed by developers and contributed or advanced.
- Costs to replace assets.
- Costs for expenditures that effect a substantial betterment to an asset. – Substantial betterments are expenditures that significantly extend the service life of the affected asset or expenditures that are made with the primary purpose to make the asset affected more useful, more efficient, of greater durability or of greater capacity.

For items of general plant, such as office equipment or tools and equipment, or replacements of minor items of utility plant, this policy shall be applied on an individual item basis. For items of construction work or programmed expenditures, this policy shall be applied on a project or work order basis.

For example, items such as an office chair or bookshelf costing less than $500.00 purchased individually would be expensed. Similarly, replacement of a single small diameter gate valve costing less than $500.00 at an existing facility would be expensed.

In contrast, if furnishings were being purchased for a new building under construction, the total cost of all of the furnishings would be capitalized without regard to the cost on an individual item. Similarly, while an individual water meter is likely to cost less than $750.00, the purchase of water meters would be

capitalized as part of an annual work order for installation or replacement of water meters. Likewise, a small diameter valve being installed in a new facility under construction would be capitalized along with all of the other components of the facility.

All capital expenditures should be recorded in the Company's plant accounts in accordance with the requirements of the 1996 editions of the *Uniform System of Accounts for Class A Water Utilities* or the *Uniform System of Accounts for Class A Wastewater Utilities* as published by the National Association of Regulatory Utility Commissioners ("NARUC" or "NARUC System of Accounts").

1.3 Depreciation Expense

Depreciation of all capitalized assets shall be calculated and recorded by NARUC plant account (group method) using a half-year convention and at the depreciation rates prescribed in the most recent Order of the Arizona Corporation Commission.

2 RETIREMENT POLICY

2.1 Purpose

The purpose of retiring assets is to insure that the cost of capitalized assets no longer in utility service are properly accounted for on the Company's books and properly reflected in the rates charged to customers.

2.2 Retirement Policy

When an asset or portion of an asset is replaced or otherwise removed from utility service, the asset or portion of asset must be retired from utility plant. The following accounting entries are needed to retire the asset or portion of asset:

- The book cost of the retired asset shall be credited to the plant account in which it is included.
- If the retired asset is of a depreciable class, the book cost of the retired asset will be charged (debited) to the accumulated depreciation account applicable to the retired asset.
- The cost of removal, if any, shall be charged (debited) to the accumulated depreciation account applicable to the asset.
- The salvage value, if any, shall be credited to the accumulated depreciation account applicable to the asset.

A gain or loss is not ordinarily recorded upon retirement of a utility asset, with one primary exception - the sale of non-depreciable land for an amount other than the original cost.

Retirement of assets in the Land and Land Rights or Franchises plant accounts should be retired in accordance with specific instructions provided in the NARUC System of Accounts.

2.3 Determination of Book Cost

The book cost of utility assets retired shall be the amount at which such property is included in the utility plant accounts, including all components of construction costs. The book cost shall be determined from the utility's records and if this cannot be done, it shall be estimated. When it is impractical to determine the book cost of each asset, due to the relatively large number or small cost thereof, an appropriate average book cost of the assets, with due allowance for any difference in size and character, shall be used as the book cost of the assets retired.

Pima Utility Company

Ray Jones Direct Testimony

Exhibit RLJ-DT6

Arizona Corporation Commission

Recovery of Income Tax Expense: Partnerships, S-Corps, and LLCs

ARICOR
Water Solutions

Income Tax Basics

- Although taxed differently the income of all utilities is subject to taxation.

- Utility income is taxed differently depending upon the form of business enterprise.
  - The income of standalone C-Corps is taxed at the corporate level with shareholders being individually taxed on distributions from the corporation.

  - The income of Sole Proprietorships, Partnerships, S-Corps and most LLCs are taxed at the shareholder level whether or not the income is distributed to the shareholder. Distributions are not subject to additional taxation.

  - The income of subsidiary C-Corps is typically consolidated by the ultimate corporate parent, where it is netted against income and/or losses from other subsidiaries. Like Partnerships, S-Corps, and LLCs, dividends to the parent shareholder are not taxable.

ARICOR
Water Solutions

Income Tax Basics

- Most large Arizona utilities are C-Corps that are part of consolidated tax groups. They are taxable entities, but do <u>not</u> pay income taxes.
  - Rather their taxable income is consolidated at the parent company level, with income taxes due, if any, being paid by the parent corporation.
    - APS/Pinnacle West; TEP/UniSource; Arizona-American/American Water; Global Utilities/Global Water
- Many Arizona Utilities are actually operating divisions of C-Corps. They do <u>not</u> pay income taxes.
  - Rather their taxable income is consolidated first with other operating divisions and ultimately consolidated at the parent company level, with income taxes due, if any, being paid by the parent corporation.
- All of these C-Corp entities recover income tax expense in their rates set by the Commission.

ARICOR
Water Solutions

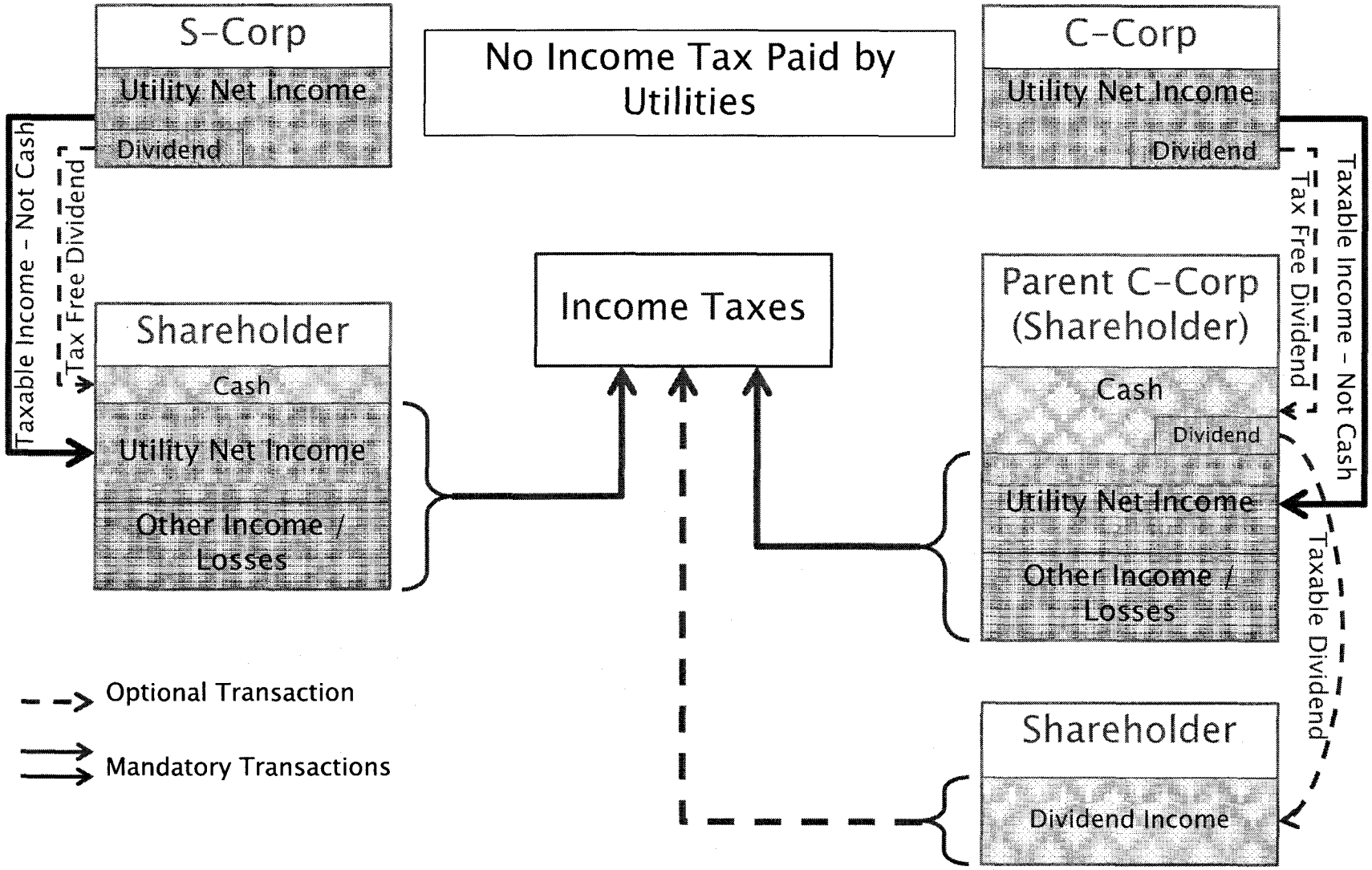
Commission Income Tax Treatment of C-Corps

- Standalone C-Corp
  - Hypothetical income tax expense is calculated and allowed in rates.
  - Rate of Return based on after tax net income.

- Consolidated C-Corp and/or Operating Division
  - Hypothetical income tax expense is calculated and allowed in rates.
  - Income tax calculated as if the utility was a standalone C-Corp.
  - Actual tax liability of parent, if any, is not considered.
  - Rate of Return based on after tax net income

ARICOR
Water Solutions

Income Tax Flow Chart



A Matter of Policy

- The ratemaking treatment of income tax expense is a policy decision made by the Arizona Corporation Commission.
- The Commission should not limit its consideration to technical and accounting distinctions.
- The Commission should consider economic reality.
  - Partnership, S-Corp and LLC income <u>is taxed</u> and <u>is paid</u> from utility income.

ARICOR
Water Solutions

A Matter of Policy

- The Commission should not unfairly discriminate against partnerships, S-Corps or LLCs in favor of C-Corps.
  - Hypothetical income tax calculations are used for C-Corps. They should be allowed for partnerships, S-Corps and LLCs.
  - For many C-Corps the regulated entity does not pay income taxes, rather the income tax liability is passed through to the parent company, which may or may not actually pay income taxes.
  - There is no justifiable reason to allow APS, TEP or Arizona-American Water to recover hypothetical tax expense and to deny partnerships, S-Corps or LLCs similar treatment.
- Disallowance of income taxes reduces the allowed return on rate base and reduces the funds available for plant investment.

ARICOR
Water Solutions

Lower Rates of Return

	S-Corp		C-Corp	
	Utility	Shareholder	Utility	Shareholder
Income				
Revenue Requirement	1,414,000		1,414,000	
Tax Gross Up	0		57,367	
Revenue Requirement	1,414,000		1,471,367	
Owner Salary	(65,000)	65,000	(65,000)	65,000
Other Expenses	(1,235,000)		(1,235,000)	
Operating Income	114,000		171,367	
Income Tax (Business)		(31,426)	(57,367)	
Income Tax (Owner)		(7,538)		(7,538)
Net Income	114,000	26,036	114,000	57,462
Rate Base and Return				
Rate Base	1,140,000		1,140,000	
ROR (Pre Tax)	10.0%		15.0%	
ROR (Post Tax)	7.2%		10.0%	

ARICOR
Water Solutions

Less Cash Available for Investment

	S-Corp		C-Corp	
	Utility	Shareholder	Utility	Shareholder
Cash Flow				
Net Income	114,000	26,036	114,000	57,462
Depreciation	400,000		400,000	
Available Cash	514,000	26,036	514,000	57,462
Dividend for Taxes	(31,426)	31,426		
Net Available Cash	482,574	57,462	514,000	57,462

ARICOR
Water Solutions

Arizona Allowance of Income Tax

- Allowed for partnerships and S-Corps prior to Consolidated Water Decision No. 55839 (1/8/88).
  - Corporate tax rate allowed previously.
  - Staff recommended moving to new lower individual rate.
  - Commission allowed no income tax in rates.
- Subsequently has been periodically allowed.
  - Fisher's Landing Water and Sewer Works, LLC (6/26/02).
  - Winchester Water Company, LLC (9/24/02).
  - Wickenberg Ranch Water, LLC (2/12/09).
  - Staff classifies these cases as errors.
- Allowed in Camp Verde Water System, Inc. Decision No. 60105 (3/19/97).

ARICOR
Water Solutions

Camp Verde Decision No. 60105

- From Decision No. 60105 -

  At the hearing, the Company indicated that CoBank would not loan the Company money unless the rates approved herein would provide for income taxes that would be paid by the individual shareholders.

  Under the circumstances presented herein, we are not going to adjust the rate of return for income taxes as requested by the Company. We are going to allow income taxes in this case at the lowest individual/corporate income tax rates of 23.36 percent for combined Federal and State income taxes.

- The Camp Verde case highlights the economic reality that S-Corps have real income tax expenses. Because the bank's investment would only be repaid with after-tax dollars, it insisted on recovery of income-tax expense in rates. The Commission acknowledged economic reality and allowed Camp Verde to recover expected income-tax expense.

- Put another way, only the funds left over after paying taxes and other business expenses are available to fund additional plant investment or make debt payments. If income-tax expense is not recoverable, the effect is to reduce the allowed return on rate base and diminish the funds available for plant investment.

ARICOR
Water Solutions

Summary

- Public policy should be based on economic realities and fairness rather than technical and accounting distinctions.
- It is good public policy to allow income tax recovery for partnerships, S-Corps and LLCs.
  - Partnerships, S-Corps and LLCs are not unfairly discriminated against.
  - Partnerships, S-Corps and LLCs receive the same return on rate base as C-Corps.
  - Partnerships, S-Corps and LLCs have the same funds available for plant investment.
- The Commission recognized the economic realities of income taxes in the Camp Verde decision and allowed income taxes for an S-Corp.

ARICOR
Water Solutions

Final Thought

"The income taxes required to be paid by shareholders of a Subchapter S corporation on a utility's income are inescapable business outlays and are directly comparable with similar corporate taxes which would have been imposed if the utility operations had been carried on by a corporation."

Supreme Court of Texas

ARICOR
Water Solutions

FENNEMORE CRAIG
A Professional Corporation
Jay L. Shapiro (No. 014650)
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012
Telephone (602) 916-5000

Attorneys for Pima Utility Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02199A-11-_____
IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: SW-02199A-11-_____

DIRECT TESTIMONY OF

THOMAS J. BOURASSA

(RATE BASE, INCOME STATEMENT AND RATE DESIGN)

August 29, 2011

TABLE OF CONTENTS

I. INTRODUCTION AND QUALIFICATIONS 1

II. OVERVIEW OF THE COMPANY'S REQUEST FOR RATE RELIEF 2

III. PIMA'S WATER DIVISION 5
- A. Summary of A, E and F Schedules. 5
- B. Rate Base (B Schedules). 6
- C. Income Statement (C Schedules) 10
- D. Rate Design (H Schedules). 18
  - 1. Other Tariff Changes. 23
  - 2. Cost of Service Study (G Schedules). 23

IV. WASTEWATER DIVISION 37
- A. Summary of A, E and F Schedules 37
- B. Rate Base (B Schedules) 39
- C. Income Statement (C Schedules) 41
- D. Rate Design (H Schedules). 44
  - 1. Other Tariff Changes. 45

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q. WHAT IS YOUR PROFESSION AND BACKGROUND?

A. I am a Certified Public Accountant and am self-employed, providing consulting services to utility companies as well as general accounting services. I have a B.S. in Chemistry and Accounting from Northern Arizona University (1980) and an M.B.A. with an emphasis in Finance from the University of Phoenix (1991).

Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND REGULATORY EXPERIENCE?

A. Yes. Prior to becoming a private consultant, I was employed by High-Tech Institute, Inc., and served as controller and chief financial officer. Prior to working for High-Tech Institute, I worked as a division controller for the Apollo Group, Inc. Before joining the Apollo Group, I was employed at Kozoman & Kermode, CPAs. In that position, I prepared compilations and other write-up work for water and wastewater utilities, as well as tax returns.

In my private practice, I have prepared and/or assisted in the preparation of several water and wastewater utility rate applications before the Arizona Corporation Commission ("Commission").

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying in this proceeding on behalf of the Pima Utility Company ("Pima" or the "Company"). Pima is seeking increases in its rates and charges for water and wastewater utility service in its certificated service area.

II. OVERVIEW OF THE COMPANY'S REQUEST FOR RATE RELIEF

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. I will testify in support of the Company's proposed adjustments to its rates and charges for water and wastewater utility service. I am sponsoring the direct schedules, which are filed concurrently herewith in support of the Company's application. I was responsible for the preparation of these schedules based on my investigation and review of Pima's relevant books and records, although I note that Ray Jones, another witness, assisted with the plant, or B schedules.

For the convenience of the Commission and the parties, the two portions of my direct testimony, each with the relevant schedules attached, are being filed separately in this case. In this volume of my direct testimony, I address the rate bases, income statements (revenue and operating expenses), required increases in revenue, and rate designs and proposed rates and charges for service for the Company's water and wastewater division. Schedules A through C, E through F, G and H, labeled separately as "Water Division" and "Wastewater Division," are attached to this portion of my direct testimony. The Company has prepared a cost of service study (G schedules) for the Water Division only. G Schedules are omitted for the Wastewater Division. Because the Company is not proposing a change in the basic rate design for the Wastewater Division, the Company did not feel it necessary to prepare a cost of service study.

Q. THANK YOU. PLEASE CONTINUE.

A. In the second volume of my direct testimony, to which the D schedules are attached, I address cost of capital. Pima is requesting a return on common equity of 10.5 percent. As shown on Schedule D-1, the Company's pro forma consolidated capital structure for ratemaking purposes consists of 31.1 percent

equity and 68.9 percent debt. The cost of debt is 7.182 percent and the weighted average cost of capital is 9.47 percent.

Q. IS THE CAPITAL STRUCTURE DESCRIBED ABOVE THE ACTUAL CAPITAL STRUCTURE AT THE END OF THE TEST YEAR?

A. No. As explained in my cost of capital testimony, the Company's actual consolidated capital structure at the end of the test year consisted of 22.5 percent debt and 77.5 percent equity. However, the Company is filing a financing application parallel with its rate application seeking authorization to issue an additional $4 million of debt. The $4 million of additional debt offset with a $1.755 million principle payment of Pima's existing bonds that will be made in 2011 will result in a net increase to Pima's debt of $2.245 million from $6.125 million at the end of the test year to $8.37 million.[1] This will result in a capital structure consisting of 68.9 percent debt and 31.1 percent equity, which is a more balanced capital structure.

Q. PLEASE SUMMARIZE THE COMPANY'S APPLICATION.

A. The Company is seeking rate increases for both its water and wastewater divisions. The test year used by Pima is the 12-month period ending December 31, 2010. The Company is requesting a 9.47 percent return on its fair value rate base ("FVRB"). The Company has also proposed certain proforma adjustments to take into account known and measurable changes to rate base, expenses and revenues for each division. These proforma adjustments are consistent with normal ratemaking and are contemplated by the Commission's rules and regulations governing rate applications. *See* R14-2-103. These adjustments are necessary to

[1] *See* Schedule D-2 attached to the Direct Testimony of Thomas J. Bourassa (Cost of Capital).

obtain a normal or realistic relationship between revenues, expenses and rate base on a going-forward basis.

The Company's fair value rate base for the Water Division is $9,097,529. The increase in revenues to provide for recovery of operating expenses and a 9.47 percent return on rate base is approximately $1,023,565, an increase of approximately 51.76 percent over the adjusted and annualized test year revenues. The Company's fair value rate base for the Wastewater Division is $9,863,271. The increase in revenues to provide for recovery of operating expenses and a 9.47 percent return on rate base is approximately $691,210, an increase of approximately 22.32 percent over the adjusted and annualized test year revenues.

Q. WHY IS THE COMPANY FILING FOR RATE INCREASES AT THIS TIME?

A. Because it is no longer earning a return on the fair value of its plant devoted to service. This is largely due to the substantial investments in plant necessary to serve customers that Pima has made since the last water rate case decision in August 1994 and wastewater rate case decision in January 2000. The cases were based on a test years ending December 31, 1992 and December 31, 1997, so various operating expenses have also increased. As a consequence, the Company's current rate of return for the Water Division and the Wastewater Division, based on the adjusted test year data, is 1.46 percent and 4.48 percent, respectively. Consequently, rate increases are necessary to ensure that Pima recovers its reasonable operating expenses and has an adequate opportunity to earn a reasonable return on the fair value of its utility plant and property devoted to public service.

III. PIMA'S WATER DIVISION

A. Summary of A, E and F Schedules.

Q. MR. BOURASSA, LET'S TURN TO THE COMPANY'S WATER DIVISION SCHEDULES. PLEASE DESCRIBE THE SCHEDULES LABELED AS A, E, AND F.

A. The A-1 Schedule is a summary of the Water Division rate base, operating income, current operating margin, required operating margin, operating income deficiency, and the increase in gross revenue. A 9.47 percent return on FVRB is requested. The increase in the revenue requirement is $1,023,565. Revenues at present and proposed and customer classifications are also shown on this schedule.

The A-2 Schedule is a summary of results of operations for the test year, prior years, and a projected year at present rates and proposed rates.

Schedule A-3 contains the Company's capital structure for the test year and the two prior years.

Schedule A-4 contains the plant construction and plant-in-service for the test year and prior years. The projected plant additions are also shown on this schedule.

Schedule A-5 is the summary of the Company's changes in financial position (cash flow) for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

The E Schedules are based on the Company's actual operating results, as reported by the Company in annual reports filed with the Commission. The E-1 Schedule contains the comparative balance sheet data for the years 2008, 2009, and 2010 ended on December 31.

Schedule E-2, page 1, contains the income statement for the years 2008, 2009, and 2010 ended on December 31.

Schedule E-3 contains the statements of changes in the Company's financial position for the test year and the two prior years.

Schedule E-4 provides the changes in membership equity.

Schedule E-5 contains the Company's plant-in-service at the end of the test year, and one year prior to the end of the test year.

Schedule E-7 contains operating statistics for the years ended 2008, 2009, and 2010 ended on December 31.

Schedule E-8 contains the taxes charged to operations.

The accountant's notes to the financial statements and the financial assumptions used in preparing the rate filing schedules are shown on Schedules E-9 and F-4, respectively, in accordance with the Commission's standard filing requirements. The Company does not prepare audited financial statements.

Schedule F-1 contains the results of operations at the present rates (actual and adjusted), and at proposed rates.

Schedule F-2 contains the summary of changes in financial position (cash flow) for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

Schedule F-3 shows the Company's projected construction requirements for 2011, 2012, 2013.

Schedule F-4 contains the assumptions used in developing the adjustments and projections contained in the rate filing.

B. <u>Rate Base (B Schedules).</u>

Q. WOULD YOU EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE LABELED AS THE B SCHEDULES?

A. Yes. I will start with Schedule B-5, which is the working capital allowance. I used the "formula method" of computing the working capital allowance to reduce costs.

However, the Company is not requesting a working capital allowance for either division.

Q. WHY DIDN'T THE COMPANY PREPARE A LEAD-LAG STUDY AND USE THE RESULTS OF THAT STUDY TO COMPUTE WORKING CAPITAL?

A. Because the costs to prepare a lead-lag study outweigh the benefits. By way of illustration, in a recent case for Chaparral Water Company (Docket No. W-02113A-07-0551), the Residential Utility Consumer Office prepared a lead lag study and computed a negative $111,000 of cash working capital. Pima's Water Division is about one quarter the size in terms of the level of expenses. So, let's assume for argument's sake that a lead-lag study would produce negative working capital of $28,000. If the negative $28,000 were included in rate base, the impact on the revenue requirement would be a negative $3,708 (-$28,000 times 9.47 percent return times the tax factor of 1.4). A formal lead/lag study may not produce a negative working capital amount. Further, I would argue for the inclusion of rate case expense in prepaid expenses or alternatively using rate case expense in the computation of lead/lag days in the study. Both approaches would lead to a much less negative or even positive working capital.

In the meantime, the Company would have incurred $10,000 just to have the study prepared. Plus, the Company could easily incur more than $15,000 defending its working capital calculation, all of which increases rate case expense.

Q. THANK YOU. PLEASE CONTINUE.

A. The Company did not file Schedules B-3 and B-4. To limit issues in dispute and reduce rate case expense, Pima is requesting that its original cost rate base ("OCRB") be used as its FVRB for its Water Division.

Q. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO THE WATER DIVISION'S ORIGINAL COST RATE BASE?

A. Yes. Schedule B-2 shows adjustments to the Water Division's OCRB proposed by the Company. Schedule B-2, pages 2 through 5, provide the supporting information. These adjustments are, in summary:

B-2 adjustment number 1, as shown on Schedule B-2, page 2, adjusts plant-in-service. There are a number of plant-in-service adjustments included in Adjustment 1. These are shown on Schedule B-2, page 3, and are labeled as adjustments "A," "B," "C," "D," and "E."

Adjustment A of B-2 adjustment number 1 adjusts plant-in-service to reflect the reclassification of plant from the Water Division to the Wastewater Division. In short, the reclassified plant is related to effluent recharge facilities and equipment which more properly belongs with the Wastewater Division. This reclassification of plant is discussed in more detail in the Direct Testimony of Ray Jones.[2]

Adjustment B of B-2 adjustment number 1 adjusts plant-in-service to reflect the reclassification of plant from the Wastewater Division to the Water Division. This reclassification of plant is also discussed in more detail in Mr. Jones' direct.[3]

Adjustment C of B-2 adjustment number 1 adjusts plant-in-service to reflect retirements that were not recorded as of the end of the test year. The proposed plant retirements are discussed in more detail in Mr. Jones' direct.[4]

---

[2] *See* the Direct Testimony of Ray Jones ("Jones Dt.") at 9.
[3] *Id.*
[4] *Id.* at 11:4-8.

Adjustment D of B-2 adjustment number 1 adjusts plant-in-service to reflect a conforming adjustment to the Water Division's prior rate case plant-in-service balance. This adjustment is also discussed in more detail in Mr. Jones' direct.[5]

Adjustment E of B-2 adjustment number 1 reclassifies plant-in-service to the proper plant-in-service accounts. The net adjustment to plant-in-service is zero. This adjustment is discussed in more detail in the Mr. Jones' direct.[6]

Q. PLEASE CONTINUE.

A. Adjustment B-2 shown on Schedule B-2, page 2, adjusts accumulated depreciation. The details of the accumulated depreciation adjustment are shown a Schedule B-2, page 4. There are two plant-in-service adjustments included in Adjustment 2. These are shown on Schedule B-2, page 4, and are labeled as adjustments "A" and "B."

Adjustment A of B-2 adjustment number 2 adjusts accumulated depreciation for the proposed retirements shown in Adjustment C of B-2 adjustment number 1.

Adjustment B of B-2 adjustment number 2 adjusts accumulated depreciation reflects the re-computed amounts of accumulated depreciation per the Company's B-2 plant schedule.

Q. DO THE PLANT IN SERVICE AND ACCUMULATED DEPRECIATION BALANCES SHOWN ON B-2 REFLECT THE LAST COMMISSION RATE ORDER?

A. Yes. The construction of the plant and accumulated depreciation balances is discussed in the Direct Testimony of Ray Jones.[7]

---

[5] *Id.* at 10:4-5.

[6] *See id.* at 8:17 – 9:3.

[7] *Id.* at 10:1-19.

Q. PLEASE CONTINUE.

A. Adjustment B-2 shown on Schedule B-2, page 5, adjusts the accumulated amortization balance of CIAC to the recomputed amount reflecting the annual composite depreciation rate for plant-in-service.

Q. HOW WAS THE PROPOSED "FAIR VALUE" RATE BASE SHOWN ON A-1 DETERMINED?

A. As stated, the FVRB shown on Schedule A-1 is based on OCRB, with no adjustment for the current values of the Company's plant and property.

C. <u>Income Statement (C Schedules)</u>

Q. PLEASE EXPLAIN THE ADJUSTMENTS YOU ARE PROPOSING TO THE WATER DIVISION INCOME STATEMENT AS SHOWN ON SCHEDULES C-1 AND C-2.

A. The following is a summary of adjustments shown on Schedule C-1:

Adjustment 1 annualizes depreciation expense. The proposed depreciation rate for each component of utility plant is shown on Schedule C-2, page 2. The depreciation rate approved in the Water Division's last rate case was a 3.0% composite rate. The Company proposes to use account specific rates on a going forward basis.

Adjustment 2 increases the property taxes based on proposed revenues. The details of the computation are shown on Schedule C-2, page 3.

Q. HOW DID YOU COMPUTE THE PROPERTY TAXES AT THE CURRENT AND PROPOSED RATES?

A. I employed a modified version of the Arizona Department of Revenue - Centrally Valued Properties ("ADOR" or "the Department") method for determining property taxes. The ADOR method uses twice the average of the prior three years of historical revenue plus an addition for CWIP and a deduction for the book value

of transportation equipment in the determination of the full cash value. The modified method determines full cash value by using twice the adjusted test year revenues rather than the prior three years of historical revenue. For determining the property tax expense at proposed revenues I used two times the three year average consisting of two years of adjusted test year revenues plus one year of proposed revenues. The change to property taxes at proposed revenues is reflected in the gross revenue conversion factor shown on the A-1 Schedule. For both of the computations of property tax expense I used an assessed value equal to 20 percent of full cash value (the current assessment rate) which was then multiplied by the property tax rate to determine the property tax expense.

Q. IS THIS CONSISTENT WITH PRIOR COMMISSION DECISIONS?

A. Yes, more than I can count. See, *e.g.*, *Chaparral City Water Company*, Decision No. 68176 (September 30, 2005) at 13; *Rio Rico Utilities, Inc.*, Decision No. 67279 (January 6, 2011) at 8; *Arizona Water Company*, Decision No. 64282 (December 28, 2001) at 12 – 13; *Bella Vista Water Co., Inc.*, Decision No. 65350 (November 1, 2002) at 16; *Arizona-American Water Company, Inc.*, Decision No. 67093 (June 30, 2004) at 9 – 10; *Black Mountain Sewer Corporation*, Decision 69164 (December 5, 2006) at 10 – 11.

Q. IS THIS SYNCHRONIZATION OF PROPERTY TAX EXPENSE WITH REVENUES PROPER RATE MAKING?

A. Yes. Like income taxes, property taxes must be adjusted to ensure that the new rates are sufficient to produce the revenue requirement. For this reason, the Commission has repeatedly approved the use of proposed revenues to determine an appropriate level of property tax expense to be recovered through rates. This has been accomplished by either reflecting the change to property taxes from the increase in revenues in the revenue gross-up factor, or by adjusting the test year

property tax expense to reflect the revenues at proposed rates and not reflecting the change in the revenue gross-up factor. In more recent years, the Utilities Division Staff ("Staff") has adopted the former method. To be consistent with Staff's approach in more recent rate cases, I have reflected the change in property taxes from the increase in revenues in the revenue gross-up factor.[8]

Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE INCOME STATEMENT ADJUSTMENTS.

A. Adjustment 3 shows the rate case expense estimated by the Company. The Company estimates rate case expense for the Water Division of $200,000, which is half of the total amount requested. The Company proposes that rate case expense be recovered over four years because it believes a four-year cycle for future rate cases is reasonable given this utility's circumstances. While the Company's last rate case was eighteen years ago, the Company intends to file cases on a more regular basis.

Q. WHY DO YOU BELIEVE THIS IS A REASONABLE ESTIMATE OF RATE CASE EXPENSE FOR THIS RATE CASE?

A. Because it is based on what I have seen in other rate cases. The best recent example I know is Chaparral City Water Company. The Commission granted rate case expense of $280,000 in that case. Chaparral City Water Company is about 2000 customers larger than either of Pima's divisions. So, I took that number and multiplied it by 1.5, on the assumption that we would achieve about 50 percent economies of scale in total for the whole case (both divisions). Thus, each division is allocated $200,000 of rate case expense. I believe these amounts are also consistent with other water company cases like *Arizona Water Company-Western*

[8] *See* Schedule C-3, page 2.

Group, Decision No. 68302 (November 14, 2005) and *Chaparral City Water Company,* Decision No. 71308 (October 21, 2009), in which the utilities were awarded $250,000 and $280,000, respectively. Another recent example that is relevant is the recent rate case for Litchfield Park Service Company ("LPSCo"), (Decision 72026, December 10, 2010) in which both water and wastewater division rate applications were filed simultaneously. LPSCo incurred over $500,000 and was granted $420,000 of rate case expense. While LPSCo is a somewhat larger utility and the issues between the parties may not be the same, in my view the level of outside resources required to prepare the rate case and defend the Company during the course of this proceeding are similar. These cases, among the many others I have worked on, formed the basis for my estimate.

Q. PLEASE EXPLAIN WHY YOU REFER TO THIS AMOUNT AS AN "ESTIMATE."

A. Because I can't see the future, I can only make some guesses based on my experience. The specifics of who may intervene, what unique issues may come into dispute, what kind of procedural problems we will encounter, etc. I cannot predict. I know what we have done to prepare the direct filing and I know that rate cases are lengthy and expensive, but I still have to start with an estimate. If things turn out more complicated than anticipated, the Company will modify its request to account for that increased expense. Conversely, if the case proceeds and rate case expense is lower than expected, we would make an appropriate adjustment downward.

Q. SHOULDN'T THE COMPANY'S SHAREHOLDERS BEAR SOME OF THE BURDEN OF RATE CASE EXPENSE?

A. As a practical matter, the utility always does. My estimate of $400,000 ($200,000 for each division) assumes Pima will actually incur more than $400,000 of rate

case expense in this case. I suspect the actual amount will be well over half a million dollars before it is done. Whether those additional amounts should be sought for recovery is hard to say. I would agree that if the utility does something improper, or advances positions in bad-faith, it should shoulder the burden of such actions. But, as I testified, the Commission dictates the process, not the utility, and absent such circumstances, the utility must be allowed to recover its reasonably incurred rate case expense as a cost of service.

Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE INCOME STATEMENT ADJUSTMENTS.

A. Adjustment 4 annualizes revenues to the year-end number of customers. The annualization of revenues is based on the number of customers at the end of the test year, compared to the actual number of customers during each month of the test year. Average revenues per customer by month were computed for the test year and then multiplied by the increase (or decrease) in number of customers for each month of the test year. The total of the monthly revenue change comprise the revenue annualization. This was done for each customer class.

Adjustment 5 increases purchased power reflecting the offset of a one-time rebate credit from the Ocotillo Water Conservation District, as well as removes power costs associated with recharge wells that the Company proposes to include in the Wastewater Division's plant.

Adjustment 6 annualizes purchased power expense based on the additional gallons sold from annualizing revenues to the year-end number of customers in Adjustment 4, above. This adjustment is intended to match the additional expense associated with the revenue annualization.

Adjustment 7 is intentionally left blank.

Adjustment 8 adjusts interest expense to reflect interest synchronization with rate base.

Adjustment 9 reflects income taxes based upon the Company adjusted test year revenue and expense. The Company is proposing income taxes in the cost of service even though Pima is a Subchapter S Corporation ("S-Corp") and does not pay income taxes itself.

Q. WAIT A MINUTE PLEASE MR. BOURASSA, BUT IF PIMA DOES NOT PAY THE TAXES WHY SHOULD THEY RECOVER THEM THROUGH RATES?

A. The reason is actually simple. The taxable income attributed to Pima is passed through to its shareholders who must pay the income tax. Had the utility service not been provided and the revenue earned, the taxes would not have been incurred. In other words, this income tax attributed to this "first tier" income is a necessary and inescapable cost of providing service to customers.

The situation is analogous to a subsidiary Subchapter C Corporation ("C-Corp") utility of a parent holding company whose tax return is consolidated with the parent. The individual C-Corp utility does not file a separate tax return, yet this Commission has traditionally allowed income taxes to be computed on a stand-alone basis and included as a cost of service of the utility.

Q. IS OPERATING INCOME FOR A UTILITY WHOSE LEGAL STATUS IS THAT OF A C-CORP DETERMINED BY CONSIDERING THE IMPACT OF INCOME TAXES?

A. Yes. The rate of return that is applied to rate base to determine the required operating income is an after-tax return. Pass-through entities like S-Corps should be afforded the same treatment as C-Corps. Otherwise, for example, a 10 percent authorized return to an S-Corp does not have the same meaning nor does it provide

the same effective return as a 10 percent return to a C-Corp - one is before tax and the other is after tax.

Rate making should be applied in a manner which produces reasonable and realistic results no matter what the legal form of the utility is. Inclusion or exclusion of income taxes should not be limited to a technical distinction. Rather it should be based on whether it is fairly recovered as a cost of service without discrimination. The income taxes required to be paid by shareholders on a utility's income are inescapable business outlays that are directly attributable to the utility and are directly comparable with similar taxes paid by C-Corps. Otherwise ratepayers receive an unjustified windfall and, concurrently, shareholder investment value is diminished from the lower revenue requirement and operating income when income taxes are excluded.

Q. DOESN'T THE FEDERAL ENERGY REGULATORY COMMISSION HAVE A POLICY OF INCLUDING AN INCOME TAX ALLOWANCE FOR TAX PASS-THOUGH ENTITIES?

A. Yes. The Federal Energy Regulatory Commission ("FERC") has an established policy of including an income tax allowance for tax pass through entities.[9] I have included a copy of the *Policy Statement on Income Tax Allowances* ("*Policy Statement*") as **Exhibit TJB-RB-DT1**. The *Policy Statement* provides an in-depth discussion of the rationale for including an income tax allowance for tax pass-through entities not dissimilar to the rationale discussed previously.

[9] *See* Federal Energy Regulatory Commission, 111 FERC 61,139, Docket PL05-5-000.

Q. PLEASE EXPLAIN THE FERC METHODOLOGY FOR THE DETERMINATION OF THE INCOME TAX ALLOWANCE FOR TAX PASS-THROUGH UTILITIES.

A. The basic FERC methodology is summarized as follows:

1. Drill down through all stockholders until a taxable or nontaxable entity is reached.
2. Establish a marginal tax rate for each taxable entity (FERC typically uses presumptive rates of 28% for all individual taxpayers and 35% for taxable entities).
3. Calculate a weighted average tax rate for the combined ownership.
4. Use weighted average tax rate for calculating income tax allowance.

Q. HAVE YOU FOLLOWED THE FERC METHODOLOGY IN THE INSTANT CASE?

A. Yes, with some modifications in order to make the computed effective income tax rate and the income tax allowance more conservative. Instead of using the FERC presumptive marginal tax rates of 28 percent for individuals and 35 percent for taxable entities, I computed the actual effective tax rates for individuals and entities based upon their proportionate share of income at proposed revenues using the applicable federal and state tax rates. The computed individual effective tax rates (federal and state) range from a low of about 12.8 percent to a high of about 32 percent. The average of these rates is about 18.2 percent; far lower than the 28 percent FERC presumptively employs. The taxable entity effective tax rates range from a low of about 15 percent to a high of about 18 percent. The average of these rates is about 16.6 percent; far lower than the 35 percent FERC presumptively employs.

In the instant case, as a result of using the modified approach described above, the effective federal tax rate is about 24.5 percent. Compare this rate to an effective federal tax rate of about 29 percent when a 28 percent and 35 percent rate is used for individuals and taxpaying entities, respectively. Clearly, the modified approach employed in the instant case is more conservative.

Q. HOW DOES THE COMPUTED OVERALL EFFECTIVE TAX RATE COMPARE TO A COMPARABLE C-CORP?

A. The computed overall effective tax rate (federal and state) at proposed revenues is approximately 27.8 percent, whereas the effective tax rate for a comparable C-Corp would be approximately 41.5 percent.

D. <u>Rate Design (H Schedules).</u>

Q. WHAT ARE THE COMPANY'S PRESENT RATES FOR WATER SERVICE?

A. The Company's present rates are:

MONTHLY SERVICE CHARGES

5/8" x 3/4" Meter	$ 5.70
3/4" Meter	$ 5.70
1" Meter	$ 16.00
1 1/2" Meter	$ 21.00
2" Meter	$ 26.00
3" Meter	$ 40.00
4" Meter	$ 52.00
6" Meter	$100.00
Irrigation	$180.00
Gallons in minimum (all classes, except irrigation)	1,000
Gallons in minimum (irrigation)	100,000

COMMODITY RATES

All Metered Usage, except irrigation

1 Gallon to 10,000 gallons - Per 1,000 gallons	$0.92
Over 10,000 Gallons	$1.08
Irrigation	
All gallons over minimum	$0.36

Q. WHAT ARE THE COMPANY'S PROPOSED RATES FOR WATER SERVICE?

A. The Company's proposed rates are:

MONTHLY SERVICE CHARGES

5/8" x 3/4" Meter	$ 7.36
3/4" Meter	$ 7.36
1" Meter	$ 20.67
1 1/2" Meter	$ 27.13
2" Meter	$ 33.59
3" Meter	$ 51.68
4" Meter	$ 67.18
6" Meter	$129.20
Irrigation	$232.56
Gallons in minimum (all classes, except irrigation)	0
Gallons in minimum (irrigation)	0

COMMODITY RATES

5/8"X3/4" Meter – Res.	1 to 4,000	$ 0.96
	4,001 to 10,000	$ 1.36
	Over 10,000	$ 1.86

5/8"X3/4" Meter – Com.	1 to 10,000	$ 1.36
	Over 10,000	$ 1.86
3/4" Meter – Res.	1 to 4,000	$ 0.96
	4,001 to 10,000	$ 1.36
	Over 10,000	$ 1.86
3/4" Meter – Com.	1 to 10,000	$ 0.96
	Over 10,000	$ 1.36
1" Meter – Res., Com.	1 to 25,000	$ 1.36
	Over 25,000	$ 1.86
1 ½" Meter – Res., Com.	1 to 50,000	$ 1.36
	Over 50,000	$ 1.86
2" Meter – Res., Com.	1 to 80,000	$ 1.36
	Over 80,000	$ 1.86
3" Meter – Res., Com.	1 to 160,000	$ 1.36
	Over 160,000	$ 1.86
4" Meter – Res., Com.	1 to 250,000	$ 1.36
	Over 250,000	$ 1.86
6" Meter – Res., Com.	1 to 500,000	$ 1.36
	Over 500,000	$ 1.86
Irrigation – all meter sizes	All gallons	$ 0.70

Q. WHAT METER SIZE ARE THE MAJORITY OF CUSTOMERS ON AND WHAT WAS THE AVERAGE MONTHLY BILL DURING THE TEST YEAR?

A. The largest customer class is the 5/8x3/4 inch residential class. The next largest customer class is the 1 inch residential class. As shown on Schedule H-2, page 1,

the average monthly bill under present rates for a 5/8x3/4 inch residential customer using an average 6,395 gallons is $10.66. The average monthly bill under present rates for a 1-inch residential customer using an average 28,258 gallons is $44.00.

Q. WHAT WILL BE THE AVERAGE 5/8X3/4 INCH RESIDENTIAL AND 1 INCH RESIDENTIAL CUSTOMER AVERAGE MONTHLY BILL UNDER THE NEW RATES?

A. As shown on Schedule H-2, page 1, the average monthly bill under proposed rates for a 5/8x3/4 inch residential customer using an average 6,395 gallons is $14.49 – a $3.83 increase over the present monthly bill or a 35.91 percent increase. The average monthly bill under proposed rates for 1-inch residential customer using an average 28,258 gallons is $60.87 – a $16.87 increase over the present monthly bill or a 38.34 percent increase.

Q. IS THE COMPANY'S RATE DESIGN A CONSERVATION ORIENTED RATE DESIGN?

A. Yes. Inverted tier rate designs are conservation oriented. The smaller residential meters (5/8"x3/4" and 3/4") are on an inverted three tier rate design and all other meter sizes are on an inverted two tier design. As I will discuss in the next section, conservation oriented rate designs are not cost based rate designs. However, as I will discuss later in my cost of service study, the Company's proposed design does provide for less subsidization of the 5/8x3/4 inch metered class by the larger meter sizes. It also provides somewhat less revenue stability than the current rate design in that it provides for about 33 percent of the revenue requirement from monthly minimums whereas under present rates about 39 percent of revenues are derived from the monthly minimums. Generally, the portion of revenue derived from the monthly minimums should be in the range of 40 to 50 percent and ideally closer to 50 percent.

Q. PLEASE DESCRIBE THE CUSTOMER TYPES WHICH COMPRISE THE IRRIGATION CLASS.

A. The irrigation customers are the three homeowner associations ("HOAs") in Sun Lakes. Each association uses irrigation water for landscaping, lakes and golf courses.

Q. IS THE COMPANY PROPOSING AN INVERTED TIER RATE DESIGN FOR THE IRRIGATION CLASS?

A. No. The Company proposes to continue with the current rate design for the irrigation class, which is characterized by a relatively high monthly minimum and single tier commodity rate. The Company does propose to eliminate the 100,000 gallons included in the monthly minimum under present rates. This design is similar to the rate design for effluent sales of the Wastewater Division.

Q. WHY IS THE COMPANY PROPOSING TO KEEP THE CURRENT RATE DESIGN?

A. A rate design that would be typically used for the irrigation class would have a substantially greater commodity rate[10] and this would have an adverse impact on the HOAs. The Company is concerned that the impact of setting the irrigation commodity rate at either the second or third tier commodity rates of the other customer classes will result in rate increases of 200 to 300 percent to the HOAs. The increase to the HOAs would provide little benefit to Pima's other customers, since they are the ones ultimately funding the HOAs. Even though the proposed irrigation commodity rate is less than the first tier commodity rate of the small metered customers the irrigation class will see the highest rate increase of all the customer classes. Under the Company's proposed rate design the irrigation class

[10] For example, Chaparral City Water Company's irrigation commodity rate is equal to the second tier commodity rate. LPSCO's irrigation rate is equal to the third tier commodity rate.

will see nearly a 94 percent increase at the average usage. By comparison, the largest customer class is the 5/8x3/4 inch residential and will see about a 36 percent increase at the average usage.

1. Other Tariff Changes.

Q. IS THE COMPANY PROPOSING ANY CHANGES TO MISCELLANEOUS SERVICE CHARGES FOR THE WATER DIVISION?

A. Yes. The Company is proposing an establishment fee, reestablishment fee (within 12 months), reconnection fee (delinquent), and an after-hours service charge.

2. Cost of Service Study (G Schedules).

Q. WHAT IS A COST OF SERVICE STUDY?

A. A cost of service study is an analysis of the adequacy of water revenues and revenue requirements to be met by the various classes of customers under both existing and proposed rates. The study begins with an allocation of utility plant and expenses into cost and asset functions which are then allocated to customer classifications. The study attempts to trace the costs resulting from meeting the customers' service requirements. Ideally, the revenues received from each customer class should equal the cost of providing service to that customer class. The cost to provide service includes the operating and maintenance expenses and the capital costs. Operating and maintenance expenses include the costs of operating the system and the costs of maintaining system facilities and equipment. Capital costs include investment-related cash requirements such as debt service, contributions to debt service reserves, and capital requirements not financed by debt. Capital costs also include depreciation expense and either a return on rate base (for-profit utilities) or an operating margin (non-profit utilities) as well as incomes taxes and other taxes, if applicable.

Q. WHAT IS THE PURPOSE OF A COST OF SERVICE STUDY?

A. Typically, the purpose of preparing a cost of service study is to offer guidance in setting rates to be charged for utility service. The basic premise in establishing rates for the various classes of customers that are both adequate and equitable is that rates should reflect the cost of providing utility service. Generally, regulators should set rates based on the cost of service. Put simply, this assures that the cost of providing service is allocated equitably among customers and customer classes. Cost-based rates also send an appropriate price signal to customers because the amount paid for service approximates the cost to provide the service. In other words, subsidies between customers are minimized.

There are many factors at play when rates are set, which may result in rates that are not adequate and/or equitable between the various classes of customers. Non-economic factors may be at play when rates are set. For example, the regulatory body may favor subsidizing one class of customer by shifting costs to other classes of customers, or shifting revenues within one class of customer to subsidize members within that class. Lifeline or discounted rates, which are sometimes used to assist low-income customers in areas with high utility costs, are prime examples of subsidization of a class of customers by other customers. If possible, Lifeline or discounted rates should not apply to a whole customer class. If Lifeline or discounted rates are needed, they should be offered only to customers meeting some income test.

Another example is rate designs intended to encourage conservation. Conservation-based rates deviate from cost-of-service principles because larger water users pay more than their cost of service. Inverted-tier rates shift revenue recovery into the upper rate blocks in order to send a price signal to customers, regardless of the cost to serve those customers. This may be a desirable social

policy, but these rates may also be regarded as unfair and discriminatory by larger water users on economic grounds.

Thus, public policy may have a significant impact on rate design. The Commission should consider the impact that these sorts of alternative rate designs have on other customers, and the degree that such approaches deviate from cost-based rates, which may result in inequities and, in extreme cases, cause customers to develop alternatives to service from the utility provider. In the end, the goal is for the Company to recover its revenue requirement.

Q. HOW IS YOUR COST OF SERVICE STUDY ORGANIZED?

A. The standard filing requirements call for Schedules G-1 through G-7. I have also included Schedules G-8, G-9, and G-10. These schedules show cost based rate designs, which I will explain later in my testimony.

G Schedules with higher numbers, i.e., 5, 6 and 7, contain the allocation factors and actual allocations to functions. These functions are then carried forward to the summary G schedules 1, 2, 3 and 4, which allocate expenses and plant (by function) to classes of customers (by meter size).

I will start my analysis using Schedule G-7 and end with Schedules G-2 and G-1. I will then describe Schedules G-8 and G-9.

Q. BEFORE YOU PROCEED, WHAT IS A "FUNCTION?"

A. Functions refer to the plant and the expenses needed to get the water (the commodity) from the source (well or surface water) to the customer. The functions are commodity, demand, customer, meter, and service.

Commodity refers to the actual volume of water delivered. The commodity function is used to derive the commodity rate or the rate charged per unit of measurement, i.e., 1,000 gallons of water. Demand refers to how the water system is sized to deliver the water, which is normally determined by total customers and

fire flow requirements. Hence, the system is built to be able to deliver water (the commodity) to customers, as well as the demand placed on the water system when water is used to contain or fight a fire.

Customer, service, and meter functions are also used to develop the monthly minimum charged to each class of customer. The full cost of the demand function should also be included in the monthly minimum charge. However, the practice of Staff has been to allocate a portion of the demand function to both the commodity rate and the monthly minimum charge, and this has generally been adopted by the Commission in my experience.

Demand, customer, service and meter functions refer to the delivery of the water from the Company's wells, surface sources or reservoirs through the transmission and distribution mains to the individual customer's premises. The costs associated with demand, customer, service and meter functions are incurred whether the customer uses 1,000 gallons or 1,000,000 gallons of water each month.

Fire protection assets (e.g., hydrants) and expenses associated with fire protection, including depreciation, should be allocated to the customer function because fire protection generally benefits all customers on the system. This has been the Commission's policy with regard to fire protection costs.

Q. WHAT TYPE OF COST OF SERVICE STUDY DID YOU PREPARE TO SUPPORT THE PROPOSED RATES?

A. I used the Commodity / Demand Method for the cost of service study. This method normally separates expenses and assets into three primary functions or components: commodity; demand; and customer (with further breakdown of customer costs and plant into meter and service line).

Commodity costs are costs that tend to vary (change) with the production or output of water. These costs would consist primarily of power costs, chemicals, water

treatment, purchased water, and other variable expenses. Please note that I included a portion of the demand function into the commodity function to adhere to Commission Staff's past practices.

Demand costs are capital and maintenance costs of facilities related to meeting the peak demand or peak usage requirements. The plant assets which cause the bulk of the demand cost are transmission and distribution mains.

Customer costs are those costs related to serving and/or having customers, without regard to the amount of water used. These costs would include meter reading, billing, customer accounting and collection, and the capital costs and maintenance costs related to the meters, services, and customer equipment such as meters, service lines, computers, office furniture, transportation equipment, etc.

Q. AFTER COSTS ARE ALLOCATED TO FUNCTIONS, HOW ARE EXPENSES AND ASSETS THEN ALLOCATED TO THE INDIVIDUAL CLASSES OF CUSTOMERS?

A. After the expenses and assets are allocated to the commodity, demand, customer, service, and meter functions, the values for the functions were then allocated to various customer classes. Customer classes are based on meter sizes on the system.

Q. DOES A COST OF SERVICE STUDY PROVIDE DATA TO DETERMINE HOW THE TIERED RATE DESIGN SHOULD BE SET?

A. No. The cost of service study will provide the cost of the commodity, but it will not provide data on where rate tiers should be set. The tiers rates can be based on studying the usage by the customers.

Q. WOULD YOU PLEASE DESCRIBE AND EXPLAIN THE SCHEDULES THAT COMPRISE YOUR COST OF SERVICE STUDY, AND WOULD YOU DESCRIBE HOW THE VARIOUS FUNCTIONS WERE DEVELOPED?

A. The allocations for the development of the class allocation factors are shown on Schedule G-7, pages 1 through 3.

The commodity allocation is based on the number of gallons of water used by customers on various sizes of meters, plus the gallons from the revenue annualization to year-end number of customers, divided by the total gallons of water sold (including gallons from the revenue annualization) during the test year. Thus, if 80,000,000 gallons of water were sold through the 5/8 inch meters, out of a total of 100,000,000 gallons of water sold by the water utility, this meter size would be allocated 80% of the commodity cost.

The demand allocation factor consists of the number of meters for each size of meter on the system, multiplied by the equivalent weight of each size of meter. The equivalent weight is determined by the flow capacity of each meter. A 5/8 inch meter can flow 20 gallons per minute, while a 6 inch meter can flow 1,000 gallons per minute. Thus, one 6 inch meter is equivalent to approximately fifty 5/8 inch meters. The larger meters are restated into equivalent 5/8 meters to derive a monthly meter charge for the 5/8 inch meter. Then based on flow capacity, monthly minimums are developed for larger meters.

The customer allocation factor is the number of customers on each size meter. The allocation is based on total meters, not equivalent meters. It costs no more to read a 6 inch meter than a 5/8 inch meter, and it costs the same to issue a bill.

I computed the meter allocation factor by multiplying the number of meters times the most recent cost of installing a meter.[11] The dollar weighted value of meters is then divided by the total computed meter cost to derive the meter allocation factor to each class of customer.

The service line allocations were computed in the same manner as the meters. That is, I used the values listed on the Staff memorandum to derive a total value of the service lines. The allocation to each service line size was the result of dividing the dollar value of the service lines for each customer class by the total dollar value of the service lines.

Schedule G-7, page 2.1 lists the allocation factors for repairs and maintenance expense, contractual services, purchased power, purchased water, transportation, chemicals, water testing, and salaries and wages. Allocation factors for these expenses were determined by examining the causal relationships of each expense to the various functions, which may include an examination of the recorded amounts during the test year and the use of professional judgment.

The depreciation expense allocations shown on Schedule G-6, page 2, apply the allocation factors shown on Schedule G-7, page 2, times the depreciation expense for each plant asset. For the demand function for Wells, Mains, Water Treatment Equipment, and Pumping Equipment, I assumed an allocation factor of 90 percent. Ten percent of plant values and related depreciation expense for Wells, Mains, Water Treatment Equipment, and Pumping Equipment was allocated to the commodity function.

The depreciation expense was computed with the Company's depreciation rates.

---

[11] Costs were used from the Commission Staff Engineering memorandum originated by Marlin Scott, Jr., dated February 21, 2008.

The operation and maintenance expense allocation to functions (commodity, demand, customer, service, and meter) are shown on Schedule G-6, page 1.

On Schedule G-5, page 2, I allocated net plant rather than gross plant, via deducting the accumulated depreciation from each plant asset.

I deducted AIAC and CIAC from the plant balances normally financed with AIAC and CIAC, which would be primarily transmission and distribution mains. I allocated the AIAC and CIAC to both the demand and commodity functions to be consistent with my allocation of the transmission and distribution mains. The allocations are shown on Schedule G-5, page 2.

Then I computed rate bases for each function (commodity, demand, customer, service and meter). The rate bases by function are shown on Schedule G-5, page 1.

Schedule G-4 allocates the commodity, demand, customer, service and meter expenses to meter sizes using the allocation factors developed on Schedule G-7, page 3.

Schedule G-3 allocates the rate bases for commodity, demand, customer, service, and meter to customer classes, which are meter sizes.

Schedules G-1 and G-2 derive the return on rate base by customer classes (meter sizes) at present and proposed rates, respectively. The returns on rate base are computed by dividing the operating income for each meter size by the rate base for that meter size.

Property taxes are allocated based on revenue, as this revenue is the main factor in the method used by ADOR to determine the full cash value of the utility.

Income Taxes are allocated based on taxable income on Schedules G-1 and G-2.

Q. DID YOU PREPARE SCHEDULES SHOWING RATE DESIGNS BASED ON THE COST OF SERVICE STUDY?

A. Yes. Cost based monthly minimums and commodity rates are shown on Schedule G-8.

Q. WOULD YOU PLEASE DISCUSS SCHEDULE G-8?

A. Schedule G-8 computes the cost based monthly minimums for each meter size and the commodity rates. On Schedule G-8, in the monthly minimums for each size meter, I have included the demand related expenses and capital costs. The computed monthly minimum gives guidance on the rates that should be charged regardless of customer water usage. The proposed rates in the instant case as to monthly minimum charges on the H-3 schedule are noticeably below what the computed monthly minimums shown on Schedule G-8, page 3.

The computed commodity rate is substantially below the proposed commodity rates on the H-3 schedule under both present and proposed rates. The disparity (computed cost vs. proposed rates) continues as you compare the proposed rates using tier two or three tier rates.

Q. WHAT IS THE MONTHLY MINIMUM FOR A CUSTOMER ON A 5/8X3/4 INCH METER THAT YOU COMPUTED IN YOUR COST OF SERVICE STUDY?

A. The monthly minimum, with no water in that minimum, should be $18.40 when you include the allocations for expenses and plant for the function of demand, customer, meter and service line.

Q. HOW DOES THE COMPUTED MONTHLY MINIMUM CHARGE COMPARE TO THE COMPANY'S PROPOSED MONTHLY MINIMUM?

A. The proposed monthly minimum for a 5/8x3/4 inch meter is $7.36, or approximately 40 percent of the computed monthly minimum of $18.40 as shown on Schedule G-8, page 3. Thus, the proposed monthly minimum is about $11 below the actual cost for the monthly minimum.

Q. WHAT IS THE COMPUTED COMMODITY CHARGE, WITHOUT REGARD TO TIERS, THAT WOULD BE DERIVED FROM YOUR COST OF SERVICE STUDY?

A. The computed commodity rate is $0.2994 per 1,000 gallons of water from the cost of service study.[12]

Q. HOW DOES THE COMPUTED COMMODITY RATE COMPARE TO THE COMPANY'S PRESENT AND PROPOSED COMMODITY RATES?

A. The commodity rate under present rates being charged is $0.92 per 1,000 gallons for the first 10,000 gallons and $1.08 per 1,000 gallons over 10,000 gallons. The first tier rate is approximately 3.1 times what it costs to produce the water. The second tier rate is approximately 3.6 times what it costs to produce the water.

The Company's proposed commodity rates are $0.96 for tier one, $1.36 for the tier two, and $1.86 for tier three for the 5/8x3/4 inch and ¾ inch residential meters. The proposed first tier rates are about 3.2 times the cost to produce the water. The proposed second tier rates are nearly 4.5 times the cost to produce the water while the proposed third tier rate is nearly 6.2 times the cost to produce the water. Thus, the proposed first tier, second tier and third tier commodity rates are vastly overstated when compared to the cost to produce the water.

[12] *See* Schedule G-8, page 3.

Q. WHAT IS THE IMPACT OF SETTING THE MONTHLY MINIMUMS SUBSTANTIALLY BELOW COST?

A. It adds substantial risk. Inverted multi-tiered rates designs as proposed in this case encourage conservation. If conservation is actually achieved, usage will decline and it will cause a substantial shortfall in the revenues the Company collects. That means that it will be impossible to actually achieve the requested return. The Company's proposed design reduces the amount recovered from the monthly minimums which does not help mitigate the revenue instability since the monthly minimums do not cover the demand, customer, meter and service costs (the "fixed" costs in the cost of service).

Q. COULD YOU ILLUSTRATE THE ABOVE ANSWER?

A. Yes. Schedule G-9 illustrates what happens when conservation is achieved. On Schedule G-9, page 1, I have constructed the illustration showing the profit or loss from proposed rates that is achieved for the 5/8 inch metered residential customer at increments of 1,000 gallons through 100,000 gallons of monthly usage. The cross over point going from a loss to a profit is between 10,000 and 12,000 gallons and is substantially above the average usage for the 5/8x3/4 inch meter customer class of approximately 6,395 gallons.

On Schedule G-9, page 2, I have constructed the illustration showing the profit or loss from proposed rates that is achieved for the 3/4 inch metered commercial customer (there are no 3/4 inch residential customers) at increments of 1,000 gallons through 100,000 gallons of monthly usage. The cross over point going from a loss to a profit is between 16,000 and 18,000 gallons and is substantially below the average usage for the 3/4 inch metered commercial customer class of approximately 31,484 gallons.

On Schedule G-9, page 3, I have constructed the illustration showing the profit or loss from proposed rates that is achieved for the 1 inch metered residential customer at increments of 1,000 gallons through 100,000 gallons of monthly usage. The cross over point going from a loss to a profit is between 20,000 and 25,000 gallons and is substantially below the average usage for the 1 inch metered residential customer class of approximately 28,258 gallons.

By pricing the monthly minimum substantially below cost and the commodity rate substantially above cost, the Company will underearn if water sales drop. Conversely, if water sales increase, there is the potential to over earn. Although in this particular case, since the average usage of the largest customer class (5/8x3/4 inch residential) is well below the break-even point, the potential to over earn is far less likely than the potential to under earn.

Q. WHAT ABOUT MOVING FROM A TWO-TIERED TO A THREE-TIERED RATE DESIGN, PARTICULARLY FOR THE SMALLER RESIDENTIAL METERS?

A. That adds further risk. With the proposed rate design, the monthly minimum is being substantially subsidized by the commodity rate. In other words, the Company must recover a large amount of fixed costs, through sales of water, which can vary based on weather, or conservation efforts. Any conservation by customers will substantially impact the Company's net income.

Q. WHAT HAPPENS WHEN THE MONTHLY MINIMUMS AND COMMODITY RATES ARE NOT PRICED AT COST?

A. Two things can happen. If customers don't conserve and usage increases rather than decreases, the Company will over earn. If customers conserve, or just use less

water due to more rainfall, the Company will under earn. If usage changes substantially, either up or down, the impacts I just referred to will be magnified.

Q. BUT EVEN IF THE MONTHLY MINIMUMS AND COMMODITY RATES ARE PRICED AT COST, WOULDN'T THE COMPANY STILL OVER OR UNDER EARN IF CUSTOMERS USE MORE OR LESS WATER?

A. Yes, but to a lesser lower extent.

Q. WHAT WOULD BE A SINGLE TIERED RATE DESIGN ASSUMING APPROXIMATELY THE SAME LEVEL OF REVENUES WERE RECOVERED THROUGH THE MONTHLY MINIMUM AS PROVIDED BY THE COMPANY'S PROPOSED MONTHLY MINIMUMS?

A. On Schedule G-8, page 4, I set forth a computation of a single tiered rate design. The rate design assumes rates charged are sufficient to recover the customer's cost of service which would include the 9.47 percent return. As shown, the 5/8x3/4 inch month minimum would be $9.64 and the commodity rate $0.941. My computation contemplates 45 percent of the demand costs and 45 percent of the customer, service and meter costs included in the computation of the monthly minimum. The 45 percent is substantially above the 33 percent of the proposed revenues recovered through the monthly minimums in the instant case. However, in my experience, the monthly minimums under Staff's proposed rate designs typically recover 40 to 50 percent of the "fixed costs." Thus, 45 percent is not an unreasonable figure.

The computed monthly minimum of $9.64 is higher than the proposed monthly minimum of $7.36 for a 5/8x3/4 inch metered residential customer. The computed commodity rate of $0.941 is slightly lower than the proposed first tier

rate of $0.96 and approximately 1.45 times the proposed second tier rate of $1.36, and nearly 2 times the third tier rate of $1.86.

Q. WHAT IS THE RANGE OF THE RETURNS FOR THE VARIOUS METER SIZES AT PRESENT RATES?

A. As shown on Schedule G-1, the returns vary substantially between the various meter sizes at the present rates. The largest customer class, the 5/8x3/4 inch residential, provides the lowest return under the present rates. In fact, the return is a negative 0.59 percent, which implies that this class of customer is not paying its cost of service and is the largest cause of the overall low return of 1.47 percent for the test year under present rates. On the other hand, the larger sized meters, such as the 1 inch, 1½ inch, 2 inch are providing positive returns. Even the irrigation class is providing a positive return, and the irrigation class has the lowest commodity rate. This is largely because of the volume of water sold to the irrigation class. That said, the positive returns of the larger meter sizes and the irrigation customers indicate that these customer classes are subsidizing the 5/8x3/4 inch customer class.

Q. WHAT ARE THE RETURNS FOR THE VARIOUS METER SIZES AT PROPOSED RATES?

A. As shown on Schedule G-2, the returns at proposed rates also vary substantially between the various meter sizes. While all the returns are positive, the 5/8x3/4 inch metered residential customers continue to provide the lowest return at 4.34 percent. In fact, the 4.34 percent return is well below the Company's requested return of 9.47 percent. As can be found, the larger sized meters, such as the 1 1/2 inch, 2 inch, as well as the irrigation class, are providing much higher, positive returns. This indicates that the larger meter customer classes and the irrigation class continue to subsidize the 5/8x3/4 inch residential customers under the

Company's proposed rates. However, consistent with the concept of gradualism, there is a material improvement in eliminating subsidization of the 5/8x3/4 inch meters under the Company's proposed rates.

Q. ISN'T THE RETURN PROVIDED BY THE IRRIGATION CLASS THE HIGHEST?

A. Yes. As shown on Schedule G-2, the irrigation class provides the highest return at over 57 percent. I should note that under the Company's proposed rate design, the irrigation class will be impacted the greatest with a rate increase at the average usage of nearly 94 percent.[13] This is over 2.6 times the impact on the 5/8x3/4 inch residential customers at about 36 percent.

IV. WASTEWATER DIVISION

A. Summary of A, E and F Schedules

Q. MR. BOURASSA, LET'S TURN TO THE COMPANY'S WASTEWATER DIVISION SCHEDULES. PLEASE DESCRIBE THE SCHEDULES LABELED AS A, E, AND F.

A. The A-1 Schedule is a summary of the Wastewater Division rate base, operating income, current operating margin, required operating margin, operating income deficiency, and the increase in gross revenue. A 9.47 percent return on FVRB is requested. The increase in the revenue requirement is $691,210. Revenues at present and proposed and customer classifications are also shown on this schedule.

The A-2 Schedule is a summary of results of operations for the test year, prior years, and a projected year at present rates and proposed rates.

Schedule A-3 contains the Company's capital structure for the test year and the two prior years.

[13] *See* Schedule H-2, page 1.

Schedule A-4 contains the plant construction, and plant in service for the test year and prior years. The projected plant additions are also shown on this schedule.

Schedule A-5 is the summary of the Company's changes in financial position (cash flow) for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

The E Schedules are based on the Company's actual operating results, as reported by the Company in annual reports filed with the Commission. The E-1 Schedule contains the comparative balance sheet data the years 2008, 2009, and 2010 ending on December 31.

Schedule E-2, page 1, contains the income statement for the years 2008, 2009, and 2010 ending on December 31.

Schedule E-3 contains the statements of changes in the Company's financial position for the test year and the two prior years.

Schedule E-4 provides the changes in membership equity.

Schedule E-5 contains the Company's plant in service at the end of the test year, and one year prior to the end of the test year.

Schedule E-7 contains operating statistics for the years ended 2008, 2009, and 2010 ending on December 31.

Schedule E-8 contains the taxes charged to operations.

The accountant's notes to the financial statements and the financial assumptions used in preparing the rate filing schedules are shown on Schedules E-9 and F-4, respectively, in accordance with the Commission's standard filing requirements. The Company does not prepare audited financial statements.

Schedule F-1 contains the results of operations at the present rates (actual and adjusted), and at proposed rates.

Schedule F-2 contains the summary of changes in financial position (cash flow) for the prior two years, the test year at present rates, and a projected year at present and proposed rates.

Schedule F-3 shows the Company's projected construction requirements for 2011, 2012, and 2013.

Schedule F-4 contains the assumptions used in developing the adjustments and projections contained in the rate filing.

B. <u>Rate Base (B Schedules)</u>

Q. WOULD YOU EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE LABELED AS THE B SCHEDULES?

A. Yes. I will start with Schedule B-5, which is the working capital allowance. My rationale for not doing a lead/lag study and the reasons for my recommendation of zero working capital are explained above with respect to the Water Division.[14]

Q. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO THE WASTEWATER DIVISION'S ORIGINAL COST RATE BASE?

A. Yes. Schedule B-2 shows adjustments to the Wastewater Division's OCRB cost rate base proposed by the Company. Schedule B-2, pages 2 through 5, provide the supporting information. These adjustments are, in summary:

B-2 adjustment number 1, as shown on Schedule B-2, page 2, adjusts plant-in-service. There are a number of plant-in-service adjustments included in Adjustment 1. These are shown on Schedule B-2, page 3, and are labeled as adjustments "A," "B," "C," and "D."

Adjustment A of B-2 adjustment number 1 adjusts plant-in-service to reflect the reclassification of plant from the Wastewater Division to the Water Division.

[14] *See* pages 6 – 7, *supra*.

This reclassification of plant is discussed in more detail in the Direct Testimony of Ray Jones.[15]

Adjustment B of B-2 adjustment number 1 adjusts plant-in-service to reflect the reclassification of plant from the Water Division to the Wastewater Division. In short, the reclassified plant is related to effluent recharge facilities and equipment which more properly belongs with the Wastewater Division. This reclassification of plant is also discussed in more detail in Mr. Jones' direct testimony.[16]

Adjustment C of B-2 adjustment number 1 adjusts plant-in-service to reflect retirements that were not recorded as of the end of the test year. The proposed plant retirements are discussed in more detail in Mr. Jones' direct testimony.[17]

Adjustment D of B-2 adjustment number 1 reclassifies plant-in-service to the proper plant-in-service accounts. The net adjustment to plant-in-service is zero. This adjustment is discussed in more detail in Mr. Jones' testimony.[18]

Q. PLEASE CONTINUE.

A. Adjustment B-2 shown on Schedule B-2, page 2, adjusts accumulated depreciation. The details of the accumulated depreciation adjustment are shown a Schedule B-2, page 4. There are two plant-in-service adjustments included in Adjustment 2. These are shown on Schedule B-2, page 4, and are labeled as adjustments "A" and "B."

Adjustment A of B-2 adjustment number 2 adjusts accumulated depreciation for the proposed retirements shown in Adjustment C of B-2 adjustment number 1.

---

[15] *See* Jones Dt. at 9.
[16] *Id.* at 10:20 – 11:3.
[17] *Id.* at 11:4-8.
[18] *Id.* at 8:17 – 9:3.

Adjustment B of B-2 adjustment number 2 adjusts accumulated depreciation reflects the re-computed amounts of accumulated depreciation per the Company's B-2 plant schedule.

Q. DO THE PLANT IN SERVICE AND ACCUMULATED DEPRECIATION BALANCES SHOWN ON B-2 REFLECT THE LAST COMMISSION RATE ORDER?

A. Yes. The construction of the plant and accumulated depreciation balances is discussed in the Direct Testimony of Ray Jones.[19]

Q. PLEASE CONTINUE.

A. Adjustment B-2 shown on Schedule B-2, page 5, adjusts the accumulated amortization balance of CIAC to the recomputed amount reflecting the annual composite depreciation rate for plant-in-service.

Q. HOW WAS THE PROPOSED "FAIR VALUE" RATE BASE SHOWN ON A-1 DETERMINED?

A. As stated, the FVRB shown on Schedule A-1 is based on OCRB, with no adjustment for the current values of the Company's plant and property.

C. <u>Income Statement (C Schedules)</u>

Q. PLEASE EXPLAIN THE ADJUSTMENTS YOU ARE PROPOSING TO THE WATER DIVISION INCOME STATEMENT AS SHOWN ON SCHEDULES C-1 AND C-2.

A. The following is a summary of adjustments shown on Schedule C-1:

Adjustment 1 annualizes depreciation expense. The proposed depreciation rate for each component of utility plant is shown on Schedule C-2, page 2. The depreciation rates approved in the Wastewater Division's last rate case were

[19] *Id.* at 10:1-19.

account specific rates. The Company proposes to continue to use account specific rates on a going forward basis.

Adjustment 2 increases the property taxes based on proposed revenues. The details of the computation are shown on Schedule C-2, page 3. I discussed the property tax computation earlier in my testimony.[20]

Adjustment 3 shows the rate case expense estimated by the Company. The Company estimates rate case expense for the Wastewater Division of $200,000. I explained the basis for this estimate in my testimony for the Water Division.[21]

Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE INCOME STATEMENT ADJUSTMENTS.

A. Adjustment 4 annualizes revenues to the year-end number of customers. The annualization of revenues is based on the number of customers at the end of the test year, compared to the actual number of customers during each month of the test year. Average revenues per customer by month were computed for the test year and then multiplied by the increase (or decrease) in number of customers for each month of the test year. The total of the monthly revenue change comprise the revenue annualization. This was done for each customer class.

Adjustment 5 increases purchased power reflecting the offset of a one-time rebate credit from the Ocotillo Water Conservation District, as well as the additional power costs associated with recharge wells that the Company proposes to include in the Wastewater Division's plant that was recorded on the water books.

Adjustment 6 annualizes purchased power expense based on the additional gallons sold from annualizing revenues to the year-end number of customers in

[20] *See* pages 10 – 12, *supra.*

[21] *See* pages 12– 14, *supra.*

Adjustment 4, above. This adjustment is intended to match the additional expense associated with the revenue annualization.

Adjustment 7 increases operating expenses for amortization of previously authorized deferred operating costs. The Company has followed the method for computing the amount to be recovered and the amortization set forth in Decision 62184 (January 5, 2000). The recovery of deferred operating costs is discussed in more detail in the Direct Testimony of Ray Jones.[22]

Adjustment 8 reduces other wastewater revenues to reflect the annualized portion of effluent recharge credits sold during the test year.

Q. PLEASE EXPLAIN.

A. Pima recharges effluent water through its recharge system and receives credit from ADWR. When enough credits are accumulated and there is a willing purchaser, the Company sells the credits. The Company's sale of effluent credits totaled $40,000 during the test year. The Company estimates that such sales will occur about every ten years. Thus, the Company's adjusted test year revenues include $4,000 of effluent credit sales revenues ($40,000/10 years).

Adjustment 9 reflects the change to interest expense to reflect interest synchronization with rate base.

Adjustment 10 reflects income taxes based upon the Company adjusted test year revenue and expense. The rationale for including income taxes and the methods employed for determination of the effective federal and state tax rates was discussed earlier in my testimony.[23]

---

[22] Jones Dt. at 11 – 12.

[23] *See* pages 15– 18, *supra.*

D. <u>Rate Design (H Schedules).</u>

Q. WHAT ARE THE COMPANY'S PRESENT RATES FOR WASTEWATER SERVICE?

A. The Company's present rates are:

MONTHLY SERVICE CHARGES

5/8" x 3/4" Meter	$22.73
3/4" Meter	$35.33
1" Meter	$59.33
1 1/2" Meter	$117.33
2" Meter	$187.33
3" Meter	No Tariff
4" Meter	No Tariff
6" Meter	No Tariff
Effluent Sales	
Monthly minimum	$180.00
Gallons in minimum	100,000
Commodity Rate	$0.58

Q. WHAT ARE THE COMPANY'S PROPOSED RATES FOR WASTEWATER SERVICE?

A. The Company's proposed rates are:

MONTHLY SERVICE CHARGES

5/8" x 3/4" Meter	$27.79
3/4" Meter	$43.19
1" Meter	$72.53
1 1/2" Meter	$143.44
2" Meter	$229.01

3" Meter	$444.60
4" Meter	$694.69
6" Meter	$1,389.37
Effluent Sales	
Monthly minimum	$232.56
Gallons in minimum	0
Commodity Rate	$0.70

1. Other Tariff Changes.

Q. IS THE COMPANY PROPOSING ANY CHANGES TO MISCELLANEOUS SERVICE CHARGES FOR THE WASTEWATER DIVISION?

A. Yes. The Company is proposing to eliminate the $260 impact fee as well as the $500 Disconnect/Reconnect fee as the Company believes it these are no longer needed. The Company is proposing an establishment fee, reestablishment fee (within 12 months), reconnection fee (delinquent), and an after-hours service charge.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Pima Utility Company

Thomas Bourassa Direct Testimony
(Rate Base)

Exhibit TJB-RB-DT1

111 FERC ¶ 61,139
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

Inquiry Regarding Income Tax Allowances Docket No. PL05-5-000

POLICY STATEMENT ON INCOME
TAX ALLOWANCES

(Issued May 4, 2005)

1. On December 2, 2004, the Commission issued a notice of inquiry regarding income tax allowances. The Commission asked interested parties to comment when, if ever, it is appropriate to provide an income tax allowance for partnerships or similar pass-through entities that hold interests in a regulated public utility. The Commission concludes that such an allowance should be permitted on all partnership interests, or similar legal interests, if the owner of that interest has an actual or potential income tax liability on the public utility income earned through the interest. This order serves the public because it allows rate recovery of the income tax liability attributable to regulated utility income, facilitates investment in public utility assets, and assures just and reasonable rates.

I. Background

2. The instant proceeding was initiated by the Commission in response to the U.S. Court of Appeals for the District of Columbia remand in *BP West Coast Products, LLC, v. FERC,*[1] in which the court held that the Commission had not justified the so-called *Lakehead* policy regarding the eligibility of partnerships for income tax allowances. The *Lakehead* case[2] held that a limited partnership would be permitted to include an income tax allowance in its rates equal to the proportion of its limited partnership interests owned by corporate partners, but could not include a tax allowance for its partnership interests that were not owned by corporations. Prior to *Lakehead,* the Commission's policy provided a limited partnership with an income tax allowance for all

[1] *BP West Coast Products, LLC v. FERC*, 374 F.3d 1263 (D.C. Cir. 2004) (*BP West Coast*), *reh'g denied*, 2004 U.S. App. LEXIS 20976-98 (2004).

[2] *Lakehead Pipe Line Company, L.P.,* 71 FERC ¶ 61,388 (1995), *reh'g denied,* 75 FERC ¶ 61,181 (1996) (*Lakehead*).

of its partnership interests, but did so in the context that most partnerships were owned by corporations. This ruling was not appealed until a series of orders involving SFPP, L.P. in the proceedings underlying the remand.[3] The Commission's rationales for permitting a tax allowance for corporate partner interests were (1) the double taxation of corporate earnings, (2) the equalization of returns between different types of publicly held interests, *i.e.* the stock of the corporate partner (which involves two layers of taxation of partnership earnings) and the limited partnership interests (which involve only one), and (3) encouraging capital formation and investment.

3. The court found all of these rationales unconvincing. First, the court rejected the double taxation rationale in *Lakehead*, concluding that (1) only the costs of the regulated entity may be recovered, and (2) taxes are but one cost paid by a corporate partner as part of its cost of doing business.[4] The court also rejected the rationale that the investor should be able to obtain the same returns without regard to which instrument the investor purchases. The court rejected this argument by noting that if any income tax allowance is provided, this benefits all investors holding instruments proportionately because the additional income is shared on a *pro rata* basis.[5] Given this *pro rata* distribution of income by the partnership, the court concluded that non-corporate partners would receive an excess rate of return.

4. Thus, while the double taxation function may affect the eventual return for the investor, the court made clear that this is a function of corporate structure and the attendant tax consequences, not the regulated utility's risk.[6] The court therefore concluded that the investor's return and risk are no more appropriately attributed to the

---

[3] *Opinion No. 435* (86 FERC ¶ 61,022 (1999)), *Opinion No. 435-A* (91 FERC ¶ 61,135 (2000)), *Opinion No. 435-B* (96 FERC ¶ 61,281 (2001)), and an *Order on Clarification and Rehearing* (97 FERC ¶ 61,138 (2001)) (collectively the Opinion No. 435 orders.) These are now pending before the Commission on remand and rehearing in Docket Nos. OR92-8-000, *et al.,* and OR96-2-000, *et al.*, respectively.

[4] *BP West Coast* at 1288.

[5] *Id.* at 1292-93.

[6] In making a decision whether to buy a limited partnership interest (where only the unit holder's income is taxed), or a share of a corporate partner (where the corporate income is taxed as well), it should be the individual investor that makes the adjustment for the double taxation. The individual investor can do this by paying prices that equalize the pre-tax return to the investor of the different instruments that have income derived from the same public utility assets.

regulated entity than are the investor's various costs in determining the costs or allowances that the regulated entity is permitted to recover.

5. The court also rejected the Commission's third rationale that an income tax allowance should be permitted to encourage capital to flow into public utility industries regulated by the Commission.[7] Throughout its analysis the court stated that the Commission's central assumption in its *Lakehead* decisions was that income taxes are an identifiable cost for the regulated entity. Thus, if a partnership paid no income taxes, or had no potential income tax liability, no cost was incurred and therefore an income tax allowance would reimburse the entity for a phantom cost. Accordingly, the court concluded that a payment for a non-existent cost was still invalid even if designed to encourage needed infra-structure investment.

6. While the court's decision addressed only the Order No. 435 opinions, it became apparent that the remand has implications for other proceedings and regulated utilities as well. As was discussed in the more recent *Trans-Elect* order,[8] denying a tax allowance would significantly reduce the expected returns that were the basis for the investment in that project. In light of the broader implications of *BP West Coast,* the Commission sought comments here on whether the court's ruling applies only to the specific facts of the SFPP, L.P. proceeding, or also extends to other capital structures involving partnerships and other forms of pass-through ownership. The Commission asked whether the court's reasoning should apply to partnerships in which: (1) all the partnership interests are owned by investors without intermediary levels of ownership; (2) the only intermediary ownership is a general partnership; (3) all the partnership interests are owned by corporations; and (4) the corporate ownership of the partnership interests is minimal, such as a one percent general partnership interest of a master limited partnership. The Commission also asked if (1) the court's decision precludes an income tax allowance for a partnership or other ownership interests under any of these situations, will this result in insufficient incentives for investment in energy infrastructure; (2) or will the same amount of investment occur through other ownership arrangements; and (3) are there other methods of earning an adequate return that are not dependent on the tax implications of a particular capital structure?

II. Comments

7. After an extension of the comment period to January 21, 2005, thirty-three comments were timely filed with an additional nine comments filed late. As enumerated below in greater detail, the comments advocate four general positions. While no party

---

[7] *BP West Coast.* at 1292-93.

[8] *Trans-Elect NTS Path 15, LLC*, 109 FERC ¶ 61,249 (2004) (*Trans-Elect*).

argues for the continuation of the *Lakehead* doctrine in its current form, three appear to argue that an approach should be used to preserve the tax allowances now available to certain limited liability corporations (LLCs), or possibly provide a justification for tax allowances for all partnerships and LLCs, as long as there is no additional cost to the rate payers beyond that which would have been incurred through a corporate form. Three commentors argue for granting a tax allowance if a partnership is entirely owned by a tax paying corporation filing a consolidated return. Ten argue that the tax allowance should be granted only to entities that actually pay taxes and that there should be no allowance for "phantom" taxes. Twenty-four commentors would provide a tax allowance to all entities to assure that tax factors do not control the selection of the investment vehicle. Two filings were limited to interventions or minor comments and are not discussed further in this order.[9]

A. Proposals Akin to *Lakehead*

8. Three commentors expressed concern about the possible impact of the court's decision on existing public utility partnerships that include for-profit private and non-profit public electric utilities.[10] These concerns are summarized by Wisconsin Public Power Inc. (WPPI), which asserts that the Commission should permit LLCs and partnerships to have an income allowance if the LLC demonstrates that its structure would not increase the income tax component of the cost of service to transmission rate payers. WPPI is a part owner of the American Transmission Company, LLC (ATCLLC), which owns transmission lines conveyed to it by various utilities, private and public, in Wisconsin. To maintain cash flow neutrality for its owners after the facilities were transferred to ATCLLC, ATCLLC was provided a tax allowance equal to the blended tax rate of its owners. Thus, to the extent that the income stream to a private owner would be taxed at 35 percent, ATCLLC was provided an allowance for taxes on that income. A municipality pays no taxes and therefore that portion of the income stream did not result in a tax allowance. The ATCLLC income stream is then allocated at the owner level in a way that prevents over or under-recovery.

9. WPPI states that this arrangement assured that the income stream from transmission operations would not be taxed at the operating level of ATCLLC, thus retaining the two tier structure that existed before the various private companies divested their transmission assets to ATCLLC. These two historical taxation tiers were the corporate income tax and the tax on the shareholder dividends. ATLLC states that

---

[9] Edison Mission Energy, which urged that the income tax allowance issue be resolved quickly, and Piedmont Natural Gas Company, Inc., which only intervened.

[10] Electric Power Supply Association (EPSA); Michigan Electric Transmission Company, LLC (METC); Wisconsin Public Power, Inc.

without the use of the LLC form, and a tax allowance attributable to the utility income stream, the private shareholders would suffer a loss in value because of the additional level of taxation on transmission income. Thus, the value of a transmission interest in ATCLLC would be diminished below the value it had for the private corporation before the transfer of the asset. For this reason the private companies would not have transferred their assets to ATCLLC. WPPI therefore concludes that the tax allowance on the income stream of LCC that pays no income taxes itself was essential to the creation of an independent transmission system on the upper Michigan peninsula.

10. METC likewise requests a solution that would preserve the rate attributes historically extended to LLCs, consistent with the methodology first announced in the *Lakehead* cases. Most importantly, METC asserts that the Commission should take no action that would undermine existing investments in independent transmission companies that are LLCs. Thus, METC's concerns do not turn on the preservation of the *Lakehead* doctrine as such, but that the corporate shareholders of that LLC are not deprived of the tax allowance that was built into the rates of return on the transmission assets that these firms contributed to METC's independently owned transmission system.

11. EPSA urges that the Commission affirm the *Lakehead* philosophy by providing the Court of Appeals with a better rationale. EPSA suggests that there are six basic options available to the Commission. One is to give utilities organized as corporations a tax allowance, but not partnerships. A second is to treat partnerships and corporations the same and give both a tax allowance. A third is to deny any partnerships with non-corporate owners a tax allowance but permit the allowance for partnerships owned wholly by corporations. A fourth is to readopt *Lakehead*. A fifth is to eliminate the allowance and base rates on pre-tax rates of return. A sixth is to decide matters of partnership income tax allowances on a case-by-base basis.

12. EPSA states that first option would have a serious negative consequence on raising capital for the industry, particularly with regard to large projects with multiple owners. It notes that even if corporate-owned partnerships could reorganize to qualify for a tax allowance, there are additional administrative costs that would be passed on to consumers. It further asserts that a case-by-case approach would result in uncertainty and to disqualify a partnership based on a single non-corporate partner seems unfair and hard to justify analytically. Determining returns on a pre-tax basis is likely to be controversial and difficult to implement.

13. EPSA therefore concludes that the only realistic options are (1) treating all entities the same; or (2) a continuation of the Commission's *Lakehead* policy. ESPA notes that taxes are an imputed cost based on public utility net income. As such, EPSA claims that the court ignored the fact that taxes are imputed to a utility in situations where the utility pays no actual taxes because the corporate income tax allowance is based on the regulatory book income of the utility in question. EPSA's analysis assumes that the

required rate of return is 12 percent. EPSA then asserts that in the absence of a tax allowance, a utility subject to the 35 percent corporate income tax would only pay out dividends equivalent to 7.8 percent net income (instead of 12 percent).

14. EPSA states that in contrast, the corporate tax allowance increases the utility's pre-tax return on equity to 18.5 percent, which after application of the 35 percent tax rate, results in the 12 percent equity return. EPSA concludes that if an allowance is not allowed to partnerships owned by one or more corporations, the amount returned to the parent corporation will not be sufficient to attract equity investment. Since EPSA opposes an income tax allowance for pass-through entities that are not owned by a corporation, and believes it unfair to deny an income tax allowance if some of the partnership interests are not owned by a corporation, it concludes that the *Lakehead* approach should be affirmed.

B. If a Corporation Owns the Partnership Interests

15. Three commentors[11] argue that an income tax allowance should be allowed if the partnership interests are owned wholly by corporations filing a consolidated return. In support of this position, Kern River states that the Commission's stand alone rate-making policy should apply, just as it does in the case of a consolidated return that can be filed when a parent corporation owns at least 80 percent of a subsidiary's stock.[12] All three of these commenters assert that in the case of a regulated partnership held within a single corporation and whose income is included in a consolidated return, the income from the regulated partnership generates a tax liability that is included in the jurisdictional cost of service of the corporate group.

16. Kern River further states that there is no question that income generated by a partnership within a corporate group creates an income tax liability for the group. This is because, while the partnership is not taxed directly, its income is flowed through to the corporations that hold the partnership interests. Duke Energy further asserts that *BP West Coast* was not intended to invalidate an income tax allowance for pass-through entities owned by corporations and at a minimum that decision should be restricted to its

---

[11] Duke Energy Corporation; Kern River Gas Transmission Company (Kern River); Texas Gas Transmission, LLC.

[12] The stand-alone policy provides that income tax allowance of a corporate subsidiary should be determined based on the actual or potential income tax obligation of that subsidiary. Thus, the amount of the allowance is not based on the tax obligation of the parent company in the test year in which the consolidated return is filed. *See City of Charlottesville v. FERC*, 774 F.2d 1205 (D.C. Cir. 1985) (*City of Charlottesville).*

facts.[13] Thus, regardless of the corporate structure, the income a partnership generates is a part of the consolidated group's taxable income, and therefore generates a corporate tax liability. These commenters therefore assert that a partnership that is wholly owned by a corporation should be granted an income tax allowance.

C. Opposition to Any Allowance if Taxes are not Actually Paid

17. Ten commentors assert that there should be no tax allowance for any entity that does not actually pay income taxes or has a potential liability for such taxes.[14] Only one such commentor, the NGSA, suggests that the court's ruling should be applied on a case-by-cases basis. All others assert that the court's holdings should be applied uniformly to all partnerships, LLCs, or similar pass-through entities, thus creating a single uniform rule. Thus, there would be no income tax allowance for any partnership or LLC, including those owned by corporations that do not have an actual or potential income tax liability. They assert that the court's decision is binding on the Commission, and that there should be no income tax allowance for partnerships that do not pay income taxes.

18. They assert that any such phantom taxes will result in a significant increase in rates to customers or consumers. This is because the gross-up for the income tax allowance could result in as much as a 60 percent increase in the rate of return on equity assuming that the regulated entity is allowed a twelve percent rate of return on equity.[15] Any gross-up from the tax allowance represents an increase in return for entities that may be already charging unjust and unreasonable rates even if a tax allowance were excluded. Rather than provide an inflated return, they assert that any needed incentives for increased investment should be provided by special actions to increase the pre-tax rate of return. Given this alternative, denying a tax allowance will not act as a disincentive to investment in infra-structure facilities.

19. In addition, BP West Coast Products asserts that the inquiry in Docket No. PL05-5-000 was prompted by *ex parte* communications to the Commission and therefore no determinations of any specific income tax issues should be made in this proceeding. It further asserts that the partners investing in SFPP's parent entities will rarely pay taxes on the income generated by that partnership and that many such master limited partnerships

---

[13] Kern River at 7-8; Duke Energy at 4-5.

[14] Air Transport Association of America, Inc.; American Public Gas Association; BP West Coast Products; Calpine Corporation; Canadian Association of Petroleum Producers; Missouri Public Service Commission; Natural Gas Supply Association (NGSA); National Rural Electric Cooperative Association; Society for the Preservation of Oil Pipeline Shippers; and Valero Marketing and Supply Company.

[15] *See* BP West Coast Products at 6; NGSA at 3.

(MLP) are intended to act as tax shelters that remove cash from existing pipelines. BP West Coast Products concludes that providing MLPs an income tax allowance is not necessary to encourage new investment and that this should be done by providing an increased pre-tax rate of return

20. At bottom, these commentors base their argument on three central points in the *BP West Coast* opinion. The first is that "where there is no tax generated by the regulated entity, either standing alone or as part of a consolidated group, the regulator cannot create a phantom tax in order to create an allowance to pass-through to the rate payer."[16] The second is that it is not "the business of the Commission to create a tax liability where neither an actual nor estimated tax is ever going to be paid or incurred on the income of the utility in the rate making proceeding."[17] The third is even if an income tax allowance is necessary to implement a congressional mandate designed to encourage investment in public utility facilities, the court concluded was inadequate to create an allowance for fictitious taxes.[18]

D. Comments Supporting a Tax Allowance for All Entities

21. Twenty-four commentors[19] support a tax allowance for all entities investing in public utility enterprises. These commentors start from the premise that the court did not have before it the realities of partnership or LLC taxation and as such did not address

---

[16] *BP West Coast* at 1290.

[17] *Id.* at 1292.

[18] *Id.* at 1292-93.

[19] Alaska Gas Transmission Company, LLC; American Gas Association (AGA); Association of Oil Pipe Lines (AOPL); American Transmission Company, LLC; Duke Energy Corporation; Edison Electric Institute and the Alliance of Energy Suppliers, filing jointly; Enbridge Inc. and Enbridge Energy Partnerships; Enterprise Products Partners, L.P.; Guardian Pipeline; Hardy Storage Company, LLC; INGAA; Interested Gas Pipeline Partnerships; Kaneb Pipe Line Operating Partnership, L.P.; Kayne Anderson Capital Advisors and Kayne Anderson MLP (Kayne); Kinder Morgan Interstate Gas Transmission, LLC, Trailblazer Pipeline Company, and Transcolorado Gas Transmission Company, filing jointly; MidAmerica Energy Company; Millennium Pipeline Company, L.P.; Plains Pipeline, L.P.; Publicly Traded Limited Partnerships; Northern Border Pipeline Company; Shell Pipeline Company, L.P.; Tortoise Energy Infrastructure Corporation; Trans-Elect, Inc.; Trans-Elect NTD Path 15, LLC; Wisconsin Electric Power Company and Edison Sault Electric Company, filing jointly; and WPS Resources Corporation (WPSR).

them. These commenters thus believe there is no barrier to considering the issue of tax allowances for partnerships in light of the fuller record presented in this proceeding. In fact, some state that this proceeding is an opportunity to reconsider the Commission's *Lakehead* decision, which they believe was incorrect, and to return to the Commission's pre-*Lakehead* policies. In this regard, they conclude, contrary to the court's statement in *BP West Coast* and the Commission's *Lakehead* decision, income taxes are not like all other costs. Unlike operating expenses such as office supplies, rent, or wages, they argue that income taxes are imposed on, or imputed to, a public utility's income, and as such income taxes are not a cash deduction from operations. Because the income tax allowance is imputed, it is grossed-up on the utility's allowable dollar return rather than functioning as a charge against operating income. Thus, the income tax allowance is a function of the equity return, and in turn generates the cash flow that is used to pay the utility income taxes.[20]

22. Proceeding from the premise that income taxes are an imputed cost on income, these twenty-four commentors assert that whether the entity is a corporation or a partnership, there is an actual or potential income tax liability generated by utility income. In turn, it is utility income that generates the cash flow used to pay the income taxes. They claim that this is true whether the income tax is actually paid by a corporation as the first tier investor, or the partners of a partnership as the first-tier investors. They define a first tier investor is one that invested funds in assets that are generating the public utility income. These commentors stress that the critical point is that while a partnership owns the public utility assets, it is a flow-through entity whose income is taxed not at the partnership level, but is taxed to and paid by the individuals or entities that own the partnership interests.

23. Thus, they state that in the case of a partnership, the partners include the utility income in their income tax returns and the tax on utility income is paid at that point.[21] The tax on this income is paid whether or not cash distributions are made to the partners.

---

[20] Thus, for example, if gross revenues are $500, and operating expenses such as rent, fuel, labor, interest, repairs, and depreciation of $400 are charged against gross revenues, this would leave operating income of $100. Assuming this equals the allowed equity return, the corporate tax on this $100 would be $35. The $100 is therefore grossed up to approximately $154 to leave a $100 return after payment at an income tax rate of 35 percent. *See* Northern Border at 5 – 7 and 16; INGAA at 16.

[21] The individual partner files a Form1040 tax return and pays the marginal individual tax rate on the utility income. The corporate partner files a Form 1120 tax return and pays the marginal corporate tax on the utility income. At the current time the maximum marginal tax rate in both cases is 35 percent. *See* EEI's comments at 10-11 for a concise summary of partnership tax law and filing procedures.

In contrast, a corporation that owns a public utility asset is the taxpaying entity on the income generated by utility income. These commentors assert that, as with a partnership, the tax on this first tier income is paid whether or not dividends are paid to the corporation's shareholders. The commentors therefore assert that there is no phantom tax liability on partnership income. This is because the tax liability on utility income is real, but it is paid by the partners rather than by a corporation that functions as a separate taxpaying entity.

24. These commentors also start from the basic regulatory premise that a utility must earn a return comparable to that of investment opportunities of similar risk if it is to attract investment.[22] They state that concept refers to the after tax, not the pre-tax, return to the investor in the utility assets is the standard used in public utility rate making regardless of the form of the ownership. Thus, if the after tax return must be 12 percent to attract capital, then all first tier investors in the utility assets must have a reasonable opportunity to earn a 12 percent after tax return if the utility is to attract capital. If partnerships are not permitted a tax allowance on utility income, then cash will not be generated to pay the taxes due on that utility income, and the partnership form of ownership would not be competitive with the corporate form.

25. These commentors also provide various numerical examples of how income tax returns would differ if partnerships are not provided a tax allowance. Assuming that $100 is the after tax return required return to attract capital, the court's decision would permit a tax allowance sufficient to cover the 35 percent maximum corporate tax that would be paid on corporate income. The gross-up to achieve the after-tax return is about 54 percent and generates the cash flow to pay the tax. Thus, after the corporate income tax is paid, the after-tax return is $100.[23]

26. If a partnership is permitted an income tax allowance, the result is the same because the maximum personal income tax allowance is also 35 percent. As with a corporation, the income tax allowance could provide the individual partners with the cash to pay the taxes on utility income, and therefore results in an after tax return of $100, the allowed regulatory return. However, if an income tax allowance is not allowed the partnership, then the partners must pay a $35 income tax on $100 of utility income, leaving them with only an after-tax return of $65. Therefore these commentors conclude that partnerships must be granted an income tax allowance to make the partnership and corporate business forms equally attractive because the tax implications are the same.

---

[22] *F.P.C. v. Hope Natural Gas,* 320 U.S. 591, 603 (1943).

[23] *See* INGAA at 16-17; EEI at 13-14; Northern Border at 3-5, 7-8.

27. These commentors also explore some secondary tax factors to demonstrate the need for a partnership tax allowance if such entities are to be a competitive vehicle for investments. While taking some pains to avoid the double taxation issue discussed by the Court of Appeals, they point out that without an income tax allowance partnerships are not competitive with corporations for the individual investor who files a Form 1040 income tax return. As noted in the previous example, without a partnership income tax allowance, the after tax return to a corporate investor is $100 and to the partnership investor it is $65. Assuming that that the corporation pays out all $100 in dividends, the income tax for the Form 1040 individual investor is $15, with a resulting after tax return of $85.

28. Thus, they assert, for a Form 1040 individual investor who has the option of investing either in a corporation or partnership, the partnership is not competitive if, all other things being equal, there is no partnership tax allowance. Moreover, if a corporation owns less than 80 percent of a subsidiary corporation, the subsidiary's dividends are taxed. Pursuing the previous numerical example, if the ownership is greater than 20 percent or less than 80 percent, the 20 percent of the subsidiary's dividends are taxed, or a 7 percent tax differential at the 35 percent bracket. If the ownership is less than 20 percent, 30 percent of the subsidiary's dividends are taxed, or a 9.5 percent tax differential at the 35 percent rate. This increases the cost of participating in large projects in which risk sharing is a consideration.

29. These commentors also assert that there are other significant administrative and commercial advantages to partnerships beyond facilitating risk sharing. Benefits include the ability of some entities, such as municipalities or public transmission owners, to participate in partnerships, but not corporations, avoiding the expense involved in corporate charters, by-laws, shareholder meetings, and greater flexibility in making contributions in-kind and in distributing of earnings. They also argue that Congress clearly intended that utility firms were to be eligible for partnership treatment in order to encourage investment, and that the court's ruling undercuts this important purpose.

30. Finally, these commentors assert that numerous large public utility investments have been made in recent years relying on the tax allowance to provide part of the required after-tax return.[24] They note that as was discussed in the recent *Trans-Elect*

---

[24] These commentors include Algonquin Gas Transmission, LLC; Alliance Pipeline, L.P; ATLLC; East Tennessee Natural Gas, LLC; Egan Hub Partners, L.P.; Enbridge Pipeline; Horizon Pipeline Company, LLC; Great Lakes Natural Gas Pipeline; Green Banks Gas Pipeline, LLC; Gulfstream Natural Gas Pipeline; Iroquois Gas Transmission Company; Islander East Pipeline Co, LLC; Kinder Morgan Interstate Gas Transmission, LLC; Maritimes & Northeast Pipeline; Market Hub Partners, L.P.; METC; Moss Bluff Hub Partners, L.P; North Baja Pipeline LLC; Portland Natural Gas Transmission System; Texas East Gas Transmission, LLP; TransCanada Corporation;

order,[25] denying a tax allowance would significantly reduce the expected returns that were the basis for that badly needed investment. They provide lists of numerous publicly traded partnerships that have substantial amounts of equity, and assert that some of these partnerships have made significant additional investments in reliance on the income tax allowance.[26] For these reasons these commentors conclude that all entities investing in utility operations, and generating utility income, should be permitted an income tax allowance. As discussed in the WPPI and EEI comments, the size of the allowance would be determined by the weighted maximum tax rate of the partners involved. Any problems of over- or under recovery would be adjusted within the partnership structure to assure that the benefits of any income tax allowance would not flow to a partner that had no actual or potential income tax liability.

III. Discussion

31. The issue is under what circumstances, if any, an income tax allowance should be permitted on the public utility income earned by various public utilities regulated by the Commission. As stated earlier, while the court's decision in *BP West Coast* only addressed the particulars of a certain oil pipeline, the numerous comments submitted here indicate that partnerships or other pass-through entities are used pervasively in the gas pipeline and electric industries as well. Upon review of the comments, there appear to be four possible choices: (1) provide an income tax allowance only to corporations, but not partnerships; (2) give an income tax allowance to both corporations and partnerships; (3) permit an allowance for partnerships owned only by corporations; and (4) eliminate all income tax allowances and set rates based on a pre-tax rate of return.

32. Given these options, the Commission concludes that it should return to its pre-*Lakehead* policy and permit an income tax allowance for all entities or individuals owning public utility assets, provided that an entity or individual has an actual or potential income tax liability to be paid on that income from those assets. Thus a tax-paying corporation, a partnership, a limited liability corporation, or other pass-through entity would be permitted an income tax allowance on the income imputed to the corporation, or to the partners or the members of pass-through entities, provided that the corporation or the partners or the members, have an actual or potential income tax

---

Trans-Elect ND-15; Tuscarora Gas Transmission Company; Saltville Gas Storage Company, L.L.C; and Shell Pipeline Company.

[25] *Trans-Elect NTS Path 15, LLC*, 109 FERC ¶ 61,249 (2004) (*Trans-Elect*).

[26] *See* comments of: Duke Energy Corporation at 9-10, 30; Enbridge Inc and Enbridge Energy Partners at 4-5; Gas Pipeline Partnerships at 2-4; Millennium Pipeline Company, L.P. at 2; Northern Border Pipeline Company at Appendix A; Publicly Traded Partnerships at 13-14.

liability on that public utility income. Given this important qualification, any pass-through entity seeking an income tax allowance in a specific rate proceeding must establish that its partners or members have an actual or potential income tax obligation on the entity's public utility income. To the extent that any of the partners or members do not have such an actual or potential income tax obligation, the amount of any income tax allowance will be reduced accordingly to reflect the weighted income tax liability of the entity's partners or members.[27]

33. In reaching this conclusion, the Commission expressly reverses the income tax allowance holdings of its earlier *Lakehead* orders. As stated in EEI's comments, *Lakehead* mistakenly focused on who pays the taxes rather than on the more fundamental cost allocation principle of what costs, including tax costs, are attributable to regulated service, and therefore properly included in a regulated cost of service.[28] Relying on *BP West Coast,* some commenters assert that because a pass-through entity pays no cash taxes itself, this results in a phantom tax on fictional public utility income. However, the comments summarized in sections A and D of Part II of this policy statement demonstrate that this assumption was incorrect. While the pass-through entity does not itself pay income taxes, the owners of a pass-through entity pay income taxes on the utility income generated by the assets they own via the device of the pass-through entity.[29] Therefore, the taxes paid by the owners of the pass-through entity are just as much a cost of acquiring and operating the assets of that entity as if the utility assets were owned by a

---

[27] This is a technically complex issue that would be addressed in individual rate proceedings as suggested by EEI and WPPI.

[28] EEI comments at 8. In support of this point several commenters cite to *City of Charlottesville, supra,* note 12, for the proposition that a tax cost involves real taxes but not necessarily require that cash taxes be paid by the regulated entity. *See* EEI at 11-13; INGAA at 12-13; Joint Comments of the Interested Gas Pipeline Partnerships at 10-12; AOPL at 8-9.

[29] The comments and numerical examples submitted by the EEI, INGAA, and Northern Border demonstrate that under partnership law the partners, or members, of pass-through entities pay taxes on the public utility income of the operating entities that they control through the partnership or other pass-through entity. *See* EEI at 13-15; INGAA at 15-17; Northern Border at 5-8; Shell Pipeline Company LP at 4; and WPS Resources at 14-16.

corporation. The numerical examples discussed in sections A and D of Part II of this policy statement also establish that the return to the owners of pass-through entities will be reduced below that of a corporation investing in the same asset if such entities are not afforded an income tax allowance on their public utility income.[30]

34. As several commentors point out, a detailed discussion of the realities of partnership tax practice was not before the court when it reviewed the Opinion No. 435 orders. Because public utility income of pass-through entities is attributed directly to the owners of such entities and the owners have an actual or potential income tax liability on that income, the Commission concludes that its rationale here does not violate the court's concern that the Commission had created a tax allowance to compensate for an income tax cost that is not actually paid by the regulated utility. As explained in detail by the comments summarized in sections A and D of Part II of this order, the reality is that just as a corporation has an actual or potential income tax liability on income from the first tier public utility assets it controls, so do the owners of a partnership or LLC on the first tier assets and income that they control by means of the pass-through entity.

35. The first tier income involves the investors in the pass-through entity holding the specific physical assets that are generating the public utility income that results in a potential or actual income tax liability. In the case of Trans-Elect, this would be the investment that the partnership made in the upgrade to the Path 15 transmission line in California. As discussed in *Trans-Elect, supra*, the owners of Trans-Elect NTD Path 15, LLC, are a Subchapter C corporation (PG&E) and one LLC, Trans-Elect, LLC.[31] If no income tax allowance is permitted on Trans-Elect NTD Path 15's public utility income, the return to the investing entities would be less than if PG&E had invested directly in the line.

---

[30] The record suggests that there is a substantial amount of existing investment at issue in this proceeding. *See* Duke Energy at 2 (75 percent of $14.4 billion in energy infrastructure invested for the years 2001 through 2003 is in pass-through entities); Enbridge, Inc. at 4 (ownership interests in over 20,000 miles of crude oil, petroleum products, and natural gas pipelines); Enterprise Products Partners, L.P. at 1 (enterprise value of approximately $14 billion); Kaye Anderson at 1 (in excess of $1 billion in MLP equity); Publicly Traded Partnerships at 1-2, 13 (Figure 1 and text, market capitalization of publicly traded partnerships of $47.3 billion in 2004), and at 14, table of publicly traded partnerships owning and operating energy pipelines (market capital $38.5 billion.)

[31] *Trans-Elect, supra, note 8, at PP 2-4.* Trans-Elect develops merchant transmission lines. Trans-Elect comments at 1-2.

36. As set forth in the previously cited examples provided in the comments discussed in section D of Part II of this policy statement, termination of the allowance would clearly act as a disincentive for the use of the partnership format for two reasons. First is the difference in the nominal return itself. The second is that the income taxes paid by two corporations investing in this situation would increase because one or both would not be able to benefit from the tax advantages of a consolidated income tax return.[32] It should be noted that if such first tier assets are owned only by Subchapter C corporations, their rates would include an income tax allowance designed to recover the 35 percent maximum corporate marginal tax rate.[33] The same result obtains if the assets are owned by a partnership or an LLC that is in turn owned either by Subchapter C corporations or by individual investors.

37. Thus, the policy the Commission is adopting should not result in increased costs to public utility ratepayers, and may actually reduce them if a partnership or LLC has a lower weighted marginal tax rate and fewer administrative expenses than the normal corporate ownership form.[34] The Commission therefore concludes that, as is argued by the commentors urging an income tax allowance for all public utility entities, providing an income tax allowance to partnerships in proportion to the interests owned by entities or individuals with an actual or potential income tax liability does not create a phantom income tax liability. The fact that some partnerships or LLCs may be used for financial investments rather than for making infrastructure investments does not warrant a different

---

[32] As discussed in the comments, if a Subchapter C corporation owns 80 percent or more of a subsidiary, there is no income tax paid by the subsidiary. All taxation is at the parent level through the use of a consolidated return. *See* Northern Border at 6-7 and 11-12; INGAA at 15-17.

[33] This analysis suggests that if partnerships and limited liability companies are not permitted to have an income tax allowance, there are strong incentives to shift to the taxable corporate ownership form. This could be done by converting a partnership to an LLC and then electing to have that entity taxed as a Subchapter C corporation. Once this was done, then the newly taxable entity, which would be operating the very same assets as it did as a pass-through entity, would be entitled to a 35 percent income tax allowance. *Cf.* AOPL at 9.

[34] As discussed in the WPPI and EEI comments, if a partnership or LLC has municipal governments as some of the partners or LLC members, the tax allowance is reduced because municipalities and their operating entities have no actual or potential income tax liability on utility income.

policy result here.[35] Moreover, the Commission emphasizes that the primary rationale for reaching the conclusion here is to recognize in the rates the actual or potential income tax liability ultimately attributable to regulated utility income. Having concluded that this will not result in phantom income taxes, it is then legitimate to conclude that the result here will facilitate important public utility investments such as that made by Trans-Elect NTD Path 15, LLC in the Path 15 upgrade.

38. In retrospect, it was the Commission's failure to distinguish between first and second tier income that lead to the double taxation rationale that the Commission incorrectly advanced in *Lakehead.* Dividends paid to the common stock investor and by the corporate investor in a pass-through entity are second tier income to such a common stock investor. As such, an income tax is paid by the investor in addition to the corporate tax that is due on the first tier income. In contrast, first tier income flows either to the

---

[35] The partners of master limited partnerships have actual tax liability for any income recognized by the partnership. However, distributions may substantially exceed partnership book income. Such distributions do have an ultimate income tax liability depending on the status of the capital account of the individual partners. This matter can present complex allocation and timing issues that would be addressed in individual rate proceedings. However, a simple numerical example can illustrate the basic principles. For example, assume that an individual invests $100 in a partnership and obtains a ten percent interest in that partnership. This establishes a partnership account (or basis) for the individual of $100. During year one of that investment the partnership has $100 in income before depreciation and depreciation of $70. The partnership therefore has net income of $30 and also makes a distribution of $100. Since the individual partner owns ten percent of the partnership, that partner must declare $3 in income on the individual's 1040 tax form, but does not pay taxes on the $10 distribution made to that partner.

The capital account of the individual partner is adjusted as follows. Ten percent of the partnership income before depreciations (or $10) is allocated to the individual partner and is added to that partner's account. Ten percent of the partnership depreciation, or $7, is deducted from the account, as is the cash distribution. The individual's partnership account therefore stands at $93 ($100 + $10 - $10 - $7). In year two the partnership income is zero and no distributions are made, so the individual's partnership account is unchanged. However, that individual partner sells the partnership interest for $105. This difference is taxable as follows. Since $7 of the sale price is a gain above the year 2 partnership account level of $93, it will be taxed as income. This results in a tax on the cash that was distributed in the prior year but for which no income tax was paid at that time. Depending on the nature of the depreciation taken, the $7 may be taxed as ordinary income through the operation of various recapture provisions. The additional $5 is also income and is also taxed, most likely at the capital gains rate since it is gain in excess of the partner's original capital investment of $100.

corporation, a corporate partner, or individual partners (or LLC members) and is taxed at that level. To the extent *Lakehead* either concluded or assumed that dividend payments and income, and partnership distributions and income, have the same ownership and income tax characteristics, this is simply incorrect as a matter of partnership and income tax law.[36] The court summarized this situation succinctly when it stated that presumably both corporate owners and individuals would pay taxes on public utility assets they control. Similarly, like a Subchapter C corporation, partners may have deductions or losses that offset the income from a specific public utility asset or which may neutralize the operating income from the asset itself. But this does not preclude such a corporation from obtaining an income tax allowance under the Commission's stand-alone doctrine.[37] Just as there are no rational grounds for granting an income tax allowance on partnership interests owned by a corporation and denying one to those owned by individuals, there are no rational grounds for reaching a different conclusion for the deductions and offsets for taxpaying partners or LLC members.

39. The Commission further concludes that the alternatives listed at the beginning of this Part III of this policy statement are not practical or are inconsistent with the court's remand. First the Commission agrees with the court's conclusion in *BP West Coast* that the Commission in *Lakehead* did not articulate a rational ground for concluding that there should be no tax allowance on partnership interests owned by individuals, but that there should be one for partnership interests owned by corporations. As the court stated, presumably individual partners pay taxes on their public utility income just as corporate partners pay income tax on theirs. The comments summarized in sections A and D of Parts II of this order affirm that common sense observation. The court's rejection of *Lakehead* likewise establishes why the Commission cannot simply limit income tax allowances to partnerships that are wholly owned by corporations, since doing so in effect denies a tax allowance to the partners of a partnership with no corporate ownership.

40. Similarly, there no rational reason to limit the income tax allowance to public utility income earned by a corporation. Public utility income controlled directly by an individual may also be taxed. The partnership entity is simply an intermediate ownership device that leads to the same tax result. Since both partners and Subchapter C corporations pay income taxes on their first tier income, the inconsistency that undermined *Lakehead* applies here as well. Finally, the comments rightly suggest that it would be difficult to establish rates based on a pre-tax rate of return. If the Commission were simply to raise the rates to equalize the pre-tax and after-tax returns, all this would do incorporate a presumed marginal income tax rate into the rate structure. The result is

---

[36] *See* ATCLLC at 5.

[37] *See City of Charlottesville, supra,* note 12.

the same for the rate payer although the nominal rate of return is much higher. Moreover, most comparable securities trade on the basis of a corporation's after-tax return on its public utility income.[38] Thus, it would be hard to determine what the appropriate pre-tax return should be based on traded equities alone. Since it is impractical not to give an income tax allowance to any jurisdictional entities due to the problems of determining an appropriate pre-tax rate of return, the Commission again concludes that an income tax allowance should be afforded all jurisdictional entities, provided that the owners of pass-through entities have an actual or potential income tax liability.

41. There are three final points that should be discussed in addressing the effect of the court's remand. First, the court concluded that denying a partnership an allowance on the proportion of partnership interests owned by individuals would not prevent over-recovery by such individuals, since any tax savings would be distributed in proportion to all the partnership interests. The Commission recognizes that rate payers should not incur the expense of an income tax allowance to the extent that an owning partner or LLC member has no actual or potential income tax liability for the income generated by the interest it owns. As WPPI and ATCLLC explain, this can be avoided by limiting the income tax allowance to a blended rate that reflects the income tax status of the owning interest.[39] The use of the weighting approach assures that the rate payers will not be charged more than the actual tax cost the investors incur regardless of the ownership form. The problems of over- and under-recovering alluded to in the court's order can be addressed through the distribution provisions of the partnership agreement.[40]

42. Second, whether a particular partner or LCC member has an actual or potential income tax liability, and what assumptions, if any, should determine the amount of the related tax rate, are matters that should be resolved in individual rate proceedings. This is a fact specific issue for which the relative data is uniquely within the control of the regulated entity. Thus, any pass-through entity desiring an income tax allowance on utility operating income must be prepared to establish the tax status of its owners, or if there is more than one level of pass-through entities, where the ultimate tax liability lies and the character of the tax incurred. This could be done through determining the

---

[38] As discussed, the investor then receives a dividend and pays a second tax on that income to determine the investor's after tax return. This is somewhat less than the return from a partnership interest that benefits from an income tax allowance.

[39] WPPI at 5-6 and 12-13; ATCLLC at 6.

[40] The court was concerned that the income tax allowance granted for corporate partners would increase the cash available for distribution to all partners, thus providing an increased return to the individual partners that the *Lakehead* doctrine was intended to prevent. Adjustments within the partnership agreement should assure that this does not result while preserving the incentives to establish flexible investment vehicles.

20050505-3001 Issued by FERC OSEC 05/04/2005 in Docket#: PL05-5-000

distribution of ownership interests at the end of the standard test year. Finally, some parties assert that this proceeding is tainted by *ex parte* communications that preceded the issuance of the Commission's December 2, 2004 notice of inquiry. These are without merit as the relevant communications were filed in the appropriate dockets and the Commission's notice of inquiry provided all interested parties an opportunity to comment. The decision here is based on the record developed by those comments.

The Commission orders:

The income tax allowance policy adopted in the body of this policy statement shall be applied in pending and future rate proceedings of public utilities subject to the Commission's rate jurisdiction.

By the Commission.

(S E A L)

Linda Mitry,
Deputy Secretary.

Pima Utility Company

Water Division Schedules

Schedules A through C, E through F, G and H

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Schedule A-1
Page 1
Witness: Bourassa

Line No.			
1	Fair Value Rate Base	$	9,097,529
2			
3	Adjusted Operating Income		132,560
4			
5	Current Rate of Return		1.46%
6			
7	Required Operating Income	$	861,536
8			
9	Required Rate of Return on Fair Value Rate Base		9.47%
10			
11	Operating Income Deficiency	$	728,976
12			
13	Gross Revenue Conversion Factor		1.4041
14			
15	Increase in Gross Revenue		
16	Requirement	$	1,023,565
17			
18	Adjusted Test Year Revenues	$	1,977,627
19	Increase in Gross Revenue Revenue Requirement	$	1,023,565
20	Proposed Revenue Requirement	$	3,001,192
21	% Increase		51.76%

	Customer Classification (Residential Commercial, Irrigation)		Present Rates	Proposed Rates	Dollar Increase	Percent Increase
26	5/8x3/4 Inch	Residential	$ 1,274,912	$ 1,795,627	$ 520,715	40.84%
27	1 Inch	Residential	116,781	169,973	53,192	45.55%
29	5/8x3/4 Inch	Commercial	25,431	42,022	16,591	65.24%
30	3/4 Inch	Commercial	1,819	3,038	1,218	66.98%
31	1 Inch	Commercial	28,761	44,012	15,251	53.03%
32	1 1/2 Inch	Commercial	10,567	15,582	5,015	47.45%
33	2 Inch	Commercial	208,085	321,587	113,501	54.55%
35	Irrigation		317,458	607,847	290,390	91.47%
37	Revenue Annualization		(6,142)	(5,712)	430	-7.00%
39	**Subtotal**		$ 1,977,673	$ 2,993,976	$ 1,016,303	51.39%
41	Other Water Revenues		7,261	7,261	-	0.00%
42	Reconciling Amount		(7,306)	(45)	7,261	-99.38%
43	Rounding			1	1	0.00%
44	**Total of Water Revenues**		$ 1,977,628	$ 3,001,193	$ 1,023,565	51.76%

47 SUPPORTING SCHEDULES:
48 B-1
49 C-1
50 C-3
51 H-1

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Summary of Results of Operations

Exhibit
Schedule A-2
Page 1
Witness: Bourassa

Line No.	Description	Prior Years Ended 12/31/2008	Prior Years Ended 12/31/2009	Test Year Actual 12/31/2010	Test Year Adjusted 12/31/2010	Projected Year Present Rates 12/31/2011	Projected Year Proposed Rates 12/31/2011
1	Gross Revenues	$ 2,046,412	$ 2,054,451	$ 1,983,769	$ 1,977,627	$ 1,977,627	$ 3,001,192
2							
3	Revenue Deductions and	1,465,275	1,475,260	1,599,900	1,845,067	1,845,067	2,139,657
4	Operating Expenses						
5							
6	Operating Income	$ 581,137	$ 579,191	$ 383,869	$ 132,560	$ 132,560	$ 861,536
7							
8	Other Income and	143,440	120,631	47,024	47,024	47,024	47,024
9	Deductions						
10							
11	Interest Expense	-	-	-	(203,041)	(203,041)	(203,041)
12							
13	Net Income	$ 724,577	$ 699,821	$ 430,893	$ (23,457)	$ (23,457)	$ 705,518
14							
15	Earned Per Average						
16	Common Share	4.02	3.89	2.39	(0.13)	(0.13)	3.92
17							
18	Dividends Per						
19	Common Share	1.39	19.11	1.67	1.67	-	1.67
20							
21	Payout Ratio	0.35	4.92	0.70	(12.79)	(12.79)	0.43
22							
23	Return on Average						
24	Invested Capital	4.72%	4.94%	3.34%	-0.22%	-0.23%	6.87%
25							
26	Return on Year End						
27	Capital	4.66%	5.48%	3.31%	-0.22%	-0.24%	7.08%
28							
29	Return on Average						
30	Common Equity	4.99%	5.22%	3.56%	-0.20%	-0.19%	5.64%
31							
32	Return on Year End						
33	Common Equity	4.91%	5.82%	3.54%	-0.20%	-0.19%	5.48%
34							
35	Times Bond Interest Earned						
36	Before Income Taxes	-	-	-	0.75	0.75	5.72
37							
38	Times Total Interest and						
39	Preferred Dividends Earned						
40	After Income Taxes	-	-	-	2.12	2.12	4.47
41							
42							
43							
44							
45							
46	SUPPORTING SCHEDULES						
47	C-1						
48	E-2						
49	F-1						
50							

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Summary of Capital Structure

Exhibit
Schedule A-3
Page 1
Witness: Bourassa

Line No.	Description:	Prior Years Ended 12/31/2008	Prior Years Ended 12/31/2009	Test Year 12/31/2010	Projected Year 12/31/2011
3	Short-Term Debt	-	-	-	-
4	Long-Term Debt	-	-	2,938,819 [1]	4,015,987 [1]
6	Total Debt	$ -	$ -	$ 2,938,819	$ 4,015,987
9	Preferred Stock	-	-	-	-
11	Common Equity	14,769,314	12,029,135	12,160,028	12,136,571
14	Total Capital & Debt	$ 14,769,314	$ 12,029,135	$ 15,098,848	$ 16,152,558
17	Capitalization Ratios:				
19	Long-Term Debt	0.00%	0.00%	19.46%	24.86%
21	Total Debt	0.00%	0.00%	19.46%	24.86%
24	Preferred Stock	-	-	-	-
26	Common Equity	100.00%	100.00%	80.54%	75.14%
29	Total Capital	100.00%	100.00%	100.00%	100.00%
32	Weighted Cost of Senior Capital	0.00%	0.00%	1.50%	1.79%

[1] Allocated portion of long-term debt based upon consolidated capital structure and proposed rate base.

SUPPORTING SCHEDULES:
E-1
D-1

Pima UtilityCompany
Test Year Ended December 31, 2010
Summary of Consolidated Capital Structure

Exhibit
Schedule A-3
Page 2
Witness: Bourassa

Line No.	Description:	Prior Years Ended 12/31/2008	Prior Years Ended 12/31/2009	Test Year 12/31/2010	Projected Year 12/31/2011
1					
2					
3	Short-Term Debt	-	-	-	-
3					
4	Long-Term Debt	7,035,000	6,595,000	6,125,000	8,370,000
5					
6	Total Debt	$ 7,035,000	$ 6,595,000	$ 6,125,000	$ 8,370,000
7					
8					
9	Preferred Stock	-	-	-	-
10					
11	Common Equity	21,199,018	18,857,187	19,432,404	18,539,615
12					
13					
14	Total Capital & Debt	$ 28,234,018	$ 25,452,187	$ 25,557,404	$ 26,909,615
15					
16					
17	Capitalization Ratios:				
18					
19	Long-Term Debt	24.92%	25.91%	23.97%	31.10%
20					
21	Total Debt	24.92%	25.91%	23.97%	31.10%
22					
23					
24	Preferred Stock	-	-	-	-
25					
26	Common Equity	75.08%	74.09%	76.03%	68.90%
27					
28					
29	Total Capital	100.00%	100.00%	100.00%	100.00%
30					
31					
32	Weighted Cost of				
33	Senior Capital	1.92%	1.99%	1.84%	2.23%
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45	SUPPORTING SCHEDULES:				
46	E-1				
47	D-1				
48					
49					
50					

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Construction Expenditures
and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Bourassa

Line No.		Construction Expenditures	Net Plant Placed in Service	Gross Utility Plant in Service
1				
2				
3				
4	Prior Year Ended 12/31/2008	558,065	558,065	16,921,138
5				
6	Prior Year Ended 12/31/2009	506,824	506,824	17,427,962
7				
8	Test Year Ended 12/31/2010	476,612	476,612	17,904,574
9				
10	Projected Year Ended 12/31/2011	378,600	378,600	18,283,174
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34	SUPPORTING SCHEDULES:			
35	B-2			
36	E-5			
37	F-3			
38				
39				
40				

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Summary Statements of Cash Flows

Exhibit
Schedule A-5
Page 1
Witness: Bourassa

Line No.		Prior Year Ended 12/31/2008	Prior Year Ended 12/31/2009	Test Year Ended 12/31/2010	Projected Year Present Rates 12/31/2011	Projected Year Proposed Rates 12/31/2011
5	Cash Flows from Operating Activities					
6	Net Income	$ 725,335	$ 699,821	$ 430,893	$ (23,457)	$ 705,518
7	Adjustments to reconcile net income to net cash					
8	provided by operating activities:					
9	Depreciation and Amortization	431,892	462,927	477,551	686,998	686,998
10	Other -Adjustments	(22,164)	(17,958)	(25,839)		
11	Changes in Certain Assets and Liabilities:					
12	Accounts Receivable	(7,236)	(9,609)	990		
13	Unbilled Revenues	-	-	-		
14	Materials and Supplies Inventory	-	-	-		
15	Prepaid Expenses	(6,509)	5,712	1,596		
16	Deferred Charges	-	-	-		
17	Notes Receivable	(247,711)	2,773,973	(152,632)		
18	Accounts Payable	(43,443)	37,964	116,845		
19	Intercompany payable	-	-	-		
20	Customer Meter Deposits	-	-	-		
21	Taxes Payable	452	357	2,039		
22	Other assets and liabilities	4,401	(18,959)	11,046		
23	Net Cash Flow provided by Operating Activities	$ 835,016	$ 3,934,229	$ 862,489	$ 663,540	$ 1,392,516
24	Cash Flow From Investing Activities:					
25	Capital Expenditures	(558,065)	(506,824)	(476,612)	(378,600)	(378,600)
26	Plant Held for Future Use	-	-	-		
27	Changes in debt reserve fund	-	-	-		
28	Net Cash Flows from Investing Activities	$ (558,065)	$ (506,824)	$ (476,612)	$ (378,600)	$ (378,600)
29	Cash Flow From Financing Activities					
30	Change in Restricted Cash	-	-	-		
31	Proceeds from Long-Term Debt	-	-	-		
32	Net receipt of contributions in aid of construction	-	-	-	-	-
33	Net receipts of advances in aid of construction	-	(38,951)	(10,401)	(10,401)	(10,401)
34	Repayments of Long-Term Debt	-	-	-	(842,062)	(842,062)
35	Distributions/Dividends Paid	(250,009)	(3,439,998)	(299,999)	(299,999)	(299,999)
36	Deferred Financing Costs	-	-	-	-	-
37	Paid in Capital	-	-	-	-	-
38	Net Cash Flows Provided by Financing Activities	$ (250,009)	$ (3,478,949)	$ (310,400)	$ (1,152,462)	$ (1,152,462)
39	Increase(decrease) in Cash and Cash Equivalents	26,942	(51,544)	75,477	(867,521)	(138,546)
40	Cash and Cash Equivalents at Beginning of Year	117,261	144,203	92,659	168,136	168,136
41	Cash and Cash Equivalents at End of Year	$ 144,203	$ 92,659	$ 168,136	$ (699,385)	$ 29,590

46 SUPPORTING SCHEDULES:
47 E-3
48 F-2

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Summary of Rate Base

Exhibit
Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 14,546,128	$ 14,546,128
3	Less: Accumulated Depreciation	4,788,169	4,788,169
4			
5	Net Utility Plant in Service	$ 9,757,959	$ 9,757,959
6			
7	Less:		
8	Advances in Aid of Construction	374,236	374,236
9			
10	Contributions in Aid of Construction	632,418	632,418
11			
12	Accumulated Amortization of CIAC	(346,223)	(346,223)
13			
14	Customer Meter Deposits	-	-
15	Deferred Income Taxes & Credits	-	-
16			
17			
18			
19	Plus:		
20	Unamortized Finance		
21	Charges	-	-
22	Deferred Tax Assets	-	-
23	Allowance for Working Capital	-	-
24			
25			
26	Total Rate Base	$ 9,097,529	$ 9,097,529
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	SUPPORTING SCHEDULES:		
42	B-2		
43	B-3		
44	B-5		
45	E-1		
46			
47			
48			
49			
50			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 17,904,574	(3,358,446)	$ 14,546,128
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	5,945,021	(1,156,852)	4,788,169
7				
8				
9	Net Utility Plant			
10	in Service	$ 11,959,553		$ 9,757,959
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	374,236	-	374,236
15				
16	Contributions in Aid of			
17	Construction - Gross	632,418	(0)	632,418
18				
19	Accumulated Amortization of CIAC	(539,828)	193,605	(346,223)
20				
21	Customer Meter Deposits	-		-
22	Accumulated Deferred Income Tax	-	-	-
23				-
24				-
25				
26	**Plus:**			
27	Unamortized Finance			
28	Charges	-		-
29	Prepayments	-		-
30	Materials and Supplies	-		-
31	Working capital	-	-	-
32				-
33				
34	Total	$ 11,492,728		$ 9,097,529
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
46	B-2, pages 2			B-1
47	E-1			
48				
49				
50				

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 2
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 CIAC	4 Intentionally Left Blank	5 Intentionally Left Blank	Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	$ 17,904,574	(3,358,446)					$ 14,546,128
3								
4	**Less:**							
5	Accumulated							
6	Depreciation	5,945,021		(1,156,852)				4,788,169
7								
8								
9	Net Utility Plant							
10	in Service	$ 11,959,553	$ (3,358,446)	$ 1,156,852	$ -	$ -	$ -	$ 9,757,959
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	374,236						374,236
15								
16	Contributions in Aid of							
17	Construction (CIAC)	632,418			(0)			632,418
18								
19	Accumulated Amort of CIAC	(539,828)			193,605			(346,223)
20								
21	Customer Meter Deposits	-						-
22	Accumulated Deferred Income Taxes	-			-			-
23								
24								
25	**Plus:**							
26	Unamortized Finance							
27	Charges	-						-
28	Prepayments	-						
29	Materials and Supplies	-						
30	Allowance for Cash Working Capital	-						-
31								
32	Total	$ 11,492,728	$ (3,358,446)	$ 1,156,852	$ (193,605)	$ -	$ -	$ 9,097,529
33								
34								
35								
36	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
37	B-2, pages 3-5						B-1	
38	E-1							
39								
40								

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Actual Orginal Cost	A Reclassified Plant to Sewer Division	B Reclassified Plant from Sewer Division	Adjustments C Retirement Adjustments	D Decision 58743 Conforming Adjustment	E Plant Reclassification	Adjusted Original Cost
6	301	Organization Cost		-	-	-		-	-
7	302	Franchise Cost		-	-	-		-	-
8	303	Land and Land Rights	97,637	-	-	-		-	97,637
9	304	Structures and Improvements	2,291,996	(246,883)	3,950	(6,400)		(1,727,538)	315,125
10	305	Collecting and Impounding Res.		-	-	-		-	-
11	306	Lake River and Other Intakes		-	-	-		-	-
12	307	Wells and Springs	1,789,332	(972,509)	-	(43,942)		(166,182)	606,699
13	308	Infiltration Galleries and Tunnels		-	-	-		-	-
14	309	Supply Mains		-	-	-		-	-
15	310	Power Generation Equipment		-	-	-		-	-
16	311	Electric Pumping Equipment	829,942	(1,587,774)	-	(424,468)		3,446,101	2,263,801
17	320	Water Treatment Equipment		-	-	-		-	-
18	320.1	Water Treatment Plant		-	-	-		-	-
19	320.2	Chemical Solution Feeders		(713)	-	(17,634)		76,602	58,255
20	330	Dist. Reservoirs & Standpipe	2,707,572	-	-	-		(2,707,572)	-
21	330.1	Storage tanks		-	-	(1,000)		1,103,197	1,102,197
22	330.2	Pressure Tanks		-	-	(11,433)		85,370	73,937
23	331	Trans. and Dist. Mains	3,056,451	-	9,148	-		(149,550)	2,916,048
24	333	Services	4,498,820	(6,613)	-	-		216,941	4,709,148
25	334	Meters	1,011,318	(5,144)	-	-		(82,972)	923,202
26	335	Hydrants	891,614	-	-	(3,000)		(1,233)	887,381
27	336	Backflow Prevention Devices		-	-	-		-	-
28	339	Other Plant and Misc. Equip.		-	-	-		-	-
29	340	Office Furniture and Fixtures	657,115	-	-	(1,687)		(651,188)	4,239
30	340.1	Computers and Software		-	-	(5,014)		33,493	28,479
31	341	Transportation Equipment		-	-	(18,572)		80,207	61,635
32	342	Stores Equipment		-	-	-		-	-
33	343	Tools and Work Equipment		(1,423)	2,305	(24,634)	15,121	143,137	134,506
34	344	Laboratory Equipment		-	-	-		-	-
35	345	Power Operated Equipment	59,539	-	-	-		65,360	124,899
36	346	Communications Equipment	13,239	-	-	(10,126)		235,826	238,939
37	347	Miscellaneous Equipment		-	-	-		-	-
38	348	Other Tangible Plant		-	-	-		-	-
39									-
40		TOTALS	$ 17,904,574	$ (2,821,059)	$ 15,403	$ (567,910)	$ 15,121	$ (0)	$ 14,546,128
41									
42		Plant-in-Service per Books							$ 17,904,574
43									
44		Increase (decrease) in Plant-in-Service							$ (3,358,446)
45									
46		Adjustment to Plant-in-Service							$ (3,358,446)
47									
48		SUPPORTING SCHEDULES							
49		Workpapers/B-2 Schedule - Pima Water.xlsx							
50		B-2, pages 3.1-3.19							

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.1
Witness: Jones/Bourassa

				Per Decision No. 58743 (1993 Account Numbers)				Current Books		Conform to Decision No. 58743		
Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Company Plant at 12/31/1992	Order Adopted Adjustments	Order Plant at 12/31/1992	Accum. Deprec. At 12/31/1992	G/L Plant at 12/31/1992	NARUC Plant at 12/31/1992	Correction to Plant Balance	Corrected Plant at 12/31/1992	Accum. Deprec. At 12/31/1992
1	301	Organization Cost	0.00%			-		-	-		-	-
2	302	Franchise Cost	0.00%			-		-	-		-	-
3	303	Land and Land Rights	0.00%	92,551		92,551		92,551	92,551		92,551	-
4	304	Structures & Improvements	3.00%	63,366		63,366		63,366	63,366		63,366	27,823
5	305	Collecting & Impounding Reservoirs	3.00%			-		-	-		-	-
6	306	Lake, River, Canal Intakes	3.00%			-		-	-		-	-
7	307	Wells & Springs	3.00%	153,447		153,447		153,447	153,447		153,447	67,375
8	308	Infiltration Galleries	3.00%			-		-	-		-	-
9	309	Raw Water Supply Mains	3.00%			-		-	-		-	-
10	310	Power Generation Equipment	3.00%			-		-	-		-	-
11	311	Pumping Equipment	3.00%	111,953		111,953		116,953	204,563		204,563	89,819
12	320	Water Treatment Equipment	3.00%			-		-	-		-	-
13	320.1	Water Treatment Plants	3.00%			-		-	-		-	-
14	320.2	Solution Chemical Feeders	3.00%			-		-	19,839		19,839	8,711
15	330	Distribution Reservoirs & Standpipes	3.00%	300,045	13,200	313,245		310,605	-		-	-
16	330.1	Storage Tanks	3.00%			-		-	215,634		215,634	94,681
17	330.2	Pressure Tanks	3.00%			-		-	10,000		10,000	4,391
18	331	Transmission & Distribution Mains	3.00%	1,080,106	2,640	1,082,746		1,082,746	1,100,025		1,100,025	482,998
19	333	Services	3.00%	521,965	5,280	527,245		521,965	527,245		527,245	231,502
20	334	Meters	3.00%	162,498		162,498		167,778	162,498		162,498	71,350
21	335	Hydrants	3.00%	425,810	2,640	428,450		428,450	428,450		428,450	188,123
22	336	Backflow Prevention Devices	3.00%			-		-	-		-	-
23	339	Other Plant & Misc Equipment	3.00%			-		-	-		-	-
24	340	Office Furniture & Equipment	3.00%		2,640	2,640		84,981	2,640		2,640	1,159
25	340.1	Computers & Software	3.00%			-		-	-		-	-
26	341	Transportation Equipment	3.00%	34,947		34,947		-	14,826		14,826	6,510
27	342	Stores Equipment	3.00%			-		-	-		-	-
28	343	Tools, Shop & Garage Equipment	3.00%	64,874		64,874		-	26,196	15,121	41,317	18,141
29	344	Laboratory Equipment	3.00%			-		-	-		-	-
30	345	Power Operated Equipment	3.00%			-		-	-		-	-
31	346	Communication Equipment	3.00%			-		-	1,561		1,561	686
32	347	Miscellaneous Equipment	3.00%			-		-	-		-	-
33	348	Other Tangible Plant	3.00%			-		-	-		-	-
34		Const. Work in Progress		147,000	(147,000)	-						
35												
36		TOTALS		3,158,562	(120,600)	3,037,962	1,293,269	3,022,841	3,022,841	15,121	3,037,962	1,293,269

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.2
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1993 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	92,551	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	1,901	63,366	29,724
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	4,603	153,447	71,978
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	-	-	-	-	-	-	-	6,137	204,563	95,956
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	595	19,839	9,306
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	6,469	215,634	101,150
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	300	10,000	4,691
18	331	Transmission & Distribution Mains	3.00%	-	-	-	-	-	-	-	33,001	1,100,025	515,999
19	333	Services	3.00%	-	-	-	-	-	-	-	15,817	527,245	247,319
20	334	Meters	3.00%	8,444	-	8,444	-	-	-	-	5,002	170,942	76,352
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	12,853	428,450	200,976
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	*Other Plant & Misc Equipment*	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,238
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	3.00%	9,759	-	9,759	-	-	-	-	591	24,585	7,101
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	-	-	-	-	7,700	7,700	-	1,124	33,617	11,565
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	47	1,561	733
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		18,202	-	18,202	-	7,700	7,700	-	88,520	3,048,464	1,374,089

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.3
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1994 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	92,551	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	1,901	63,366	31,625
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	4,603	153,447	76,582
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	68,234	(10,847)	57,388	-	5,672	5,672	-	6,913	256,278	97,197
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	3,439	3,439	-	544	16,400	6,411
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	6,469	215,634	107,619
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	300	10,000	4,991
18	331	Transmission & Distribution Mains	3.00%	96,895	-	96,895	-	-	-	-	34,454	1,196,920	550,453
19	333	Services	3.00%	-	-	-	-	-	-	-	15,817	527,245	263,137
20	334	Meters	3.00%	39,118	-	39,118	-	-	-	-	5,715	210,060	82,067
21	335	Hydrants	3.00%	14,400	-	14,400	-	-	-	-	13,069	442,850	214,046
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,317
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	3.00%	-	-	-	-	-	-	-	738	24,585	7,839
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	22,414	-	22,414	-	-	-	-	1,345	56,031	12,910
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	3.00%	1,649	-	1,649	-	-	-	-	72	3,210	804
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		242,710	(10,847)	231,863	-	9,111	9,111	-	92,019	3,271,216	1,456,997

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.4
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1995 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	5,086	-	5,086	-	-	-	-	-	97,637	-
4	304	*Structures & Improvements*	3.00%	95,415	-	95,415	-	-	-	-	3,332	158,781	34,957
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	205,071	-	205,071	-	-	-	-	7,679	358,517	84,261
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	531,947	(16,125)	515,822	-	22,955	22,955	-	15,081	749,145	89,323
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	8,948	-	8,948	-	-	-	-	626	25,348	7,037
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	211,912	-	211,912	-	-	-	-	9,648	427,546	117,267
17	330.2	Pressure Tanks	3.00%	40,924	-	40,924	-	-	-	-	914	50,924	5,905
18	331	Transmission & Distribution Mains	3.00%	117,738	-	117,738	-	-	-	-	37,674	1,314,658	588,127
19	333	Services	3.00%	42,162	-	42,162	-	-	-	-	16,450	569,407	279,586
20	334	Meters	3.00%	16,795	-	16,795	-	-	-	-	6,554	226,855	88,620
21	335	Hydrants	3.00%	34,000	-	34,000	-	-	-	-	13,795	476,850	227,841
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,397
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	3.00%	-	-	-	-	-	-	-	738	24,585	8,576
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	954	-	954	-	-	-	-	1,695	56,985	14,605
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	96	3,210	901
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,310,951	(16,125)	1,294,827	-	22,955	22,955	-	114,362	4,543,088	1,548,403

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.5
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1996 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	10,033	-	10,033	-	-	-	-	4,914	168,814	39,871
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	5,895	-	5,895	-	-	-	-	10,844	364,412	95,105
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	64,372	(9,461)	54,911	-	-	-	-	23,298	804,056	112,621
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	760	25,348	7,797
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	1,520	-	1,520	-	-	-	-	12,849	429,066	130,116
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	1,528	50,924	7,433
18	331	Transmission & Distribution Mains	3.00%	70,621	-	70,621	-	-	-	-	40,499	1,385,279	628,626
19	333	Services	3.00%	28,729	-	28,729	-	-	-	-	17,513	598,136	297,100
20	334	Meters	3.00%	50,337	-	50,337	-	-	-	-	7,561	277,192	96,181
21	335	Hydrants	3.00%	11,550	-	11,550	-	-	-	-	14,479	488,400	242,320
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,476
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	3.00%	8,000	-	8,000	-	-	-	-	858	32,585	9,434
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	4,211	(1,423)	2,787	-	-	-	-	1,751	59,772	16,356
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	2,125	-	2,125	-	-	-	-	32	2,125	32
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	96	3,210	997
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		257,393	(10,884)	246,509	-	-	-	-	137,061	4,789,597	1,685,464

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.6
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1997 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	5,064	168,814	44,936
5	305	*Collecting & Impounding Reservoirs*	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	10,932	364,412	106,038
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	75,492	-	75,492	-	52,540	52,540	-	24,466	827,008	84,547
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	760	25,348	8,558
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	12,872	429,066	142,988
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	1,528	50,924	8,960
18	331	Transmission & Distribution Mains	3.00%	263,564	-	263,564	-	-	-	-	45,512	1,648,843	674,137
19	333	Services	3.00%	117,056	-	117,056	-	-	-	-	19,700	715,192	316,800
20	334	Meters	3.00%	35,468	-	35,468	-	-	-	-	8,848	312,660	105,029
21	335	Hydrants	3.00%	58,630	-	58,630	-	-	-	-	15,531	547,030	257,852
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,555
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	3.00%	17,108	-	17,108	-	-	-	-	1,234	49,693	10,668
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	928	-	928	-	-	-	-	1,807	60,700	18,163
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	64	2,125	96
31	346	Communication Equipment	3.00%	99,380	-	99,380	-	-	-	-	1,587	102,591	2,584
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		667,626	-	667,626	-	52,540	52,540	-	149,985	5,404,683	1,782,910

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.7
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1998 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	218,067	(200,000)	18,067	-	-	-	-	5,335	186,881	50,271
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	500,000	(500,000)	-	-	17,772	17,772	-	10,666	346,640	98,931
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	876,040	(838,888)	37,153	-	1,453	1,453	-	25,346	862,708	108,440
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	1,163	-	1,163	-	-	-	-	778	26,511	9,336
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	12,872	429,066	155,860
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	1,528	50,924	10,488
18	331	Transmission & Distribution Mains	3.00%	17,011	-	17,011	-	-	-	-	49,720	1,665,854	723,858
19	333	Services	3.00%	37,577	-	37,577	-	-	-	-	22,019	752,769	338,819
20	334	Meters	3.00%	31,733	-	31,733	-	-	-	-	9,856	344,393	114,885
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	16,411	547,030	274,263
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,634
25	340.1	Computers & Software	3.00%	866	-	866	-	-	-	-	13	866	13
26	341	Transportation Equipment	3.00%	14,132	-	14,132	13,223	-	13,223	-	1,504	50,602	(1,051)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	2,868	-	2,868	-	-	-	-	1,864	63,568	20,027
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	2,226	-	2,226	-	-	-	-	97	4,352	193
31	346	Communication Equipment	3.00%	101,552	-	101,552	-	-	-	-	4,601	204,142	7,185
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,803,236	(1,538,888)	264,348	13,223	19,225	32,448	-	162,690	5,636,583	1,913,151

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.8
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	1999 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	5,606	186,881	55,877
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	10,399	346,640	109,331
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	196,797	(82,615)	114,183	-	5,250	5,250	-	27,515	971,641	130,705
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	2,825	-	2,825	-	-	-	-	838	29,336	10,173
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	12,872	429,066	168,732
17	330.2	Pressure Tanks	3.00%	957	-	957	-	-	-	-	1,542	51,881	12,030
18	331	Transmission & Distribution Mains	3.00%	327,584	-	327,584	-	-	-	-	54,889	1,993,437	778,747
19	333	Services	3.00%	86,486	-	86,486	-	-	-	-	23,880	839,255	362,699
20	334	Meters	3.00%	42,708	-	42,708	-	-	-	-	10,972	387,101	125,857
21	335	Hydrants	3.00%	65,970	-	65,970	-	-	-	-	17,400	613,000	291,663
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	79	2,640	1,713
25	340.1	Computers & Software	3.00%	4,148	-	4,148	-	-	-	-	88	5,015	101
26	341	Transportation Equipment	3.00%	1,855	-	1,855	-	-	-	-	1,546	52,457	495
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	4,595	-	4,595	-	-	-	-	1,976	68,163	22,003
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	623	-	623	-	-	-	-	140	4,974	333
31	346	Communication Equipment	3.00%	3,986	-	3,986	-	-	-	-	6,184	208,129	13,369
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		738,535	(82,615)	655,920	-	5,250	5,250	-	175,928	6,287,253	2,083,829

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.9
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2000 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	73,854	-	73,854	-	-	-	-	6,714	260,735	62,592
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	191,797	-	191,797	-	10,713	10,713	-	13,115	527,724	111,733
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	605,426	(20,717)	584,708	-	45,099	45,099	-	37,243	1,511,250	122,849
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	2,707	-	2,707	-	1,388	1,388	-	900	30,655	9,685
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	522,695	-	522,695	-	-	-	-	20,712	951,761	189,444
17	330.2	Pressure Tanks	3.00%	30,624	-	30,624	-	10,000	10,000	-	1,866	72,505	3,896
18	331	Transmission & Distribution Mains	3.00%	3,631	-	3,631	-	-	-	-	59,858	1,997,069	838,605
19	333	Services	3.00%	504,769	-	504,769	105,370	-	105,370	-	31,169	1,238,654	288,498
20	334	Meters	3.00%	68,383	-	68,383	-	-	-	-	12,639	455,484	138,496
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	18,390	613,000	310,053
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	1,483	-	1,483	-	-	-	-	101	4,123	1,815
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	150	5,015	252
26	341	Transportation Equipment	3.00%	17,787	-	17,787	-	-	-	-	1,841	70,244	2,335
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	-	-	-	-	2,056	2,056	-	2,014	66,107	21,961
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	52,116	-	52,116	-	-	-	-	931	57,091	1,264
31	346	Communication Equipment	3.00%	3,464	-	3,464	-	-	-	-	6,296	211,592	19,665
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		2,078,734	(20,717)	2,058,017	105,370	69,256	174,626	-	213,939	8,170,644	2,123,143

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.10
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2001 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	7,822	260,735	70,414
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	5,438	(5,438)	-	-	-	-	-	15,832	527,724	127,565
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	95,274	(47,141)	48,134	-	500	500	-	46,052	1,558,883	168,401
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	713	(713)	-	-	-	-	-	920	30,655	10,605
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	28,553	951,761	217,997
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	6,071
18	331	Transmission & Distribution Mains	3.00%	-	-	-	-	-	-	-	59,912	1,997,069	898,517
19	333	Services	3.00%	740,222	-	740,222	117,178	-	117,178	-	46,505	1,861,698	217,825
20	334	Meters	3.00%	83,430	-	83,430	-	-	-	-	14,916	538,914	153,412
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	18,390	613,000	328,443
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	124	4,123	1,939
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	150	5,015	402
26	341	Transportation Equipment	3.00%	2,907	-	2,907	-	-	-	-	2,151	73,150	4,486
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	16,665	-	16,665	-	-	-	-	2,233	82,771	24,195
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	53,455	-	53,455	-	-	-	-	2,515	110,546	3,778
31	346	Communication Equipment	3.00%	3,844	-	3,844	-	-	-	-	6,405	215,437	26,070
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,001,949	(53,292)	948,657	117,178	500	117,678	-	254,655	9,001,623	2,260,120

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.11
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2002 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	1,500	-	1,500	-	-	-	-	7,845	262,235	78,258
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	287,579	(287,579)	-	-	-	-	-	15,832	527,724	143,396
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	*Raw Water Supply Mains*	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	92,280	(16,178)	76,103	-	27,211	27,211	-	47,500	1,607,775	188,690
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	920	30,655	11,525
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	6,814	-	6,814	-	-	-	-	28,655	958,575	246,652
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	8,246
18	331	Transmission & Distribution Mains	3.00%	230,254	-	230,254	-	-	-	-	63,366	2,227,323	961,883
19	333	Services	3.00%	574,324	-	574,324	71,094	-	71,094	-	63,399	2,364,928	210,131
20	334	Meters	3.00%	61,979	-	61,979	-	-	-	-	17,097	600,893	170,509
21	335	*Hydrants*	3.00%	89,449	-	89,449	-	2,000	2,000	-	19,702	700,449	346,145
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	124	4,123	2,062
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	150	5,015	553
26	341	Transportation Equipment	3.00%	61,853	-	61,853	60,613	2,179	62,792	38,000	2,180	72,211	(18,125)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	1,572	-	1,572	-	-	-	-	2,507	84,343	26,701
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	7,095
31	346	Communication Equipment	3.00%	2,144	-	2,144	-	6,976	6,976	-	6,391	210,604	25,485
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	*Other Tangible Plant*	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,409,747	(303,756)	1,105,991	131,707	38,366	170,073	38,000	281,158	9,937,541	2,409,205

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.12
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2003 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	6,520	(2,570)	3,950	-	-	-	-	7,926	266,185	86,185
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	15,832	527,724	159,228
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	132,687	(34,500)	98,188	-	47,250	47,250	-	48,997	1,658,713	190,437
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	1,987	-	1,987	-	-	-	-	949	32,642	12,474
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	1,000	1,000	-	28,742	957,575	274,394
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	10,421
18	331	Transmission & Distribution Mains	3.00%	290,233	-	290,233	-	-	-	-	71,173	2,517,556	1,033,056
19	333	Services	3.00%	435,687	-	435,687	49,692	-	49,692	-	76,738	2,750,923	237,176
20	334	Meters	3.00%	64,897	-	64,897	-	-	-	-	19,000	665,790	189,509
21	335	Hydrants	3.00%	120,601	-	120,601	-	500	500	-	22,815	820,550	368,460
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	124	4,123	2,186
25	340.1	Computers & Software	3.00%	2,631	-	2,631	-	-	-	-	190	7,646	742
26	341	Transportation Equipment	3.00%	24,945	-	24,945	2,000	5,533	7,533	-	2,428	89,623	(23,231)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	2,337	-	2,337	-	928	928	-	2,551	85,752	28,325
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	10,411
31	346	Communication Equipment	3.00%	4,287	-	4,287	-	-	-	-	6,382	214,891	31,867
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,086,811	(37,070)	1,049,742	51,692	55,211	106,903	-	309,340	10,880,380	2,611,642

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.13
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2004 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	5,091	-	5,091	-	2,600	2,600	-	8,023	268,677	91,608
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	15,832	527,724	175,060
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	64,740	(24,716)	40,024	-	11,686	11,686	-	50,186	1,687,051	228,938
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	14,326	-	14,326	-	1,319	1,319	-	1,174	45,649	12,329
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	28,727	957,575	303,122
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	12,597
18	331	Transmission & Distribution Mains	3.00%	27,203	-	27,203	-	-	-	-	75,935	2,544,759	1,108,991
19	333	Services	3.00%	332,191	-	332,191	35,998	-	35,998	-	86,971	3,047,116	288,149
20	334	Meters	3.00%	50,270	-	50,270	-	-	-	-	20,728	716,060	210,237
21	335	Hydrants	3.00%	8,282	-	8,282	-	500	500	-	24,733	828,332	392,693
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	1,500	-	1,500	-	-	-	-	146	5,623	2,332
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	229	7,646	972
26	341	Transportation Equipment	3.00%	11,372	-	11,372	16,536	2,431	18,967	9,425	2,575	82,027	(30,198)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	1,964	-	1,964	-	-	-	-	2,602	87,716	30,927
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	13,727
31	346	Communication Equipment	3.00%	9,716	-	9,716	-	-	-	-	6,592	224,607	38,460
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		526,656	(24,716)	501,939	52,534	18,536	71,070	9,425	329,945	11,311,249	2,879,942

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.14
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2005 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	*Organization Cost*	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	8,060	268,677	99,668
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	33,092	-	33,092	-	15,457	15,457	-	16,096	545,359	175,699
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	83,364	(71,431)	11,933	-	-	-	-	50,791	1,698,984	279,728
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	4,531	-	4,531	-	5,988	5,988	-	1,348	44,192	7,689
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	28,727	957,575	331,849
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	14,772
18	331	Transmission & Distribution Mains	3.00%	344,940	-	344,940	-	-	-	-	81,517	2,889,700	1,190,508
19	333	Services	3.00%	472,257	-	472,257	37,474	-	37,474	-	97,935	3,481,899	348,610
20	334	Meters	3.00%	79,639	-	79,639	-	-	-	-	22,676	795,699	232,913
21	335	Hydrants	3.00%	43,480	-	43,480	-	-	-	-	25,502	871,811	418,195
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	169	5,623	2,501
25	340.1	Computers & Software	3.00%	15,827	-	15,827	-	-	-	-	467	23,473	1,439
26	341	Transportation Equipment	3.00%	750	-	750	-	7,521	7,521	-	2,359	75,256	(35,360)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	1,200	-	1,200	-	-	-	-	2,649	88,916	33,576
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	17,044
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	6,738	224,607	45,198
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,079,081	(71,431)	1,007,650	37,474	28,966	66,440	-	350,527	12,252,458	3,164,028

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.15
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2006 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	*Franchise Cost*	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	8,060	268,677	107,728
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	16,361	545,359	192,060
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	89,679	(58,153)	31,527	-	6,714	6,714	-	51,342	1,723,797	324,356
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	6,347	-	6,347	-	-	-	-	1,421	50,539	9,110
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	28,727	957,575	360,576
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	16,947
18	331	Transmission & Distribution Mains	3.00%	-	-	-	-	-	-	-	86,691	2,889,700	1,277,199
19	333	Services	3.00%	357,742	-	357,742	29,274	-	29,274	-	109,384	3,810,367	428,720
20	334	Meters	3.00%	34,418	(3,089)	31,329	-	-	-	-	24,341	827,028	257,254
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	26,154	871,811	444,349
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	169	5,623	2,669
25	340.1	*Computers & Software*	3.00%	431	-	431	-	-	-	-	711	23,903	2,149
26	341	Transportation Equipment	3.00%	-	-	-	-	908	908	-	2,244	74,348	(34,024)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	-	-	-	-	8,050	8,050	-	2,547	80,866	28,073
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	20,360
31	346	Communication Equipment	3.00%	4,243	-	4,243	-	3,150	3,150	-	6,755	225,700	48,803
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	*Other Tangible Plant*	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		492,861	(61,242)	431,619	29,274	18,822	48,096	-	370,397	12,635,981	3,486,330

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.16
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2007 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	8,060	268,677	115,788
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	16,361	545,359	208,421
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	272,215	(21,213)	251,002	-	43,805	43,805	-	54,822	1,930,993	335,373
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	1,516	50,539	10,626
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	136,912	-	136,912	-	-	-	-	30,781	1,094,487	391,357
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	19,122
18	331	Transmission & Distribution Mains	3.00%	1,879	-	1,879	-	-	-	-	86,719	2,891,578	1,363,918
19	333	Services	3.00%	275,451	-	275,451	23,698	-	23,698	-	118,087	4,062,120	523,109
20	334	Meters	3.00%	19,990	-	19,990	-	-	-	-	25,111	847,018	282,365
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	26,154	871,811	470,504
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	204	-	204	-	-	-	-	172	5,826	2,841
25	340.1	Computers & Software	3.00%	3,082	-	3,082	-	-	-	-	763	26,985	2,913
26	341	Transportation Equipment	3.00%	14,300	-	14,300	21,162	-	21,162	1,851	2,128	67,486	(51,208)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	-	-	-	-	5,900	5,900	-	2,337	74,966	24,510
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	-	-	-	-	-	-	-	3,316	110,546	23,676
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	6,771	225,700	55,574
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		724,033	(21,213)	702,819	44,860	49,705	94,565	1,851	385,274	13,244,236	3,778,890

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.17
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2008 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	83,986	(44,313)	39,673	-	-	-	-	8,655	308,350	124,444
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	229,783	(179,493)	50,290	-	-	-	-	17,115	595,649	225,536
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	375,212	(262,374)	112,838	-	15,295	15,295	-	59,393	2,028,536	379,471
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	5,165	-	5,165	-	3,500	3,500	-	1,541	52,205	8,667
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	32,835	1,094,487	424,192
17	330.2	Pressure Tanks	3.00%	-	-	-	-	-	-	-	2,175	72,505	21,297
18	331	Transmission & Distribution Mains	3.00%	20,188	-	20,188	-	-	-	-	87,050	2,911,766	1,450,968
19	333	Services	3.00%	293,123	(6,613)	286,510	20,664	-	20,664	-	125,851	4,327,966	628,297
20	334	Meters	3.00%	20,720	(2,055)	18,666	-	-	-	-	25,691	865,684	308,055
21	335	Hydrants	3.00%	15,570	-	15,570	-	-	-	-	26,388	887,381	496,892
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	1,600	-	1,600	1,500	-	1,500	-	176	5,926	1,517
25	340.1	Computers & Software	3.00%	-	-	-	-	-	-	-	810	26,985	3,722
26	341	Transportation Equipment	3.00%	-	-	-	-	-	-	-	2,025	67,486	(49,183)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	35,000	-	35,000	-	-	-	-	2,774	109,966	27,284
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated *Equipment*	3.00%	-	-	-	-	-	-	-	3,316	110,546	26,993
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	6,771	225,700	62,345
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		1,080,346	(494,847)	585,499	22,164	18,795	40,959	-	402,566	13,788,776	4,140,497

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.18
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2009 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	10,576	-	10,576	-	3,800	3,800	-	9,352	315,125	129,996
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	-	-	-	-	-	-	-	17,869	595,649	243,405
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	226,802	(21,325)	205,476	-	61,631	61,631	-	63,014	2,172,382	380,854
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	-	-	-	-	-	-	-	1,566	52,205	10,233
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	7,710	-	7,710	-	-	-	-	32,950	1,102,197	457,142
17	330.2	Pressure Tanks	3.00%	1,431	-	1,431	-	-	-	-	2,197	73,937	23,494
18	331	Transmission & Distribution Mains	3.00%	4,282	-	4,282	-	-	-	-	87,417	2,916,048	1,538,385
19	333	Services	3.00%	220,238	-	220,238	17,958	-	17,958	-	132,873	4,530,246	743,212
20	334	Meters	3.00%	27,743	-	27,743	-	-	-	-	26,387	893,426	334,442
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	26,621	887,381	523,513
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	1,687	1,687	-	152	4,239	(17)
25	340.1	Computers & Software	3.00%	2,641	-	2,641	-	5,014	5,014	-	774	24,613	(518)
26	341	Transportation Equipment	3.00%	-	-	-	-	-	-	-	2,025	67,486	(47,158)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	-	-	-	-	-	-	-	3,299	109,966	30,583
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	9,115	-	9,115	-	-	-	-	3,453	119,660	30,446
31	346	Communication Equipment	3.00%	13,239	-	13,239	-	-	-	-	6,970	238,939	69,314
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		523,776	(21,325)	502,451	17,958	72,132	90,090	-	416,920	14,201,137	4,467,326

Pima Utility Company - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.19
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2010 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	97,637	-
4	304	Structures & Improvements	3.00%	-	-	-	-	-	-	-	9,454	315,125	139,450
5	305	Collecting & Impounding Reservoirs	3.00%	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	3.00%	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.00%	11,050	-	11,050	-	-	-	-	18,035	606,699	261,440
8	308	Infiltration Galleries	3.00%	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	3.00%	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	3.00%	220,917	(52,091)	168,826	-	77,407	77,407	-	66,543	2,263,801	369,989
12	320	Water Treatment Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.00%	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	3.00%	8,051	-	8,051	-	2,000	2,000	-	1,657	58,255	9,890
15	330	Distribution Reservoirs & Standpipes	3.00%	-	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	3.00%	-	-	-	-	-	-	-	33,066	1,102,197	490,208
17	330.2	Pressure Tanks	3.00%	1,433	-	1,433	-	1,433	1,433	-	2,218	73,937	24,279
18	331	Transmission & Distribution Mains	3.00%	-	-	-	-	-	-	-	87,481	2,916,048	1,625,867
19	333	Services	3.00%	199,648	-	199,648	20,746	-	20,746	-	138,591	4,709,148	861,057
20	334	Meters	3.00%	29,776	-	29,776	-	-	-	-	27,249	923,202	361,692
21	335	Hydrants	3.00%	-	-	-	-	-	-	-	26,621	887,381	550,134
22	336	Backflow Prevention Devices	3.00%	-	-	-	-	-	-	-	-	-	-
23	339	Other Plant & Misc Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	3.00%	-	-	-	-	-	-	-	127	4,239	110
25	340.1	Computers & Software	3.00%	3,867	-	3,867	-	-	-	-	796	28,479	278
26	341	Transportation Equipment	3.00%	-	-	-	5,851	-	5,851	-	1,937	61,635	(51,073)
27	342	Stores Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	3.00%	24,539	-	24,539	-	-	-	-	3,667	134,506	34,251
29	344	Laboratory Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	3.00%	5,239	-	5,239	-	-	-	-	3,668	124,899	34,114
31	346	Communication Equipment	3.00%	-	-	-	-	-	-	-	7,168	238,939	76,482
32	347	Miscellaneous Equipment	3.00%	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	3.00%	-	-	-	-	-	-	-	-	-	-
34		Const. Work in Progress											
35													
36		TOTALS		504,520	(52,091)	452,429	26,597	80,840	107,437	-	426,280	14,546,128	4,788,169

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No.	Description	Per Books Accum. Depr.	A Retirement Adjustments	B Difference to Computed Balance	Adjustments C Intentionally Left Blank	D Intentionally Left Blank	E Intentionally Left Blank	Adjusted Accum. Depr.
6	301	Organization Cost		-	-				-
7	302	Franchise Cost		-	-				-
8	303	Land and Land Rights		-	-				-
9	304	Structures and Improvements	765,205	(6,400)	(619,356)				139,450
10	305	Collecting and Impounding Res.	-	-	-				-
11	306	Lake River and Other Intakes	-	-	-				-
12	307	Wells and Springs	597,386	(43,942)	(292,004)				261,440
13	308	Infiltration Galleries and Tunnels	-	-	-				-
14	309	Supply Mains	-	-	-				-
15	310	Power Generation Equipment	-	-	-				-
16	311	Electric Pumping Equipment	277,084	(424,468)	517,373				369,989
17	320	Water Treatment Equipment	-	-	-				-
18	320.1	Water Treatment Plant	-	-	-				-
19	320.2	Chemical Solution Feeders	-	(17,634)	27,524				9,890
20	330	Dist. Reservoirs & Standpipe	903,950	-	(903,950)				-
21	330.1	Storage tanks	-	(1,000)	491,208				490,208
22	330.2	Pressure Tanks	-	(11,433)	35,712				24,279
23	331	Trans. and Dist. Mains	1,020,426	-	605,441				1,625,867
24	333	Services	1,501,975	-	(640,918)				861,057
25	334	Meters	337,639	-	24,053				361,692
26	335	Hydrants	297,674	(3,000)	255,460				550,134
27	336	Backflow Prevention Devices	-	-	-				-
28	339	Other Plant and Misc. Equip.	-	-	-				-
29	340	Office Furniture and Fixtures	219,384	(1,687)	(217,587)				110
30	340.1	Computers and Software	-	(5,014)	5,292				278
31	341	Transportation Equipment	-	(18,572)	(32,501)				(51,073)
32	342	Stores Equipment	-	-	-				-
33	343	Tools and Work Equipment	-	(24,634)	58,885				34,251
34	344	Laboratory Equipment	-	-	-				-
35	345	Power Operated Equipment	19,878	-	14,237				34,114
36	346	Communications Equipment	4,420	(10,126)	82,188				76,482
37	347	Miscellaneous Equipment	-	-	-				-
38	348	Other Tangible Plant	-	-	-				-
39									-
40		TOTALS	$ 5,945,021	$ (567,910)	$ (588,942)	$ -	$ -	$ -	$ 4,788,169
41									
42		Accumulated Depreciation per Books							$ 5,945,021
43									
44		Increase (decrease) in Accumulated Depreciation							$ (1,156,852)
45									
46		Adjustment to Accumulated Depreciation							$ (1,156,852)
47									
48		SUPPORTING SCHEDULES							
49		Workpapers/B-2 Schedule - Pima Water.xlsx							
50		B-2, pages 3.1 to 3.19							

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Schedule B-2
Page 5
Witness: Bourassa

Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization

Line No.		Gross CIAC	Accumulated Amortization
1			
2			
3			
4			
5	Computed balance at 12/31/2010	$ 632,418	$ 346,223
6			
7	Book balance at 12/31/2010	$ 632,418	$ 539,828
8			
9	Increase (decrease)	$ (0)	$ (193,605)
10			
11			
12	Adjustment to CIAC/AA CIAC	$ (0)	$ 193,605
13	Label	3a	3b
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULES		
20	E-1		
21	B-2, page 5.1		
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Pima Utility Company - Water Division
Test Year Ended 12/31/2010
Contributions-in-aid of Construction (CIAC)

Exhibit
Schedule B-2
Page 5.1
Witness: Bourassa

Line No.		Balance 12/31/1992	1993 Additions	1993 Balance 12/31/1993	1994 Additions	1994 Balance 12/31/1993	1995 Additions	1995 Balance 12/31/1993	1996 Additions	1996 Balance 12/31/1993	1997 Additions	1997 Balance 12/31/1993	1998 Additions	1998 Balance 12/31/1993
1														
2														
3														
4														
5	CIAC	136,956	-	136,956	-	136,956	23,086	160,042	-	160,042	175,746	335,788	261,718	597,506
6														
7	Amortization Decision No. 58743	80,166												
8	Amortization Rate			3.00%		3.00%		3.00%		3.00%		3.00%		3.00%
9	Amortization (1/2 yr convention)			4,109		4,109		4,455		4,801		7,437		13,999
10	Accumulated Amortization			84,275		88,383		92,838		97,640		105,077		119,076
11														
12	Net CIAC	56,790	-	52,681	-	48,573	23,086	67,204	-	62,402	175,746	230,711	261,718	478,430
13														
14														
15														

Line No.		1999 Additions	1999 Balance 12/31/1993	2000 Additions	2000 Balance 12/31/1993	2001 Additions	2001 Balance 12/31/1993	2002 Additions	2002 Balance 12/31/1993	2003 Additions	2003 Balance 12/31/1993	2004 Additions	2004 Balance 12/31/1993
16													
17													
18													
19													
20	CIAC												
21		34,912	632,418	-	632,418	-	632,418	-	632,418	-	632,418	-	632,418
22													
23	Amortization Rate												
24	Amortization (1/2 yr convention)		3.00%		3.00%		3.00%		3.00%		3.00%		3.00%
25	Accumulated Amortization		18,449		18,973		18,973		18,973		18,973		18,973
26			137,525		156,498		175,470		194,443		213,415		232,388
27	Net CIAC												
28		34,912	494,892	-	475,920	-	456,947	-	437,975	-	419,002	-	400,030
29													
30													
31													

Line No.		2005 Additions	2005 Balance 12/31/1993	2006 Additions	2006 Balance 12/31/1993	2007 Additions	2007 Balance 12/31/1993	2008 Additions	2008 Balance 12/31/1993	2009 Additions	2009 Balance 12/31/1993	2010 Additions	2010 Balance 12/31/1993
32													
33													
34													
35													
36													
37	CIAC	-	632,418	-	632,418	-	632,418	-	632,418	-	632,418	-	632,418
38													
39													
40	Amortization Rate		3.00%		3.00%		3.00%		3.00%		3.00%		3.00%
41	Amortization (1/2 yr convention)		18,973		18,973		18,973		18,973		18,973		18,973
42	Accumulated Amortization		251,360		270,333		289,306		308,278		327,251		346,223
43													
44	Net CIAC	-	381,057	-	362,085	-	343,112	-	324,139	-	305,167	-	286,194
45													

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Computation of Working Capital

Exhibit
Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	106,177
3	Pumping Power (1/24 of Pumping Power)		10,519
4	Purchased Water (1/24 of Purchased Water)		-
5	Prepaid Expenses		
6			
7			
8			
9	Total Working Capital Allowance	$	116,696
10			
11			
12	Working Capital Requested	$	-
13			
14			
15			
16			
17		Adjusted Test Year	
18	Total Operating Expense	$	1,845,067
19	Less:		
20	Income Tax	$	(27,157)
21	Property Tax		83,358
22	Depreciation		686,998
23	Purchased Water		-
24	Pumping Power		252,453
25	Allowable Expenses	$	849,415
26	1/8 of allowable expenses	$	106,177
27			
28			
29	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
30	E-1	B-1	
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Income Statement

Exhibit
Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Book Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**					
2	Metered Water Revenues	$ 1,976,508	$ (6,142)	$ 1,970,366	$ 1,023,565	$ 2,993,931
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	7,261	-	7,261		7,261
5		$ 1,983,769	$ (6,142)	$ 1,977,627	$ 1,023,565	$ 3,001,192
6	**Operating Expenses**					
7	Salaries and Wages	$ 220,827	-	$ 220,827		$ 220,827
8	Salaries and Wages - Off. and Dir.	90,294	-	90,294		90,294
9	Employee Pensions and Benefits	64,900	-	64,900		64,900
10	Purchased Water	-	-	-		-
11	Purchased Power	228,469	23,985	252,453		252,453
12	Chemicals	16,721	-	16,721		16,721
13	Repairs and Maintenance	100,885	-	100,885		100,885
14	Office Supplies and Expense	67,321	-	67,321		67,321
15	Contractual Services - Engineering	5,283	-	5,283		5,283
16	Contractual Services - Accounting	3,067		3,067		3,067
17	Contractual Services - Legal	14,175		14,175		14,175
18	Contractual Services - Other	54,797		54,797		54,797
19	Contractual Services - Water Testing	18,737		18,737		18,737
20	Rents - Equipment	3,203		3,203		3,203
21	Transportation Expenses	44,637		44,637		44,637
22	Insurance - Vehicle	17,464		17,464		17,464
23	Insurance - General Liability	10,840	-	10,840		10,840
24	Insurance - Worker's Comp	1,009	-	1,009		1,009
25	Reg. Comm. Exp.	3,671	-	3,671		3,671
26	Reg. Comm. Exp. - Rate Case	-	50,000	50,000		50,000
27	Bad Debt Expense	4,766	-	4,766		4,766
28	Miscellaneous Expense	15,934	-	15,934		15,934
29	Depreciation Expense	477,551	209,446	686,998		686,998
30	Taxes Other Than Income	40,883	-	40,883		40,883
31	Property Taxes	94,465	(11,107)	83,358	13,708	97,066
32	Income Tax	-	(27,157)	(27,157)	280,881	253,724
33			-	-		-
34	**Total Operating Expenses**	$ 1,599,900	$ 245,167	$ 1,845,067	$ 294,589	$ 2,139,657
35	**Operating Income**	$ 383,869	$ (251,309)	$ 132,560	$ 728,975	$ 861,536
36	**Other Income (Expense)**					
37	Interest Income	48,219	-	48,219		48,219
38	Other income	1,254	-	1,254		1,254
39	Interest Expense	-	(203,041)	(203,041)		(203,041)
40	Other Expense	(1,692)	-	(1,692)		(1,692)
41		(758)	-	(758)		(758)
42	**Total Other Income (Expense)**	$ 47,024	$ (203,041)	$ (156,017)	$ -	$ (156,017)
43	**Net Profit (Loss)**	$ 430,893	$ (454,350)	$ (23,457)	$ 728,975	$ 705,518
44						
45	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
46	C-1, page 2				A-1	
47	E-2					
48						

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Income Statement

Exhibit
Schedule C-1
Page 2
Witness: Bourassa

Line No.		LABEL>>>>> Test Year Book Results	1 Depreciation	2 Property Taxes	3 Rate Case Expense	4 Revenue Annualization	5 Purchased Power	6 Annualize Purchased Power	7 Interest Synch.	8 Income tax	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**												
2	Metered Water Revenues	$ 1,976,508				(6,142)					$ 1,970,366	$ 1,023,565	$ 2,993,931
3	Unmetered Water Revenues	-									-		-
4	Other Water Revenues	7,261									7,261		7,261
5		$ 1,983,769	$ -	$ -	$ -	$ (6,142)	$ -	$ -	$ -	$ -	$ 1,977,627	$ 1,023,565	$ 3,001,192
6	**Operating Expenses**												
7	Salaries and Wages	$ 220,827									$ 220,827		$ 220,827
8	Salaries and Wages - Off. and Dir.	90,294									90,294		90,294
9	*Employee Pensions and Benefits*	64,900									64,900		64,900
10	Purchased Water	-									-		-
11	Purchased Power	228,469					27,205	(3,220)			252,453		252,453
12	Chemicals	16,721									16,721		16,721
13	Repairs and Maintenance	100,885									100,885		100,885
14	*Office Supplies and Expense*	67,321									67,321		67,321
15	Contractual Services - Engineering	5,283									5,283		5,283
16	Contractual Services - Accounting	3,067									3,067		3,067
17	Contractual Services - Legal	14,175									14,175		14,175
18	Contractual Services - Other	54,797									54,797		54,797
19	Contr. Services - Water Testing	18,737									18,737		18,737
20	Rents - Equipment	3,203									3,203		3,203
21	Transportation Expenses	44,637									44,637		44,637
22	Insurance - Vehicle	17,464									17,464		17,464
23	Insurance - General Liability	10,840									10,840		10,840
24	Insurance - Worker's Comp	1,009									1,009		1,009
25	Reg. Comm. Exp.	3,671									3,671		3,671
26	Reg. Comm. Exp. - Rate Case	-			50,000						50,000		50,000
27	Bad Debt Expense	4,766									4,766		4,766
28	Miscellaneous Expense	15,934									15,934		15,934
29	Depreciation Expense	477,551	209,446								686,998		686,998
30	Taxes Other Than Income	40,883									40,883		40,883
31	Property Taxes	94,465		(11,107)							83,358	13,708	97,066
32	Income Tax	-								(27,157)	(27,157)	280,881	253,724
33													
34	**Total Operating Expenses**	$ 1,599,900	$ 209,446	$ (11,107)	$ 50,000	$ -	$ 27,205	$ (3,220)	$ -	$ (27,157)	$ 1,845,067	$ 294,589	$ 2,139,657
35	**Operating Income**	$ 383,869	$ (209,446)	$ 11,107	$ (50,000)	$ (6,142)	$ (27,205)	$ 3,220	$ -	$ 27,157	$ 132,560	$ 728,975	$ 861,536
36	**Other Income (Expense)**												
37	Interest Income	48,219									48,219		48,219
38	Other income	1,254									1,254		1,254
39	Interest Expense	-							(203,041)		(203,041)		(203,041)
40	Other Expense	(1,692)									(1,692)		(1,692)
41		(758)									(758)		(758)
42	**Total Other Income (Expense)**	$ 47,024	$ -	$ -	$ -	$ -	$ -	$ -	$ (203,041)	$ -	$ (156,017)	$ -	$ (156,017)
43	***Net Profit (Loss)***	$ 430,893	$ (209,446)	$ 11,107	$ (50,000)	$ (6,142)	$ (27,205)	$ 3,220	$ (203,041)	$ 27,157	$ (23,457)	$ 728,975	$ 705,518
44													
45	SUPPORTING SCHEDULES:												
46	C-2												
47	E-2												

RECAP SCHEDULES:
C-1, page 1

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustments to Revenues and Expenses

Exhibit
Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses						
		1	2	3	4	5	6	Subtotal
1		Depreciation	Property	Rate Case	Revenue	Purchased	Annual.Purchased	
2		Expense	Taxes	Expense	Annualization	Power	Power	
3	Revenues				(6,142)			(6,142)
4								
5	Expenses	209,446	(11,107)	50,000		27,205	(3,220)	272,324
6								
7	Operating							
8	Income	(209,446)	11,107	(50,000)	(6,142)	(27,205)	3,220	(278,466)
9								
10	Interest							
11	Expense							-
12	Other							
13	Income /						(3,220)	(3,220)
14	Expense							
15								
16	Net Income	(209,446)	11,107	(50,000)	(6,142)	(27,205)	-	(281,686)
17								
18								
19		Adjustments to Revenues and Expenses						
20		7	8	9	10	11	12	Subtotal
21		Interest	Income					
22		Synch.	Taxes					
23	Revenues							(6,142)
24								
25	Expenses		(27,157)					245,167
26								
27	Operating							
28	Income	-	27,157	-	-	-	-	(251,309)
29								
30	Interest							
31	Expense	(203,041)						(203,041)
32	Other							
33	Income /							(3,220)
34	Expense							
35								
36	Net Income	(203,041)	27,157	-	-	-	-	(457,570)
37								

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Adjusted Original Cost	Proposed Rates	Depreciation Expense
1					
2					
3					
4					
5	301	Organization Cost	-	0.00%	-
6	302	Franchise Cost	-	0.00%	-
7	303	Land and Land Rights	97,637	0.00%	-
8	304	Structures and Improvements	315,125	3.33%	10,494
9	305	Collecting and Impounding Res.	-	2.50%	-
10	306	Lake River and Other Intakes	-	2.50%	-
11	307	Wells and Springs	606,699	3.33%	20,203
12	308	Infiltration Galleries and Tunnels	-	6.67%	-
13	309	Supply Mains	-	2.00%	-
14	310	Power Generation Equipment	-	5.00%	-
15	311	Electric Pumping Equipment	2,263,801	12.50%	282,975
16	320	Water Treatment Equipment	-	3.33%	-
17	320.1	Water Treatment Plant	-	3.33%	-
18	320.2	Chemical Solution Feeders	58,255	20.00%	11,651
19	330	Dist. Reservoirs & Standpipe	-	2.22%	-
20	330.1	Storage tanks	1,102,197	2.22%	24,469
21	330.2	Pressure Tanks	73,937	5.00%	3,697
22	331	Trans. and Dist. Mains	2,916,048	2.00%	58,321
23	333	Services	4,709,148	3.33%	156,815
24	334	Meters	923,202	8.33%	76,903
25	335	Hydrants	887,381	2.00%	17,748
26	336	Backflow Prevention Devices	-	6.67%	-
27	339	Other Plant and Misc. Equip.	-	6.67%	-
28	340	Office Furniture and Fixtures	4,239	6.67%	283
29	340.1	Computers and Software	28,479	20.00%	5,696
30	341	Transportation Equipment	61,635	20.00%	12,327
31	342	Stores Equipment	-	4.00%	-
32	343	Tools and Work Equipment	134,506	5.00%	6,725
33	344	Laboratory Equipment	-	10.00%	-
34	345	Power Operated Equipment	124,899	5.00%	6,245
35	346	Communications Equipment	238,939	10.00%	23,894
36	347	Miscellaneous Equipment	-	10.00%	-
37	348	Other Tangible Plant	-	10.00%	-
38		TOTALS	$ 14,546,128		$ 718,444
39					
40			Gross CIAC	Amort. Rate	
41	Less: Amortization of Contributions		$ 632,418	4.9725%	$ (31,447)
42	Total Depreciation Expense				$ 686,998
43					
44	Adjusted Test Year Depreciation Expense				477,551
45					
46	Increase (decrease) in Depreciation Expense				209,446
47					
48	Adjustment to Revenues and/or Expenses				$ 209,446
49					
50	SUPPORTING SCHEDULE				
51	B-2, page 3				

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues - 2007	$ 1,977,627	$ 1,977,627
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	3,955,255	3,955,255
4	Company Recommended Revenue	1,977,627	3,001,192
5	Subtotal (Line 4 + Line 5)	5,932,882	6,956,447
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,977,627	2,318,816
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	3,955,255	4,637,632
10	Plus: 10% of CWIP - 2010	-	-
11	Less: Net Book Value of Licensed Vehicles	112,708	112,708
12	Full Cash Value (Line 9 + Line 10 - Line 11)	3,842,547	4,524,924
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	768,509	904,985
15	Composite Property Tax Rate - Obtained from ADOR	10.0442%	10.0442%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 77,191	$ 90,899
17	Tax on Parcels	6,167	6,167
18	Total Property Taxes (Line 16 + Line 17)	$ 83,358	
19	Test Year Property Taxes	$ 94,465	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	**$ (11,107)**	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 97,066
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 83,358
24	Increase in Property Tax Due to Increase in Revenue Requirement		**$ 13,708**
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		$ 13,708
27	Increase in Revenue Requirement		$ 1,023,565
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.33923%
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

Line No.			
1			
2			
3	Estimated Rate Case Expense	$	200,000
4			
5	Estimated Amortization Period in Years		4
6			
7	Annual Rate Case Expense	$	50,000
8			
9	Test Year Rate Case Expense	$	-
10			
11	Increase(decrease) Rate Case Expense	$	50,000
12			
13	Adjustment to Revenue and/or Expense	$	50,000
14			
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Schedule C-2
Page 5
Witness: Bourassa

Revenue Annualization

Line No.			
1			
2			
3			
4	Revenue Annualization	$	(6,142)
5			
6			
7			
8	Total Revenue from Annualization	$	(6,142)
9			
10			
11	Adjustment to Revenue and/or Expense	$	(6,142)
12			
13	SUPPORTING SCHEDULES		
14	C-2 pages 5.1 to 5.8		
15	H-1		
16			
17			
18			
19			
20			

Pima Utility Company - Water Division
Revenue Annualization to Year End Customers: Residential 5/8x3/4 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule C-2
Page 5.1
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	9,743	9,743	9,743	9,743	9,743	9,743	9,743
2	Actual Customers	9,748	9,745	9,762	9,765	9,752	9,742	9,736
3	Increase in Number of Customers/Bills	(5)	(2)	(19)	(22)	(9)	1	7
4	Average Revenue / Present Rates	$ 9.92	$ 9.75	$ 9.86	$ 10.57	$ 10.71	$ 11.42	$ 11.48
5	Revenue Annualization / Present Rates	$ (50)	$ (20)	$ (187)	$ (232)	$ (96)	$ 11	$ 80
6								
7	Increase in Number of Customers	(5)	(2)	(19)	(22)	(9)	1	7
8	Average Revenue / Proposed Rates	$ 13.39	$ 13.14	$ 13.30	$ 14.35	$ 14.56	$ 15.61	$ 15.71
9	Revenue Annualization / Proposed Rates	$ (67)	$ (26)	$ (253)	$ (316)	$ (131)	$ 16	$ 110
10	Additional Gallons to be Produced	(27,944)	(10,810)	(104,901)	(138,372)	(58,025)	7,213	51,008
11								
12		Month	Month	Month	Month	Month		Total
13		of	of	of	of	of		Year
14		Aug	Sep	Oct	Nov	Dec		
15	Year End Number of Customers	9,743	9,743	9,743	9,743	9,743		
16	Actual Customers	9,745	9,747	9,744	9,733	9,743		
17	Increase in Number of Customers/Bills	(2)	(4)	(1)	10	-		(46)
18	Average Revenue / Present Rates	$ 11.36	$ 11.55	$ 10.64	$ 10.88	$ 9.82		
19	Revenue Annualization / Present Rates	$ (23)	$ (46)	$ (11)	$ 109	$ -		$ (464)
20								
21	Increase in Number of Customers	(2)	(4)	(1)	10	-		
22	Average Revenue / Proposed Rates	$ 15.53	$ 15.81	$ 14.46	$ 14.81	$ 13.24		
23	Revenue Annualization / Proposed Rates	$ (23)	$ (46)	$ (11)	$ 109	$ -		$ (628)
24	Additional Gallons to be Produced	(14,310)	(29,453)	(6,368)	66,289	-		(265,673)

Pima Utility Company - Water Division
Revenue Annualization to Year End Customers: Residential 1 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule C-2
Page 5.2
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	223	223	223	223	223	223	223
2	Actual Customers	220	218	220	219	221	221	222
3	Increase in Number of Customers/Bills	3	5	3	4	2	2	1
4	Average Revenue / Present Rates	$ 31.64	$ 29.04	$ 32.33	$ 39.59	$ 46.35	$ 59.83	$ 53.74
5	Revenue Annualization / Present Rates	$ 95	$ 145	$ 97	$ 158	$ 93	$ 120	$ 54
6								
7	Increase in Number of Customers	3	5	3	4	2	2	1
8	Average Revenue / Proposed Rates	$ 43.63	$ 40.34	$ 44.49	$ 53.67	$ 64.92	$ 88.20	$ 77.68
9	Revenue Annualization / Proposed Rates	$ 131	$ 202	$ 133	$ 215	$ 130	$ 176	$ 78
10	Additional Gallons to be Produced	50,456	72,055	52,358	876	442	442	222
11								
12								
13								
14		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec		Total Year
15	Year End Number of Customers	223	223	223	223	223		
16	Actual Customers	218	222	223	219	221		
17	Increase in Number of Customers/Bills	5	1	-	4	2		32
18	Average Revenue / Present Rates	$ 53.93	$ 52.08	$ 45.04	$ 46.82	$ 37.32		
19	Revenue Annualization / Present Rates	$ 270	$ 52	$ -	$ 187	$ 75		$ 1,345
20								
21	Increase in Number of Customers	5	1	-	4	2		
22	Average Revenue / Proposed Rates	$ 78.01	$ 74.82	$ 62.66	$ 65.75	$ 50.79		
23	Revenue Annualization / Proposed Rates	$ 270	$ 52	$ -	$ 187	$ 75		$ 1,894
24	Additional Gallons to be Produced	1,090	222	-	876	442		179,482

Pima Utility Company - Water Division
Revenue Annualization to Year End Customers: Commercial 5/8x3/4 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule C-2
Page 5.3
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	62	62	62	62	62	62	62
2	Actual Customers	63	63	63	63	63	67	63
3	Increase in Number of Customers/Bills	(1)	(1)	(1)	(1)	(1)	(5)	(1)
4	Average Revenue / Present Rates	$ 21.36	$ 21.88	$ 25.61	$ 33.44	$ 32.87	$ 33.50	$ 40.39
5	Revenue Annualization / Present Rates	$ (21)	$ (22)	$ (26)	$ (33)	$ (33)	$ (168)	$ (40)
6								
7	Increase in Number of Customers	(1)	(1)	(1)	(1)	(1)	(5)	(1)
8	Average Revenue / Proposed Rates	$ 33.76	$ 34.65	$ 41.10	$ 54.61	$ 53.63	$ 54.72	$ 66.61
9	Revenue Annualization / Proposed Rates	$ (34)	$ (35)	$ (41)	$ (55)	$ (54)	$ (274)	$ (67)
10	Additional Gallons to be Produced	(16,836)	(17,314)	(20,772)	(28,018)	(27,494)	(140,372)	(34,452)
11								
12								
13								
14		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec		Total Year
15	Year End Number of Customers	62	62	62	62	62		
16	Actual Customers	62	62	62	62	62		
17	Increase in Number of Customers/Bills	-	-	-	-	-		(11)
18	Average Revenue / Present Rates	$ 38.59	$ 40.83	$ 36.34	$ 39.34	$ 29.95		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ (343)
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 63.51	$ 67.36	$ 59.61	$ 64.79	$ 48.58		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ (558)
24	Additional Gallons to be Produced	-	-	-	-	-		(285,257)

Pima Utility Company - Water Division
Revenue Annualization *to Year End Customers: Commercial 3/4 Inch Meter*
Test Year Ended December 31, 2010

Exhibit
Schedule C-2
Page 5.4
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	4	4	4	4	4	4	4
2	Actual Customers	4	4	4	4	4	4	4
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 15.06	$ 14.79	$ 18.17	$ 18.03	$ 79.48	$ 60.66	$ 60.83
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	*Increase in Number of Customers*	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 22.88	$ 22.41	$ 28.24	$ 28.01	$ 134.11	$ 101.62	$ 101.90
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec		Total Year
14								
15	Year End Number of Customers	4	4	4	4	4		
16	Actual Customers	4	4	4	4	4		
17	Increase in Number of Customers/Bills	-	-	-	-	-		-
18	Average Revenue / Present Rates	$ 44.52	$ 45.25	$ 16.28	$ 35.80	$ 37.34		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ -
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 73.74	$ 75.00	$ 24.98	$ 58.68	$ 61.34		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ -
24	Additional Gallons to be Produced	-	-	-	-	-		-

Pima Utility Company - Water Division
Revenue Annualization to Year End Customers: Commercial 1 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule C-2
Page 5.5
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	46	46	46	46	46	46	46
2	Actual Customers	49	45	45	45	45	45	45
3	Increase in Number of Customers/Bills	(3)	1	1	1	1	1	1
4	Average Revenue / Present Rates	$ 33.65	$ 39.41	$ 39.68	$ 43.46	$ 48.91	$ 66.86	$ 80.01
5	Revenue Annualization / Present Rates	$ (101)	$ 39	$ 40	$ 43	$ 49	$ 67	$ 80
6								
7	*Increase in Number of Customers*	(3)	1	1	1	1	1	1
8	Average Revenue / Proposed Rates	$ 46.16	$ 53.44	$ 53.78	$ 59.93	$ 69.35	$ 100.35	$ 123.05
9	Revenue Annualization / Proposed Rates	$ (138)	$ 53	$ 54	$ 60	$ 69	$ 100	$ 123
10	Additional Gallons to be Produced	(56,024)	24,011	24,261	27,758	32,808	49,429	61,603
11								
12								
13		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec		Total Year
14								
15	Year End Number of Customers	46	46	46	46	46		
16	Actual Customers	45	45	45	46	46		
17	Increase in Number of Customers/Bills	1	1	1	-	-		6
18	Average Revenue / Present Rates	$ 65.82	$ 61.65	$ 45.05	$ 54.18	$ 45.76		
19	Revenue Annualization / Present Rates	$ 66	$ 62	$ 45	$ -	$ -		$ 390
20								
21	Increase in Number of Customers	1	1	1	-	-		
22	Average Revenue / Proposed Rates	$ 98.54	$ 91.34	$ 62.68	$ 78.45	$ 63.91		
23	Revenue Annualization / Proposed Rates	$ 66	$ 62	$ 45	$ -	$ -		$ 574
24	Additional Gallons to be Produced	48,460	44,601	29,232	-	-		286,139

Pima Utility Company - Water Division
Revenue Annualization to Year End Customers: Commercial 1 1/2 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule C-2
Page 5.6
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	11	11	11	11	11	11	11
2	Actual Customers	12	11	11	11	11	12	11
3	Increase in Number of Customers/Bills	(1)	-	-	-	-	(1)	-
4	Average Revenue / Present Rates	$ 46.15	$ 48.54	$ 51.30	$ 69.49	$ 73.54	$ 80.66	$ 80.73
5	Revenue Annualization / Present Rates	$ (46)	$ -	$ -	$ -	$ -	$ (81)	$ -
6								
7	Increase in Number of Customers	(1)	-	-	-	-	(1)	-
8	Average Revenue / Proposed Rates	$ 62.09	$ 65.12	$ 68.61	$ 91.59	$ 97.20	$ 109.50	$ 109.61
9	Revenue Annualization / Proposed Rates	$ (62)	$ -	$ -	$ -	$ -	$ (109)	$ -
10	Additional Gallons to be Produced	(25,617)	-	-	-	-	(57,575)	-
11								

12 13 14		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	11	11	11	11	11	
16	Actual Customers	11	11	11	11	11	
17	Increase in Number of Customers/Bills	-	-	-	-	-	(2)
18	Average Revenue / Present Rates	$ 90.67	$ 91.02	$ 167.69	$ 73.42	$ 71.11	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ (127)
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 126.78	$ 127.38	$ 259.76	$ 97.00	$ 93.63	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ (172)
24	Additional Gallons to be Produced	-	-	-	-	-	(83,192)

Pima Utility Company - Water Division
Revenue Annualization to Year End Customers: Commerical 2 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule C-2
Page 5.7
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	97	97	97	97	97	97	97
2	Actual Customers	96	96	96	96	96	100	96
3	Increase in Number of Customers/Bills	1	1	1	1	1	(3)	1
4	Average Revenue / Present Rates	$ 77.88	$ 68.26	$ 73.40	$ 64.82	$ 54.68	$ 51.87	$ 56.70
5	Revenue Annualization / Present Rates	$ 78	$ 68	$ 73	$ 65	$ 55	$ (156)	$ 57
6								
7	Increase in Number of Customers	1	1	1	1	1	(3)	1
8	*Average Revenue / Proposed Rates*	$ 102.34	$ 90.18	$ 96.67	$ 85.83	$ 73.01	$ 69.47	$ 75.57
9	Revenue Annualization / Proposed Rates	$ 102	$ 90	$ 97	$ 86	$ 73	$ (208)	$ 76
10	Additional Gallons to be Produced	50,371	41,462	46,222	38,274	28,886	(78,862)	30,759
11								
12								
13		Month of	Month of	Month of	Month of	Month of		Total Year
14		Aug	Sep	Oct	Nov	Dec		
15	Year End Number of Customers	97	97	97	97	97		
16	Actual Customers	96	96	97	97	97		
17	Increase in Number of Customers/Bills	1	1	-	-	-		5
18	Average Revenue / Present Rates	$ 64.20	$ 76.67	$ 57.39	$ 61.16	$ 71.51		
19	Revenue Annualization / Present Rates	$ 64	$ 77	$ -	$ -	$ -		$ 381
20								
21	Increase in Number of Customers	1	1	-	-	-		
22	Average Revenue / Proposed Rates	$ 85.05	$ 100.80	$ 76.44	$ 81.21	$ 94.29		
23	Revenue Annualization / Proposed Rates	$ 64	$ 77	$ -	$ -	$ -		$ 501
24	Additional Gallons to be Produced	37,702	49,248	-	-	-		244,063

Pima Utility Company - Water Division
Revenue Annualization to Year End Customers: Irrigation - Recovered Effluent
Test Year Ended December 31, 2010
REVENUES RECORDED ON WATER BOOKS WHICH BELONG ON SEWER BOOKS

Exhibit
Schedule C-2
Page 5.8
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	-	-	-	-	-	-	-
2	Actual Customers	1	1	1	1	1	1	1
3	Increase in Number of Customers/Bills	(1)	(1)	(1)	(1)	(1)	(1)	(1)
4	Average Revenue / Present Rates	$ 463.03	$ 386.35	$ 321.16	$ 355.79	$ 559.87	$ 1,090.12	$ 1,484.68
5	Revenue Annualization / Present Rates	$ (463)	$ (386)	$ (321)	$ (356)	$ (560)	$ (1,090)	$ (1,485)
6								
7	Increase in Number of Customers	(1)	(1)	(1)	(1)	(1)	(1)	(1)
8	Average Revenue / Proposed Rates	$ 463.03	$ 386.35	$ 321.16	$ 355.79	$ 559.87	$ 1,090.12	$ 1,484.68
9	Revenue Annualization / Proposed Rates	$ (463)	$ (386)	$ (321)	$ (356)	$ (560)	$ (1,090)	$ (1,485)
10	Additional Gallons to be Produced	(1,386,200)	(1,173,200)	(992,100)	(1,088,300)	(1,655,200)	(3,128,100)	(4,224,100)
11								
12		Month	Month	Month	Month	Month		Total
13		of	of	of	of	of		Year
14		Aug	Sep	Oct	Nov	Dec		
15	Year End Number of Customers	-	-	-	-	-		
16	Actual Customers	1	1	1	1	1		
17	Increase in Number of Customers/Bills	(1)	(1)	(1)	(1)	(1)		(12)
18	Average Revenue / Present Rates	$ 491.54	$ 920.16	$ 405.54	$ 427.28	$ 418.39		
19	Revenue Annualization / Present Rates	$ (492)	$ (920)	$ (406)	$ (427)	$ (418)		$ (7,324)
20								
21	Increase in Number of Customers	(1)	(1)	(1)	(1)	(1)		
22	Average Revenue / Proposed Rates	$ 491.54	$ 920.16	$ 405.54	$ 427.28	$ 418.39		
23	Revenue Annualization / Proposed Rates	$ (492)	$ (920)	$ (406)	$ (427)	$ (418)		$ (7,324)
24	Additional Gallons to be Produced	(1,465,400)	(2,656,000)	(1,226,500)	(1,286,900)	(1,262,200)		(21,544,200)

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Schedule C-2
Page 6
Witness: Bourassa

Purchased Power Adjustments

Line No.			
1			
2			
3	Rebate from Ocotillo Water Conservation District	$	30,416
4	Remove power costs for recharge wells		(3,211)
5			
6	Total	$	27,205
7			
8			
9			
10			
11	Adjustment to purchased power expense	$	27,205
12			
13			
14	Adjustment to Revenue and/or Expense	$	27,205
15			
16	REFERENCE		
17	Testimony		
18			
19			
20			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Schedule C-2
Page 7
Witness: Bourassa

Annualize Purchased Power

Line No.			
1			
2	Test Year purchased power expense	$	228,469
3	Purchased Power Adjustments (Adjustment 5)		27,205
4			
5	Adjusted Test Year purchased power expense	$	255,674
6			
7			
8	Gallons sold during test year (in ,1000's)		1,756,437
9			
10	Cost per 1,000 gallons = line3 / line 5	$	0.15
11			
12	Additional gallons from annualization (in 1,000's)		(21,469)
13			
14	Additional purchased power expense	$	(3,220)
15			
16			
17	Adjustment to Revenue and/or Expense	$	(3,220)
18			
19	REFERENCE		
20	Line 3: C-1 line 11		
21	Line 5: H-1 annualized gallons		
22	H-2, page 3: total gallons sold		
23			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Schedule C-2
Page 8
Witness: Bourassa

Interest Synchronization

Line No.			
1			
2			
3			
4	Fair Value Rate Base	$ 9,097,529	
5	Weighted Cost of Debt	2.23%	
6	Interest Expense		$ 203,041
7			
8	Test Year Interest Expense		$ -
9			
10	Increase (decrease) in Interest Expense		203,041
11			
12			
13			
14	Adjustment to Revenue and/or Expense		$ (203,041)
15			
16			
17	Weighted Cost of Debt Computation		

18						Weighted
19			Amount	Percent	Cost	Cost
20	Debt	$	8,370,000	31.08%	7.18%	2.23%
21	Equity	$	18,563,072	68.92%	10.50%	7.24%
22	Total	$	26,933,072	100.00%		9.47%

23
24
25
26
27
28
29
30

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Adjustment to Revenues and/or Expenses
Adjustment Number 8

Exhibit
Schedule C-2
Page 9
Witness: Bourassa

Line No.			Test Year Adjusted Results	Adjusted with Rate Increase
1	Income Tax Computation			
2				
3				
4				
5				
6	Revenue		$ 1,977,627	$ 3,001,192
	Operating Expenses Excluding Income Taxes		1,872,224	1,885,932
	Synchronized Interest		203,041	203,041
7	Income Before Taxes		$ (97,638)	$ 912,219
8				
9	Arizona Income Before Taxes		$ (97,638)	$ 912,219
10				
11	Less: Effective Arizona Income Tax		$ (4,342)	$ 40,565
12	Rate =	4.4468% [1]		
13	Arizona Taxable Income		$ (93,296)	$ 871,654
14				
15	Arizona Income Taxes		$ (4,342)	$ 40,565
16				
17	Federal Income Before Taxes		$ (97,638)	$ 912,219
18				
19	Less Arizona Income Taxes		$ (4,342)	$ 40,565
20				
21	Federal Taxable Income		$ (93,296)	$ 871,654
22				
23				
24				
25	FEDERAL INCOME TAXES:			
26	Effective Federal Tax Rate =	24.4546% [1]	$ (22,815)	$ 213,160
27				
28				
29				
30				
31				
32	Federal Income Taxes		$ (22,815)	$ 213,160
33				
34				
35	Total Income Tax		$ (27,157)	$ 253,724
36				
37	Overall Tax Rate		27.81%	27.81%
38				
39	Income Tax		$ (27,157)	$ 253,724
40	Test Year Income tax Expense		-	(27,157)
41	Adjustment to Income Tax Expense		$ (27,157)	$ 280,881
42				
43				
44	[1] See work papers/testimony			

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Computation of Gross Revenue Conversion Factor

Exhibit
Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	27.814%
2		
3	Property Taxes	0.967%
4		
5		
6	Total Tax Percentage	28.781%
7		
8	Operating Income % = 100% - Tax Percentage	71.219%
9		
10		
11		
12		
13	1 = Gross Revenue Conversion Factor	
14	Operating Income %	1.4041
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
26	C-3, page 2	A-1
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010

Exhibit
Schedule C-3
Page 2
Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	[E]	[F]
	Calculation of Gross Revenue Conversion Factor:						
1	Revenue	100.0000%					
2	Uncollecible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	28.7807%					
5	Subtotal (L3 - L4)	71.2193%					
6	**Revenue Conversion Factor (L1 / L5)**	1.404114					
	Calculation of Uncollectible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 17)	27.8140%					
9	One Minus Combined Income Tax Rate (L7 - L8)	72.1860%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	4.4468%					
14	Federal Taxable Income (L12 - L13)	95.5532%					
15	Applicable Federal Income Tax Rate (Line 44)	24.4546%					
16	Effective Federal Income Tax Rate (L14 x L15)	23.3672%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		27.8140%				
	Calculation of Effective Property Tax Factor						
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	27.8140%					
20	One Minus Combined Income Tax Rate (L18-L19)	72.1860%					
21	Property Tax Factor	1.3392%					
22	Effective Property Tax Factor (L20*L21)		0.9667%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			28.7807%			
24	Required Operating Income	$ 861,536					
25	AdjustedTest Year Operating Income (Loss)	$ 132,560					
26	Required Increase in Operating Income (L24 - L25)		$ 728,976				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	$ 253,724					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	$ (27,157)					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 280,881				
30	Recommended Revenue Requirement	$ 3,001,192					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	$ -					
33	Adjusted Test Year Uncollectible Expense	$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		$ -				
35	Property Tax with Recommended Revenue	$ 97,066					
36	Property Tax on Test Year Revenue	$ 83,358					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		$ 13,708				
38	Total Required Increase in Revenue (L26 + L29 + L37)		$ 1,023,565				

		(A)	(B)	(C)	(D)	[E]	[F]
		Test Year			Company Recommended		
		Total	Pima UtilityCompany - Water Division		Total	Pima UtilityCompany - Water Division	
	Calculation of Income Tax:						
39	Revenue	$ 1,977,627	$ 1,977,627		$ 3,001,192	$ 3,001,192	
40	Operating Expenses Excluding Income Taxes	$ 1,872,224	$ 1,872,224		$ 1,885,932	$ 1,885,932	
41	Synchronized Interest (L47)	$ 203,041	$ 203,041	$ -	$ 203,041	$ 203,041	
42	Arizona Taxable Income (L30 - L31 - L32)	$ (97,638)	$ (97,638)	$ -	$ 912,220	$ 912,220	$ -
43	Arizona State Effective Income Tax Rate (see work papers)	4.4468%	4.4468%	4.4468%	4.4468%	4.4468%	4.4468%
44	Arizona Income Tax (L33 x L34)	$ (4,342)	$ (4,342)	$ -	$ 40,565	$ 40,565	$ -
45	Federal Taxable Income (L33 - L35)	$ (93,296)	$ (93,296)	$ -	$ 871,655	$ 871,655	$ -
46	Effective Tax Rate (see work papers)	24.4546%	24.4546%		24.4546%	24.4546%	
47	Federal Income Tax	$ (22,815)	$ (22,815)		$ 213,160	$ 213,160	
48		$ -			$ -		
49		$ -			$ -		
50		$ -			$ -		
51	Total Federal Income Tax	$ (22,815)	$ (22,815)	$ -	$ 213,160	$ 213,160	$ -
52	Combined Federal and State Income Tax (L35 + L42)	$ (27,157)	$ (27,157)	$ -	$ 253,724	$ 253,724	$ -

53	COMBINED Applicable Federal Income Tax Rate [Col. [D], L51 - Col. [A], L51] / [Col. [D], L45 - Col. [A], L45]	24.4546%	
54	WATER Applicable Federal Income Tax Rate [Col. [E], L51 - Col. [B], L51] / [Col. [E], L45 - Col. [B], L45]		24.4546%
55			

			N/A
	Calculation of Interest Synchronization:		
56	Rate Base	$ 9,097,529	$ -
57	Weighted Average Cost of Debt	2.2318%	0.0000%
58	Synchronized Interest (L45 X L46)	$ 203,041	$ -

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2010	Year Ended 12/31/2009	Year Ended 12/31/2008
1	**ASSETS**			
2	Plant In Service	$ 17,904,574	$ 17,427,962	$ 16,921,138
3				
4	Non-Utility Plant	-	-	-
5	Construction Work in Progress	-	-	-
6	Less: Accumulated Depreciation	(5,945,021)	(5,474,337)	(5,010,396)
7	Net Plant	$ 11,959,553	$ 11,953,625	$ 11,910,743
8				
9	Debt Reserve Fund	$ -	$ -	$ -
10				
11		$ -	$ -	$ -
12				
13	CURRENT ASSETS			
14	Cash and Equivalents	$ 168,136	$ 92,659	$ 144,203
15	Restricted Cash	-	-	-
16	Accounts Receivable, Net	160,374	161,364	151,902
17	Notes Receivable	718,789	566,157	3,340,130
18	Materials and Supplies	-	-	-
19	Prepayments	-	1,596	7,308
20	Other Current Assets	-	317	261
21	Total Current Assets	$ 1,047,299	$ 822,093	$ 3,643,804
22				
23	Deferred Debits	$ -	$ -	$ -
24				
25	Other Investments & Special Funds	$ -	$ -	$ -
26				
27	TOTAL ASSETS	$ 13,006,853	$ 12,775,719	$ 15,554,546
28				
29				
30	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
31				
32	Common Equity	$ 12,160,028	$ 12,029,135	$ 14,769,314
33				
34	Long-Term Debt	$ -	$ -	$ -
35				
36	CURRENT LIABILITIES			
37	Accounts Payable	$ 219,702	$ 102,857	$ 64,893
38	Current Portion of Long-Term Debt	-	-	-
39	Payables to Associated Companies	-	-	-
40	Security Deposits	-	-	-
41	Customer Meter Deposits, Current	-	-	-
42	Accrued Taxes	85,326	83,287	82,930
43	Accrued Interest	-	-	-
44	Other Current Liabilities	74,971	64,240	83,288
45	Total Current Liabilities	$ 379,999	$ 250,384	$ 231,111
46	DEFERRED CREDITS			
47	Customer Meter Deposits, less current	$ -	$ -	$ -
48	Advances in Aid of Construction	374,236	384,637	423,588
49	Accumulated Deferred Income Taxes	-	-	-
50	Contributions In Aid of Construction	632,418	632,418	632,418
51	Accumulated Amortization	(539,828)	(520,856)	(501,884)
52	Total Deferred Credits	$ 466,825	$ 496,199	$ 554,122
53				
54	Total Liabilities & Common Equity	$ 13,006,853	$ 12,775,719	$ 15,554,546
55				
56				
57				
58	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
59	Workpapers/Trial Balance Mapping Water and Sewer tjb.xls		A-3	
60				

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Comparative Income Statements

Exhibit
Schedule E-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2010	Prior Year Ended 12/31/2009	Prior Year Ended 12/31/2008
1	**Revenues**			
2	Metered Water Revenues	$ 1,976,508	$ 2,046,872	$ 2,039,761
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	7,261	7,579	6,651
5	**Total Revenues**	$ 1,983,769	$ 2,054,451	$ 2,046,412
6	**Operating Expenses**			
7	Salaries and Wages	$ 220,827	$ 180,704	$ 153,213
8	Salaries and Wages - Officers and Directors	$ 90,294	$ 90,294	$ 90,571
9	Employee Pensions and Benefits	$ 64,900	$ 55,409	$ 60,229
10	Purchased Water	-	-	-
11	Purchased Power	228,469	250,685	267,998
12	Chemicals	16,721	14,901	16,596
13	Repairs and Maintenance	100,885	38,438	59,133
14	Office Supplies and Expense	67,321	75,072	70,869
15	Contractual Services - Engineering	5,283	-	-
16	Contractual Services - Accounting	3,067	3,709	2,940
17	Contractual Services - Legal	14,175	5,668	18,098
18	Contractual Services - Other	54,797	54,527	73,203
19	Contractual Services - Water Testing	18,737	19,801	36,463
20	Rents - Equipment	3,203	450	1,110
21	Transportation Expenses	44,637	33,092	45,812
22	Insurance - Vehicle	17,464	16,321	11,231
23	Insurance - General Liability	10,840	24,596	13,780
24	Insurance - Worker's Comp	1,009	529	560
25	Regulatory Commission Expense	3,671	3,697	(398)
26	Regulatory Commission Expense - Rate Case	-	-	-
27	Bad Debt Expense	4,766	4,871	4,139
28	Miscellaneous Expense	15,934	8,142	429
29	Depreciation Expense	477,551	462,927	431,892
30	Taxes Other Than Income	40,883	33,383	12,588
31	Property Taxes	94,465	98,043	94,818
32	Income Tax	-	-	-
33		-	-	-
34	**Total Operating Expenses**	$ 1,599,900	$ 1,475,260	$ 1,465,275
35	**Operating Income**	$ 383,869	$ 579,191	$ 581,137
36	**Other Income (Expense)**			
37	Interest Income	48,219	120,498	142,656
38	Other Income	1,254	1,401	1,542
39	Interest Expense	-	-	-
40	Other Expense	(1,692)	(1,269)	-
41	Gain (loss) on Disposal of Equip	(758)	-	-
42	**Total Other Income (Expense)**	$ 47,024	$ 120,631	$ 144,198
43	**Net Profit (Loss)**	$ 430,893	$ 699,821	$ 725,335
44				
45				
46				
47	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
48	Workpapers/Trial Balance Mapping Water and Sewer tjb.xls		A-2	
49				

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Comparative Statements of Cash Flows

Exhibit
Schedule E-3
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2010	Prior Year Ended 12/31/2009	Prior Year Ended 12/31/2008
1				
2				
3	Cash Flows from Operating Activities			
4	Net Income	$ 430,893	$ 699,821	$ 725,335
5	Adjustments to reconcile net income to net cash			
6	provided by operating activities:			
7	Depreciation and Amortization	477,551	462,927	431,892
8	Other - Adjustments	(25,839)	(17,958)	(22,164)
9	Changes in Certain Assets and Liabilities:			
10	Accounts Receivable	990	(9,609)	(7,236)
11	Unbilled Revenues	-	-	-
12	Materials and Supplies Inventory	-	-	-
13	Prepaid Expenses	1,596	5,712	(6,509)
14	Deferred Charges	-	-	-
15	Notes Receivable	(152,632)	2,773,973	(247,711)
16	Accounts Payable	116,845	37,964	(43,443)
17	Intercompany payable	-	-	-
18	Customer Meter Deposits	-	-	-
19	Taxes Payable	2,039	357	452
20	Other assets and liabilities	11,046	(18,959)	4,401
21				
22	Net Cash Flow provided by Operating Activities	$ 862,489	$ 3,934,229	$ 835,016
23	Cash Flow From Investing Activities:			
24	Capital Expenditures	(476,612)	(506,824)	(558,065)
25	Plant Held for Future Use	-	-	-
26	Changes in debt reserve fund	-	-	-
27	Net Cash Flows from Investing Activities	$ (476,612)	$ (506,824)	$ (558,065)
28	Cash Flow From Financing Activities			
29	Change in Restricted Cash	-	-	-
30	Proceeds from Long-Term Debt	-	-	-
31	Net receipt of contributions in aid of construction	-	-	-
32	Net receipts of advances in aid of construction	(10,401)	(38,951)	-
33	Repayments of Long-Term Debt	-	-	-
34	Distributions/Dividends Paid	(299,999)	(3,439,998)	(250,009)
35	Deferred Financing Costs	-	-	-
36	Paid in Capital	-	-	-
37	Net Cash Flows Provided by Financing Activities	$ (310,400)	$ (3,478,949)	$ (250,009)
38	Increase(decrease) in Cash and Cash Equivalents	75,477	(51,544)	26,942
39	Cash and Cash Equivalents at Beginning of Year	92,659	144,203	117,261
40	Cash and Cash Equivalents at End of Year	$ 168,136	$ 92,659	$ 144,203
41				
42				
43	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
44	Workpapers/cashflow water.xls		A-5	
45				

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Statement of Changes in Stockholder's Equity

Exhibit
Schedule E-4
Page 1
Witness: Bourassa

Line No.		Common Stock	Additional Paid-In-Capital	Retained Earnings	Total
1					
2					
3					
4	Balance, December 31, 2007	$ 107,416	$ 7,467,861	$ 6,718,708	$ 14,293,986
5	Addnl Paid In Capital Adjustment				-
6	Distributions/Dividends			(250,009)	(250,009)
7	Rounding			3	3
8	Net Income			725,335	725,335
9					
10	Balance, December 31, 2008	$ 107,416	$ 7,467,861	$ 7,194,037	$ 14,769,314
11	Addnl Paid In Capital		-		-
12	Distributions/Dividends			(3,439,998)	(3,439,998)
13	Rounding			(2)	(2)
14	Net Income			699,821	699,821
15					
16	Balance, December 31, 2009	$ 107,416	$ 7,467,861	$ 4,453,858	$ 12,029,135
17	Addnl Paid In Capital				-
18	Distributions/Dividends			(299,999)	(299,999)
19	Rounding			(1)	(1)
20	Net Income			430,893	430,893
21					
22	Balance, December 31, 2010	$ 107,416	$ 7,467,861	$ 4,584,751	$ 12,160,028
23					
24					
25					
26					
27					
28					
29	SUPPORTING SCHEDULES:			RECAP SCHEDULES:	
30				E-1	
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Detail of Plant in Service

Exhibit
Schedule E-5
Page 1
Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 12/31/2009	Plant Additions, Reclass-ications or or Retirements	Plant Balance at 12/31/2010
1					
2	301	Organization Cost		$ -	
3	302	Franchise Cost		-	
4	303	Land and Land Rights	97,637	-	97,637
5	304	Structures and Improvements	2,284,496	7,500	2,291,996
6	305	Collecting and Impounding Res.		-	
7	306	Lake River and Other Intakes		-	
8	307	Wells and Springs	1,692,115	97,217	1,789,332
9	308	Infiltration Galleries and Tunnels		-	
10	309	Supply Mains		-	
11	310	Power Generation Equipment		-	
12	311	Electric Pumping Equipment	730,779	99,163	829,942
13	320	Water Treatment Equipment		-	
14	320	Water Treatment Equipment			
15	320.1	Water Treatment Plant			
16	320.2	Chemical Solution Feeders	2,678,929	28,643	2,707,572
17	330	Dist. Reservoirs & Standpipe			
18	330.1	Storage tanks			
19	330.2	Pressure Tanks	3,056,451	-	3,056,451
20	333	Services	4,321,228	177,591	4,498,820
21	334	Meters	974,840	36,478	1,011,318
22	335	Hydrants	891,614	-	891,614
23	336	Backflow Prevention Devices		-	
24	339	Other Plant and Miscellaneous Equipment		-	
25	340	Office Furniture and Fixtures	651,634	5,481	657,115
26	341	Transportation Equipment		-	
27	342	Stores Equipment		-	
28	343	Tools and Work Equipment		-	
29	344	Laboratory Equipment		-	
30	345	Power Operated Equipment		-	
31	346	Communications Equipment	35,000	24,539	59,539
32	347	Miscellaneous Equipment	13,239	-	13,239
33	348	Other Tangible Plant		-	
34		Plant Held for Future Use		-	
35		Rounding			-
36		TOTAL WATER PLANT	$ 17,427,962	$ 476,612	$ 17,904,574
37					
38	SUPPORTING SCHEDULES			RECAP SCHEDULES:	
39	Workpapers/Trial Balance Mapping Water and Sewer tjb.xls			A-4	
40				E-1	
41					

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Operating Statistics

Exhibit
Schedule E-7
Page 1
Witness: Bouras

Line No.		Test Year Ended 12/31/2010	Prior Year Ended 12/31/2009	Prior Year Ended 12/31/2008
1	WATER STATISTICS:			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	1,756,437	2,251,050	2,241,014
6				
7				
8				
9	Water Revenues from Customers:	$ 1,976,508	$ 2,046,872	$ 2,039,761
10				
11				
12				
13				
14	Year End Number of Customers	10,188	10,193	10,187
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	172	221	220
19				
20				
21				
22	Annual Revenue per Year End Customer	$ 194.00	$ 200.81	$ 200.23
23				
24	Pumping Cost Per 1,000 Gallons	$ 0.1301	$ 0.1114	$ 0.1196
25	Purchased Water Cost per 1,000 Gallons	$ -	$ -	$ -

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Bourassa

Line No.	Description	Test Year Ended 12/31/2010	Prior Year Ended 12/31/2009	Prior Year Ended 12/31/2008
1	Description			
2				
3	State Income Taxes	$ -	$ -	$ -
4	Federal Income Taxes	-	-	-
5	Payroll Taxes	1,818	1,568	1,835
6	Property Taxes	94,465	98,043	94,818
7				
8	Totals	$ 96,283	$ 99,612	$ 96,654
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa

Line No.	
1	
2	See attached audited financial statements.
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
26	
27	
28	
29	
30	
31	
32	
33	
34	
35	
36	
37	
38	
39	
40	

PIMA UTILITY COMPANY

FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

BARRY & MOORE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pima Utility Company

We have audited the accompanying balance sheets of *Pima Utility Company* as of December 31, 2010 and 2009, and the related statements of income, capitalization and cash flows for the years then ended. These financial statements are the responsibility of the management of *Pima Utility Company*. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Pima Utility Company* as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

April 22, 2011

Barry & Moore, P.C.

2198 East Camelback, Suite 370 • Phoenix, Arizona 85016 • (602) 277-5463 FAX (602) 248-9074

PIMA UTILITY COMPANY

BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

	In thousands	
	2010	2009
ASSETS		
PLANT IN SERVICE AND UNDER CONSTRUCTION, NET	$ 21,540	$ 21,999
CURRENT ASSETS:		
Cash	169	92
Service customers receivable	479	431
Receivable from affiliate	872	1,835
Other assets	0	2
Total current assets	1,520	2,360
RESTRICTED FUNDS	2,425	957
DEFERRED CHARGES	1,796	1,855
	$ 27,281	$ 27,171
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Accounts payable	$ 335	$ 247
Accrued liabilities	455	454
Current portion of bonds payable	505	470
Total current liabilities	1,295	1,171
BONDS PAYABLE, NET OF CURRENT PORTION	5,620	6,125
ADVANCES IN AID OF CONSTRUCTION	660	683
CONTRIBUTIONS IN AID OF CONSTRUCTION	274	335
Total liabilities	7,849	8,314
CAPITALIZATION:		
Common stock; $1 par value; 10,000,000 shares authorized; 180,041 shares issued and outstanding	180	180
Additional paid-in capital	10,801	10,801
Retained earnings	8,451	7,876
Total capitalization	19,432	18,857
	$ 27,281	$ 27,171

See accompanying notes and auditors' report.

PIMA UTILITY COMPANY

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	In thousands	
	2010	2009
REVENUE:		
Water	$ 1,658	$ 1,711
Wastewater	2,956	2,959
Irrigation	411	486
Excess capacity	1	2
Establishment fees	1	2
Other income	48	9
Total revenue	5,075	5,169
OPERATING EXPENSES:		
Salaries and employee benefits	931	827
Electricity	334	387
Repairs and maintenance	514	417
Chemicals	101	118
Testing, fees and permits	85	76
Insurance	52	82
Property taxes	259	257
Professional services	59	31
Administrative services	105	105
Other expense	141	152
Total operating expenses	2,581	2,452
Income before depreciation, amortization and interest	2,494	2,717
NON-OPERATING EXPENSES:		
Depreciation	1,148	1,188
Amortization	32	32
Interest expense, net	439	399
NET INCOME	$ 875	$ 1,098

See accompanying notes and auditors' report.

PIMA UTILITY COMPANY

STATEMENTS OF CAPITALIZATION
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

In thousands

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL CAPITALIZATION
BALANCES, December 31, 2008	$ 180	$ 10,801	$ 10,218	$ 21,199
NET INCOME	0	0	1,098	1,098
DISTRIBUTIONS	0	0	(3,440)	(3,440)
BALANCES, December 31, 2009	$ 180	$ 10,801	$ 7,876	$ 18,857
NET INCOME	0	0	875	875
DISTRIBUTIONS	0	0	(300)	(300)
BALANCES, December 31, 2010	$ 180	$ 10,801	$ 8,451	$ 19,432

See accompanying notes and auditors' report.

PIMA UTILITY COMPANY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

In thousands

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 875	$ 1,098
Adjustments to reconcile net income to net cash flows from operating activities-		
Amortization of bond issue costs	26	26
Depreciation and amortization	1,181	1,220
Loss on sale of assets	1	0
(Increase) decrease in-		
Service customers receivable	(48)	(11)
Other assets	2	5
Increase (decrease) in-		
Accounts payable	88	91
Accrued liabilities	1	(34)
Total adjustments	1,251	1,297
Net cash flows from operating activities	2,126	2,395
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in restricted funds	(1,468)	255
Decrease in receivable from affiliate	963	2,013
Plant additions	(751)	(751)
Net cash flows from investing activities	(1,256)	1,517
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bonds payable	(470)	(440)
Advances in aid of construction	(23)	(84)
Distributions	(300)	(3,440)
Net cash flows from financing activities	(793)	(3,964)
INCREASE (DECREASE) IN CASH	77	(52)
CASH, beginning of year	92	144
CASH, end of year	$ 169	$ 92

See accompanying notes and auditors' report.

PIMA UTILITY COMPANY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Business Activity-

Pima Utility Company (Company), an Arizona corporation organized in 1972, provides water and wastewater services to substantially all of the homes in the Sun Lakes retirement community.

The rates for water and wastewater services are authorized by the Arizona Corporation Commission.

Recognition of Revenue and Expenses-

Revenue and expenses are recognized on the accrual method. Under this method, revenue is recognized when earned rather than when collected, and expenses are recognized when incurred rather than when paid.

Income Taxes-

As permitted by the *Income Taxes* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the Company evaluates all tax positions as required by the *Contingencies* topic of the FASB ASC, which requires a more likely-than not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in the Company's tax return. Management believes the tax positions taken on the Company's tax returns are fairly stated. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2006.

The Company and its stockholders have elected to be taxed as an S corporation. In lieu of corporate income taxes, the stockholders are personally taxed on the Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

Plant in Service-

Plant is service is stated at original cost. All water assets are depreciated on the straight-line method at 3% annually. Wastewater assets are depreciated on the straight-line method over the following useful lives-

Collection system, manholes and cleanouts and service laterals	50 years
Lift stations	10 – 28 years
Treatment and disposal systems	20 years
Structures and improvements	4 – 20 years
Equipment	5 – 10 years
Effluent lines	10 – 50 years

Repairs and maintenance to plant in service are generally expensed as incurred. Expenditures determined to represent additions and improvements are capitalized.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*:

Deferred Charges-

Deferred charges represent costs amortizable pursuant to rulings by the Arizona Corporation Commission over the following lives-

Bond issue costs	23.5 years
Allowance for funds used during construction	22 years
Deferred operating costs for 1996 and 1997	5 years
Deferred operating costs for 1998 and 1999	Pending
Rate hearing costs	Pending

Estimates-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Long-Lived Assets-

The Company periodically evaluates the carrying value of the long-lived assets in accordance with the FASB ASC. Under the FASB ASC, long-lived assets and certain identifiable intangible assets to be held and used in operations are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company does not believe impairment exists at December 31, 2010.

Supplemental Cash Flow Information-

Interest paid totaled $478,000 and $510,000 in 2010 and 2009, respectively.

(2) PLANT IN SERVICE AND UNDER CONSTRUCTION, NET:

Plant in service and under construction, net consists of the following-

	In thousands	
	2010	2009
Construction work-in progress	$ 20	$ 0
Land	189	189
Wastewater:		
Collection system	4,201	4,201
Manholes and cleanouts	1,792	1,718
Lift stations	1,589	1,527
Treatment and disposal systems	10,656	10,583
Service laterals	629	629
Structures and improvements	9	5
Equipment	341	327
Effluent lines	538	536
	19,755	19,526
Water:		
Mains	3,057	3,057
Services	4,499	4,321
Hydrants	892	892
Tanks	2,708	2,679
Water supply	1,789	1,692
Meters	1,011	975
Pumps	830	731
Equipment	730	700
Structures and improvements	2,292	2,285
	17,808	17,332
Total plant in service and under construction	37,772	37,047
Less accumulated depreciation	16,232	15,048
	$ 21,540	$ 21,999

(3) RESTRICTED FUNDS:

Restricted funds consist of investments held by a trustee to comply with the requirements of the Trust Indenture related to the Industrial Development Authority Bonds.

The restricted funds are invested in money markets and are recorded at cost in the following trustee accounts-

	In thousands	
	2010	2009
Reserve fund	$ 953	$ 952
Bond fund	1,472	5
	$ 2,425	$ 957

(4) DEFERRED CHARGES:

Deferred charges consist of the following-

	In thousands	
	2010	2009
Bond issue costs, net of amortization	$ 221	$ 247
Allowance for funds used during construction, net of amortization	360	393
Deferred operating costs for 1996 and 1997	1	1
Deferred operating costs for 1998 and 1999	1,049	1,049
Rate hearing costs	165	165
	$ 1,796	$ 1,855

Pursuant to an order from the Arizona Corporation Commission, from 1996 to 1999, the Company was authorized to defer 30% of the incremental operating costs of the new wastewater treatment facilities.

(5) ACCRUED LIABILITIES:

Accrued liabilities consist of the following-

	In thousands	
	2010	2009
Payroll and taxes	$ 67	$ 54
Sales tax	27	23
Property taxes	129	128
Regulatory taxes	10	10
Interest	222	239
	$ 455	$ 454

(6) BONDS PAYABLE:

In December, 1995, the Company received $10,300,000 from the sale of Industrial Development Authority Bonds of Maricopa County, which financed the construction of the wastewater treatment facility.

The bonds bear interest at 7.25% and require annual debt service of approximately $951,000 through July, 2019.

Annual principal payments are as follows-

Year Ending December 31	*In thousands*
2011	$ 505
2012	545
2013	580
2014	625
2015	670
Thereafter	3,200
	$ 6,125

(7) ADVANCES AND CONTRIBUTIONS IN AID OF CONSTRUCTION:

The advances in aid of construction contracts provide that a percentage of gross revenues from each applicable unit over a specified period will be paid to reimburse the customer for the cost of the water system.

Any unrefunded portion upon the contract expiration is transferred to contributions in aid of construction.

(8) INTEREST EXPENSE, NET:

Interest expense, net consists of the following-

	In thousands	
	2010	2009
Interest income	$ 48	$ 121
Interest expense	(461)	(494)
Amortization of bond issue costs	(26)	(26)
	$ (439)	$ (399)

(9) FAIR VALUE OF FINANCIAL INSTRUMENTS:

In accordance with the *Fair Value Measurements and Disclosures* topic of the FASB ASC, the carrying amount reported in the balance sheet for current assets, restricted funds and current liabilities approximate fair values due to the short maturity of these instruments.

At December 31, 2010, the fair value of long-term debt was equal to the carrying amount.

(10) TRANSACTIONS WITH RELATED PARTIES:

On an ongoing basis, Pima Utility Company engages in certain business activities with affiliates which arise through the normal course of business.

The Company has an agreement with an affiliated developer where the developer pays a monthly fee to reserve capacity of the new wastewater treatment plant for its undeveloped lots. The Company earned $1,000 and $2,000 during 2010 and 2009, respectively, pursuant to this agreement.

The Company provides water services to affiliates for construction activity and golf courses. Revenue earned from these affiliates during 2010 and 2009 was $59,000 and $211,000, respectively.

The Company paid $105,000 in 2010 and 2009, respectively, to an affiliate for administrative and accounting services.

The Company also advances excess funds to an affiliate. The advances are payable on demand and provide for monthly interest at the affiliates borrowing rate. The Company earned $48,000 and $120,000 of interest on the advances during 2010 and 2009, respectively. At December 31, 2010 and 2009, the outstanding receivable from affiliate was $872,000 and $1,835,000, respectively.

(11) RETIREMENT PLAN AND TRUST:

The Company and affiliated entities have a multi-employer trust profit sharing plan under Section 401 and 401(K) of the Internal Revenue Code. The Plan and Trust provides for retirement, disability and accidental benefits for eligible employees. The Company matches employee contributions at a rate of 25%. The Plan and Trust also provides for additional contributions by the employer, at management's discretion. As of December 31, 2010, the Company had no liability to the Plan and Trust for matching or additional contributions. The Company contributed approximately $9,000 in 2010 and 2009, respectively to the Plan.

(12) CONCENTRATIONS OF CREDIT RISK:

The *Risk and* Uncertainties topic of the FASB ASC requires certain disclosures relating to concentrations and the general risk associated with those concentrations.

Substantially all customers reside within the Sun Lakes community.

(13) SUBSEQUENT EVENTS:

Management has evaluated all subsequent events through the date the financial statements were available to be issued on April 22, 2011. No subsequent events occurred during this period which require adjustment to or disclosure in the financial statements.

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Projected Income Statements - Present & Proposed Rates

Exhibit
Schedule F-1
Page 1
Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 12/31/2011	At Proposed Rates Year Ended 12/31/2011
1	**Revenues**			
2	Metered Water Revenues	$ 1,976,508	$ 1,970,366	$ 2,993,931
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	7,261	7,261	7,261
5		$ 1,983,769	$ 1,977,627	$ 3,001,192
6	**Operating Expenses**			
7	Salaries and Wages	$ 220,827	$ 220,827	$ 220,827
8	Salaries and Wages - Officers and Directors	90,294	90,294	90,294
9	Employee Pensions and Benefits	64,900	64,900	64,900
10	Purchased Water	-	-	-
11	Purchased Power	228,469	252,453	252,453
12	Chemicals	16,721	16,721	16,721
13	Repairs and Maintenance	100,885	100,885	100,885
14	Office Supplies and Expense	67,321	67,321	67,321
15	Contractual Services - Engineering	5,283	5,283	5,283
16	Contractual Services - Accounting	3,067	3,067	3,067
17	Contractual Services - Legal	14,175	14,175	14,175
18	Contractual Services - Other	54,797	54,797	54,797
19	Contractual Services - Water Testing	18,737	18,737	18,737
20	Rents - Equipment	3,203	3,203	3,203
21	Transportation Expenses	44,637	44,637	44,637
22	Insurance - Vehicle	17,464	17,464	17,464
23	Insurance - General Liability	10,840	10,840	10,840
24	Insurance - Worker's Comp	1,009	1,009	1,009
25	Regulatory Commission Expense	3,671	3,671	3,671
26	Regulatory Commission Expense - Rate Case	-	50,000	50,000
27	Bad Debt Expense	4,766	4,766	4,766
28	Miscellaneous Expense	15,934	15,934	15,934
29	Depreciation Expense	477,551	686,998	686,998
30	Taxes Other Than Income	40,883	40,883	40,883
31	Property Taxes	94,465	83,358	97,066
32	Income Tax	-	(27,157)	253,724
33				
34	**Total Operating Expenses**	$ 1,599,900	$ 1,845,067	$ 2,139,657
35	**Operating Income**	$ 383,869	$ 132,560	$ 861,536
36	**Other Income (Expense)**			
37	Interest Income	48,219	48,219	48,219
38	Other income	1,254	1,254	1,254
39	Interest Expense	-	(203,041)	(203,041)
40	Other Expense	(1,692)	(1,692)	(1,692)
41	Gain/Loss Sale of Fixed Assets	(758)	(758)	(758)
42	**Total Other Income (Expense)**	$ 47,024	$ (156,017)	$ (156,017)
43	**Net Profit (Loss)**	$ 430,893	$ (23,457)	$ 705,518
44				
45				
46	SUPPORTING SCHEDULES:			
47	C-1			
48				
49				
50				

Pima UtilityCompany - *Water Division*
Test Year Ended December 31, 2010
Projected Statements of Changes in Financial Position
Present and Proposed Rates

Exhibit
Schedule F-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2010	At Present Rates Year Ended 12/31/2011	At Proposed Rates Year Ended 12/31/2011
5	Cash Flows from Operating Activities			
6	Net Income	$ 430,893	$ (23,457)	$ 705,518
7	Adjustments to reconcile net income to net cash			
8	provided by operating activities:			
9	Depreciation and Amortization	477,551	686,998	686,998
10	Other	(25,839)		
11	Changes in Certain Assets and Liabilities:			
12	Accounts Receivable	990		
13	Unbilled Revenues	-		
14	Materials and Supplies Inventory	-		
15	Prepaid Expenses	1,596		
16	Deferred Charges	-		
17	Notes Receivable	(152,632)		
18	Accounts Payable	116,845		
19	Intercompany payable	-		
20	Customer Meter Deposits	-		
21	Taxes Payable	2,039		
22	Other assets and liabilities	11,046		
23	Net Cash Flow provided by Operating Activities	$ 862,489	$ 663,540	$ 1,392,516
24	Cash Flow From Investing Activities:			
25	Capital Expenditures	(476,612)	(378,600)	(378,600)
26	Plant Held for Future Use	-		
27	Changes in debt reserve fund	-		
28	Net Cash Flows from Investing Activities	$ (476,612)	$ (378,600)	$ (378,600)
29	Cash Flow From Financing Activities			
30	Change in Restricted Cash	-		
31	Change in net amounts due to parent and affiliates	-		
32	Net Receipt contributions in aid of construction	-	-	-
33	Net receipts of advances in aid of construction	(10,401)	(10,401)	(10,401)
34	Repayments of Long-Term Debt	-	1,755,000	1,755,000
35	Dividends Paid	(299,999)	(299,999)	(299,999)
36	Deferred Financing Costs	-	-	-
37	Paid in Capital	-	-	-
38	Net Cash Flows Provided by Financing Activities	$ (310,400)	$ 1,444,600	$ 1,444,600
39	Increase(decrease) in Cash and Cash Equivalents	75,477	1,729,540	2,458,516
40	Cash and Cash Equivalents at Beginning of Year	92,659	168,136	168,136
41	Cash and Cash Equivalents at End of Year	$ 168,136	$ 1,897,676	$ 2,626,652

SUPPORTING SCHEDULES:
E-3

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Projected Construction Requirements

Exhibit
Schedule F-3
Page 1
Witness: Bourassa

Line No.	Account Number	Plant Asset:	Test Year	2011	2012	2013
1						
2	Account					
3	Number	Plant Asset:	Test Year	2011	2012	2013
4	301	Organization Cost	$ -	$ -	$ -	$ -
5	302	Franchise Cost	-	-	-	-
6	303	Land and Land Rights	-	-	-	-
7	304	Structures and Improvements	7,500	7,500	7,500	7,500
8	305	Collecting and Impounding Res.	-	-	-	-
9	306	Lake River and Other Intakes	-	-	-	-
10	307	Wells and Springs	97,217	100,000	100,000	100,000
11	308	Infiltration Galleries and Tunnels	-	-	-	-
12	309	Supply Mains	-	-	-	-
13	310	Power Generation Equipment	-	-	-	-
14	311	Electric Pumping Equipment	99,163	100	100	100
15	320	Water Treatment Equipment	-	-	-	-
16	320	Water Treatment Equipment	-	-	-	-
17	320.1	Water Treatment Plant	-	-	-	-
18	320.2	Chemical Solution Feeders	28,643	30,000	30,000	30,000
19	330	Dist. Reservoirs & Standpipe	-	-	-	-
20	330.1	Storage tanks	-	-	-	-
21	330.2	Pressure Tanks	-	-	-	-
22	333	Services	177,591	175,000	175,000	175,000
23	334	Meters	36,478	35,000	35,000	35,000
24	335	Hydrants	-	-	-	-
25	336	Backflow Prevention Devices	-	-	-	-
26	339	Other Plant and Miscellaneous Equipment	-	-	-	-
27	340	Office Furniture and Fixtures	5,481	6,000	6,000	6,000
28	341	Transportation Equipment	-	-	-	-
29	342	Stores Equipment	-	-	-	-
30	343	Tools and Work Equipment	-	-	-	-
31	344	Laboratory Equipment	-	-	-	-
32	345	Power Operated Equipment	-	-	-	-
33	346	Communications Equipment	24,539	25,000	25,000	25,000
34	347	Miscellaneous Equipment	-	-	-	-
35	348	Other Tangible Plant	-	-	-	-
36			-			
37	Total		$ 476,612	$ 378,600	$ 378,600	$ 378,600
38						
39						
40						

Pima UtilityCompany - Water Division
Test Year Ended December 31, 2010
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line No.	
1	Property Taxes were computed using the method used by the Arizona Department
2	of Revenue modified for ratemaking.
3	
4	Projected construction expenditures are shown on Schedule A-4.
5	
6	Expense adjustments are shown on Schedule C2, and are explained in the testimony.
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
26	
27	
28	
29	
30	
31	
32	
33	
34	
35	
36	
37	
38	
39	
40	

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Present Rates

Exhibit
Schedule G-1
Page 1
Witness: Bourassa

Line No.	Meter Size->	Totals	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation
			Meter Size					
1	Water Revenues	$ 1,983,814	$ 1,300,343	$ 1,819	$ 145,542	$ 10,567	$ 208,085	$ 317,458
2	Revenue Annualizations	(6,142)	(807)	-	1,735	(127)	381	(7,324)
3	Misc. Revenues[1]	7,261	6,988	3	190	8	69	3
4	Reconcilation H-1 to C-1[1]	(7,306)	(7,031)	(3)	(191)	(8)	(70)	(3)
5	Total Revenues	$ 1,977,628	$ 1,299,493	$ 1,819	$ 147,276	$ 10,440	$ 208,466	$ 310,134
6								
7	Operating Expenses[2]	$ 1,101,869	$ 807,174	$ 665	$ 51,476	$ 3,783	$ 38,026	$ 200,744
8	Depreciation and							
9	Amortization[2]	686,998	570,095	354	32,065	2,356	34,698	47,430
10	Property Tax[3]	83,358	54,774	77	6,208	440	8,787	13,072
11	Income Tax[4]	(27,157)	(85,886)	174	13,650	914	33,029	10,961
12	Total Operating Expenses	$ 1,845,067	$ 1,346,158	$ 1,270	$ 103,399	$ 7,493	$ 114,540	$ 272,207
13	Operating Income	$ 132,561	$ (46,665)	$ 549	$ 43,877	$ 2,948	$ 93,926	$ 37,927
14	Interest Expense[5]	203,041	176,234	96	8,450	577	8,204	9,480
15	Net Income	$ (70,481)	$ (222,899)	$ 452	$ 35,427	$ 2,371	$ 85,721	$ 28,447
16	Rate Base[6]	$ 9,097,529	$ 7,896,397	$ 4,321	$ 378,609	$ 25,837	$ 367,605	$ 424,761
17	Return on Rate Base[7]	1.46%	-0.59%	12.70%	11.59%	11.41%	25.55%	8.93%
18								
19	**Percent of Total Customers**		96.24%	0.04%	2.62%	0.11%	0.95%	0.04%
20								
21								

22 [1] Allocated based on customer counts.
23 [2] Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.
24 [3] Property Taxes allocation based on Revenues
25 [4] Income Tax from Schedule C-1, at Present Rates. Income Taxes allocated based on taxable income
26 [5] Interest Synchronized Interest Expense. Allocation based on Rate Base
27 [6] Rate Base computations are shown on Schedule G-3, Page 1
28 [7] Operating Income Divided by Rate Base
29
30

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Operating Margins at Proposed Rates

Exhibit
Schedule G-2
Page 1
Witness: Bourassa

Line No.	Meter Size->	Totals	Meter Size 5/8" x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation
1	Water Revenues	$ 2,999,688	$ 1,837,649	$ 3,038	$ 213,985	$ 15,582	$ 321,587	$ 607,847
2	Revenue Annualizations	(5,712)	(1,186)	-	2,468	(172)	501	(7,324)
3	Misc. Revenues[1]	7,261	6,988	3	190	8	69	3
4	Reconcilation H-1 to C-1[1]	(45)	(43)	(0)	(1)	(0)	(0)	(0)
5	Total Revenues	$ 3,001,192	$ 1,843,409	$ 3,040	$ 216,643	$ 15,418	$ 322,156	$ 600,526
6								
7	Operating Expenses[2]	$ 1,101,869	$ 807,174	$ 665	$ 51,476	$ 3,783	$ 38,026	$ 200,744
8	Depreciation and							
9	Amortization[2]	686,998	570,095	354	32,065	2,356	34,698	47,430
10	Property Tax[3]	97,066	59,620	98	7,007	499	10,419	19,422
11	Income Tax[4]	253,724	64,051	508	32,722	2,282	64,197	89,964
12	Total Operating Expenses	$ 2,139,657	$ 1,500,941	$ 1,626	$ 123,270	$ 8,919	$ 147,340	$ 357,561
13	Operating Income	$ 861,536	$ 342,468	$ 1,415	$ 93,373	$ 6,499	$ 174,816	$ 242,965
14	Interest Expense[5]	203,041	176,234	96	8,450	577	8,204	9,480
15	Net Income	$ 658,494	$ 166,234	$ 1,318	$ 84,923	$ 5,922	$ 166,612	$ 233,485
16	Rate Base[6]	$ 9,097,529	$ 7,896,397	$ 4,321	$ 378,609	$ 25,837	$ 367,605	$ 424,761
17	Return on Rate Base[7]	9.47%	4.34%	32.75%	24.66%	25.15%	47.56%	57.20%
18								
19	**Percent of Total Customers**		96.241%	0.039%	2.621%	0.108%	0.952%	0.039%
20								
21								

22 [1] Allocated based on customer counts.
23 [2] Operating Expenses and Depreciation computations are shown on Schedule G-4, Page 1.
24 [3] Property Taxes allocation based on Revenues
25 [4] Income Tax from Schedule C-1, at Proposed Rates. Income Taxes allocated based on taxable income
26 [5] Interest Synchronized Interest Expense. Allocation based on Rate Base
27 [6] Rate Base computations are shown on Schedule G-3, Page 1
28 [7] Operating Income Divided by Rate Base
29

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study Using Commodity / Demand Method
Allocation of Assets to Customer Classes

Exhibit
Schedule G-3
Page 1
Witness: Bourassa

Line No.		Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation	Totals
1	Plant, Minus Accumulated Depreciation, Advances and Contributions in Aid, Meter Deposits, and Deferred Income Tax (from Schedule G-5, Page 1)								
2	Commodity	$ 586,627	$ 259,723	$ 511	$ 31,987	$ 2,488	$ 15,086	$ 276,831	$ 586,627
3	Demand	3,359,374	2,798,646	1,713	190,525	15,699	221,494	131,298	3,359,374
4	Customer	741,926	714,035	291	19,444	801	7,064	291	741,926
5	Service	3,848,091	3,655,542	1,491	110,729	5,069	67,452	7,808	3,848,091
6	Meter	561,511	468,451	314	25,924	1,780	56,509	8,532	561,511
7	Totals	$ 9,097,529	$ 7,896,397	$ 4,321	$ 378,609	$ 25,837	$ 367,605	$ 424,761	$ 9,097,529
8									
9									-
10	Net Rate Base	$ 9,097,529	$ 7,896,397	$ 4,321	$ 378,609	$ 25,837	$ 367,605	$ 424,761	$ 9,097,529
11									
12	Allocation %	100.00%	86.80%	0.05%	4.16%	0.28%	4.04%	4.67%	100.00%
13									

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Customer Classes

Exhibit
Schedule G-4
Page 1
Witness: Bourassa

Line No.		Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation
	Operation and Maintenance Expense (from Schedule G-6, Page 1)							
1	Commodity	$ 394,058	$ 174,465	$ 343	$ 21,487	$ 1,672	$ 10,134	$ 185,957
2	Demand	374,980	312,390	191	21,267	1,752	24,724	14,656
3	Customer	332,831	320,319	131	8,723	359	3,169	131
4	Service	-	-	-	-	-	-	-
5	Meter	-	-	-	-	-	-	-
6	Totals	$ 1,101,869	$ 807,174	$ 665	$ 51,476	$ 3,783	$ 38,026	$ 200,744
7								
8	Depreciaton Expense on Plant (from Schedule G-6, Page 2)							
9	Commodity	69,767	30,889	61	3,804	296	1,794	32,923
10	Demand	332,621	277,102	170	18,864	1,554	21,931	13,000
11	Customer	50,892	48,979	20	1,334	55	485	20
12	Service	156,815	148,968	61	4,512	207	2,749	318
13	Meter	76,903	64,158	43	3,551	244	7,739	1,169
14	Totals	$ 686,998	$ 570,095	$ 354	$ 32,065	$ 2,356	$ 34,698	$ 47,430
15								
16								
17	Total Expenses (excluding Income Tax and							
18	Property Taxes)	$ 1,788,866	$ 1,377,269	$ 1,019	$ 83,541	$ 6,139	$ 72,724	$ 248,174
19								
20	Property Taxes, Allocated on Schedules G-1 & G-2	$ 83,358						
21	Income Tax, Allocated on Schedules G-1 & G-2	(27,157)						
22	Total Adjusted TY Expenses	**$ 1,845,067**						
23								

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Summary of Allocation of Expenses to Customer Classes

Exhibit
Schedule G-4
Page 2
Witness: Bourassa

Line No.		Totals	5/8 x 3/4"	3/4"	1"	1 1/2"	2"	Irrigation
1	Commodity	$ 463,825	$ 174,465	$ 343	$ 21,487	$ 1,672	$ 10,134	$ 185,957
2	Demand	707,601	589,492	361	40,131	3,307	46,654	27,656
3	Customer	383,723	369,298	151	10,056	414	3,653	151
4	Service	156,815	148,968	61	4,512	207	2,749	318
5	Meter	76,903	64,158	43	3,551	244	7,739	1,169
6								
7								
8	Totals	$ 1,788,866	$ 1,346,381	$ 958	$ 79,737	$ 5,843	$ 70,930	$ 215,251
9								
10								
11								
12								
13	Total Expenses (excluding Income Tax and							
14	Property Taxes)	**$ 1,788,866**	$ 1,346,381	$ 958	$ 79,737	$ 5,843	$ 70,930	$ 215,251
15								
16	Property Taxes, Allocated on Schedules G-1 & G-2	$ 83,358						
17	Income Tax, Allocated on Schedules G-1 & G-2	(27,157)						
18	Total Adjusted TY Expenses	**$ 1,845,067**						
19								

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Allocation of Rate Base by Function

Exhibit
Schedule G-5
Page 1
Witness: Bourassa

Line No.		Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
1	**Rate Base**							
2	Plant minus (Accumulated Depreciation	$ 9,097,529	$ 3,359,374	$ 586,627	$ 741,926	$ 561,511	$ 3,848,091	$ 9,097,529
3	Contributions in Aid of Construction							
4	Advances in Aid of Construction,							
5	*Meter Deposits and Deferred Income Tax)*							
6								
7								
8								
9		9,097,529	3,359,374	586,627	741,926	561,511	3,848,091	9,097,529
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Allocation of Plant, Less Contributions and Advances in Aid of
Construction , Meter Deposits and Accumulated Depreciation to Functions

Exhibit
Schedule G-5
Page 2
Witness: Bourassa

Line No.	Account No.	Description	Original Cost Plant	Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service
1	**Intangible**									
2	301	Organization	$ -		$ -					
3	302	Franchises	-		-					
4										
5	**Subtotal Intangible**		-		-	-	-	-	-	-
6										
7	**Source of Supply & Pumping Plant**									
8	303	Land and Land Rights	$ 97,637		$ 97,637	$ 97,637	$ -	$ -	$ -	$ -
9	304	Structures and Improvements	315,125	139,450	175,676	175,676	-	-		
10	305	Collecting and Impounding Res.	-	-	-	-				
11	306	Lakes, Rivers, Other Intakes	-	-	-					
12	307	Wells and Springs	606,699	261,440	345,258	276,207	69,052	-		
13	308	Infiltration Galleries and Tunnels	-	-	-					
14	309	Supply Mains	-	-	-	-	-			
15	310	Power Generation Equipment	-	-	-	-	-			
16	311	Electric Pumping Equipment	2,263,801	369,989	1,893,812	1,515,049	378,762			
17	**Subtotal Source of Supply & Pumping Plant**		$ 3,283,262	$ 770,880	$ 2,512,383	$ 2,064,569	$ 447,814	$ -	$ -	$ -
18										
19	**Water Treatment**									
20	320.2	Water Treat. Equip. - Chem Sol Feeder	$ 58,255	$ 9,890	$ 48,365	$ 38,692	$ 9,673			
21	**Subtotal Water Treatment**		$ 58,255	$ 9,890	$ 48,365	$ 38,692	$ 9,673	$ -	$ -	$ -
22										
23	**Transmission and Distribution Plant**									
24	330	Distribution Reservoirs & Standpipe	$ -	$ -	$ -	$ -	$ -			
25	330.1	Storage tanks	1,102,197	490,208	611,989	550,790	61,199			
26	330.2	Pressure Tanks	73,937	24,279	49,658	44,692	4,966			
27	331	Transmission and Distribution Mains	2,916,048	1,625,867	1,290,182	1,161,164	129,018			
28	333	Services	4,709,148	861,057	3,848,091					3,848,091
29	334	Meters	923,202	361,692	561,511				561,511	
30	335	Hydrants	887,381	550,134	337,246			337,246		
31	336	Backflow Prevention Devices	-	-	-	-	-			
32	339	Other Plant and Miscellaneous Equip.	-	-	-	-	-			
33	**Subtotal Transmission and Distribution Plant**		$ 10,611,913	$ 3,913,236	$ 6,698,677	$ 1,756,646	$ 195,183	$ 337,246	$ 561,511	$ 3,848,091
34										
35	**General Plant**									
36	340	Office Furniture and Fixtures	$ 4,239	$ 110	$ 4,129			$ 4,129		
37	340.1	Computers and Software	28,479	278	28,201			28,201		
38	341	Transportation Equipment	61,635	(51,073)	112,708	28,177		84,531		
39	342	Stores Equipment	-	-	-					
40	343	Tools and Work Equipment	134,506	34,251	100,255	25,064		75,191		
41	344	Laboratory Equipment	-	-	-					
42	345	Power Operated Equipment	124,899	34,114	90,785			90,785		
43	346	Communications Equipment	238,939	76,482	162,457	40,614		121,843		

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Allocation of Plant, Less Contributions and Advances in Aid of
Construction , Meter Deposits and Accumulated Depreciation to Functions

Exhibit
Schedule G-5
Page 2.1
Witness: Bourassa

Line No.	Account No.	Description	Original Cost Plant	Accumulated Depreciation	Total Net Plant Values	Demand	Commodity	Customer	Meter	Service
1	**General Plant Continued**					-		-		
2	347	Miscellaneous Equipment	-	-	-			-		
3	348	Other Tangible Plant	-	-	-			-		
4	**Subtotal General Plant**		$ 592,698	$ 94,163	$ 498,535	$ 93,855	$ -	$ 404,680	$ -	$ -
5	Total Plant		$ 14,546,128	$ 4,788,169	$ 9,757,959	$ 3,953,761	$ 652,670	$ 741,926	$ 561,511	$ 3,848,091
6										
7	Contributions in Aid of Construction, Net		(286,194)		(286,194)	(257,575)	(28,619)	-		
8	Advances in Aid of Construction		(374,236)		(374,236)	(336,812)	(37,424)			
9	Meter Deposits		-		-				-	
10			-		-	-	-			
11			-		-			-		
12			-		-			-		
13	Totals		$ 13,885,698	$ 4,788,169	$ 9,097,529	$ 3,359,374	$ 586,627	$ 741,926	$ 561,511	$ 3,848,091
14	Rate Bases (Plant -(AIAC, CIAC, Meter Deposits & Accum. Depr.)				$ 9,097,529	$ 3,359,374	$ 586,627	$ 741,926	$ 561,511	$ 3,848,091

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Allocation of Expenses to Functions

Exhibit
Schedule G-6
Page 1
Witness: Bourassa

Line No.	Description	Adjusted	Demand	Commodity	Customer	Meter	Service	Totals
1	Salaries and Wages[1]	$ 220,827	$88,330.68	$44,165.34	$88,330.68	$ -	$ -	$ 220,826.69
2	Salaries and Wages - Officers & Dir[1]	90,294	36,118	18,059	36,118	-	-	90,294
3	Employee Pensions and Benefits[1]	64,900	25,960	12,980	25,960	-	-	64,900
4	Purchased Water[1]	-		-				-
5	Purchased Power[1]	252,453	-	252,453	-	-	-	252,453
6	Chemicals[1]	16,721	-	16,721	-	-	-	16,721
7	Repairs and Maintenance[1]	100,885	70,620	30,266	-	-	-	100,885
8	Office Supplies and Expense	67,321			67,321			67,321
9	Outside Services - Acctng & Eng.	8,350	3,340	1,670	3,340	-	-	8,350
10	Outside Services - Other[1]	54,797	21,919	10,959	21,919	-	-	54,797
11	Outside Services - Legal	14,175	5,670	2,835	5,670	-	-	14,175
12	Water Testing[1]	18,737	14,990	3,747	-	-	-	18,737
13	Rents - Equipment	3,203	801	-	2,402	-	-	3,203
14	Transportation Expenses[1]	44,637	11,159	-	33,478	-	-	44,637
15	Insurance - Vehicle	17,464	4,366	-	13,098	-	-	17,464
16	Insurance - General Liability	10,840	5,420		5,420			10,840
17	Insurance - Worker's Comp	1,009	404	202	404	-	-	1,009
18	Reg. Comm. Exp.	3,671			3,671			3,671
19	Reg. Comm. Exp. - Rate Case	50,000	45,000		5,000			50,000
20	Miscellaneous Expense	15,934			15,934			15,934
21	Bad Debt Expense	4,766			4,766			4,766
22	Depreciation Expense[2]	686,998	332,621	69,767	50,892	76,903	156,815	686,998
23	Taxes Other Than Income	40,883	40,883					40,883
24	Property Taxes, Allocated on Schedules G-1 & G-2	**83,358**						
25	Income Tax, Allocated on Schedules G-1 & G-2	**(27,157)**						
26								
27	Total	$ 1,845,067	$ 707,601	$ 463,825	$ 383,723	$ 76,903	$ 156,815	**$ 1,788,866**
28								
29								
30	[1] See Schedule G-7, page 2.1.							
31	[2] Depreciation allocation computed on Schedule G-6, Page 2.							
32								
33								
34								

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Allocation of Depreciation Expense to Functions

Exhibit
Schedule G-6
Page 2.0
Witness: Bourassa

Line No.	Account No.	Description	Original Cost	Depreciation Rate	Depreciation Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service
1	**Intangible**										
2	301	Organization	$ -		$ -						
3	302	Franchises	-		-						
4											
5	**Subtotal Intangible**		$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -
6											
7		**Source of Supply & Pumping Plant**									
8	303	Land and Land Rights	$ 97,637	0.000%	$ -	$ -	$ -	$ -	$ -	$ -	$ -
9	304	Structures and Improvements	315,125	3.330%	10,494	10,494	10,494	-			
10	305	Collecting and Impounding Res.	-	2.500%	-	-	-				
11	306	Lakes, Rivers, Other Intakes	-	2.500%	-	-					
12	307	Wells and Springs	606,699	3.330%	20,203	20,203	16,162	4,041			
13	308	Infiltration Galleries and Tunnels	-	6.670%	-	-					
14	309	Supply Mains	-	2.000%	-	-	-	-			
15	310	Power Generation Equipment	-	5.000%	-	-	-	-			
16	311	Electric Pumping Equipment	2,263,801	12.500%	282,975	282,975	226,380	56,595			
17	**Subtotal Source of Supply & Pumping Plant**		$ 3,283,262		$ 313,672	$ 313,672	$ 253,036	$ 60,636	$ -	$ -	$ -
18											
19	**Water Treatment**										
20	320.2	Water Treat. Equip. - Chem Sol Feeder	58,255	20.000%	11,651	11,651	9,321	2,330			
21	***Subtotal Water Treatment***		$ 58,255		$ 11,651	$ 11,651	$ 9,321	$ 2,330	$ -	$ -	$ -
22											
23	**Transmission and Distribution Plant**										
24	330	Distribution Reservoirs & Standpipe	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -
25	330.1	Storage tanks	1,102,197	2.220%	24,469	24,469	22,022	2,447	-	-	-
26	330.2	Pressure Tanks	73,937	5.000%	3,697	3,697	3,327	370	-	-	-
27	331	Transmission and Distribution Mains	2,916,048	2.000%	58,321	58,321	52,489	5,832			
28	333	Services	4,709,148	3.330%	156,815	156,815					156,815
29	334	Meters	923,202	8.330%	76,903	76,903				76,903	
30	335	Hydrants	887,381	2.000%	17,748	17,748			17,748		
31	336	Backflow Prevention Devices	-	6.670%	-	-	-	-			
32	339	Other Plant and Miscellaneous Equipment	-	6.670%	-	-	-	-			
33	**Subtotal Transmission and Distribution Plant**		$ 10,611,913		$ 337,952	$ 337,952	$ 77,838	$ 8,649	$ 17,748	$ 76,903	$ 156,815
34											
35	**General Plant**										
36	340	Office Furniture and Fixtures	$ 4,239	6.670%	$ 283	$ 283	$ -	$ -	$ 283	$ -	$ -
37	340.1	Computers and Software	28,479	20.000%	5,696	5,696	-	-	5,696	-	-
38	341	Transportation Equipment	61,635	20.000%	12,327	12,327	3,082		9,245		
39	342	Stores Equipment	-	4.000%	-	-			-		
40	343	Tools and Work Equipment	134,506	5.000%	6,725	6,725	6,053	673			
41	344	Laboratory Equipment	-	10.000%	-	-	-	-			
42	345	Power Operated Equipment	124,899	5.000%	6,245	6,245	5,620	624			
43	346	Communications Equipment	238,939	10.000%	23,894	23,894	5,973	-	17,920		

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Allocation of Depreciation Expense to Functions

Exhibit
Schedule G-6
Page 2.1
Witness: Bourassa

Line No.	Account No.	Description	Original Cost	Depreciation Rate	Depreciation Expense	Total Depr. Expense	Demand	Commodity	Customer	Meter	Service
1	**General Plant Continued**										
2	347	Miscellaneous Equipment	-	10.00%	-	-			-		
3	348	Other Tangible Plant	-	10.00%	-	-	-				
4	**Subtotal General Plant**		$ 592,698		$ 55,170	$ 55,170	$ 20,728	$ 1,297	$ 33,144	$ -	$ -
5	**Total Plant**		$ 14,546,128		$ 718,444	$ 718,444	$ 360,923	$ 72,912	$ 50,892	$ 76,903	$ 156,815
6											
7											
8	Less: Amortization of Contributions										
9		Composite	$ 632,418	4.9725%	$ (31,447)	$ (31,447)	$ (28,302)	$ (3,145)			
10					-	-	-	-			
11											
12											
13											
14	Total Depreciation Expense		632,418		$ 686,998	$ 686,998	$ 332,621	$ 69,767	$ 50,892	$ 76,903	$ 156,815
15											
16											
17											
18											
19											

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Summary of Commodity - Demand Method Functions Factors

Exhibit
Schedule G-7
Page 1
Witness: Bourassa

Line No.	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	4"	6"	8"	Irrigation	Totals
1											
2	Description	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	4"	6"	8"	Irrigation	Totals
3	Commodity	44.274%	0.087%	5.453%	0.424%	2.572%	0.000%	0.000%	0.000%	47.19%	100.00%
4	Demand	83.309%	0.051%	5.671%	0.467%	6.593%	0.000%	0.000%	0.000%	3.91%	100.00%
5	Customer	96.241%	0.039%	2.621%	0.108%	0.952%	0.000%	0.000%	0.000%	0.04%	100.00%
6	Services	94.996%	0.039%	2.877%	0.132%	1.753%	0.000%	0.000%	0.000%	0.20%	100.00%
7	Meters	83.427%	0.056%	4.617%	0.317%	10.064%	0.000%	0.000%	0.000%	1.52%	100.00%
8											
9											
10											
11											
12	SUPPORTING SCHEDULES										
13	G-7, page 3										

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
COMMODITY - DEMAND METHOD FUNCTION FACTORS
Plant and Depreciation Expense Allocations Functions

Exhibit
Schedule G-7
Page 2
Witness: Bourassa

Line No.	Description	Total	Demand	Commodity	Customer
1					
2	Description	Total	Demand	Commodity	Customer
3	Wells	1.00	0.80	0.20	
4	Pumps & Equipment	1.00	0.80	0.20	
5	Trans. & Dist. Mains	1.00	0.90	0.10	
6	Structures & Improv.	1.00	1.00		
7	Land	1.00	1.00		
8	Customer	1.00			1.00
9	Services	1.00			1.00
10	Meters	1.00			1.00
11	Fire Hydrants	1.00			1.00
12	Transportation Equip.	1.00	0.25		0.75
13	Office Furniture	1.00			1.00
14	Communication Equip.	1.00	0.25		0.75
15	Water Treatment Equip.	1.00	0.10	0.90	
16					
17					
18					
19					
20					

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Development Of Expense Allocation Factors

Exhibit
Schedule G-7
Page 2.1
Witness: Bourassa

Line No.	Expense Type	Total	Demand	Commodity	Customer	Meters	Services
1							
2	Repairs and Maintenance[1]	1.00	0.70	0.30	-	-	-
3	Contractual Services[2]	1.00	0.40	0.20	0.40	-	-
4	Purchased Power/Fuel for Power Prod.[3]	1.00	-	1.00	-	-	-
5	Purchased Water[4]	1.00	-	1.00	-	-	-
6	Transportation[5]	1.00	0.25	-	0.75	-	-
7	Chemicals[6]	1.00	-	1.00	-	-	-
8	Water Testing[7]	1.00	0.80	0.20	-	-	-
9	Salaries and Wages[8]	1.00	0.40	0.20	0.40	-	-
10							
11							
12							

13 [1] Estimated based on examination of costs in repairs and maintenance and professional judgement.
14 [2] Estimated based on examination of costs included in contractual services and professional judgement.
15 [3] 100% related to pumping and water production.
16 [4] 100% related to pumping and water production.
17 [5] Based on allocation of transportation equipment. See G-7, page 2.
18 [6] 100% related to water production.
19 [7] Based on allocation of well plant and equipment. See G-7, page 2.
20 [8] The Company does not have recorded salaries and wages expense. See allocation of contractual services.
21
22
23
24
25

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study, Using Commodity Demand Method
Development of Class Allocation Factors

Exhibit
Schedule G-7
Page 3
Witness: Bourassa

COMMODITY ALLOCATION FACTOR

Meter Size	(a) Total Gallons (in 1,000's) In Test Year	Percent of Total
5/8" x 3/4"	768,141	44.27%
3/4"	1,511	0.09%
1"	94,602	5.45%
1-1/2"	7,359	0.42%
2"	44,617	2.57%
3"	-	0.00%
4"	-	0.00%
6"	-	0.00%
8"	-	0.000%
Irrigation	818,738	47.190%
Totals	1,734,968	100.00%

DEMAND ALLOCATION FACTOR

Meter Size	Number of Meters and/or Services	Equivalent Weight	Equivalent Number of Meters and/or Services	Percent of Total
5/8" x 3/4"	9,805	1.0	9,805	83.31%
3/4"	4	1.5	6	0.05%
1"	267	2.5	668	5.67%
1-1/2"	11	5.0	55	0.47%
2"	97	8.0	776	6.59%
3"	-	16.0	0	0.00%
4"	-	25.0	0	0.00%
6"	-	50.0	0	0.00%
8"	-	80.0	0	0.00%
Irrigation	4	115.0	460	3.91%
Totals	10,188		11,770	100.00%

CUSTOMER ALLOCATION FACTOR

Meter Size	Number of Meters	Percent of Total
5/8" x 3/4"	9,805	96.24%
3/4"	4	0.04%
1"	267	2.62%
1-1/2"	11	0.11%
2"	97	0.95%
3"	-	0.00%
4"	-	0.00%
6"	-	0.00%
8"	-	0.00%
Irrigation	4	0.04%
Totals	10,188	100.00%

SERVICES ALLOCATION FACTOR (b)

Meter Size	Number of Services	Installation Cost	Weighted Number Services	Percent of Total
5/8" x 3/4"	9,805	$ 445.00	4,363,225	95.00%
3/4"	4	445.00	1,780	0.04%
1"	267	495.00	132,165	2.88%
1-1/2"	11	550.00	6,050	0.13%
2"	97	830.00	80,510	1.75%
3"	0	1,165.00	0	0.00%
4"	0	1,670.00	0	0.00%
6"	0	2,330.00	0	0.00%
8"	0	2,330.00	0	0.00%
Irrigation	4	2,330.00	9,320	0.20%
Totals	10,188		4,593,050	100.00%

METER ALLOCATION FACTOR (b)

Meter Size	Number of Meters	Meter Cost	Weighted Dollars of Meters	Percent of Total
5/8" x 3/4"	9,805	$ 155.00	1,519,775	83.43%
3/4"	4	255.00	1,020	0.06%
1"	267	315.00	84,105	4.62%
1-1/2"	11	525.00	5,775	0.32%
2"	97	1,890.00	183,330	10.06%
3"	0	2,545.00	0	0.00%
4"	0	3,645.00	0	0.00%
6"	0	6,920.00	0	0.00%
8"	0	6,920.00	0	0.00%
10"	4	6,920.00	27,680	1.52%
Totals	10,188		1,821,685	100.00%

(a) Includes customer and gallon sold annualization.
(b) Meter and Service Line cost from Arizona Corporation Commission Memo of February 21, 2008 from Marlin Scott, Jr.. Meter costs based on compound meters. Cost of service line and meter is based on costs allowed for a compound meter installation.

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Customer, Service, Meter
Using Function Costs and Expenses

Exhibit
Schedule G-8
Page 1
Witness: Bourassa

Line No.						Customer	Service	Meter
1	Return on Rate Base	9.47%				70,260	53,175	364,414
2	Misc. Revenues					(43)		
3	Customer, Services and Meter Expenses (From Sch. G-6. Page 1)					383,723	156,815	76,903
4	Property Taxes					97,066		
5	Income Taxes					253,724		
6	*Total Revenue Requirement* / Customer, Meter & Service (Line 13+15+16+17)					804,730	209,990	441,317
7								
8	**Customer Charge**							
9	Number of Bills =	10,188	times	12		122,256		
10								
11	**Charge per Bill**					$ 6.58		
12	(Customer Revenue Requirement divided by Annualized Number of Bills)							
13								
14	**Service Line and Meter Charge**							
15	Equivalent 5/8 Meters		11,770	times	12		141,234	141,234
16								
17	**Charge per Equivalent Meter**						$ 1.49	$ 3.12
18								
19								
20	**CUSTOMER CHARGE:**							
21	Monthly Minimum for 5/8 Inch Meter (with no water included in Minimum or Demand Charge)							
22	Charge per Bill						$ 6.58	
23	Charge per Equivalent Service Line						1.49	
24	Charge per Equivalent Meter						3.12	
25	(Service and Meter Revenue Requirement divided by Annual Equivalent Meters)							
26	Monthly Minimum for 5/8 Inch Meter, **WITHOUT** Demand Charge Included						$ 11.19	

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study Using Commodity / Demand Method
Computation of Monthly Minimums for Demand Charge

Exhibit
Schedule G-8
Page 2
Witness: Bourassa

Line No.	DEMAND CHARGE:				
1					
2	Return on Rate Base 9.47%				318,133
3	Demand Expenses, from Schedule G-6, Page 1				707,601
4					
5	Totals				1,025,734
6	Total Revenue Requirement / Demand Component				
7	Equivalent Number of 5/8 Meters billings				141,234
8	Demand Charge for 5/8 Inch Meter				$ 7.26
9					
10		5/8" Demand	Meter		Demand
11	Demand Charge Per Equivalent	Charge	Ratio		Charge
12	5/8 Inch Meter	$ 7.26	1.0	$	7.26
13	3/4 Inch Meter	$ 7.26	1.5	$	10.89
14	1 Inch Meter	$ 7.26	2.5	$	18.16
15	1 1/2 Inch Meter	$ 7.26	5.0	$	36.31
16	2 Inch Meter	$ 7.26	8.0	$	58.10
17	3 Inch Meter	$ 7.26	16.0	$	116.20
18	4 Inch Meter	$ 7.26	25.0	$	181.57
19	6 Inch Meter	$ 7.26	50.0	$	363.13
20					
21					

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity

Exhibit
Schedule G-8
Page 3
Witness: Bourassa

Line No.			Commodity	Customer	Service	Meter	Demand
1	Return on Rate Base	9.47%	55,554	70,260	364,414	53,175	318,133
2	Less: Miscellaneous Revenues			(7,261)			
3							
4	Expenses (From Sch. G-6. Page 1)		463,825	383,723	156,815	76,903	707,601
5	Property taxes			97,066			
6	Income Taxes			253,724			
7	Total Revenue Requirement by function		519,378	797,512	521,229	130,078	1,025,734
8	*Gallons Sold (in 1,000's)(Zero Gallons in Minimum)* (G-7, page 3)		1,734,968				
9	Computed Commodity Rate (line 7 divided by line 8)		$ 0.2994				
10	Annualized Number of Bills (from G-8, page 1)			122,256			
11	Equivalent Meters and Service Lines (from G-8, page 1)				141,234	141,234	141,234
12	Customer Charge (line 7 divided by line 10)			$ 6.52			
13	Meter, Service Line & Demand Charge (Line 7 divided by Line 11)				$ 3.69	$ 0.92	$ 7.26
14	Total Monthly Minimum Charge for a 5/8 Inch Meter (Sum of Customer						
15	Service Line, Meter and Demand Charge on Lines 23 & Line 24)						$ 18.40
16							
17							

	Monthly Minimum	5/8" Monthly Minimum	Meter Ratio	Demand Charge
19	5/8 Inch Meter	$ 18.40	1.0	$ 18.40
20	3/4 Inch Meter	$ 18.40	1.5	$ 27.60
21	1 Inch Meter	$ 18.40	2.5	$ 45.99
22	1 1/2 Inch Meter	$ 18.40	5.0	$ 91.99
23	2 Inch Meter	$ 18.40	8.0	$ 147.18
24	3 Inch Meter	$ 18.40	16.0	$ 294.36
25	4 Inch Meter	$ 18.40	25.0	$ 459.94
26	6 Inch Meter	$ 18.40	50.0	$ 919.87
27	8 Inch Meter	$ 18.40	80.0	$ 1,471.80
28				
29				
30				
31				

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Cost of Service Study Using Commodity / Demand Method
Computation Demand Charge and Commodity

Exhibit
Schedule G-8
Page 4
Witness: Bourassa

Line No.					
1	**Single Tier Rate Design with Some Customer and Demand Costs recovered via the Commodity Rate**				
2					
3	Revenue Requirements Collected via Commodity Charge				
4		Total		Portion of	
5		Rev. Req.	%	Rev. Req.	
6	Customer, Service, and Meter Costs	$ 1,448,819	45%	$ 651,968	
7	Demand Costs	1,025,734	45%	461,580	
8	Commodity Costs	519,378	100%	519,378	
9	Total Costs to be Collected via Commodity			$ 1,632,927	
10	Gallons Sold (in 1,000's)(Zero Gallons in Minimum) (G-7, page 3)			1,734,968	
11					
12	Commodity Charge (per 1,000 gallons) (Line 9 divided by line 10)			$ 0.941	
13					
14	Revenue Requirement Collected				
15					
16	Monthly Minimum 5/8 Meter				
17	Total Revenue Requirement			$ 2,993,931	
18	Less: Portion of Revenue Requirement Collected via Commodity Charge			(1,632,927)	
19	Balance to be Recovered through Monthly Minimum			$ 1,361,004	45.46%
20					
21	Number of Equivalent 5/8 Inch Meter Billings (from G-8, page 1)			141,234	
22					
23	Computed Monthly Minimum 5/8 Inch Meter Equivalent (line 19 divided by line 21)			$ 9.64	
24					
25					
26		5/8"	Meter	Monthly	
27	Meter Size	Minimum	Ratio	Minimum	
28	5/8 Inch Meter	$ 9.64	1.0	$ 9.64	
29	3/4 Inch Meter	$ 9.64	1.5	$ 14.45	
30	1 Inch Meter	$ 9.64	2.5	$ 24.09	
31	1 1/2 Inch Meter	$ 9.64	5.0	$ 48.18	
32	2 Inch Meter	$ 9.64	8.0	$ 77.09	
33	3 Inch Meter	$ 9.64	16.0	$ 154.18	
34	4 Inch Meter	$ 9.64	25.0	$ 240.91	
35	6 Inch Meter	$ 9.64	50.0	$ 481.83	
36	8 Inch Meter	$ 9.64	80.0	$ 770.92	
37	10 Inch Meter				
38					

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Comparison of Proposed Rates to Computed Costs
For a 5/8 Inch Residential Meter (With Required Operating Margin)

Exhibit
Schedule G-9
Page 1
Witness: Bourassa

Column Number-->		(1)	(2)		(3)	(4)	(5)	(6)	(7)	(8)	(9) (Col. 2 - Col. 8) Total Revenues minus Total Charges & Costs
		Revenues									
Line No.	Water Usage	Monthly Minimum	Commodity	Total	Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs	
1	0	$ 7.36	$ -	$ 7.36	$ 7.26	$ 6.52	$ 3.69	$ 0.92	0	$ 18.40	$ (11.03)
2	1,000	7.36	0.96	8.33	7.26	6.52	3.69	0.92	0.299	18.70	(10.37)
3	2,000	7.36	1.93	9.29	7.26	6.52	3.69	0.92	0.599	19.00	(9.70)
4	3,000	7.36	2.89	10.26	7.26	6.52	3.69	0.92	0.898	19.30	(9.04)
5	4,000	7.36	3.86	11.22	7.26	6.52	3.69	0.92	1.197	19.59	(8.37)
6	5,000	7.36	5.22	12.59	7.26	6.52	3.69	0.92	1.497	19.89	(7.31)
7	6,000	7.36	6.59	13.95	7.26	6.52	3.69	0.92	1.796	20.19	(6.24)
8	7,000	7.36	7.95	15.32	7.26	6.52	3.69	0.92	2.096	20.49	(5.18)
9	8,000	7.36	9.32	16.68	7.26	6.52	3.69	0.92	2.395	20.79	(4.11)
10	9,000	7.36	10.68	18.05	7.26	6.52	3.69	0.92	2.694	21.09	(3.04)
11	10,000	7.36	12.05	19.41	7.26	6.52	3.69	0.92	2.994	21.39	(1.98)
12	12,000	7.36	15.78	23.14	7.26	6.52	3.69	0.92	3.592	21.99	1.15
13	14,000	7.36	19.51	26.87	7.26	6.52	3.69	0.92	4.191	22.59	4.28
14	16,000	7.36	23.24	30.60	7.26	6.52	3.69	0.92	4.790	23.19	7.41
15	18,000	7.36	26.97	34.33	7.26	6.52	3.69	0.92	5.388	23.79	10.54
16	20,000	7.36	30.70	38.06	7.26	6.52	3.69	0.92	5.987	24.38	13.68
17	25,000	7.36	40.02	47.38	7.26	6.52	3.69	0.92	7.484	25.88	21.50
18	30,000	7.36	49.34	56.71	7.26	6.52	3.69	0.92	8.981	27.38	29.33
19	35,000	7.36	58.67	66.03	7.26	6.52	3.69	0.92	10.478	28.88	37.16
20	40,000	7.36	67.99	75.36	7.26	6.52	3.69	0.92	11.974	30.37	44.98
21	45,000	7.36	77.31	84.68	7.26	6.52	3.69	0.92	13.471	31.87	52.81
22	50,000	7.36	86.64	94.00	7.26	6.52	3.69	0.92	14.968	33.37	60.64
23	60,000	7.36	105.29	112.65	7.26	6.52	3.69	0.92	17.962	36.36	76.29
24	70,000	7.36	123.93	131.30	7.26	6.52	3.69	0.92	20.955	39.35	91.95
25	80,000	7.36	142.58	149.95	7.26	6.52	3.69	0.92	23.949	42.35	107.60
26	90,000	7.36	161.23	168.59	7.26	6.52	3.69	0.92	26.942	45.34	123.25
27	100,000	7.36	179.88	187.24	7.26	6.52	3.69	0.92	29.936	48.33	138.91

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Comparison of Proposed Rates to Computed Costs
For a 3/4 Inch Commercial Meter (With Required Operating Margin)

Exhibit
Schedule G-9
Page 2
Witness: Bourassa

Column Number-->		(1)	(2)		(3)	(4)	(5)	(6)	(7)	(8)	(9) (Col. 2 - Col. 8) Total Revenues minus Total Charges & Costs
		Revenues									
Line No.	Water Usage	Monthly Minimum	Commodity	Total	Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs	
1	0	$ 7.36	$ -	$ 7.36	$ 10.89	$ 9.78	$ 5.54	$ 1.38	0	$ 27.60	$ (20.23)
2	1,000	7.36	1.36	8.73	10.89	9.78	5.54	1.38	0.299	27.90	(19.17)
3	2,000	7.36	2.73	10.09	10.89	9.78	5.54	1.38	0.599	28.19	(18.10)
4	3,000	7.36	4.09	11.46	10.89	9.78	5.54	1.38	0.898	28.49	(17.04)
5	4,000	7.36	5.46	12.82	10.89	9.78	5.54	1.38	1.197	28.79	(15.97)
6	5,000	7.36	6.82	14.19	10.89	9.78	5.54	1.38	1.497	29.09	(14.90)
7	6,000	7.36	8.19	15.55	10.89	9.78	5.54	1.38	1.796	29.39	(13.84)
8	7,000	7.36	9.55	16.92	10.89	9.78	5.54	1.38	2.096	29.69	(12.77)
9	8,000	7.36	10.92	18.28	10.89	9.78	5.54	1.38	2.395	29.99	(11.71)
10	9,000	7.36	12.28	19.65	10.89	9.78	5.54	1.38	2.694	30.29	(10.64)
11	10,000	7.36	13.65	21.01	10.89	9.78	5.54	1.38	2.994	30.59	(9.58)
12	12,000	7.36	17.38	24.74	10.89	9.78	5.54	1.38	3.592	31.19	(6.45)
13	14,000	7.36	21.11	28.47	10.89	9.78	5.54	1.38	4.191	31.79	(3.32)
14	16,000	7.36	24.84	32.20	10.89	9.78	5.54	1.38	4.790	32.39	(0.19)
15	18,000	7.36	28.57	35.93	10.89	9.78	5.54	1.38	5.388	32.98	2.95
16	20,000	7.36	32.30	39.66	10.89	9.78	5.54	1.38	5.987	33.58	6.08
17	25,000	7.36	41.62	48.98	10.89	9.78	5.54	1.38	7.484	35.08	13.90
18	30,000	7.36	50.94	58.31	10.89	9.78	5.54	1.38	8.981	36.58	21.73
19	35,000	7.36	60.27	67.63	10.89	9.78	5.54	1.38	10.478	38.07	29.56
20	40,000	7.36	69.59	76.96	10.89	9.78	5.54	1.38	11.974	39.57	37.38
21	45,000	7.36	78.91	86.28	10.89	9.78	5.54	1.38	13.471	41.07	45.21
22	50,000	7.36	88.24	95.60	10.89	9.78	5.54	1.38	14.968	42.56	53.04
23	60,000	7.36	106.89	114.25	10.89	9.78	5.54	1.38	17.962	45.56	68.69
24	70,000	7.36	125.53	132.90	10.89	9.78	5.54	1.38	20.955	48.55	84.35
25	80,000	7.36	144.18	151.55	10.89	9.78	5.54	1.38	23.949	51.54	100.00
26	90,000	7.36	162.83	170.19	10.89	9.78	5.54	1.38	26.942	54.54	115.66
27	100,000	7.36	181.48	188.84	10.89	9.78	5.54	1.38	29.936	57.53	131.31

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Comparison of Proposed Rates to Computed Costs
For a 1 Inch Residential Meter (With Required Operating Margin)

Exhibit
Schedule G-9
Page 3
Witness: Bourassa

Column Number-->		(1)	(2)		(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Revenues									(Col. 2 - Col. 8) Total Revenues minus Total Charges & Costs
Line No.	Water Usage	Monthly Minimum	Commodity	Total	Demand Charges	Customer Charges	Service Line Charges	Meter Charges	Commodity Charges	Total Charges & Costs	
1	0	$ 20.67	$ -	$ 20.67	$ 18.16	$ 16.31	$ 9.23	$ 2.30	0	$ 45.99	$ (25.32)
2	1,000	20.67	1.36	22.04	18.16	16.31	9.23	2.30	0.299	46.29	(24.26)
3	2,000	20.67	2.73	23.40	18.16	16.31	9.23	2.30	0.599	46.59	(23.19)
4	3,000	20.67	4.09	24.77	18.16	16.31	9.23	2.30	0.898	46.89	(22.13)
5	4,000	20.67	5.46	26.13	18.16	16.31	9.23	2.30	1.197	47.19	(21.06)
6	5,000	20.67	6.82	27.50	18.16	16.31	9.23	2.30	1.497	47.49	(19.99)
7	6,000	20.67	8.19	28.86	18.16	16.31	9.23	2.30	1.796	47.79	(18.93)
8	7,000	20.67	9.55	30.23	18.16	16.31	9.23	2.30	2.096	48.09	(17.86)
9	8,000	20.67	10.92	31.59	18.16	16.31	9.23	2.30	2.395	48.39	(16.80)
10	9,000	20.67	12.28	32.95	18.16	16.31	9.23	2.30	2.694	48.69	(15.73)
11	10,000	20.67	13.65	34.32	18.16	16.31	9.23	2.30	2.994	48.99	(14.67)
12	12,000	20.67	16.38	37.05	18.16	16.31	9.23	2.30	3.592	49.59	(12.54)
13	14,000	20.67	19.11	39.78	18.16	16.31	9.23	2.30	4.191	50.18	(10.41)
14	16,000	20.67	21.84	42.51	18.16	16.31	9.23	2.30	4.790	50.78	(8.28)
15	18,000	20.67	24.57	45.24	18.16	16.31	9.23	2.30	5.388	51.38	(6.14)
16	20,000	20.67	27.30	47.97	18.16	16.31	9.23	2.30	5.987	51.98	(4.01)
17	25,000	20.67	34.12	54.79	18.16	16.31	9.23	2.30	7.484	53.48	1.31
18	30,000	20.67	43.44	64.12	18.16	16.31	9.23	2.30	8.981	54.97	9.14
19	35,000	20.67	52.77	73.44	18.16	16.31	9.23	2.30	10.478	56.47	16.97
20	40,000	20.67	62.09	82.76	18.16	16.31	9.23	2.30	11.974	57.97	24.79
21	45,000	20.67	71.41	92.09	18.16	16.31	9.23	2.30	13.471	59.46	32.62
22	50,000	20.67	80.74	101.41	18.16	16.31	9.23	2.30	14.968	60.96	40.45
23	60,000	20.67	99.39	120.06	18.16	16.31	9.23	2.30	17.962	63.96	56.10
24	70,000	20.67	118.03	138.71	18.16	16.31	9.23	2.30	20.955	66.95	71.76
25	80,000	20.67	136.68	157.35	18.16	16.31	9.23	2.30	23.949	69.94	87.41
26	90,000	20.67	155.33	176.00	18.16	16.31	9.23	2.30	26.942	72.94	103.07
27	100,000	20.67	173.98	194.65	18.16	16.31	9.23	2.30	29.936	75.93	118.72

Pima Utility Company - Water Division
Revenue Summary
Test Year Ended December 31, 2010

Exhibit
Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Classification	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues	Additional Bills	Additional Gallons
1	5/8x3/4 Inch	Residential	$ 1,274,912	$ 1,795,627	$ 520,715	40.84%	64.47%	59.83%		
2	1 Inch	Residential	116,781	169,973	53,192	45.55%	5.91%	5.66%		
3										
4	5/8x3/4 Inch	Commercial	$ 25,431	$ 42,022	$ 16,591	65.24%	1.29%	1.40%		
5	3/4 Inch	Commercial	1,819	3,038	1,218	66.98%	0.09%	0.10%		
6	1 Inch	Commercial	28,761	44,012	15,251	53.03%	1.45%	1.47%		
7	1 1/2 Inch	Commercial	10,567	15,582	5,015	47.45%	0.53%	0.52%		
8	2 Inch	Commercial	208,085	321,587	113,501	54.55%	10.52%	10.72%		
9										
10	Irrigation		310,134	600,523	290,390	93.63%	15.68%	20.01%		
11	Irrigation - recovered effluent		7,324	7,324	-	0.00%	0.37%	0.24%		
12										
13	**Subtotals of Revenues**		$ 1,983,814	$ 2,999,688	$ 1,015,873	51.21%	100.31%	99.95%		
14	**Revenue Annualizations:**									
15	5/8x3/4 Inch	Residential	$ (464)	$ (628)	$ (163)	35.20%	-0.02%	-0.02%	(46)	(265,673)
16	1 Inch	Residential	1,345	1,894	549	40.80%	0.07%	0.06%	32	179,482
17										
18	5/8x3/4 Inch	Commercial	$ (343)	$ (558)	$ (215)	62.64%	-0.02%	-0.02%	(11)	(285,257)
19	3/4 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%	0	-
20	1 Inch	Commercial	390	574	184	47.21%	0.02%	0.02%	6	286,139
21	1 1/2 Inch	Commercial	(127)	(172)	(45)	35.32%	-0.01%	-0.01%	(2)	(83,192)
22	2 Inch	Commercial	381	501	120	31.51%	0.02%	0.02%	5	244,063
23										
24	Irrigation - recovered effluent		(7,324)	(7,324)	-	0.00%	-0.37%	-0.24%	(12)	(21,544,200)
25	(belongs to Wastewater Division)									
26										
27	**Subtotal Revenue Annualization**		(6,142)	(5,712)	430	-7.00%	-0.31%	-0.29%	(28)	(21,468,639)
28										
29	**Total Revenues w/ Annualization**		$ 1,977,673	$ 2,993,976	$ 1,016,303	51.39%	100.00%	99.76%		
30	**Misc Revenues**		7,261	7,261	-	0.00%	0.37%	0.24%		
31	**Reconciling Amount**		(7,306)	(45)	7,261	-99.38%	-0.37%	0.00%		
32	**Total Revenues**		$ 1,977,628	$ 3,001,192	$ 1,023,564	51.76%	100.00%	100.00%		
33										
34										
35	**Reconciliation to GL Revenues**									
36	Metered Revenues Per GL		$ 1,976,508							
37	Adjustment - Irrigation Revenues									
38	Recorded on Sewer Books		2,314							
39	Adjusted Metered Revenues		$ 1,978,822							
40										
41	Bill Count Rev. before Annualization		1,983,814							
42	Difference		$ (4,992)							
43	% Difference		-0.25%							
44	Tolerance (+/- 0.5%)		$ 9,894							
45	Acceptable		Yes							
46										
47										
48										
49										
50										

Pima Utility Company - Water Division
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2010

Exhibit
Schedule H-2
Page 1
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/2010	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	9,747	6,395	$ 10.66	$ 14.49	$ 3.83	35.91%	95.87%
2	1 Inch	Residential	220	28,258	44.00	60.87	16.87	38.34%	2.17%
3									
4	5/8x3/4 Inch	Commercial	63	27,442	$ 32.82	53.54	20.72	63.14%	0.62%
5	3/4 Inch	Commercial	4	31,484	37.18	61.07	23.89	64.26%	0.04%
6	1 Inch	Commercial	46	35,570	51.90	74.50	22.61	43.56%	0.45%
7	1 1/2 Inch	Commercial	11	55,541	78.46	105.70	27.24	34.72%	0.11%
8	2 Inch	Commercial	72	51,537	79.14	103.93	24.79	31.32%	0.71%
9									
10	Irrigation		4	15,854,381	$ 5,851.58	$ 11,330.63	$ 5,479.05	93.63%	0.04%
11									
12									
13									
14									
15									
16									
17									
18	Totals		10,167						100.00%
19									
20	Actual Year End Number								
21	of Customers:		10,188						
22									
23									
24									
25									

Pima Utility Company - Water Division
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2010

Exhibit
Schedule H-2
Page 2
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/2010	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	9,747	4,500	$ 8.92	$ 11.91	$ 2.99	33.47%	95.87%
2	1 Inch	Residential	220	22,500	37.78	51.38	13.60	36.00%	2.17%
3									
4	5/8x3/4 Inch	Commercial	63	6,500	$ 10.76	$ 16.24	$ 5.48	50.89%	0.62%
5	3/4 Inch	Commercial	4	4,500	$ 8.92	$ 13.51	4.59	51.41%	0.04%
6	1 Inch	Commercial	46	11,000	$ 25.36	$ 35.68	10.32	40.71%	0.45%
7	1 1/2 Inch	Commercial	11	32,500	53.58	71.49	17.91	33.42%	0.11%
8	2 Inch	Commercial	72	65,000	93.68	122.30	28.62	30.55%	0.71%
9									
10	Irrigation		4	8,864,900	$ 3,335.36	$ 6,437.99	$ 3,102.63	93.02%	0.04%
11									
12									
13									
14									
15									
16									
17	Totals		10,167						100.00%
18									
19	Actual Year End Number								
20	of Customers:		10,188						
21									
22									
23									
24									

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Present and Proposed Rates

Exhibit
Schedule H-3
Page 1

Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8x3/4 Inch	$ 5.70	$ 7.36	$ 1.66	29.20%
2	3/4 Inch	5.70	7.36	1.66	29.20%
3	1 Inch	16.00	20.67	4.67	29.20%
4	1 1/2 Inch	21.00	27.13	6.13	29.20%
5	2 Inch	26.00	33.59	7.59	29.20%
6	3 Inch	40.00	51.68	11.68	29.20%
7	4 Inch	52.00	67.18	15.18	29.20%
8	6 Inch	100.00	129.20	29.20	29.20%
9					
10	Irrigation	180.00	232.56	52.56	29.20%
11					
12	Gallons In Minimum (All Classes, except irrigation)	1,000	-		
13					
14	Gallons In Minimum (Irrigation)	100,000	-		
15					
16			(Per 1,000 gallons)		
17			Present	Proposed	
18	Commodity Rates	Block	Rate	Rate	
19					
20	5/8x3/4 Inch (All Classes)	Over Minimum up to 10,000 gallons	$ 0.92		
21		Over 10,000 gallons	$ 1.08		
22					
23	5/8x3/4 Inch - Residential	1 gallons to 4,000 gallons		$ 0.96	
24		4,001 gallons to 10,000 gallons		$ 1.36	
25		over 10,000 gallons		$ 1.86	
26					
27	5/8x3/4 Inch - Commercial	1 gallons to 10,000 gallons		$ 1.36	
28		over 10,000 gallons		$ 1.86	
29					
30	3/4 Inch Meter (All Classes)	Over Minimum up to 10,000 gallons	$ 0.92		
31		Over 10,000 gallons	$ 1.08		
32					
33	3/4 Inch Meter - Residential	1 gallons to 4,000 gallons		$ 0.96	
34		4,001 gallons to 10,000 gallons		$ 1.36	
35		over 10,000 gallons		$ 1.86	
36					
37	3/4 Inch Meter - Commercial	1 gallons to 10,000 gallons		$ 0.96	
38		over 10,000 gallons		$ 1.36	
39					
40					
41	NT = No Tariff				
42					

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Present and Proposed Rates

Exhibit
Schedule H-3
Page 2

Line No.	Commodity Rates	Block	(Per 1,000 gallons) Present Rate	Proposed Rate
1				
2				
3	**Commodity Rates**	**Block**	**Present Rate**	**Proposed Rate**
4	1 Inch Meter (All classes)	Over Minimum up to 10,000 gallons	$ 0.92	
5		Over 10,000 gallons	$ 1.08	
6				
7	1 Inch Meter - Residential, Commercial	1 gallons to 25,000 gallons		$ 1.36
8		over 25,000 gallons		$ 1.86
9				
10	1.5 Inch Meter (All classes, except irrigation)	Over Minimum up to 10,000 gallons	$ 0.92	
11		Over 10,000 gallons	$ 1.08	
12				
13	1.5 Inch Meter - Residential, Commercial	1 gallons to 50,000 gallons		$ 1.36
14		over 50,000 gallons		$ 1.86
15				
16	2 Inch Meter (All classes, except irrigation)	Over Minimum up to 10,000 gallons	$ 0.92	
17		Over 10,000 gallons	$ 1.08	
18				
19	2 Inch Meter - Residential, Commercial	1 gallons to 80,000 gallons		$ 1.36
20		over 80,000 gallons		$ 1.86
21				
22	3 Inch Meter (All classes, except irrigation)	Over Minimum up to 10,000 gallons	$ 0.92	
23		Over 10,000 gallons	$ 1.08	
24				
25	3 Inch Meter - Residential, Commercial	1 gallons to 160,000 gallons		$ 1.36
26		over 160,000 gallons		$ 1.86
27				
28	4 Inch Meter (All classes, except irrigation)	Over Minimum up to 10,000 gallons	$ 0.92	
29		Over 10,000 gallons	$ 1.08	
30				
31	4 Inch Meter - Residential, Commercial	1 gallons to 250,000 gallons		$ 1.36
32		over 250,000 gallons		$ 1.86
33				
34	6 Inch Meter (All classes, except irrigation)	Over Minimum up to 10,000 gallons	$ 0.92	
35		Over 10,000 gallons	$ 1.08	
36				
37	6 Inch Meter - Residential, Commercial	1 gallons to 500,000 gallons		$ 1.36
38		over 500,000 gallons		$ 1.86
39				
40	Irrigation (all meter sizes)	Over Minimum	$ 0.36	$ 0.70
41				
42	Construction/Standpipe	All gallons	NT	$ 0.70
43				
44	NT = No Tariff			

Pima Utility Company - Water Division
Present and Proposed Rates
Test Year Ended December 31, 2010

Exhibit
Schedule H-3
Page 3
Witness: Bourassa

Line No.

1 Meter and Service Line Charges[1]

	Present Service Line Charge	Present Meter Install-ation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Install-ation Charge	Total Proposed Charge
5/8 x 3/4 Inch			NT	$ 385.00	$ 135.00	$ 520.00
3/4 Inch			NT	415.00	205.00	620.00
1 Inch			NT	465.00	265.00	730.00
1 1/2 Inch			NT	520.00	475.00	995.00
2 Inch Turbo			NT	800.00	995.00	1,795.00
2 Inch, Compound			NT	800.00	1,840.00	2,640.00
3 Inch Turbo			NT	1,015.00	1,620.00	2,635.00
3 Inch, compound			NT	1,135.00	2,495.00	3,630.00
4 Inch Turbo			NT	1,430.00	2,570.00	4,000.00
4 Inch, compound			NT	1,610.00	3,545.00	5,155.00
6 Inch Turbo			NT	2,150.00	4,925.00	7,075.00
6 Inch, compound			NT	2,270.00	6,820.00	9,090.00

[1] Based on ACC Staff Engineering Memo dated Feburary 21, 2008
NT = No Tariff

Other Charges:

Establishment	NT	$ 25.00
Reestablishment (within 12 months)	*	*
Reconnection (Deliquent)	NT	$ 25.00
Meter Test (if correct)	$ 20.00	$ 20.00
Meter Re-read (if correct)	$ 25.00	$ 25.00
Deposit	**	**
Deposit Interest	**	**
NSF Check	$ 15.00	$ 15.00
Deferred Payment, per month	1.5%	1.5%
Late Payment Fee (per month)	1.5%	1.5%
After hours service charge	NT	$ 50.00

* Number of months off the system times the monthly minimum.
** Per Rule R14-2-403.B

NT = No Tariff

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 5/8x3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 1
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 5.70	$ 7.36	$ 1.66	29.20%
1,000	5.70	8.33	$ 2.63	46.13%
2,000	6.62	9.29	$ 2.67	40.39%
3,000	7.54	10.26	$ 2.72	36.06%
4,000	8.46	11.22	$ 2.76	32.67%
5,000	9.38	12.59	$ 3.21	34.20%
6,000	10.30	13.95	$ 3.65	35.47%
7,000	11.22	15.32	$ 4.10	36.52%
8,000	12.14	16.68	$ 4.54	37.42%
9,000	13.06	18.05	$ 4.99	38.19%
10,000	13.98	19.41	$ 5.43	38.86%
12,000	16.14	23.14	$ 7.00	43.38%
14,000	18.30	26.87	$ 8.57	46.84%
16,000	20.46	30.60	$ 10.14	49.56%
18,000	22.62	34.33	$ 11.71	51.77%
20,000	24.78	38.06	$ 13.28	53.59%
25,000	30.18	47.38	$ 17.20	57.00%
30,000	35.58	56.71	$ 21.13	59.38%
35,000	40.98	66.03	$ 25.05	61.13%
40,000	46.38	75.36	$ 28.98	62.47%
45,000	51.78	84.68	$ 32.90	63.54%
50,000	57.18	94.00	$ 36.82	64.40%
60,000	67.98	112.65	$ 44.67	65.71%
70,000	78.78	131.30	$ 52.52	66.66%
80,000	89.58	149.95	$ 60.37	67.39%
90,000	100.38	168.59	$ 68.21	67.96%
100,000	111.18	187.24	$ 76.06	68.41%
Average Usage				
6,395	$ 10.66	$ 14.49	$ 3.83	35.91%
Median Usage				
4,500	$ 8.92	$ 11.91	$ 2.99	33.47%

Present Rates:

Monthly Minimum:		$	5.70
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	7.36
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	4,000	$	0.96
Up to	10,000	$	1.36
Over	10,000	$	1.86

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 1 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 2
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 16.00	$ 20.67	$ 4.67	29.20%
1,000	16.00	22.04	$ 6.04	37.73%
2,000	16.92	23.40	$ 6.48	38.31%
3,000	17.84	24.77	$ 6.93	38.82%
4,000	18.76	26.13	$ 7.37	39.29%
5,000	19.68	27.50	$ 7.82	39.71%
6,000	20.60	28.86	$ 8.26	40.10%
7,000	21.52	30.23	$ 8.71	40.45%
8,000	22.44	31.59	$ 9.15	40.78%
9,000	23.36	32.95	$ 9.59	41.07%
10,000	24.28	34.32	$ 10.04	41.35%
12,000	26.44	37.05	$ 10.61	40.13%
14,000	28.60	39.78	$ 11.18	39.09%
16,000	30.76	42.51	$ 11.75	38.19%
18,000	32.92	45.24	$ 12.32	37.42%
20,000	35.08	47.97	$ 12.89	36.74%
25,000	40.48	54.79	$ 14.31	35.35%
30,000	45.88	64.12	$ 18.24	39.75%
35,000	51.28	73.44	$ 22.16	43.21%
40,000	56.68	82.76	$ 26.08	46.02%
45,000	62.08	92.09	$ 30.01	48.34%
50,000	67.48	101.41	$ 33.93	50.28%
60,000	78.28	120.06	$ 41.78	53.37%
70,000	89.08	138.71	$ 49.63	55.71%
80,000	99.88	157.35	$ 57.47	57.54%
90,000	110.68	176.00	$ 65.32	59.02%
100,000	121.48	194.65	$ 73.17	60.23%
Average Usage				
28,258	$ 44.00	$ 60.87	$ 16.87	38.34%
Median Usage				
22,500	$ 37.78	$ 51.38	$ 13.60	36.00%

Present Rates:

Monthly Minimum:		$	16.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	20.67
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	25,000	$	1.36
Over	25,000	$	1.86

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 5/8x3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 1
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 5.70	$ 7.36	$ 1.66	29.20%
1,000	5.70	8.73	$ 3.03	53.14%
2,000	6.62	10.09	$ 3.47	52.48%
3,000	7.54	11.46	$ 3.92	51.97%
4,000	8.46	12.82	$ 4.36	51.58%
5,000	9.38	14.19	$ 4.81	51.26%
6,000	10.30	15.55	$ 5.25	51.00%
7,000	11.22	16.92	$ 5.70	50.78%
8,000	12.14	18.28	$ 6.14	50.60%
9,000	13.06	19.65	$ 6.59	50.44%
10,000	13.98	21.01	$ 7.03	50.30%
12,000	16.14	24.74	$ 8.60	53.29%
14,000	18.30	28.47	$ 10.17	55.58%
16,000	20.46	32.20	$ 11.74	57.38%
18,000	22.62	35.93	$ 13.31	58.84%
20,000	24.78	39.66	$ 14.88	60.05%
25,000	30.18	48.98	$ 18.80	62.31%
30,000	35.58	58.31	$ 22.73	63.88%
35,000	40.98	67.63	$ 26.65	65.04%
40,000	46.38	76.96	$ 30.58	65.92%
45,000	51.78	86.28	$ 34.50	66.63%
50,000	57.18	95.60	$ 38.42	67.20%
60,000	67.98	114.25	$ 46.27	68.07%
70,000	78.78	132.90	$ 54.12	68.70%
80,000	89.58	151.55	$ 61.97	69.17%
90,000	100.38	170.19	$ 69.81	69.55%
100,000	111.18	188.84	$ 77.66	69.85%
Average Usage				
27,442	$ 32.82	$ 53.54	$ 20.72	63.14%
Median Usage				
6,500	$ 10.76	$ 16.24	$ 5.48	50.89%

Present Rates:

Monthly Minimum:		$	5.70
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	7.36
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	10,000	$	1.36
Over	10,000	$	1.86

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 4
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 5.70	$ 7.36	$ 1.66	29.20%
1,000	5.70	8.73	$ 3.03	53.14%
2,000	6.62	10.09	$ 3.47	52.48%
3,000	7.54	11.46	$ 3.92	51.97%
4,000	8.46	12.82	$ 4.36	51.58%
5,000	9.38	14.19	$ 4.81	51.26%
6,000	10.30	15.55	$ 5.25	51.00%
7,000	11.22	16.92	$ 5.70	50.78%
8,000	12.14	18.28	$ 6.14	50.60%
9,000	13.06	19.65	$ 6.59	50.44%
10,000	13.98	21.01	$ 7.03	50.30%
12,000	16.14	24.74	$ 8.60	53.29%
14,000	18.30	28.47	$ 10.17	55.58%
16,000	20.46	32.20	$ 11.74	57.38%
18,000	22.62	35.93	$ 13.31	58.84%
20,000	24.78	39.66	$ 14.88	60.05%
25,000	30.18	48.98	$ 18.80	62.31%
30,000	35.58	58.31	$ 22.73	63.88%
35,000	40.98	67.63	$ 26.65	65.04%
40,000	46.38	76.96	$ 30.58	65.92%
45,000	51.78	86.28	$ 34.50	66.63%
50,000	57.18	95.60	$ 38.42	67.20%
60,000	67.98	114.25	$ 46.27	68.07%
70,000	78.78	132.90	$ 54.12	68.70%
80,000	89.58	151.55	$ 61.97	69.17%
90,000	100.38	170.19	$ 69.81	69.55%
100,000	111.18	188.84	$ 77.66	69.85%
Average Usage				
31,484	$ 37.18	$ 61.07	$ 23.89	64.26%
Median Usage				
4,500	$ 8.92	$ 13.51	$ 4.59	51.41%

Present Rates:

Monthly Minimum:		$	5.70
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	7.36
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	10,000	$	1.36
Over	10,000	$	1.86

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 5
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 16.00	$ 20.67	$ 4.67	29.20%
1,000	16.00	22.04	$ 6.04	37.73%
2,000	16.92	23.40	$ 6.48	38.31%
3,000	17.84	24.77	$ 6.93	38.82%
4,000	18.76	26.13	$ 7.37	39.29%
5,000	19.68	27.50	$ 7.82	39.71%
6,000	20.60	28.86	$ 8.26	40.10%
7,000	21.52	30.23	$ 8.71	40.45%
8,000	22.44	31.59	$ 9.15	40.78%
9,000	23.36	32.95	$ 9.59	41.07%
10,000	24.28	34.32	$ 10.04	41.35%
12,000	26.44	37.05	$ 10.61	40.13%
14,000	28.60	39.78	$ 11.18	39.09%
16,000	30.76	42.51	$ 11.75	38.19%
18,000	32.92	45.24	$ 12.32	37.42%
20,000	35.08	47.97	$ 12.89	36.74%
25,000	40.48	54.79	$ 14.31	35.35%
30,000	45.88	64.12	$ 18.24	39.75%
35,000	51.28	73.44	$ 22.16	43.21%
40,000	56.68	82.76	$ 26.08	46.02%
45,000	62.08	92.09	$ 30.01	48.34%
50,000	67.48	101.41	$ 33.93	50.28%
60,000	78.28	120.06	$ 41.78	53.37%
70,000	89.08	138.71	$ 49.63	55.71%
80,000	99.88	157.35	$ 57.47	57.54%
90,000	110.68	176.00	$ 65.32	59.02%
100,000	121.48	194.65	$ 73.17	60.23%
Average Usage				
35,570	$ 51.90	$ 74.50	$ 22.61	43.56%
Median Usage				
11,000	$ 25.36	$ 35.68	$ 10.32	40.71%

Present Rates:			
Monthly Minimum:		$	16.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:			
Monthly Minimum:		$	20.67
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	25,000	$	1.36
Over	25,000	$	1.86

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1 1/2 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 6
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 21.00	$ 27.13	$ 6.13	29.20%
1,000	21.00	28.50	$ 7.50	35.70%
2,000	21.92	29.86	$ 7.94	36.23%
3,000	22.84	31.23	$ 8.39	36.72%
4,000	23.76	32.59	$ 8.83	37.17%
5,000	24.68	33.96	$ 9.28	37.58%
6,000	25.60	35.32	$ 9.72	37.97%
7,000	26.52	36.69	$ 10.17	38.33%
8,000	27.44	38.05	$ 10.61	38.67%
9,000	28.36	39.41	$ 11.05	38.98%
10,000	29.28	40.78	$ 11.50	39.28%
12,000	31.44	43.51	$ 12.07	38.39%
14,000	33.60	46.24	$ 12.64	37.62%
16,000	35.76	48.97	$ 13.21	36.94%
18,000	37.92	51.70	$ 13.78	36.33%
20,000	40.08	54.43	$ 14.35	35.80%
25,000	45.48	61.25	$ 15.77	34.68%
30,000	50.88	68.08	$ 17.20	33.80%
35,000	56.28	74.90	$ 18.62	33.08%
40,000	61.68	81.72	$ 20.04	32.50%
45,000	67.08	88.55	$ 21.47	32.00%
50,000	72.48	95.37	$ 22.89	31.58%
60,000	83.28	114.02	$ 30.74	36.91%
70,000	94.08	132.67	$ 38.59	41.01%
80,000	104.88	151.31	$ 46.43	44.27%
90,000	115.68	169.96	$ 54.28	46.92%
100,000	126.48	188.61	$ 62.13	49.12%
Average Usage				
55,541	$ 78.46	$ 105.70	$ 27.24	34.72%
Median Usage				
32,500	$ 53.58	$ 71.49	$ 17.91	33.42%

Present Rates:			
Monthly Minimum:		$	21.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:			
Monthly Minimum:		$	27.13
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	50,000	$	1.36
Over	50,000	$	1.86

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commerical 2 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 7
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 26.00	$ 33.59	$ 7.59	29.20%
1,000	26.00	34.96	$ 8.96	34.45%
2,000	26.92	36.32	$ 9.40	34.92%
3,000	27.84	37.69	$ 9.85	35.37%
4,000	28.76	39.05	$ 10.29	35.78%
5,000	29.68	40.42	$ 10.74	36.17%
6,000	30.60	41.78	$ 11.18	36.54%
7,000	31.52	43.15	$ 11.63	36.88%
8,000	32.44	44.51	$ 12.07	37.21%
9,000	33.36	45.87	$ 12.51	37.51%
10,000	34.28	47.24	$ 12.96	37.81%
12,000	36.44	49.97	$ 13.53	37.13%
14,000	38.60	52.70	$ 14.10	36.53%
16,000	40.76	55.43	$ 14.67	35.99%
18,000	42.92	58.16	$ 15.24	35.50%
20,000	45.08	60.89	$ 15.81	35.07%
25,000	50.48	67.71	$ 17.23	34.13%
30,000	55.88	74.54	$ 18.66	33.38%
35,000	61.28	81.36	$ 20.08	32.77%
40,000	66.68	88.18	$ 21.50	32.25%
45,000	72.08	95.01	$ 22.93	31.81%
50,000	77.48	101.83	$ 24.35	31.43%
60,000	88.28	115.48	$ 27.20	30.81%
70,000	99.08	129.13	$ 30.05	30.33%
80,000	109.88	142.77	$ 32.89	29.94%
90,000	120.68	161.42	$ 40.74	33.76%
100,000	131.48	180.07	$ 48.59	36.96%
Average Usage				
51,537	$ 79.14	$ 103.93	$ 24.79	31.32%
Median Usage				
65,000	$ 93.68	$ 122.30	$ 28.62	30.55%

Present Rates:

Monthly Minimum:		$	26.00
Gallons in Minimum			1,000
Charge Per 1,000 Gallons			
Up to	10,000	$	0.92
Over	10,000	$	1.08

Proposed Rates:

Monthly Minimum:		$	33.59
Gallons in Minimum			-
Charge Per 1,000 Gallons			
Up to	80,000	$	1.36
Over	80,000	$	1.86

Pima Utility Company - Water Division
Bill Comparison of Present and Proposed Rates
Customer Classification Irrigation
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 8
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 180.00	$ 232.56	$ 52.56	29.20%
10,000	180.00	239.56	$ 59.56	33.09%
20,000	180.00	246.56	$ 66.56	36.98%
30,000	180.00	253.56	$ 73.56	40.87%
40,000	180.00	260.56	$ 80.56	44.76%
50,000	180.00	267.56	$ 87.56	48.64%
100,000	180.00	302.56	$ 122.56	68.09%
150,000	198.00	337.56	$ 139.56	70.48%
200,000	216.00	372.56	$ 156.56	72.48%
250,000	234.00	407.56	$ 173.56	74.17%
300,000	252.00	442.56	$ 190.56	75.62%
350,000	270.00	477.56	$ 207.56	76.87%
400,000	288.00	512.56	$ 224.56	77.97%
450,000	306.00	547.56	$ 241.56	78.94%
500,000	324.00	582.56	$ 258.56	79.80%
1,000,000	504.00	932.56	$ 428.56	85.03%
1,500,000	684.00	1,282.56	$ 598.56	87.51%
2,000,000	864.00	1,632.56	$ 768.56	88.95%
2,500,000	1,044.00	1,982.56	$ 938.56	89.90%
3,000,000	1,224.00	2,332.56	$ 1,108.56	90.57%
3,500,000	1,404.00	2,682.56	$ 1,278.56	91.07%
4,000,000	1,584.00	3,032.56	$ 1,448.56	91.45%
4,500,000	1,764.00	3,382.56	$ 1,618.56	91.76%
5,000,000	1,944.00	3,732.56	$ 1,788.56	92.00%
10,000,000	3,744.00	7,232.56	$ 3,488.56	93.18%
15,000,000	5,544.00	10,732.56	$ 5,188.56	93.59%
20,000,000	7,344.00	14,232.56	$ 6,888.56	93.80%
Average Usage				
15,854,381	$ 5,851.58	#########	$ 5,479.05	93.63%
Median Usage				
8,864,900	$ 3,335.36	$ 6,437.99	$ 3,102.63	93.02%

Present Rates:

Monthly Minimum:	$	180.00
Gallons in Minimum		100,000
Charge Per 1,000 Gallons		
All Gallons	$	0.36

Proposed Rates:

Monthly Minimum:	$	232.56
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons	$	0.70

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Residential 5/8x3/4 Inch Meter

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	233	234	234	267	305	361	423	425	392	381	335	358	3,948	3,948	-
1	1,000	427	398	431	465	721	784	794	878	749	706	517	607	7,477	11,425	3,742
1,001	2,000	771	821	804	738	857	800	846	786	764	856	649	897	9,589	21,014	18,131
2,001	3,000	1,153	1,193	1,055	963	984	865	869	910	888	971	907	1,099	11,857	32,871	47,779
3,001	4,000	1,423	1,421	1,392	1,113	1,008	872	887	929	834	1,063	1,005	1,299	13,246	46,117	94,147
4,001	5,000	1,375	1,403	1,331	1,117	946	872	838	801	862	980	1,069	1,191	12,785	58,902	151,685
5,001	6,000	1,132	1,153	1,192	1,018	892	790	745	764	759	890	963	985	11,283	70,185	213,748
6,001	7,000	864	853	911	905	730	668	673	688	684	749	848	799	9,372	79,557	274,670
7,001	8,000	633	646	650	695	654	596	556	542	618	602	715	631	7,538	87,095	331,209
8,001	9,000	433	423	488	542	439	479	452	478	494	469	546	437	5,680	92,775	379,492
9,001	10,000	350	326	308	431	426	413	428	404	414	389	440	331	4,660	97,435	423,764
10,001	12,000	380	341	419	572	613	628	551	593	619	562	583	432	6,293	103,728	492,990
12,001	14,000	177	191	186	338	368	435	441	401	478	364	367	234	3,980	107,708	544,732
14,001	16,000	134	116	133	202	238	316	305	280	325	217	240	145	2,651	110,359	584,499
16,001	18,000	68	70	78	121	144	212	228	224	224	143	144	85	1,741	112,100	614,097
18,001	20,000	52	43	38	82	117	158	160	135	158	93	115	68	1,219	113,319	637,258
20,001	25,000	76	49	61	105	169	232	244	227	231	156	148	82	1,780	115,099	677,309
25,001	30,000	22	26	26	41	72	118	136	107	99	72	67	34	820	115,919	699,859
30,001	35,000	10	14	13	18	23	66	53	64	58	23	31	8	381	116,300	712,242
35,001	40,000	8	5	4	12	13	29	32	28	30	25	13	6	205	116,505	719,930
40,001	45,000	10	7	-	4	10	11	26	18	16	8	10	4	124	116,629	725,200
45,001	50,000	1	2	1	1	10	10	16	22	13	8	8	3	95	116,724	729,712
50,001	60,000	6	3	1	7	4	14	14	18	15	7	10	4	103	116,827	735,377
60,001	70,000	4	3	-	2	3	7	11	5	9	3	-	-	47	116,874	738,432
70,001	80,000	1	1	-	3	3	3	3	6	4	1	1	2	28	116,902	740,532
80,001	90,000	1	1	3	1	1	-	1	5	2	2	1	1	19	116,921	742,147
90,001	100,000	2	2	-	1	-	1	-	2	2	-	1	-	11	116,932	743,192
213,190	213,190	1	-	-	-	-	-	-	-	-	-	-	-	1	116,933	743,406
258,550	258,550	1	-	-	-	-	-	-	-	-	-	-	-	1	116,934	743,664
104,500	104,500	-	-	1	-	-	-	-	-	-	-	-	-	1	116,935	743,769
111,780	111,780	-	-	1	-	-	-	-	-	-	-	-	-	1	116,936	743,881
241,420	241,420	-	-	1	-	-	-	-	-	-	-	-	-	1	116,937	744,122
355,740	355,740	-	-	-	1	-	-	-	-	-	-	-	-	1	116,938	744,478
111,750	111,750	-	-	-	-	1	-	-	-	-	-	-	-	1	116,939	744,589
121,200	121,200	-	-	-	-	1	-	-	-	-	-	-	-	1	116,940	744,711
123,790	123,790	-	-	-	-	-	1	-	-	-	-	-	-	1	116,941	744,834
166,810	166,810	-	-	-	-	-	1	-	-	-	-	-	-	1	116,942	745,001
121,750	121,750	-	-	-	-	-	-	1	-	-	-	-	-	1	116,943	745,123
140,810	140,810	-	-	-	-	-	-	1	-	-	-	-	-	1	116,944	745,264
153,210	153,210	-	-	-	-	-	-	1	-	-	-	-	-	1	116,945	745,417
163,180	163,180	-	-	-	-	-	-	1	-	-	-	-	-	1	116,946	745,580
100,790	100,790	-	-	-	-	-	-	-	1	-	-	-	-	1	116,947	745,681
105,250	105,250	-	-	-	-	-	-	-	1	-	-	-	-	1	116,948	745,786
111,540	111,540	-	-	-	-	-	-	-	1	-	-	-	-	1	116,949	745,898
147,600	147,600	-	-	-	-	-	-	-	1	-	-	-	-	1	116,950	746,045
185,710	185,710	-	-	-	-	-	-	-	1	-	-	-	-	1	116,951	746,231
100,250	100,250	-	-	-	-	-	-	-	-	1	-	-	-	1	116,952	746,331
106,130	106,130	-	-	-	-	-	-	-	-	1	-	-	-	1	116,953	746,437
108,570	108,570	-	-	-	-	-	-	-	-	1	-	-	-	1	116,954	746,546
140,460	140,460	-	-	-	-	-	-	-	-	1	-	-	-	1	116,955	746,686
155,890	155,890	-	-	-	-	-	-	-	-	1	-	-	-	1	116,956	746,842

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Residential 5/8x3/4 Inch Meter

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
221,260	221,260	-	-	-	-	-	-	-	-	1	-	-	-	1	116,957	747,064
100,480	100,480	-	-	-	-	-	-	-	-	-	1	-	-	1	116,958	747,164
103,850	103,850	-	-	-	-	-	-	-	-	-	1	-	-	1	116,959	747,268
213,940	213,940	-	-	-	-	-	-	-	-	-	1	-	-	1	116,960	747,482
388,960	388,960	-	-	-	-	-	-	-	-	-	1	-	-	1	116,961	747,871
102,210	102,210	-	-	-	-	-	-	-	-	-	-	-	1	1	116,962	747,973
104,090	104,090													-	116,962	747,973
	-													-	116,962	747,973
Totals		9,748	9,745	9,762	9,765	9,752	9,742	9,736	9,745	9,747	9,744	9,733	9,743	116,962		

Average Usage	6,395
Median Usage	4,500
Average # Customers	9,747
Change in Number of Customers	(5)

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Residential 1 Inch Meter

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	4	3	5	3	4	3	2	3	5	6	6	3	47	47	-
1	1,000	3	5	5	4	5	4	-	1	3	4	2	2	38	85	19
1,001	2,000	2	3	2	3	2	2	2	1	1	2	1	1	22	107	52
2,001	3,000	3	2	-	1	1	1	2	2	3	1	1	2	19	126	100
3,001	4,000	2	10	4	-	2	-	2	2	2	3	1	1	29	155	201
4,001	5,000	7	10	9	1	5	2	3	2	1	2	1	4	47	202	413
5,001	6,000	10	15	5	5	1	2	4	3	2	5	2	6	60	262	743
6,001	7,000	8	14	8	5	4	1	4	2	3	4	2	8	63	325	1,152
7,001	8,000	11	12	7	6	5	3	3	2	3	2	6	8	68	393	1,662
8,001	9,000	8	9	9	5	3	4	4	5	9	6	4	7	73	466	2,283
9,001	10,000	11	9	11	9	5	3	6	5	3	5	6	7	80	546	3,043
10,001	12,000	21	19	17	14	12	4	5	8	4	11	9	15	139	685	4,572
12,001	14,000	19	21	16	13	9	11	7	7	6	13	8	16	146	831	6,470
14,001	16,000	20	13	20	10	9	7	16	12	7	8	12	13	147	978	8,675
16,001	18,000	14	12	16	8	7	9	8	8	9	14	13	11	129	1,107	10,868
18,001	20,000	16	7	13	13	10	7	9	6	9	10	5	9	114	1,221	13,034
20,001	25,000	19	22	21	26	19	16	6	14	17	18	27	30	235	1,456	18,322
25,001	30,000	16	13	24	29	23	10	18	19	20	16	19	24	231	1,687	24,674
30,001	35,000	8	6	7	17	19	21	18	7	17	13	16	18	167	1,854	30,102
35,001	40,000	5	5	7	18	14	4	15	24	19	24	17	18	170	2,024	36,477
40,001	45,000	5	4	10	9	18	15	11	14	12	10	16	5	129	2,153	41,960
45,001	50,000	4	2	2	4	11	12	14	13	13	13	7	4	99	2,252	46,662
50,001	60,000	2	2	2	7	16	25	28	17	21	17	19	3	159	2,411	55,407
60,001	70,000	1	-	-	6	5	20	15	18	13	8	7	3	96	2,507	61,647
70,001	80,000	1	-	-	2	-	12	3	10	7	3	4	1	43	2,550	64,872
80,001	90,000	-	-	-	1	3	7	4	1	5	-	3	-	24	2,574	66,912
90,001	100,000	-	-	-	-	5	1	7	5	2	2	1	1	24	2,598	69,192
103,130	103,130	-	-	-	-	1	-	-	-	-	-	-	-	1	2,599	69,295
104,500	104,500	-	-	-	-	1	-	-	-	-	-	-	-	1	2,600	69,400
106,080	106,080	-	-	-	-	1	-	-	-	-	-	-	-	1	2,601	69,506
114,550	114,550	-	-	-	-	1	-	-	-	-	-	-	-	1	2,602	69,621
100,920	100,920	-	-	-	-	-	1	-	-	-	-	-	-	1	2,603	69,721
105,430	105,430	-	-	-	-	-	1	-	-	-	-	-	-	1	2,604	69,827
108,990	108,990	-	-	-	-	-	1	-	-	-	-	-	-	1	2,605	69,936
112,700	112,700	-	-	-	-	-	1	-	-	-	-	-	-	1	2,606	70,049
114,210	114,210	-	-	-	-	-	1	-	-	-	-	-	-	1	2,607	70,163
115,630	115,630	-	-	-	-	-	1	-	-	-	-	-	-	1	2,608	70,278
116,470	116,470	-	-	-	-	-	1	-	-	-	-	-	-	1	2,609	70,395
123,910	123,910	-	-	-	-	-	1	-	-	-	-	-	-	1	2,610	70,519
125,250	125,250	-	-	-	-	-	1	-	-	-	-	-	-	1	2,611	70,644
129,110	129,110	-	-	-	-	-	1	-	-	-	-	-	-	1	2,612	70,773
129150	129,150	-	-	-	-	-	1	-	-	-	-	-	-	1	2,613	70,902
135,060	135,060	-	-	-	-	-	1	-	-	-	-	-	-	1	2,614	71,037
136,240	136,240	-	-	-	-	-	1	-	-	-	-	-	-	1	2,615	71,174
146,360	146,360	-	-	-	-	-	1	-	-	-	-	-	-	1	2,616	71,320
147,410	147,410	-	-	-	-	-	1	-	-	-	-	-	-	1	2,617	71,467
105,230	105,230	-	-	-	-	-	-	1	-	-	-	-	-	1	2,618	71,573
109,450	109,450	-	-	-	-	-	-	1	-	-	-	-	-	1	2,619	71,682

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Residential 1 Inch Meter

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
110,720	110,720	-	-	-	-	-	-	1	-	-	-	-	-	1	2,620	71,793
127,300	127,300	-	-	-	-	-	-	1	-	-	-	-	-	1	2,621	71,920
134,180	134,180	-	-	-	-	-	-	1	-	-	-	-	-	1	2,622	72,054
150,160	150,160	-	-	-	-	-	-	1	-	-	-	-	-	1	2,623	72,204
103,140	103,140	-	-	-	-	-	-	-	1	-	-	-	-	1	2,624	72,308
103,420	103,420	-	-	-	-	-	-	-	1	-	-	-	-	1	2,625	72,411
113,730	113,730	-	-	-	-	-	-	-	1	-	-	-	-	1	2,626	72,525
117,320	117,320	-	-	-	-	-	-	-	1	-	-	-	-	1	2,627	72,642
118,240	118,240	-	-	-	-	-	-	-	1	-	-	-	-	1	2,628	72,760
121,140	121,140	-	-	-	-	-	-	-	1	-	-	-	-	1	2,629	72,881
128,270	128,270	-	-	-	-	-	-	-	1	-	-	-	-	1	2,630	73,010
108,440	108,440	-	-	-	-	-	-	-	-	1	-	-	-	1	2,631	73,118
113,950	113,950	-	-	-	-	-	-	-	-	1	-	-	-	1	2,632	73,232
115,640	115,640	-	-	-	-	-	-	-	-	1	-	-	-	1	2,633	73,348
118,110	118,110	-	-	-	-	-	-	-	-	1	-	-	-	1	2,634	73,466
136,410	136,410	-	-	-	-	-	-	-	-	1	-	-	-	1	2,635	73,602
145,430	145,430	-	-	-	-	-	-	-	-	1	-	-	-	1	2,636	73,748
111,270	111,270	-	-	-	-	-	-	-	-	-	1	-	-	1	2,637	73,859
132,090	132,090	-	-	-	-	-	-	-	-	-	1	-	-	1	2,638	73,991
160,930	160,930	-	-	-	-	-	-	-	-	-	1	-	-	1	2,639	74,152
103,280	103,280	-	-	-	-	-	-	-	-	-	-	1	-	1	2,640	74,255
104,630	104,630	-	-	-	-	-	-	-	-	-	-	1	-	1	2,641	74,360
111,880	111,880	-	-	-	-	-	-	-	-	-	-	1	-	1	2,642	74,472
119,610	119,610	-	-	-	-	-	-	-	-	-	-	1	-	1	2,643	74,591
123,980	123,980	-	-	-	-	-	-	-	-	-	-	-	1	1	2,644	74,715
	-													-	2,644	74,715
															2,644	74,715
Totals		220	218	220	219	221	221	222	218	222	223	219	221	2,644		

Average Usage	28,258
Median Usage	22,500
Average # Customers	220
Change in Number of Customers	1

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commercial 5/8x3/4 Inch Meter

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	9	15	12	7	15	7	8	8	6	13	6	9	115	115	-
1	1,000	9	7	7	6	4	9	3	9	4	5	7	8	78	193	39
1,001	2,000	1	1	3	6	4	7	3	6	5	5	4	6	51	244	116
2,001	3,000	3	2	1	-	4	2	7	4	5	5	4	3	40	284	216
3,001	4,000	3	3	3	2	2	3	2	-	1	-	-	1	20	304	286
4,001	5,000	3	4	2	4	1	2	2	-	1	-	2	-	21	325	380
5,001	6,000	3	2	3	3	1	2	2	2	1	6	1	4	30	355	545
6,001	7,000	1	1	2	1	2	3	3	1	3	-	3	3	23	378	695
7,001	8,000	3	3	1	4	4	1	1	3	2	2	3	2	29	407	912
8,001	9,000	2	2	3	1	-	1	2	4	2	2	3	3	25	432	1,125
9,001	10,000	1	1	2	2	1	1	1	1	2	1	-	2	15	447	1,267
10,001	12,000	2	2	4	-	2	2	1	-	3	2	4	-	22	469	1,509
12,001	14,000	3	-	2	5	2	2	4	2	3	4	1	1	29	498	1,886
14,001	16,000	2	2	-	3	2	-	1	-	1	-	1	3	15	513	2,111
16,001	18,000	4	3	1	-	1	2	-	2	-	-	1	1	15	528	2,366
18,001	20,000	2	1	2	2	2	1	1	-	2	1	1	1	16	544	2,670
20,001	25,000	-	1	2	-	-	4	2	2	2	1	4	1	19	563	3,098
25,001	30,000	2	3	2	3	3	-	3	-	-	-	-	3	19	582	3,620
30,001	35,000	2	1	1	2	-	3	1	2	1	-	-	1	14	596	4,075
35,001	40,000	1	2	2	-	-	-	2	1	4	-	2	-	14	610	4,600
40,001	45,000	-	1	-	2	-	1	2	-	1	3	2	1	13	623	5,153
45,001	50,000	1	1	3	1	1	-	2	2	-	1	-	-	12	635	5,723
50,001	60,000	2	-	1	2	2	3	1	3	4	3	3	4	28	663	7,263
60,001	70,000	1	2	-	-	3	2	1	2	2	-	2	1	16	679	8,303
70,001	80,000	1	1	1	2	1	1	-	2	-	1	1	-	11	690	9,128
80,001	90,000	-	-	1	2	-	1	-	-	2	1	2	-	9	699	9,893
90,001	100,000	-	-	-	-	1	1	1	-	1	-	-	-	4	703	10,273
117,850	117,850	1	-	-	-	-	-	-	-	-	-	-	-	1	704	10,391
181,270	181,270	1	-	-	-	-	-	-	-	-	-	-	-	1	705	10,572
126,320	126,320	-	1	-	-	-	-	-	-	-	-	-	-	1	706	10,698
229,920	229,920	-	1	-	-	-	-	-	-	-	-	-	-	1	707	10,928
118,030	118,030	-	-	1	-	-	-	-	-	-	-	-	-	1	708	11,046
389,050	389,050	-	-	1	-	-	-	-	-	-	-	-	-	1	709	11,435
119,530	119,530	-	-	-	1	-	-	-	-	-	-	-	-	1	710	11,555
280,200	280,200	-	-	-	1	-	-	-	-	-	-	-	-	1	711	11,835
389,870	389,870	-	-	-	1	-	-	-	-	-	-	-	-	1	712	12,225
103,810	103,810	-	-	-	-	1	-	-	-	-	-	-	-	1	713	12,329
113,200	113,200	-	-	-	-	1	-	-	-	-	-	-	-	1	714	12,442
114,540	114,540	-	-	-	-	1	-	-	-	-	-	-	-	1	715	12,556
149,200	149,200	-	-	-	-	1	-	-	-	-	-	-	-	1	716	12,706
425,820	425,820	-	-	-	-	1	-	-	-	-	-	-	-	1	717	13,131
111,160	111,160	-	-	-	-	-	1	-	-	-	-	-	-	1	718	13,243
114,060	114,060	-	-	-	-	-	1	-	-	-	-	-	-	1	719	13,357
121,230	121,230	-	-	-	-	-	1	-	-	-	-	-	-	1	720	13,478
122,230	122,230	-	-	-	-	-	1	-	-	-	-	-	-	1	721	13,600
134,440	134,440	-	-	-	-	-	1	-	-	-	-	-	-	1	722	13,735
301,340	301,340	-	-	-	-	-	1	-	-	-	-	-	-	1	723	14,036
107,240	107,240	-	-	-	-	-	-	1	-	-	-	-	-	1	724	14,143
111,020	111,020	-	-	-	-	-	-	1	-	-	-	-	-	1	725	14,254
112,130	112,130	-	-	-	-	-	-	1	-	-	-	-	-	1	726	14,366
135,570	135,570	-	-	-	-	-	-	1	-	-	-	-	-	1	727	14,502

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commercial 5/8x3/4 Inch Meter

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
144,100	144,100	-	-	-	-	-	-	1	-	-	-	-	-	1	728	14,646
359,330	359,330	-	-	-	-	-	-	1	-	-	-	-	-	1	729	15,005
370,080	370,080	-	-	-	-	-	-	1	-	-	-	-	-	1	730	15,375
108,300	108,300	-	-	-	-	-	-	-	1	-	-	-	-	1	731	15,484
110,760	110,760	-	-	-	-	-	-	-	1	-	-	-	-	1	732	15,594
118,790	118,790	-	-	-	-	-	-	-	1	-	-	-	-	1	733	15,713
126,520	126,520	-	-	-	-	-	-	-	1	-	-	-	-	1	734	15,840
334,930	334,930	-	-	-	-	-	-	-	1	-	-	-	-	1	735	16,175
379,140	379,140	-	-	-	-	-	-	-	1	-	-	-	-	1	736	16,554
113,340	113,340	-	-	-	-	-	-	-	-	1	-	-	-	1	737	16,667
125,610	125,610	-	-	-	-	-	-	-	-	1	-	-	-	1	738	16,793
377,520	377,520	-	-	-	-	-	-	-	-	1	-	-	-	1	739	17,170
428,610	428,610	-	-	-	-	-	-	-	-	1	-	-	-	1	740	17,599
108,330	108,330	-	-	-	-	-	-	-	-	-	1	-	-	1	741	17,707
121,940	121,940	-	-	-	-	-	-	-	-	-	1	-	-	1	742	17,829
131,480	131,480	-	-	-	-	-	-	-	-	-	1	-	-	1	743	17,961
176,810	176,810	-	-	-	-	-	-	-	-	-	1	-	-	1	744	18,137
312,670	312,670	-	-	-	-	-	-	-	-	-	1	-	-	1	745	18,450
339,670	339,670	-	-	-	-	-	-	-	-	-	1	-	-	1	746	18,790
102,600	102,600	-	-	-	-	-	-	-	-	-	-	1	-	1	747	18,892
115,570	115,570	-	-	-	-	-	-	-	-	-	-	1	-	1	748	19,008
220,760	220,760	-	-	-	-	-	-	-	-	-	-	1	-	1	749	19,229
308,510	308,510	-	-	-	-	-	-	-	-	-	-	1	-	1	750	19,537
328,710	328,710	-	-	-	-	-	-	-	-	-	-	1	-	1	751	19,866
113,560	113,560	-	-	-	-	-	-	-	-	-	-	-	1	1	752	19,979
134,630	134,630	-	-	-	-	-	-	-	-	-	-	-	1	1	753	20,114
279,630	279,630	-	-	-	-	-	-	-	-	-	-	-	1	1	754	20,394
324,890	324,890	-	-	-	-	-	-	-	-	-	-	-	1	1	755	20,719
	-													-	755	20,719
Totals		63	63	63	63	63	67	63	62	62	62	62	62	755		

Average Usage	27,442
Median Usage	6,500
Average # Customers	63
Change in Number of Customers	(1)

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commercial 3/4 Inch Meter

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1	1,000	1	-	-	-	-	-	-	-	-	-	-	-	1	1	1
1,001	2,000	1	-	-	-	1	1	-	2	-	-	-	2	7	8	11
2,001	3,000	-	1	1	1	-	-	-	-	-	1	1	-	5	13	24
3,001	4,000	-	1	-	-	1	1	1	-	1	-	1	1	7	20	48
4,001	5,000	1	1	1	1	1	1	2	-	-	1	-	-	9	29	89
5,001	6,000	-	-	-	1	-	-	-	-	-	-	-	-	1	30	94
6,001	7,000	-	-	-	-	-	-	-	-	1	-	-	-	1	31	101
7,001	8,000	-	-	-	-	-	-	-	-	-	-	1	-	1	32	108
8,001	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	108
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	32	108
10,001	12,000	-	-	1	-	-	-	-	-	-	-	-	-	1	33	119
12,001	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	119
14,001	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	119
16,001	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	119
18,001	20,000	-	-	-	-	-	-	-	1	-	1	-	-	2	35	157
20,001	25,000	-	-	-	-	-	-	-	-	-	1	-	-	1	36	180
25,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	36	180
30,001	35,000	-	1	-	-	-	-	-	-	1	-	-	-	2	38	245
35,001	40,000	1	-	1	-	-	-	-	-	-	-	-	-	2	40	320
40,001	45,000	-	-	-	1	-	-	-	-	-	-	-	-	1	41	362
45,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	41	362
50,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	41	362
60,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	41	362
70,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	41	362
80,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	41	362
90,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	41	362
273,100	273,100	-	-	-	-	1	-	-	-	-	-	-	-	1	42	635
203,400	203,400	-	-	-	-	-	1	-	-	-	-	-	-	1	43	839
201,000	201,000	-	-	-	-	-	-	1	-	-	-	-	-	1	44	1,040
131,100	131,100	-	-	-	-	-	-	-	1	-	-	-	-	1	45	1,171
113,300	113,300	-	-	-	-	-	-	-	-	1	-	-	-	1	46	1,284
107,300	107,300	-	-	-	-	-	-	-	-	-	-	1	-	1	47	1,391
120,000	120,000	-	-	-	-	-	-	-	-	-	-	-	1	1	48	1,511
	-													-	48	1,511
	-													-	48	1,511
Totals		4	4	4	4	4	4	4	4	4	4	4	4	48		

Average Usage	31,484
Median Usage	4,500
Average # Customers	4
Change in Number of Customers	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commercial 1 Inch Meter

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	7	6	3	7	4	4	4	3	3	7	4	5	57	57	-
1	1,000	6	7	8	6	5	5	6	7	5	6	7	6	74	131	37
1,001	2,000	4	4	3	3	4	5	5	5	5	4	5	4	51	182	114
2,001	3,000	1	3	3	3	2	1	-	2	1	1	-	2	19	201	161
3,001	4,000	3	2	1	-	3	-	-	-	-	-	-	1	10	211	196
4,001	5,000	2	2	4	3	1	2	1	-	2	3	2	1	23	234	300
5,001	6,000	-	1	-	1	-	1	1	-	1	-	2	1	8	242	344
6,001	7,000	1	2	1	1	-	-	-	3	1	-	-	-	9	251	402
7,001	8,000	2	-	-	-	1	-	-	-	-	-	-	-	3	254	425
8,001	9,000	1	1	-	-	1	-	-	1	-	1	-	-	5	259	467
9,001	10,000	-	-	1	1	-	-	-	-	-	-	1	-	3	262	496
10,001	12,000	1	1	2	-	2	2	2	1	1	2	1	2	17	279	683
12,001	14,000	-	1	1	1	1	-	-	-	1	2	1	-	8	287	787
14,001	16,000	3	2	1	1	1	1	2	-	-	1	-	1	13	300	982
16,001	18,000	2	-	2	2	-	-	1	-	1	-	1	3	12	312	1,186
18,001	20,000	-	1	1	-	-	2	-	-	-	-	1	-	5	317	1,281
20,001	25,000	1	-	1	2	2	1	1	-	-	1	-	1	10	327	1,506
25,001	30,000	5	2	2	1	1	-	1	2	-	1	-	1	16	343	1,946
30,001	35,000	3	1	-	2	-	2	2	2	2	1	2	2	19	362	2,563
35,001	40,000	-	1	-	1	-	2	2	2	3	2	-	3	16	378	3,163
40,001	45,000	1	1	1	-	4	1	1	1	-	2	2	2	16	394	3,843
45,001	50,000	2	-	4	2	2	2	-	2	1	-	4	2	21	415	4,841
50,001	60,000	1	3	2	1	4	-	-	1	3	2	1	2	20	435	5,941
60,001	70,000	-	-	-	2	1	3	2	-	2	1	1	1	13	448	6,786
70,001	80,000	2	-	-	-	1	1	1	1	-	4	1	2	13	461	7,761
80,001	90,000	-	-	1	-	-	1	2	1	7	1	3	1	17	478	9,206
90,001	100,000	-	1	1	-	-	3	2	4	1	-	2	-	14	492	10,536
101420	101,420	-	1	-	-	-	-	-	-	-	-	-	-	1	493	10,637
101970	101,970	-	-	-	-	-	-	-	-	-	-	1	-	1	494	10,739
104730	104,730	-	1	-	-	-	-	-	-	-	-	-	-	1	495	10,844
105000	105,000	-	-	-	-	1	-	-	-	-	-	-	-	1	496	10,949
105750	105,750	-	-	-	-	-	-	-	-	1	-	-	-	1	497	11,055
105800	105,800	-	-	-	-	-	-	-	-	-	1	-	-	1	498	11,160
108440	108,440	-	-	-	-	-	-	-	-	-	-	-	1	1	499	11,269
110090	110,090	-	-	-	1	-	-	-	-	-	-	-	-	1	500	11,379
110260	110,260	-	-	-	-	-	-	-	-	1	-	-	-	1	501	11,489
110610	110,610	-	-	-	-	-	-	-	-	-	-	1	-	1	502	11,600
111630	111,630	-	-	-	-	-	-	-	1	-	-	-	-	1	503	11,711
111970	111,970	-	-	-	1	-	-	-	-	-	-	-	-	1	504	11,823
122500	122,500	-	-	-	-	-	-	-	-	-	-	1	-	1	505	11,946
127200	127,200	-	-	-	-	1	-	-	-	-	-	-	-	1	506	12,073
128700	128,700	-	-	-	-	-	-	-	-	-	1	-	-	1	507	12,202
129300	129,300	-	-	-	-	-	-	-	-	-	-	1	-	1	508	12,331
129440	129,440	-	-	-	-	-	-	-	1	-	-	-	-	1	509	12,461
130870	130,870	-	-	-	-	1	-	-	-	-	-	-	-	1	510	12,591
131080	131,080	-	-	1	-	-	-	-	-	-	-	-	-	1	511	12,722
132540	132,540	-	-	-	-	-	1	-	-	-	-	-	-	1	512	12,855
133000	133,000	-	-	-	1	-	-	-	-	-	-	-	-	1	513	12,988
134660	134,660	-	-	-	-	1	-	-	-	-	-	-	-	1	514	13,123
136270	136,270	-	-	-	-	-	-	-	1	-	-	-	-	1	515	13,259
138000	138,000	-	-	-	-	-	-	1	-	-	-	-	-	1	516	13,397

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commercial 1 Inch Meter

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
138040	138,040	-	-	-	-	-	-	-	-	-	-	-	1	1	517	13,535
145300	145,300	-	-	-	-	-	-	1	-	-	-	-	-	1	518	13,680
152830	152,830	-	-	-	-	-	1	-	-	-	-	-	-	1	519	13,833
154700	154,700	-	-	-	1	-	-	-	-	-	-	-	-	1	520	13,988
157070	157,070	-	-	-	-	-	-	-	1	-	-	-	-	1	521	14,145
157110	157,110	-	-	-	-	-	-	-	-	1	-	-	-	1	522	14,302
158220	158,220	-	-	-	-	-	-	1	-	-	-	-	-	1	523	14,460
164030	164,030	1	-	-	-	-	-	-	-	-	-	-	-	1	524	14,624
171700	171,700	-	-	-	-	-	-	-	-	1	-	-	-	1	525	14,796
172320	172,320	-	-	-	1	-	-	-	-	-	-	-	-	1	526	14,968
175100	175,100	-	-	-	-	-	-	-	1	-	-	-	-	1	527	15,143
177700	177,700	-	-	-	-	-	-	-	-	1	-	-	-	1	528	15,321
178100	178,100	-	-	-	-	-	1	-	-	-	-	-	-	1	529	15,499
181900	181,900	-	-	-	-	-	-	-	-	-	1	-	-	1	530	15,681
182180	182,180	-	-	-	-	-	-	-	1	-	-	-	-	1	531	15,863
186600	186,600	-	-	-	-	1	-	-	-	-	-	-	-	1	532	16,050
188680	188,680	-	-	-	-	-	-	-	-	-	-	1	-	1	533	16,239
195520	195,520	-	-	-	-	-	-	-	-	-	-	-	1	1	534	16,434
204150	204,150	-	-	1	-	-	-	-	-	-	-	-	-	1	535	16,638
206990	206,990	-	-	-	-	-	-	1	-	-	-	-	-	1	536	16,845
207390	207,390	-	-	-	-	-	-	1	-	-	-	-	-	1	537	17,053
222200	222,200	-	-	-	-	-	1	-	-	-	-	-	-	1	538	17,275
226980	226,980	-	-	-	-	-	-	1	-	-	-	-	-	1	539	17,502
227590	227,590	-	-	-	-	-	-	1	-	-	-	-	-	1	540	17,729
229400	229,400	-	-	-	-	-	-	1	-	-	-	-	-	1	541	17,959
248100	248,100	-	-	-	-	-	1	-	-	-	-	-	-	1	542	18,207
248530	248,530	-	-	-	-	-	1	-	-	-	-	-	-	1	543	18,455
306500	306,500	-	-	-	-	-	-	-	1	-	-	-	-	1	544	18,762
313830	313,830	-	1	-	-	-	-	-	-	-	-	-	-	1	545	19,076
345250	345,250	-	-	-	-	-	-	1	-	-	-	-	-	1	546	19,421
	-													-	546	19,421
	-													-	546	19,421
	-													-	546	19,421
																19,421
Totals		49	45	45	45	45	45	45	45	45	45	46	46	546		

Average Usage	35,570
Median Usage	11,000
Average # Customers	46
Change in Number of Customers	(3)

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commercial 1 1/2 Inch Meter

Exhibit
Schedule H-5
Page 6
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	2	1	-	1	1	1	1	1	1	1	1	1	12	12	-
1	1,000	-	-	1	-	-	-	-	-	-	-	-	-	1	13	1
1,001	2,000	1	-	1	1	1	1	1	1	1	1	-	-	9	22	14
2,001	3,000	-	2	-	-	-	-	-	-	-	-	1	1	4	26	24
3,001	4,000	1	-	-	-	-	-	-	-	-	-	-	-	1	27	28
4,001	5,000	-	-	1	-	-	-	-	-	-	-	-	-	1	28	32
5,001	6,000	-	-	-	-	-	-	-	-	-	-	-	1	1	29	38
6,001	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	29	38
7,001	8,000	-	-	-	-	-	-	-	-	-	-	1	-	1	30	45
8,001	9,000	-	-	1	1	-	-	1	-	-	-	-	-	3	33	71
9,001	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	33	71
10,001	12,000	-	1	-	-	-	1	1	2	1	2	-	-	8	41	159
12,001	14,000	-	1	-	1	-	-	-	-	-	-	1	1	4	45	211
14,001	16,000	1	-	1	-	1	1	-	-	1	-	-	-	5	50	286
16,001	18,000	1	1	-	-	1	-	-	-	-	-	-	-	3	53	337
18,001	20,000	-	1	-	-	-	1	-	-	-	-	1	1	4	57	413
20,001	25,000	1	-	2	-	-	-	-	-	-	-	-	-	3	60	480
25,001	30,000	1	1	1	-	-	-	1	-	-	-	-	-	4	64	590
30,001	35,000	1	-	-	1	1	-	-	1	1	-	-	1	6	70	785
35,001	40,000	1	1	-	-	-	-	1	-	-	1	-	1	5	75	973
40,001	45,000	1	-	-	-	1	1	-	1	-	-	2	-	6	81	1,228
45,001	50,000	-	-	2	1	-	-	-	-	1	1	-	-	5	86	1,465
50,001	60,000	-	1	-	2	1	-	1	-	-	2	-	1	8	94	1,905
60,001	70,000	-	-	-	1	-	1	-	-	-	-	1	-	3	97	2,100
70,001	80,000	-	-	-	-	-	2	-	-	1	1	1	-	5	102	2,475
80,001	90,000	-	-	-	-	2	-	1	1	-	-	-	-	4	106	2,815
90,001	100,000	-	-	-	-	-	1	-	-	1	-	-	2	4	110	3,195
107,900	107,900	1	-	-	-	-	-	-	-	-	-	-	-	1	111	3,303
109,500	109,500	-	-	-	-	-	-	1	-	-	-	-	-	1	112	3,412
111,100	111,100	-	-	-	-	1	-	-	-	-	-	-	-	1	113	3,524
112,200	112,200	-	-	-	-	-	-	-	1	-	-	-	-	1	114	3,636
112,900	112,900	-	-	-	1	-	-	-	-	-	-	-	-	1	115	3,749
116,200	116,200	-	-	-	-	1	-	-	-	-	-	-	-	1	116	3,865
121,200	121,200	-	1	-	-	-	-	-	-	-	-	-	-	1	117	3,986
123,100	123,100	-	-	-	-	-	-	-	1	-	-	-	-	1	118	4,109
128,600	128,600	-	-	-	1	-	-	-	-	-	-	-	-	1	119	4,238
129,500	129,500	-	-	-	-	-	-	-	-	1	-	-	-	1	120	4,367
132,200	132,200	-	-	-	-	-	-	-	-	-	-	1	-	1	121	4,499
136,800	136,800	-	-	1	-	-	-	-	-	-	-	-	-	1	122	4,636
145,900	145,900	-	-	-	-	-	1	-	-	-	-	-	-	1	123	4,782
146,000	146,000	-	-	-	-	-	1	-	-	-	-	-	-	1	124	4,928
147,600	147,600	-	-	-	-	-	-	1	-	-	-	-	-	1	125	5,076
150,900	150,900	-	-	-	-	-	-	1	-	-	-	-	-	1	126	5,227
157,300	157,300	-	-	-	-	-	-	-	1	-	-	-	-	1	127	5,384
159,200	159,200	-	-	-	-	-	-	-	1	-	-	-	-	1	128	5,543
160,200	160,200	-	-	-	-	-	-	-	-	1	-	-	-	1	129	5,703
160,400	160,400	-	-	-	-	-	-	-	-	-	-	1	-	1	130	5,864
171,600	171,600	-	-	-	-	-	-	-	-	1	-	-	-	1	131	6,035
181,000	181,000	-	-	-	-	-	-	-	-	-	-	-	1	1	132	6,216
302,000	302,000	-	-	-	-	-	-	-	-	-	1	-	-	1	133	6,518
924,200	924,200	-	-	-	-	-	-	-	-	-	1	-	-	1	134	7,443

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commercial 1 1/2 Inch Meter

Exhibit
Schedule H-5
Page 6
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
	-													-	134	7,443
Totals		12	11	11	11	11	12	11	11	11	11	11	11	134		

Average Usage	55,541
Median Usage	32,500
Average # Customers	11
Change in Number of Customers	(1)

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commerical 2 Inch Meter

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	2	3	4	3	3	3	4	2	3	3	2	2	34	34	-
1	1,000	2	1	2	3	2	2	-	2	-	3	4	2	23	57	12
1,001	2,000	6	4	4	3	3	5	5	4	5	5	2	4	50	107	87
2,001	3,000	3	2	2	2	3	2	3	5	3	2	3	5	35	142	174
3,001	4,000	1	1	3	1	2	2	2	-	1	5	3	2	23	165	255
4,001	5,000	1	4	1	2	1	2	2	1	1	3	2	1	21	186	349
5,001	6,000	2	1	1	3	-	-	2	1	1	-	2	-	13	199	421
6,001	7,000	-	2	1	1	2	2	-	1	-	-	1	1	11	210	492
7,001	8,000	-	1	1	-	1	2	2	1	1	-	-	-	9	219	560
8,001	9,000	2	1	-	-	-	-	-	1	-	1	-	2	7	226	619
9,001	10,000	-	2	2	1	1	1	-	1	1	-	2	-	11	237	724
10,001	12,000	4	9	2	3	2	1	1	1	3	-	-	3	29	266	1,043
12,001	14,000	4	2	2	2	3	-	2	-	-	1	2	1	19	285	1,290
14,001	16,000	-	2	1	-	1	4	-	2	1	1	1	1	14	299	1,500
16,001	18,000	5	3	2	3	-	-	1	-	1	1	3	-	19	318	1,823
18,001	20,000	1	5	3	1	-	1	-	2	2	-	1	3	19	337	2,184
20,001	25,000	5	3	3	1	1	1	1	-	1	2	2	4	24	361	2,724
25,001	30,000	5	3	7	4	2	4	1	2	1	4	3	1	37	398	3,741
30,001	35,000	6	6	4	-	1	3	1	3	2	2	1	1	30	428	4,716
35,001	40,000	3	5	5	3	5	2	2	1	-	4	-	1	31	459	5,879
40,001	45,000	1	2	7	-	1	-	1	2	2	2	3	6	27	486	7,026
45,001	50,000	5	5	2	2	1	2	2	1	1	1	-	2	24	510	8,166
50,001	60,000	4	3	4	2	2	5	2	4	6	1	5	7	45	555	10,641
60,001	70,000	7	2	4	6	4	-	4	2	2	4	1	2	38	593	13,111
70,001	80,000	4	4	1	2	2	1	4	3	1	3	2	3	30	623	15,361
80,001	90,000	1	5	6	5	5	1	3	4	5	1	5	3	44	667	19,101
90,001	100,000	5	2	1	2	2	1	1	2	2	5	3	3	29	696	21,856
100,100	100,100	-	-	-	-	-	-	-	1	-	-	-	-	1	697	21,956
100,800	100,800	-	-	1	-	-	-	-	-	-	-	-	-	1	698	22,057
100,900	100,900	-	1	-	-	-	-	-	-	-	-	-	-	1	699	22,158
101,000	101,000	1	-	-	-	-	-	-	-	-	-	-	-	1	700	22,259
101,200	101,200	-	-	-	-	-	1	-	-	-	-	-	-	1	701	22,360
101,400	101,400	1	1	-	-	-	-	-	-	-	-	-	-	2	703	22,563
102,500	102,500	-	-	-	-	-	-	-	-	1	-	-	-	1	704	22,666
102,600	102,600	-	1	-	-	-	-	-	-	-	-	-	-	1	705	22,768
102,900	102,900	-	-	-	-	1	-	-	-	1	-	-	-	2	707	22,974
103,000	103,000	-	-	-	-	-	1	-	-	-	-	-	-	1	708	23,077
103,400	103,400	-	-	-	-	1	-	-	-	-	-	-	-	1	709	23,180
104,700	104,700	-	-	-	1	-	-	-	-	-	-	-	-	1	710	23,285
105,400	105,400	-	-	-	1	-	-	-	-	-	-	-	-	1	711	23,391
105,500	105,500	-	-	1	-	-	-	-	-	-	-	-	1	2	713	23,602
105,700	105,700	-	-	-	-	-	-	-	-	-	-	1	-	1	714	23,707
106,700	106,700	-	-	-	-	-	1	-	-	-	-	-	-	1	715	23,814
107,100	107,100	-	-	1	-	-	-	-	-	-	-	-	-	1	716	23,921
107,300	107,300	-	-	-	-	-	-	-	-	1	-	-	-	1	717	24,028
107,500	107,500	1	-	1	-	-	-	-	-	-	-	-	-	2	719	24,243
110,000	110,000	-	-	-	-	-	-	-	-	1	-	-	-	1	720	24,353
110,200	110,200	-	-	-	-	-	-	-	-	-	-	1	-	1	721	24,464
110,300	110,300	-	-	-	-	-	-	1	-	-	-	-	-	1	722	24,574
110,500	110,500	1	-	-	-	-	-	-	-	-	-	-	-	1	723	24,684
110,600	110,600	-	-	-	-	-	-	-	-	-	1	-	-	1	724	24,795

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commerical 2 Inch Meter

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
110,700	110,700	1	-	-	-	-	-	-	-	-	-	-	-	1	725	24,906
111,100	111,100	-	-	-	-	1	-	-	-	-	-	-	-	1	726	25,017
111,500	111,500	-	-	-	-	-	-	-	-	-	-	-	1	1	727	25,128
111,600	111,600	-	1	-	-	-	-	-	-	-	-	-	-	1	728	25,240
112,400	112,400	-	-	-	-	1	-	-	1	-	-	-	-	2	730	25,465
112,800	112,800	-	-	-	-	1	-	-	-	-	-	-	-	1	731	25,577
113,700	113,700	1	-	-	-	-	-	-	-	-	-	-	-	1	732	25,691
114,100	114,100	-	-	-	1	-	-	-	-	1	-	-	-	2	734	25,919
114,200	114,200	-	-	-	-	-	-	-	1	-	-	-	-	1	735	26,034
114,900	114,900	-	-	-	-	-	-	-	-	-	-	-	1	1	736	26,148
115,000	115,000	-	1	-	-	-	-	-	-	-	-	-	-	1	737	26,263
116,200	116,200	-	-	-	-	-	-	-	-	-	-	-	1	1	738	26,380
116,700	116,700	-	-	-	-	-	-	-	-	-	-	1	-	1	739	26,496
117,000	117,000	-	-	-	-	-	-	1	-	-	-	-	-	1	740	26,613
117,800	117,800	-	-	-	-	-	-	-	-	1	-	-	-	1	741	26,731
118,000	118,000	-	-	-	-	-	-	-	1	-	-	-	-	1	742	26,849
118,400	118,400	-	1	-	-	-	-	-	-	-	-	-	-	1	743	26,968
118,600	118,600	-	-	-	-	-	-	1	-	-	-	-	-	1	744	27,086
118,800	118,800	-	-	-	-	-	-	-	1	-	-	-	-	1	745	27,205
119,000	119,000	-	-	-	1	-	-	-	-	-	-	-	-	1	746	27,324
119,200	119,200	-	-	-	-	-	-	1	-	-	-	-	-	1	747	27,443
119,400	119,400	-	-	1	-	-	-	-	-	-	-	-	-	1	748	27,563
119,500	119,500	-	-	-	-	-	-	-	-	-	-	1	-	1	749	27,682
119,600	119,600	-	1	-	-	-	-	-	-	-	-	-	-	1	750	27,802
119,900	119,900	-	-	-	-	-	-	-	-	1	-	-	-	1	751	27,922
120,200	120,200	-	-	-	-	-	-	-	-	1	-	-	-	1	752	28,042
120,600	120,600	-	-	1	-	-	-	-	-	-	-	-	-	1	753	28,162
120,700	120,700	-	-	1	-	-	-	-	-	-	-	-	-	1	754	28,283
121,400	121,400	-	-	1	-	-	-	-	-	-	-	-	-	1	755	28,404
121,500	121,500	-	-	-	-	-	-	-	1	-	-	-	-	1	756	28,526
121,800	121,800	-	-	-	-	-	-	-	-	-	-	-	1	1	757	28,648
121,900	121,900	-	-	-	-	-	-	-	-	1	-	-	-	1	758	28,770
122,100	122,100	-	-	-	-	-	-	-	-	-	-	-	1	1	759	28,892
122,200	122,200	-	-	-	-	-	1	-	-	-	-	-	-	1	760	29,014
123,000	123,000	-	-	-	-	-	-	-	-	1	-	-	-	1	761	29,137
123,200	123,200	-	-	-	1	-	-	-	-	-	-	-	-	1	762	29,260
123,700	123,700	-	-	1	-	-	-	-	-	-	-	-	-	1	763	29,384
123,900	123,900	-	-	1	-	-	-	-	-	-	-	-	-	1	764	29,508
124,100	124,100	-	-	-	1	-	-	-	-	-	-	-	-	1	765	29,632
124,600	124,600	-	-	-	-	-	-	-	1	-	-	-	-	1	766	29,756
124,700	124,700	-	-	-	-	-	-	-	-	-	-	1	-	1	767	29,881
124,800	124,800	-	-	-	-	1	-	-	-	-	-	-	-	1	768	30,006
126,500	126,500	-	-	1	-	-	-	1	-	-	-	-	-	2	770	30,259
126,800	126,800	-	-	-	-	-	-	-	-	1	-	-	-	1	771	30,386
127,400	127,400	-	-	-	-	-	-	-	-	-	-	1	-	1	772	30,513
128,200	128,200	-	-	-	-	-	1	-	-	-	-	-	-	1	773	30,641
129,300	129,300	1	-	-	-	-	-	-	-	-	-	-	-	1	774	30,771
129,900	129,900	-	-	-	-	1	-	-	-	-	-	-	-	1	775	30,901
130,500	130,500	-	-	-	-	-	-	-	1	-	-	-	-	1	776	31,031
130,800	130,800	-	-	-	-	-	-	-	-	-	1	-	-	1	777	31,162
132,000	132,000	-	-	-	-	-	-	-	-	-	-	1	-	1	778	31,294

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commerical 2 Inch Meter

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
132,100	132,100	-	-	-	-	-	-	1	-	-	-	-	-	1	779	31,426
132,400	132,400	-	-	-	-	-	-	-	1	-	-	-	-	1	780	31,558
132,700	132,700	-	-	-	-	-	-	-	1	-	-	-	-	1	781	31,691
133,000	133,000	-	-	-	-	-	-	-	-	-	-	1	-	1	782	31,824
134,000	134,000	-	-	-	1	-	-	-	-	-	-	-	-	1	783	31,958
134,100	134,100	-	1	-	-	-	-	-	-	-	-	-	-	1	784	32,092
134,500	134,500	-	-	-	-	-	-	-	-	1	-	-	-	1	785	32,227
135,000	135,000	-	-	-	-	-	-	-	-	1	-	-	-	1	786	32,362
136,500	136,500	-	-	-	-	-	-	1	-	-	-	-	-	1	787	32,498
136,800	136,800	-	-	-	-	-	-	-	-	-	-	-	1	1	788	32,635
137,000	137,000	1	-	-	-	-	-	-	-	-	-	-	-	1	789	32,772
137,900	137,900	-	-	-	-	-	-	-	-	-	-	1	-	1	790	32,910
139,000	139,000	-	-	-	-	-	1	-	-	-	-	-	-	1	791	33,049
139,700	139,700	-	-	-	-	-	-	-	-	1	-	-	-	1	792	33,189
141,700	141,700	-	-	-	1	-	-	-	-	-	-	-	-	1	793	33,330
142,100	142,100	-	-	1	-	-	-	-	-	-	-	-	-	1	794	33,472
142,300	142,300	-	-	-	-	-	-	-	-	-	-	1	-	1	795	33,615
143,400	143,400	-	-	-	-	-	1	-	-	-	-	-	-	1	796	33,758
144,000	144,000	-	-	-	-	-	-	-	-	-	-	-	1	1	797	33,902
144,300	144,300	-	-	-	1	-	-	-	-	-	-	-	-	1	798	34,046
144,700	144,700	-	-	-	-	-	-	-	-	-	-	1	-	1	799	34,191
144,900	144,900	-	-	-	-	-	-	-	-	-	-	-	1	1	800	34,336
145,700	145,700	-	-	-	1	-	-	-	-	-	-	-	-	1	801	34,482
146,800	146,800	-	-	-	-	1	-	-	-	-	-	-	-	1	802	34,628
147,600	147,600	-	-	-	-	-	-	-	-	-	-	1	-	1	803	34,776
148,100	148,100	-	-	-	-	-	-	-	-	-	1	-	-	1	804	34,924
148,200	148,200	-	-	-	-	-	-	-	-	-	1	-	-	1	805	35,072
148,600	148,600	-	-	-	-	-	-	-	-	-	1	-	-	1	806	35,221
148,800	148,800	-	-	-	1	-	-	-	-	-	-	-	-	1	807	35,370
148,900	148,900	-	1	-	-	-	-	-	-	-	-	-	-	1	808	35,519
149,400	149,400	-	-	-	-	-	-	-	-	1	-	-	-	1	809	35,668
150,200	150,200	1	-	-	-	-	-	-	-	-	-	-	-	1	810	35,818
151,100	151,100	-	-	-	-	-	-	-	-	1	-	-	-	1	811	35,969
151,200	151,200	-	-	-	1	-	-	-	-	-	-	-	-	1	812	36,121
151,400	151,400	-	1	-	-	-	-	-	-	-	-	-	-	1	813	36,272
152,700	152,700	-	-	-	-	-	-	-	-	1	-	-	-	1	814	36,425
152,900	152,900	-	-	-	-	-	-	1	-	-	-	-	-	1	815	36,578
153,500	153,500	-	-	-	-	-	-	-	-	-	-	-	1	1	816	36,731
155,300	155,300	-	-	-	-	-	-	-	1	-	-	-	-	1	817	36,886
155,400	155,400	-	-	-	-	-	-	-	-	-	1	-	-	1	818	37,042
155,900	155,900	-	-	1	-	-	-	-	-	-	-	-	-	1	819	37,198
156,200	156,200	1	-	-	-	-	-	-	-	-	-	-	-	1	820	37,354
156,500	156,500	-	-	-	-	-	-	-	-	-	-	-	1	1	821	37,510
156,700	156,700	-	-	-	-	-	-	1	-	-	-	-	-	1	822	37,667
157,500	157,500	-	-	-	1	-	-	-	-	-	-	-	-	1	823	37,825
158,400	158,400	1	-	-	-	-	-	-	-	-	-	-	-	1	824	37,983
159,600	159,600	1	-	-	-	-	-	-	-	-	-	-	-	1	825	38,143
161,000	161,000	-	1	-	-	-	-	-	-	-	-	-	-	1	826	38,304
161,100	161,100	-	-	-	-	-	-	-	1	-	-	-	-	1	827	38,465
162,900	162,900	-	1	-	-	-	-	-	-	-	-	-	-	1	828	38,628
163,600	163,600	-	-	-	-	-	-	-	-	-	1	-	-	1	829	38,791

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commerical 2 Inch Meter

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
164,100	164,100	1	-	-	-	-	-	-	-	-	-	-	-	1	830	38,955
164,800	164,800	1	-	-	-	-	-	-	-	-	-	-	-	1	831	39,120
165,000	165,000	-	-	-	-	-	-	-	-	-	1	-	-	1	832	39,285
165,800	165,800	-	-	1	-	-	-	-	-	-	-	-	-	1	833	39,451
166,600	166,600	1	-	-	-	-	-	-	-	-	-	-	-	1	834	39,617
167,400	167,400	-	-	-	-	-	1	-	-	-	-	-	-	1	835	39,785
170,100	170,100	-	-	1	-	-	-	-	-	-	-	-	-	1	836	39,955
170,600	170,600	-	-	-	1	-	-	-	-	-	-	-	-	1	837	40,126
171,300	171,300	-	-	-	-	-	-	-	-	2	-	-	-	2	839	40,468
174,200	174,200	-	-	-	-	-	1	-	-	-	-	-	-	1	840	40,642
174,300	174,300	-	-	-	-	-	-	-	-	-	1	-	-	1	841	40,817
174,400	174,400	-	-	-	-	-	-	-	1	-	-	-	-	1	842	40,991
175,400	175,400	-	-	-	-	-	-	-	-	-	-	1	-	1	843	41,166
175,900	175,900	-	-	-	-	1	-	-	-	-	-	-	-	1	844	41,342
176,400	176,400	-	-	-	-	-	-	-	-	1	-	-	1	2	846	41,695
176,600	176,600	-	-	-	-	-	-	-	-	-	-	-	1	1	847	41,872
176,700	176,700	-	-	-	-	-	-	1	-	-	-	-	-	1	848	42,048
176,800	176,800	-	-	1	-	-	-	-	-	1	-	-	-	2	850	42,402
177,000	177,000	-	-	-	-	-	-	-	1	-	-	-	-	1	851	42,579
177,500	177,500	-	-	-	-	-	1	-	-	-	-	-	-	1	852	42,757
177,800	177,800	-	-	-	-	-	-	-	-	1	-	-	-	1	853	42,934
178,400	178,400	-	-	-	-	-	-	-	1	-	-	-	-	1	854	43,113
178,600	178,600	1	-	-	-	-	-	-	-	-	-	-	-	1	855	43,291
178,900	178,900	-	-	-	-	-	1	-	-	-	-	-	-	1	856	43,470
179,400	179,400	-	-	-	-	-	-	-	-	1	-	-	-	1	857	43,650
179,900	179,900	-	-	-	-	-	-	-	-	-	-	-	1	1	858	43,830
180,300	180,300	-	-	-	-	-	-	1	-	-	-	-	-	1	859	44,010
181,200	181,200	-	-	-	-	-	-	-	-	-	-	-	1	1	860	44,191
182,000	182,000	-	-	-	-	-	-	-	-	-	-	-	1	1	861	44,373
182,100	182,100	-	-	-	-	1	-	-	-	-	-	-	-	1	862	44,555
182,300	182,300	-	-	-	-	-	-	-	-	-	-	1	1	2	864	44,920
182,600	182,600	-	-	-	-	-	-	-	-	-	1	-	-	1	865	45,102
182,800	182,800	-	-	-	-	-	1	-	-	-	-	-	-	1	866	45,285
183,300	183,300	-	-	-	-	-	-	-	-	-	-	1	-	1	867	45,468
183,800	183,800	-	-	-	-	-	-	-	-	-	1	-	-	1	868	45,652
184,100	184,100	-	-	-	-	1	-	-	-	-	-	-	-	1	869	45,836
184,200	184,200	-	-	-	-	-	1	-	-	-	-	-	-	1	870	46,021
185,100	185,100	-	-	-	-	-	-	-	-	-	-	-	1	1	871	46,206
186,200	186,200	-	-	-	-	-	-	-	1	-	-	-	-	1	872	46,392
186,700	186,700	-	-	-	1	-	-	-	-	-	-	-	-	1	873	46,579
187,300	187,300	-	-	-	-	-	-	-	-	-	-	-	1	1	874	46,766
187,600	187,600	-	-	-	-	1	-	-	-	-	-	-	-	1	875	46,953
188,400	188,400	-	-	-	-	-	-	-	-	1	-	-	-	1	876	47,142
188,900	188,900	-	-	-	-	-	-	-	-	-	-	1	-	1	877	47,331
190,000	190,000	-	-	-	-	1	-	-	-	-	-	-	-	1	878	47,521
190,900	190,900	-	-	-	-	-	-	-	-	-	1	-	-	1	879	47,712
193,400	193,400	-	-	-	-	-	-	-	-	-	1	-	-	1	880	47,905
194,000	194,000	-	-	-	1	-	-	-	-	-	-	-	-	1	881	48,099
194,200	194,200	-	-	-	1	-	-	-	-	-	-	-	-	1	882	48,293
195,500	195,500	-	-	-	-	-	-	-	-	1	-	-	-	1	883	48,489
197,200	197,200	-	-	-	-	-	-	-	-	-	-	1	-	1	884	48,686

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commerical 2 Inch Meter

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
197,300	197,300	-	-	-	-	-	-	-	-	-	1	-	-	1	885	48,883
199,800	199,800	-	-	-	1	-	-	-	-	-	-	-	-	1	886	49,083
201,300	201,300	-	-	-	-	-	-	1	-	-	-	-	-	1	887	49,284
202,500	202,500	-	-	-	-	-	-	-	-	-	-	-	1	1	888	49,487
203,800	203,800	-	-	1	-	-	-	-	-	-	-	-	-	1	889	49,691
206,300	206,300	-	-	-	-	-	1	-	-	1	-	-	-	2	891	50,103
206,800	206,800	-	-	-	1	-	-	-	-	-	-	-	-	1	892	50,310
207,100	207,100	-	-	-	-	-	-	-	-	-	-	1	-	1	893	50,517
207,300	207,300	-	-	-	-	-	-	-	-	-	1	-	-	1	894	50,724
207,700	207,700	-	-	-	-	-	1	-	-	-	-	1	-	2	896	51,140
207,800	207,800	-	-	-	-	-	-	-	-	1	-	-	-	1	897	51,348
208,600	208,600	-	-	-	-	-	-	-	-	-	-	-	1	1	898	51,556
209,400	209,400	-	-	-	-	-	-	-	-	-	1	-	-	1	899	51,766
212,000	212,000	-	-	-	-	-	-	-	1	-	-	-	-	1	900	51,978
213,000	213,000	-	-	1	-	-	-	-	-	-	-	-	-	1	901	52,191
213,300	213,300	-	-	-	-	-	-	-	-	-	-	-	1	1	902	52,404
213,700	213,700	-	-	-	-	-	-	1	-	-	-	-	-	1	903	52,618
220,300	220,300	-	-	-	-	-	1	-	-	-	-	-	-	1	904	52,838
221,000	221,000	-	-	-	-	-	-	1	-	-	-	-	-	1	905	53,059
221,300	221,300	-	-	-	-	-	-	1	-	-	-	-	-	1	906	53,280
222,200	222,200	-	-	-	-	-	1	-	-	-	-	-	-	1	907	53,502
222,300	222,300	-	-	-	-	-	-	-	-	-	-	-	1	1	908	53,725
222,400	222,400	-	-	-	-	-	-	-	-	-	-	1	-	1	909	53,947
222,500	222,500	-	-	-	-	-	-	-	-	-	-	-	1	1	910	54,170
223,200	223,200	-	-	-	1	-	-	-	-	-	-	-	-	1	911	54,393
224,100	224,100	-	-	-	-	-	-	-	1	-	-	-	-	1	912	54,617
225,300	225,300	-	-	-	-	-	-	-	-	1	1	-	-	2	914	55,068
225,600	225,600	-	-	-	-	-	-	-	-	-	1	-	-	1	915	55,293
226,200	226,200	-	-	-	-	-	-	1	-	-	-	-	-	1	916	55,519
226,300	226,300	-	-	-	1	-	-	-	-	-	-	-	-	1	917	55,746
226,600	226,600	-	-	-	-	-	-	-	-	-	1	-	-	1	918	55,972
227,500	227,500	-	-	-	1	-	-	-	-	-	-	-	-	1	919	56,200
227,600	227,600	-	-	-	-	-	-	-	-	-	-	1	1	2	921	56,655
227,700	227,700	-	-	-	-	1	-	-	-	-	-	-	-	1	922	56,883
228,400	228,400	-	-	-	1	-	-	-	-	-	-	-	-	1	923	57,111
230,300	230,300	-	-	-	-	-	-	1	1	-	-	-	-	2	925	57,572
231,000	231,000	-	-	-	-	-	1	-	-	-	-	-	-	1	926	57,803
232,200	232,200	-	-	-	-	-	-	-	-	-	1	-	-	1	927	58,035
232,900	232,900	-	-	-	-	-	-	-	-	-	-	-	1	1	928	58,268
233,400	233,400	-	-	-	-	-	-	-	-	-	-	1	-	1	929	58,501
233,900	233,900	-	-	-	-	-	-	-	1	-	-	-	-	1	930	58,735
236,400	236,400	-	-	-	-	-	-	-	-	-	-	1	-	1	931	58,971
237,900	237,900	-	-	-	1	-	-	-	-	-	-	-	-	1	932	59,209
238,900	238,900	-	-	-	-	-	-	-	-	-	1	-	-	1	933	59,448
241,300	241,300	-	-	-	-	-	-	1	-	-	-	-	-	1	934	59,690
242,800	242,800	-	-	-	1	-	-	-	-	-	-	-	-	1	935	59,932
243,400	243,400	-	-	-	-	-	1	-	-	-	-	-	-	1	936	60,176
243,700	243,700	-	-	-	-	-	-	-	1	-	-	-	-	1	937	60,419
244,400	244,400	-	-	-	-	1	-	-	-	-	-	-	-	1	938	60,664
245,200	245,200	-	-	-	-	1	-	-	-	-	-	-	-	1	939	60,909
245,600	245,600	-	-	-	-	-	-	-	-	1	-	-	-	1	940	61,155

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commerical 2 Inch Meter

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
245,800	245,800	-	1	-	-	-	-	-	-	-	-	-	-	1	941	61,400
246,300	246,300	-	-	-	-	-	-	-	-	-	-	-	1	1	942	61,647
248,100	248,100	-	-	-	1	-	-	-	-	-	-	-	-	1	943	61,895
251,900	251,900	-	-	-	-	-	-	-	-	-	-	1	-	1	944	62,147
256,200	256,200	-	-	-	-	-	-	-	-	1	-	-	-	1	945	62,403
256,600	256,600	-	-	-	1	-	-	-	-	-	-	-	-	1	946	62,660
257,100	257,100	-	-	-	-	-	-	-	1	-	-	-	-	1	947	62,917
258,600	258,600	-	-	-	-	-	1	-	-	-	-	-	-	1	948	63,175
260,400	260,400	-	-	-	-	-	-	-	-	1	-	-	-	1	949	63,436
263,700	263,700	-	-	-	-	-	-	-	1	-	-	-	-	1	950	63,699
264,300	264,300	-	-	-	-	-	-	1	-	-	-	-	-	1	951	63,964
265,200	265,200	-	-	-	-	-	-	-	-	-	-	1	-	1	952	64,229
266,800	266,800	-	-	-	-	-	1	-	-	-	-	-	-	1	953	64,496
268,500	268,500	-	-	-	1	-	-	-	-	-	-	-	-	1	954	64,764
272,500	272,500	-	-	-	-	-	-	-	-	-	1	-	-	1	955	65,037
272,900	272,900	-	-	-	-	1	-	-	-	-	-	-	-	1	956	65,310
273,100	273,100	-	-	-	-	1	-	-	-	-	-	-	-	1	957	65,583
274,500	274,500	-	-	-	-	-	-	-	-	-	-	-	1	1	958	65,857
274,600	274,600	-	-	-	-	1	-	-	-	-	-	-	-	1	959	66,132
276,400	276,400	-	-	1	-	-	-	-	-	-	-	-	-	1	960	66,408
282,800	282,800	-	-	-	1	-	-	-	-	-	-	-	-	1	961	66,691
283,700	283,700	-	-	-	-	-	-	1	-	-	-	-	-	1	962	66,975
283,900	283,900	-	-	1	-	-	-	-	-	-	-	-	-	1	963	67,259
284,000	284,000	-	-	-	1	-	-	-	-	-	-	-	-	1	964	67,543
284,900	284,900	-	-	-	-	-	-	-	-	-	-	1	-	1	965	67,827
287,900	287,900	-	-	-	-	-	-	-	-	-	1	-	-	1	966	68,115
288,300	288,300	-	-	-	-	-	-	-	-	-	-	-	1	1	967	68,404
289,000	289,000	-	-	-	-	-	-	-	-	1	-	-	-	1	968	68,693
291,500	291,500	-	-	-	-	-	-	-	-	-	1	-	-	1	969	68,984
293,200	293,200	-	-	-	-	1	-	-	-	-	-	-	-	1	970	69,277
294,400	294,400	-	-	-	-	-	-	-	-	-	-	-	1	1	971	69,572
295,800	295,800	-	-	-	-	-	-	1	-	-	-	-	-	1	972	69,868
296,100	296,100	-	-	-	-	1	-	-	-	-	-	-	-	1	973	70,164
296,500	296,500	-	-	-	-	-	1	-	-	-	-	-	-	1	974	70,460
297,100	297,100	-	-	-	-	1	-	-	-	-	-	-	-	1	975	70,757
297,700	297,700	-	-	-	-	-	-	-	-	1	-	-	-	1	976	71,055
298,100	298,100	-	-	-	-	-	-	-	-	-	-	1	-	1	977	71,353
298,200	298,200	-	-	-	-	-	-	1	-	-	-	-	-	1	978	71,651
298,600	298,600	-	-	-	-	-	-	-	1	-	-	-	-	1	979	71,950
299,700	299,700	-	-	-	-	-	-	-	-	-	1	-	-	1	980	72,250
300,000	300,000	-	-	-	-	-	1	-	-	-	-	-	-	1	981	72,550
301,200	301,200	-	-	-	-	-	-	-	-	-	-	1	-	1	982	72,851
301,300	301,300	-	-	-	-	-	-	-	-	-	-	1	-	1	983	73,152
302,000	302,000	-	-	-	-	-	-	-	-	1	-	-	-	1	984	73,454
303,700	303,700	-	-	-	-	-	-	-	1	-	-	-	-	1	985	73,758
304,900	304,900	-	-	-	-	-	-	1	-	-	-	-	-	1	986	74,063
305,600	305,600	-	-	-	-	1	-	-	-	-	-	-	-	1	987	74,368
309,600	309,600	-	-	-	1	-	-	-	-	-	-	-	-	1	988	74,678
311,900	311,900	-	-	-	-	-	1	-	-	-	-	-	-	1	989	74,990
313,300	313,300	-	-	-	-	1	-	-	-	-	-	-	-	1	990	75,303
314,400	314,400	-	-	-	-	-	-	-	-	1	-	-	-	1	991	75,617

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commerical 2 Inch Meter

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
315,100	315,100	-	-	-	-	1	-	-	-	-	-	-	-	1	992	75,933
316,500	316,500	-	-	-	-	-	-	-	-	1	-	-	-	1	993	76,249
318,000	318,000	-	-	-	-	-	-	-	-	-	-	-	1	1	994	76,567
319,500	319,500	-	-	-	-	-	-	-	-	1	-	-	-	1	995	76,887
322,000	322,000	-	-	-	1	-	-	-	-	-	-	-	-	1	996	77,209
322,700	322,700	-	-	-	-	-	-	1	-	-	-	-	-	1	997	77,531
324,300	324,300	-	-	-	-	1	-	-	-	-	-	-	-	1	998	77,856
324,900	324,900	-	-	-	-	-	-	-	-	-	1	-	-	1	999	78,180
327,200	327,200	-	-	-	-	1	-	-	-	-	-	-	-	1	1,000	78,508
327,400	327,400	-	-	-	-	-	-	-	-	-	-	-	1	1	1,001	78,835
330,500	330,500	-	-	-	-	-	-	-	1	-	-	-	-	1	1,002	79,166
331,400	331,400	-	-	-	-	-	1	-	-	-	-	-	-	1	1,003	79,497
331,500	331,500	-	-	-	-	-	-	-	-	1	-	-	-	1	1,004	79,828
332,700	332,700	-	-	-	-	-	-	-	-	-	-	1	-	1	1,005	80,161
332,800	332,800	-	-	-	-	-	-	1	-	-	-	-	-	1	1,006	80,494
334,100	334,100	-	-	-	-	-	-	-	-	-	-	-	1	1	1,007	80,828
335,300	335,300	-	-	-	-	1	-	-	-	-	-	-	-	1	1,008	81,163
336,700	336,700	-	-	-	-	-	-	1	-	-	-	-	-	1	1,009	81,500
338,000	338,000	-	-	-	-	-	-	-	-	-	2	-	-	2	1,011	82,176
338,400	338,400	-	-	-	-	-	-	-	1	-	-	-	-	1	1,012	82,514
339,400	339,400	-	-	-	-	-	-	-	-	-	-	1	-	1	1,013	82,854
340,300	340,300	-	-	-	-	-	-	-	-	-	-	1	-	1	1,014	83,194
341,400	341,400	-	-	-	1	-	-	-	-	-	-	-	-	1	1,015	83,536
341,600	341,600	-	-	1	-	-	-	-	-	-	-	-	-	1	1,016	83,877
342,100	342,100	-	-	-	-	-	-	-	1	-	-	-	-	1	1,017	84,219
345,100	345,100	-	-	-	-	-	1	-	-	-	-	-	-	1	1,018	84,564
345,200	345,200	-	-	-	-	-	-	1	-	-	-	-	-	1	1,019	84,910
345,600	345,600	-	-	-	-	-	-	-	-	-	-	-	1	1	1,020	85,255
346,200	346,200	-	-	-	1	-	-	-	-	-	-	-	-	1	1,021	85,601
348,700	348,700	-	-	-	-	-	1	-	-	-	-	-	-	1	1,022	85,950
351,800	351,800	-	-	-	-	-	-	-	1	-	-	-	-	1	1,023	86,302
352,600	352,600	-	-	-	-	-	-	-	1	-	-	-	-	1	1,024	86,654
352,900	352,900	-	-	-	1	-	-	-	-	-	-	-	-	1	1,025	87,007
357,800	357,800	-	-	-	-	-	-	-	-	1	-	-	-	1	1,026	87,365
358,500	358,500	-	-	-	-	-	1	-	-	-	-	-	-	1	1,027	87,724
359,000	359,000	1	-	-	-	-	-	-	-	-	-	-	-	1	1,028	88,083
359,200	359,200	-	-	-	-	-	-	-	-	-	-	1	-	1	1,029	88,442
361,100	361,100	-	-	-	-	-	-	-	1	-	-	-	-	1	1,030	88,803
361,300	361,300	-	-	-	-	-	-	-	-	-	-	1	-	1	1,031	89,164
366,800	366,800	-	-	-	1	-	-	-	-	-	-	-	-	1	1,032	89,531
377,000	377,000	-	-	-	-	-	-	-	1	-	-	-	-	1	1,033	89,908
377,800	377,800	-	-	-	-	-	1	-	-	-	-	-	-	1	1,034	90,286
380,100	380,100	-	-	-	-	-	1	-	-	-	-	-	-	1	1,035	90,666
383,000	383,000	-	-	-	-	-	-	-	-	1	-	-	-	1	1,036	91,049
383,800	383,800	-	-	-	-	-	-	-	-	-	1	-	-	1	1,037	91,433
388,600	388,600	-	-	-	-	-	-	-	1	-	-	-	-	1	1,038	91,821
388,700	388,700	-	-	-	-	-	-	-	1	-	-	-	-	1	1,039	92,210
390,600	390,600	-	-	-	-	1	-	-	-	-	-	-	-	1	1,040	92,601
391,100	391,100	-	-	-	-	1	-	-	-	-	-	-	-	1	1,041	92,992
394,400	394,400	-	-	-	-	-	1	-	-	-	-	-	-	1	1,042	93,386
395,200	395,200	-	-	-	-	-	-	1	-	-	-	-	-	1	1,043	93,781

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commerical 2 Inch Meter

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
396,800	396,800	-	-	-	-	-	-	-	-	-	1	-	-	1	1,044	94,178
398,700	398,700	-	-	-	-	-	-	-	-	1	-	-	-	1	1,045	94,577
399,800	399,800	-	-	-	-	-	-	-	-	-	1	-	-	1	1,046	94,977
403,200	403,200	-	-	-	-	-	-	-	-	-	-	1	-	1	1,047	95,380
404,700	404,700	-	-	-	1	-	-	-	-	-	-	-	-	1	1,048	95,785
408,200	408,200	-	-	-	-	-	1	-	-	-	-	-	-	1	1,049	96,193
409,100	409,100	-	-	-	-	1	-	-	-	-	-	-	-	1	1,050	96,602
414,700	414,700	-	-	-	-	-	1	-	-	-	-	-	-	1	1,051	97,017
415,400	415,400	-	-	-	-	1	-	-	-	-	-	-	-	1	1,052	97,432
417,900	417,900	-	-	-	-	-	-	-	1	-	-	-	-	1	1,053	97,850
418,300	418,300	-	-	-	-	-	-	-	-	1	-	-	-	1	1,054	98,268
419,300	419,300	-	-	-	-	-	-	-	-	-	1	-	-	1	1,055	98,687
420,000	420,000	-	-	-	-	-	1	-	-	-	-	-	-	1	1,056	99,107
420,100	420,100	-	-	-	-	-	-	1	-	-	-	-	-	1	1,057	99,528
420,600	420,600	-	-	-	-	1	-	-	-	1	-	-	-	2	1,059	100,369
421,900	421,900	-	-	-	-	-	1	-	-	-	-	-	-	1	1,060	100,791
423,100	423,100	-	-	-	-	-	-	1	-	-	-	-	-	1	1,061	101,214
424,400	424,400	-	-	-	-	-	-	-	-	-	-	1	-	1	1,062	101,638
428,900	428,900	-	-	-	1	-	-	-	-	-	-	-	-	1	1,063	102,067
437,000	437,000	-	-	-	-	-	1	-	-	-	-	-	-	1	1,064	102,504
438,900	438,900	-	-	-	-	-	-	-	-	1	-	-	-	1	1,065	102,943
439,900	439,900	-	-	-	-	-	-	-	-	-	-	1	-	1	1,066	103,383
448,400	448,400	-	-	-	-	-	-	1	-	-	-	-	-	1	1,067	103,831
449,900	449,900	-	-	-	-	-	-	-	-	-	1	-	-	1	1,068	104,281
453,800	453,800	-	-	-	-	-	1	-	-	-	-	-	-	1	1,069	104,735
454,600	454,600	-	-	-	-	-	-	-	-	1	-	-	-	1	1,070	105,190
455,500	455,500	-	-	-	-	-	1	-	-	-	-	-	-	1	1,071	105,645
462,000	462,000	-	-	-	-	-	-	-	1	-	-	-	-	1	1,072	106,107
462,200	462,200	-	-	-	-	-	-	-	-	-	1	-	-	1	1,073	106,569
462,500	462,500	-	-	-	-	-	-	1	-	-	-	-	-	1	1,074	107,032
463,500	463,500	-	-	-	-	-	-	-	1	-	-	-	-	1	1,075	107,495
466,300	466,300	-	-	-	-	-	-	-	-	-	-	1	-	1	1,076	107,962
469,500	469,500	-	-	-	-	-	-	-	-	-	1	-	-	1	1,077	108,431
470,000	470,000	-	-	-	-	-	1	-	-	-	-	-	-	1	1,078	108,901
471,000	471,000	-	-	-	-	-	-	-	-	-	1	-	-	1	1,079	109,372
472,300	472,300	-	-	-	-	-	-	1	-	-	-	-	-	1	1,080	109,844
481,500	481,500	-	-	-	-	-	-	1	-	-	1	-	-	2	1,082	110,807
482,300	482,300	-	-	-	-	-	-	-	-	-	1	1	-	2	1,084	111,772
488,600	488,600	-	-	-	-	-	-	1	-	-	-	-	-	1	1,085	112,261
493,000	493,000	-	-	-	-	-	-	-	1	-	-	-	-	1	1,086	112,754
501,600	501,600	-	-	-	1	-	-	-	-	-	-	-	-	1	1,087	113,255
503,100	503,100	-	-	-	-	-	-	-	-	1	-	-	-	1	1,088	113,758
509,600	509,600	-	-	-	-	1	-	-	-	-	-	-	-	1	1,089	114,268
514,900	514,900	-	-	-	-	1	-	-	-	-	-	-	-	1	1,090	114,783
523,300	523,300	-	-	-	-	-	-	-	-	-	-	-	1	1	1,091	115,306
528,000	528,000	-	-	-	-	-	-	1	-	-	-	-	-	1	1,092	115,834
540,800	540,800	-	-	-	1	-	-	-	-	-	-	-	-	1	1,093	116,375
543,700	543,700	-	-	-	-	-	-	1	-	-	-	-	-	1	1,094	116,919
544,900	544,900	-	-	-	-	1	-	-	-	-	-	-	-	1	1,095	117,463
553,000	553,000	-	-	-	-	1	-	-	-	-	-	-	-	1	1,096	118,016
555,600	555,600	-	-	-	-	-	-	-	1	-	-	-	-	1	1,097	118,572

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commerical 2 Inch Meter

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
566,400	566,400	-	-	-	-	-	-	1	-	-	-	-	-	1	1,098	119,138
589,300	589,300	-	-	-	-	-	-	-	-	-	-	1	-	1	1,099	119,728
608,500	608,500	-	-	-	-	-	-	-	-	1	-	-	-	1	1,100	120,336
613,500	613,500	-	-	-	-	1	-	-	-	-	-	-	-	1	1,101	120,950
617,100	617,100	-	-	-	-	-	1	-	-	-	-	-	-	1	1,102	121,567
618,100	618,100	-	-	-	-	-	-	-	-	-	1	-	-	1	1,103	122,185
620,200	620,200	-	-	-	-	-	-	-	-	1	-	-	-	1	1,104	122,805
627,900	627,900	-	-	-	-	1	-	-	-	-	-	-	-	1	1,105	123,433
628,300	628,300	-	-	-	-	1	-	-	-	-	-	-	-	1	1,106	124,061
630,200	630,200	-	-	-	-	-	-	-	-	-	-	1	-	1	1,107	124,692
630,400	630,400	-	-	-	-	-	1	-	-	-	-	-	-	1	1,108	125,322
631,300	631,300	-	-	-	-	-	-	-	-	1	-	-	-	1	1,109	125,953
632,400	632,400	-	-	-	-	-	-	1	-	-	-	-	-	1	1,110	126,586
633,600	633,600	-	-	-	-	1	-	-	-	-	-	-	-	1	1,111	127,219
647,900	647,900	-	-	-	-	-	-	1	-	-	-	-	-	1	1,112	127,867
652,600	652,600	-	-	-	-	-	-	-	-	-	1	-	-	1	1,113	128,520
660,200	660,200	-	-	-	-	-	-	-	1	-	-	-	-	1	1,114	129,180
664,900	664,900	-	-	-	-	-	-	-	-	-	-	-	1	1	1,115	129,845
665,500	665,500	-	-	-	-	-	-	1	-	-	-	-	-	1	1,116	130,510
670,900	670,900	-	-	-	-	-	-	1	-	-	-	-	-	1	1,117	131,181
673,900	673,900	-	-	-	-	-	-	-	-	-	-	1	-	1	1,118	131,855
674,800	674,800	-	-	-	-	-	1	-	-	-	-	-	-	1	1,119	132,530
674,900	674,900	-	-	-	-	-	-	-	1	-	-	-	-	1	1,120	133,205
676,300	676,300	-	-	-	-	-	1	-	-	-	-	-	-	1	1,121	133,881
679,500	679,500	-	-	-	-	-	1	-	-	-	-	-	-	1	1,122	134,561
688,900	688,900	-	-	-	1	-	-	-	-	-	-	-	-	1	1,123	135,250
689,200	689,200	-	-	-	-	-	-	-	-	-	-	-	1	1	1,124	135,939
693,500	693,500	-	-	-	-	-	-	1	-	-	-	-	-	1	1,125	136,632
701,000	701,000	-	-	-	-	1	-	-	-	-	-	-	-	1	1,126	137,333
702,800	702,800	-	-	-	-	-	-	-	-	-	1	-	-	1	1,127	138,036
713,500	713,500	-	-	-	-	-	-	-	1	-	-	-	-	1	1,128	138,750
720,200	720,200	-	-	-	-	-	-	-	-	-	-	1	-	1	1,129	139,470
729,100	729,100	-	-	-	-	-	1	-	-	-	-	-	-	1	1,130	140,199
735,100	735,100	-	-	-	-	-	-	-	-	-	-	1	-	1	1,131	140,934
744,500	744,500	-	-	-	-	-	1	-	-	-	-	-	-	1	1,132	141,678
753,900	753,900	-	-	-	-	-	-	-	1	-	-	-	-	1	1,133	142,432
759,300	759,300	-	-	-	-	-	-	-	-	1	-	-	-	1	1,134	143,192
763,700	763,700	-	-	-	-	-	-	-	1	-	-	-	-	1	1,135	143,955
776,700	776,700	-	-	-	-	-	-	1	-	-	-	-	-	1	1,136	144,732
793,800	793,800	-	-	-	-	-	1	-	-	-	-	-	-	1	1,137	145,526
811,100	811,100	-	-	-	-	-	-	-	1	-	-	-	-	1	1,138	146,337
821,200	821,200	-	-	-	-	1	-	-	-	-	-	-	-	1	1,139	147,158
824,700	824,700	-	-	-	-	-	-	-	1	-	-	-	-	1	1,140	147,983
840,000	840,000	-	-	-	-	-	-	1	-	-	-	-	-	1	1,141	148,823
853,600	853,600	-	-	-	-	-	-	-	-	-	1	-	-	1	1,142	149,676
855,500	855,500	-	-	-	-	-	-	-	1	-	-	-	-	1	1,143	150,532
860,300	860,300	-	-	-	-	-	-	1	-	-	-	-	-	1	1,144	151,392
895,900	895,900	-	-	-	-	-	1	-	-	-	-	-	-	1	1,145	152,288
903,400	903,400	-	-	-	-	-	-	1	-	-	-	-	-	1	1,146	153,192
938,300	938,300	-	-	-	-	1	-	-	-	-	-	-	-	1	1,147	154,130
954,700	954,700	-	-	-	-	-	1	-	-	-	-	-	-	1	1,148	155,085

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Commerical 2 Inch Meter

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
956,500	956,500	-	-	-	-	1	-	-	-	-	-	-	-	1	1,149	156,041
975,300	975,300	-	-	-	-	-	-	1	-	-	-	-	-	1	1,150	157,016
1,003,700	1,003,700	-	-	-	-	-	-	-	1	-	-	-	-	1	1,151	158,020
1,039,700	1,039,700	-	-	-	-	-	-	-	-	-	1	-	-	1	1,152	159,060
1,069,300	1,069,300	-	-	-	-	-	-	1	-	-	-	-	-	1	1,153	160,129
1,081,800	1,081,800	-	-	-	-	-	-	1	-	-	-	-	-	1	1,154	161,211
1,086,500	1,086,500	-	-	-	-	-	1	-	-	-	-	-	-	1	1,155	162,297
1,136,400	1,136,400	-	-	-	-	-	1	-	-	-	-	-	-	1	1,156	163,434
1,169,600	1,169,600	-	-	-	-	-	1	-	-	-	-	-	-	1	1,157	164,603
1,226,300	1,226,300	-	-	-	-	-	1	-	-	-	-	-	-	1	1,158	165,830
1,361,800	1,361,800	-	-	-	-	1	-	-	-	-	-	-	-	1	1,159	167,191
	-													-	1,159	167,191
Totals		96	96	96	96	96	100	96	96	96	97	97	97	861		

Average Usage	51,537
Median Usage	65,000
Average # Customers	72
Change in Number of Customers	1

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Irrigation

Exhibit
Schedule H-5
Page 8
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-													-	-	-
1,001	2,000													-	-	-
2,001	3,000													-	-	-
3,001	4,000													-	-	-
4,001	5,000													-	-	-
5,001	6,000													-	-	-
6,001	7,000													-	-	-
7,001	8,000													-	-	-
8,001	9,000													-	-	-
9,001	10,000													-	-	-
10,001	12,000													-	-	-
12,001	14,000													-	-	-
14,001	16,000													-	-	-
16,001	18,000													-	-	-
18,001	20,000													-	-	-
20,001	25,000													-	-	-
25,001	30,000													-	-	-
30,001	35,000													-	-	-
35,001	40,000													-	-	-
40,001	45,000													-	-	-
45,001	50,000													-	-	-
50,001	60,000													-	-	-
60,001	70,000													-	-	-
70,001	80,000													-	-	-
80,001	90,000													-	-	-
90,001	100,000													-	-	-
107,900	107,900		1											1	1	108
139,000	139,000			1										1	2	247
191,000	191,000	1												1	3	438
204,700	204,700										1			1	4	643
711,800	711,800			1										1	5	1,354
919,900	919,900	1												1	6	2,274
1,378,000	1,378,000						1							1	7	3,652
1,837,000	1,837,000												1	1	8	5,489
1,876,900	1,876,900												1	1	9	7,366
2,666,400	2,666,400								1					1	10	10,033
3,185,600	3,185,600									1				1	11	13,218
3,386,000	3,386,000						1							1	12	16,604
3,443,000	3,443,000				1									1	13	20,047
4,322,700	4,322,700						1							1	14	24,370
4,453,000	4,453,000									1				1	15	28,823
4,742,500	4,742,500											1		1	16	33,565
5,208,000	5,208,000				1									1	17	38,773
5,404,400	5,404,400	1												1	18	44,178
5,539,500	5,539,500					1								1	19	49,717
6,103,000	6,103,000		1											1	20	55,820
6,218,000	6,218,000				1									1	21	62,038
6,253,000	6,253,000							1						1	22	68,291
6,867,000	6,867,000								1					1	23	75,158
7,814,000	7,814,000							1						1	24	82,972
8,799,000	8,799,000	1												1	25	91,771

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Irrigation

Exhibit
Schedule H-5
Page 8
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
8,864,900	8,864,900			1										1	26	100,636
9,614,000	9,614,000										1			1	27	110,250
10,024,000	10,024,000					1								1	28	120,274
10,693,800	10,693,800												1	1	29	130,968
11,011,000	11,011,000		1											1	30	141,979
12,514,000	12,514,000												1	1	31	154,493
12,628,000	12,628,000					1								1	32	167,121
13,333,000	13,333,000								1					1	33	180,454
14,338,000	14,338,000						1							1	34	194,792
16,341,000	16,341,000			1										1	35	211,133
16,896,600	16,896,600											1		1	36	228,030
18,972,000	18,972,000									1				1	37	247,002
22,823,400	22,823,400										1			1	38	269,825
23,765,000	23,765,000							1						1	39	293,590
24,996,900	24,996,900				1									1	40	318,587
25,967,700	25,967,700								1					1	41	344,555
28,317,300	28,317,300									1				1	42	372,872
28,379,000	28,379,000											1		1	43	401,251
30,821,900	30,821,900							1						1	44	432,073
31,554,100	31,554,100					1								1	45	463,627
31,959,000	31,959,000										1			1	46	495,586
34,751,300	34,751,300						1							1	47	530,337
38,924,000	38,924,000				1									1	48	569,261
41,176,000	41,176,000									1				1	49	610,437
44,830,000	44,830,000								1					1	50	655,267
53,826,000	53,826,000					1								1	51	709,093
63,974,000	63,974,000						1							1	52	773,067
67,215,000	67,215,000							1						1	53	840,282
	-													-	53	840,282
Totals		4	3	4	5	5	6	5	5	5	4	3	4	53	53	840,282

Average Usage	15,854,381
Median Usage	8,864,900
Average # Customers	4
Change in Number of Customers	-

Pima Utility Company - Water Division
Test Year Ended December 31, 2010
Customer Classification Irrigation - Recovered Effluent

Exhibit
Schedule H-5
Page 9
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-													-	-	-
1,001	2,000													-	-	-
2,001	3,000													-	-	-
3,001	4,000													-	-	-
4,001	5,000													-	-	-
5,001	6,000													-	-	-
6,001	7,000													-	-	-
7,001	8,000													-	-	-
8,001	9,000													-	-	-
9,001	10,000													-	-	-
10,001	12,000													-	-	-
12,001	14,000													-	-	-
14,001	16,000													-	-	-
16,001	18,000													-	-	-
18,001	20,000													-	-	-
20,001	25,000													-	-	-
25,001	30,000													-	-	-
30,001	35,000													-	-	-
35,001	40,000													-	-	-
40,001	45,000													-	-	-
45,001	50,000													-	-	-
50,001	60,000													-	-	-
60,001	70,000													-	-	-
70,001	80,000													-	-	-
80,001	90,000													-	-	-
90,001	100,000													-	-	-
992,100	992,100			1										1	1	992
1,088,300	1,088,300				1									1	2	2,080
1,173,200	1,173,200		1											1	3	3,254
1,226,500	1,226,500										1			1	4	4,480
1,262,200	1,262,200												1	1	5	5,742
1,286,900	1,286,900											1		1	6	7,029
1,386,200	1,386,200	1												1	7	8,415
1,465,400	1,465,400								1					1	8	9,881
1,655,200	1,655,200					1								1	9	11,536
2,656,000	2,656,000									1				1	10	14,192
3,128,100	3,128,100						1							1	11	17,320
4,224,100	4,224,100							1						1	12	21,544
	-													-	12	21,544
	-													-	12	21,544
	-													-	12	21,544
	-													-	12	21,544
Totals		1	1	1	1	1	1	1	1	1	1	1	1	12		

Average Usage	1,795,350
Median Usage	1,336,550
Average # Customers	1
Change in Number of Customers	-

Pima Utility Company

Wastewater Division Schedules

Schedules A through C, E through F, and H

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Schedule A-1
Page 1
Witness: Bourassa

Line No.			
1	Fair Value Rate Base	$	9,863,271
2			
3	Adjusted Operating Income		441,784
4			
5	Current Rate of Return		4.48%
6			
7	Required Operating Income	$	934,052
8			
9	Required Rate of Return on Fair Value Rate Base		9.47%
10			
11	Operating Income Deficiency	$	492,268
12			
13	Gross Revenue Conversion Factor		1.4041
14			
15	Increase in Gross Revenue		
16	Requirement	$	691,210
17			
18	Adjusted Test Year Revenues	$	3,096,775
19	Increase in Gross Revenue Revenue Requirement	$	691,210
20	Proposed Revenue Requirement	$	3,787,985
21	% Increase		22.32%

	Customer Classification (Residential Commercial, Irrigation)		**Present Rates**	**Proposed Rates**	**Dollar Increase**	**Percent Increase**
26	5/8x3/4 Inch	Residential	$ 2,658,546	$ 3,250,073	$ 591,527	22.25%
27	1 Inch	Residential	145,477	177,846	32,369	22.25%
28						
29	5/8x3/4 Inch	Commercial	6,410	7,836	1,426	22.25%
30	3/4 Inch	Commercial	$ 1,272	$ 1,555	283	22.25%
31	1 Inch	Commercial	16,909	20,671	3,762	22.25%
32	1 1/2 Inch	Commercial	12,672	15,491	2,819	22.25%
33	2 Inch	Commercial	115,770	141,529	25,759	22.25%
34						
35	Effluent		121,512	149,468	27,956	23.01%
36						
37	Revenue Annualization		13,363	16,141	2,778	20.79%
38						
39	**Subtotal**		$ 3,091,931	$ 3,780,610	$ 688,679	22.27%
40						
41	Other Water Revenues		6,030	6,030	-	0.00%
42	Reconciling Amount		(1,186)	1,345	2,531	-213.41%
43	Rounding				-	0.00%
44	**Total of Water Revenues**		$ 3,096,775	$ 3,787,985	$ 691,210	22.32%

47 SUPPORTING SCHEDULES:
48 B-1
49 C-1
50 C-3
51 H-1

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Summary of Results of Operations

Exhibit
Schedule A-2
Page 1
Witness: Bourassa

Line No.	Description	Prior Years Ended 12/31/2008	Prior Years Ended 12/31/2009	Test Year Actual 12/31/2010	Test Year Adjusted 12/31/2010	Projected Year Present Rates 12/31/2011	Projected Year Proposed Rates 12/31/2011
1	Gross Revenues	$ 3,120,792	$ 3,113,709	$ 3,091,256	$ 3,096,775	$ 3,096,775	$ 3,787,985
2							
3	Revenue Deductions and	2,152,104	2,194,470	2,158,356	2,654,991	2,654,991	2,853,934
4	Operating Expenses						
5							
6	Operating Income	$ 968,688	$ 919,239	$ 932,900	$ 441,784	$ 441,784	$ 934,051
7							
8	Other Income and	13,984	(817)	(1,490)	(1,490)	(1,490)	(1,490)
9	Deductions						
10							
11	Interest Expense	(550,887)	(520,074)	(487,087)	(220,131)	(220,131)	(220,131)
12							
13	Net Income	$ 431,785	$ 398,348	$ 444,324	$ 220,163	$ 220,163	$ 712,431
14							
15	Earned Per Average						
16	Common Share	2.40	2.21	2.47	1.22	1.22	3.96
17							
18	Dividends Per						
19	Common Share	-	-	-	-	-	-
20							
21	Payout Ratio	-	-	-	-	-	-
22							
23	Return on Average						
24	Invested Capital	2.96%	2.76%	3.10%	1.47%	1.50%	4.87%
25							
26	Return on Year End						
27	Capital	2.98%	2.77%	3.11%	1.47%	1.54%	4.99%
28							
29	Return on Average						
30	Common Equity	6.95%	6.01%	6.30%	3.17%	2.98%	9.34%
31							
32	Return on Year End						
33	Common Equity	6.72%	5.83%	6.11%	3.12%	2.94%	8.92%
34							
35	Times Bond Interest Earned						
36	Before Income Taxes	1.76	1.77	1.92	2.39	2.39	5.49
37							
38	Times Total Interest and						
39	Preferred Dividends Earned						
40	After Income Taxes	1.76	1.77	1.92	4.23	4.23	4.24
41							
42							
43							
44							
45							
46	SUPPORTING SCHEDULES						
47	C-1						
48	E-2						
49	F-1						
50							

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Summary of Capital Structure

Exhibit
Schedule A-3
Page 1
Witness: Bourassa

Line No.	Description:	Prior Years Ended 12/31/2008	Prior Years Ended 12/31/2009	Test Year 12/31/2010	Projected Year 12/31/2011
3	Short-Term Debt	-	-	-	-
4	Long-Term Debt	7,035,000	6,595,000	3,186,181 [1]	4,354,013 [1]
6	Total Debt	$ 7,035,000	$ 6,595,000	$ 3,186,181	$ 4,354,013
9	Preferred Stock	-	-	-	-
11	Common Equity	6,429,704	6,828,052	7,272,375	7,492,538
14	Total Capital & Debt	$ 13,464,704	$ 13,423,052	$ 10,458,556	$ 11,846,552
17	Capitalization Ratios:				
19	Long-Term Debt	52.25%	49.13%	30.46%	36.75%
21	Total Debt	52.25%	49.13%	30.46%	36.75%
24	Preferred Stock	-	-	-	-
26	Common Equity	47.75%	50.87%	69.54%	63.25%
29	Total Capital	100.00%	100.00%	100.00%	100.00%
32	Weighted Cost of Senior Capital	3.75%	3.53%	2.34%	2.64%

[1] Allocated portion of long-term debt based upon consolidated capital structure and proposed rate base.

SUPPORTING SCHEDULES:
E-1
D-1

Pima UtilityCompany
Test Year Ended December 31, 2010
Summary of Consolidated Capital Structure

Exhibit
Schedule A-3
Page 2
Witness: Bourassa

Line No.	Description:	Prior Years Ended 12/31/2008	Prior Years Ended 12/31/2009	Test Year 12/31/2010	Projected Year 12/31/2011
1					
2					
3	Short-Term Debt	-	-	-	-
3					
4	Long-Term Debt	7,035,000	6,595,000	6,125,000	8,370,000
5					
6	Total Debt	$ 7,035,000	$ 6,595,000	$ 6,125,000	$ 8,370,000
7					
8					
9	Preferred Stock	-	-	-	-
10					
11	Common Equity	21,199,018	18,857,187	19,432,404	18,539,615
12					
13					
14	Total Capital & Debt	$ 28,234,018	$ 25,452,187	$ 25,557,404	$ 26,909,615
15					
16					
17	Capitalization Ratios:				
18					
19	Long-Term Debt	24.92%	25.91%	23.97%	31.10%
20					
21	Total Debt	24.92%	25.91%	23.97%	31.10%
22					
23					
24	Preferred Stock	-	-	-	-
25					
26	Common Equity	75.08%	74.09%	76.03%	68.90%
27					
28					
29	Total Capital	100.00%	100.00%	100.00%	100.00%
30					
31					
32	Weighted Cost of				
33	Senior Capital	1.92%	1.99%	1.84%	2.23%
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45	SUPPORTING SCHEDULES:				
46	E-1				
47	D-1				
48					
49					
50					

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Construction Expenditures
and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Bourassa

Line No.		Construction Expenditures	Net Plant Placed in Service	Gross Utility Plant in Service
1				
2				
3				
4	Prior Year Ended 12/31/2008	234,673	234,673	20,012,385
5				
6	Prior Year Ended 12/31/2009	226,550	323,568	20,335,953
7				
8	Test Year Ended 12/31/2010	248,075	227,885	20,563,838
9				
10	Projected Year Ended 12/31/2011	315,000	315,000	20,878,838
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34	SUPPORTING SCHEDULES:			
35	B-2			
36	E-5			
37	F-3			
38				
39				
40				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Summary Statements of Cash Flows

Exhibit
Schedule A-5
Page 1
Witness: Bourassa

Line No.		Prior Year Ended 12/31/2008	Prior Year Ended 12/31/2009	Test Year Ended 12/31/2010	Projected Year Present Rates 12/31/2011	Projected Year Proposed Rates 12/31/2011
5	Cash Flows from Operating Activities					
6	Net Income	$ 431,785	$ 398,348	$ 444,324	$ 220,163	$ 712,431
7	Adjustments to reconcile net income to net cash					
8	provided by operating activities:					
9	Depreciation and Amortization	770,492	757,553	702,524	1,010,700	1,010,700
10	Other -Adjustments	(22,963)	-	-		
11	Changes in Certain Assets and Liabilities:					
12	Accounts Receivable	4,835	(1,527)	(9,241)		
13	Unbilled Revenues	-	-	-		
14	Materials and Supplies Inventory	-	-	-		
15	Prepaid Expenses	-	-	-		
16	Deferred Charges	14,994	250,224	(1,467,236)		
17	Notes Receivable	(705,592)	(761,943)	1,115,641		
18	Accounts Payable	(4,610)	49,899	(27,566)		
19	Intercompany payable	-	-	-		
20	Customer Meter Deposits	(14,862)	(15,951)	(17,038)		
21	Taxes Payable	(6,940)	3,025	3,156		
22	Other assets and liabilities	(407)	1,293	(39,374)		
23	Net Cash Flow provided by Operating Activities	$ 466,731	$ 680,920	$ 705,191	$ 1,230,863	$ 1,723,131
24	Cash Flow From Investing Activities:					
25	Capital Expenditures	(234,673)	(226,550)	(248,075)	(315,000)	(315,000)
26	Plant Held for Future Use	-	-	-		
27	Changes in debt reserve fund	151,955	4,638	-		
28	Net Cash Flows from Investing Activities	$ (82,718)	$ (221,912)	$ (248,075)	$ (315,000)	$ (315,000)
29	Cash Flow From Financing Activities					
30	Change in Restricted Cash	-	-	-		
31	Proceeds from Long-Term Debt	-	-	-		
32	Net receipt of contributions in aid of construction	-	-	-	-	-
33	Net receipts of advances in aid of construction	-	(44,995)	(13,104)	(13,104)	(13,104)
34	Repayments of Long-Term Debt	(410,000)	(440,000)	(470,000)	(912,938)	(912,938)
35	Distributions/Dividends Paid	-	-	-	-	-
36	Deferred Financing Costs	25,987	25,987	25,988	-	-
37	Paid in Capital	-	-	-	-	-
38	Net Cash Flows Provided by Financing Activities	$ (384,013)	$ (459,008)	$ (457,116)	$ (926,042)	$ (926,042)
39	Increase(decrease) in Cash and Cash Equivalents	0	0	(0)	(10,179)	482,089
40	Cash and Cash Equivalents at Beginning of Year	-	0	0	0	0
41	Cash and Cash Equivalents at End of Year	$ 0	$ 0	$ 0	$ (10,179)	$ 482,089

46 SUPPORTING SCHEDULES:
47 E-3
48 F-2

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Summary of Rate Base

Exhibit
Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 22,055,018	$ 22,055,018
3	Less: Accumulated Depreciation	11,546,833	11,546,833
4			
5	Net Utility Plant in Service	$ 10,508,186	$ 10,508,186
6			
7	Less:		
8	Advances in Aid of Construction	285,313	285,313
9			
10	Contributions in Aid of Construction	937,694	937,694
11			
12	Accumulated Amortization of CIAC	(578,092)	(578,092)
13			
14	Customer Meter Deposits	-	-
15	Deferred Income Taxes & Credits	-	-
16			
17			
18			
19	Plus:		
20			
21			
22	Prepayments	-	-
23	Materials and Supplies	-	-
24	Allowance for Cash Working Capital	-	-
25			
26	Total Rate Base	$ 9,863,271	$ 9,863,271
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	SUPPORTING SCHEDULES:		
42	B-2		
43	B-3		
44	B-5		
45	E-1		
46			
47			
48			
49			
50			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	$ 20,563,838	1,491,180	$ 22,055,018
3				
4	**Less:**			
5	Accumulated			
6	Depreciation	10,641,699	905,133	11,546,833
7				
8				
9	Net Utility Plant			
10	in Service	$ 9,922,139		$ 10,508,186
11				
12	**Less:**			
13	Advances in Aid of			
14	Construction	285,313	-	285,313
15				
16	Contributions in Aid of			
17	Construction - Gross	937,694	(0)	937,694
18				
19	Accumulated Amortization of CIAC	(756,631)	178,539	(578,092)
20				
21	Customer Meter Deposits	-		-
22	Accumulated Deferred Income Tax	-	-	-
23				-
24				-
25				
26	**Plus:**			
27				
28				
29	Prepayments	-		-
30	Materials and Supplies	-		-
31	Allowance for Cash Working Capital	-	-	-
32				-
33				
34	Total	$ 9,455,764		$ 9,863,271
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45	SUPPORTING SCHEDULES:			RECAP SCHEDULES:
46	B-2, pages 2			B-1
47	E-1			
48				
49				
50				

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 2
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 CIAC	4 Intentionally Left Blank	5 Intentionally Left Blank	Adjusted at end of Test Year
1	Gross Utility							
2	Plant in Service	$ 20,563,838	1,491,180					$ 22,055,018
3								
4	**Less:**							
5	Accumulated							
6	Depreciation	10,641,699		905,133				11,546,833
7								
8								
9	Net Utility Plant							
10	in Service	$ 9,922,139	$ 1,491,180	$ (905,133)	$ -	$ -	$ -	$ 10,508,186
11								
12	**Less:**							
13	Advances in Aid of							
14	Construction	285,313						285,313
15								
16	Contributions in Aid of							
17	Construction (CIAC)	937,694			(0)			937,694
18								
19	Accumulated Amort of CIAC	(756,631)			178,539			(578,092)
20								
21	Customer Meter Deposits	-						-
22	Accumulated Deferred Income Taxes	-			-			-
23								
24								
25	**Plus:**							
26								
27								
28	Prepayments	-						
29	Materials and Supplies	-						
30	Allowance for Cash Working Capital	-						-
31								
32	Total	$ 9,455,764	$ 1,491,180	$ (905,133)	$ (178,539)	$ -	$ -	$ 9,863,271
33								
34								
35								
36	SUPPORTING SCHEDULES:						RECAP SCHEDULES:	
37	B-2, pages 3-5						B-1	
38	E-1							
39								
40								

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Exhibit
Schedule B-2
Page 3
Witness: Bourassa

Plant-in-Service

Line No.	Acct. No.	Description	Actual Orginal Cost	A Reclassified Plant to Water Division	B Reclassified Plant from Sewer Division	C Retirement Adjustments	D Plant Reclassification	E Intentionally Left Blank	Adjusted Original Cost
6	351	Organization Cost	$ -	$ -	$ -	$ -	$ -		-
7	352	Franchise Cost		-	-	-	-		-
8	353	Land and Land Rights	92,008	-	-	(480)	-		91,528
9	354	Structures & Improvements	8,901	-	244,313	(3,055)	274		250,433
10	355	*Power Generation Equipment*		-	-	-	-		-
11	360	Collection Sewers - Force	1,589,008	-	-	-	(1,491,485)		97,523
12	361.1	Collection Sewers - Gravity	5,993,014	(9,148)	-	-	(2,129,354)		3,854,512
13	361.2	Manholes & Cleanouts		-	-	-	1,791,722		1,791,722
14	362	Special Collecting Structures		-	-	-	-		-
15	363	Servcies to Customers	628,785	-	-	-	3,464		632,249
16	364	Flow Measuring Devices		-	-	-	-		-
17	365	Flow Measuring Installations		-	-	-	-		-
18	366	Reuse Services		-	-	-	-		-
19	367	Reuse Meters and Meter Installations		-	-	-	-		-
20	370	Receiving Wells		-	-	-	226,251		226,251
21	371.1	Pumping Equipment - Lift Stations		-	29,120	(325,364)	1,840,391		1,544,146
22	371.2	Other Pumping Equipment		-	-	(95,534)	198,975		103,441
23	371.3	Pumping Equipment - Recharge Wells		-	1,561,875	(125,675)	-		1,436,200
24	374	Reuse Distribution Reserviors		-	-	-	-		-
25	375	Reuse Transmission and Distribution		-	11,106	-	126,338		137,444
26	380	Treatment & Disposal Equipment	10,655,743	-	713	(647,917)	(124,468)		9,884,071
27	381	Plant Sewers		-	-	-	-		-
28	382	Outfall Sewer Lines	538,439	-	-	-	(538,439)		-
29	389	Other Plant & Misc Equipment	341,218	-	972,509	-	(341,218)		972,509
30	390	Office Furniture & Equipment		-	-	(2,813)	9,342		6,529
31	390.1	Computers & Software		-	-	(5,563)	16,447		10,884
32	391	Transportation Equipment		-	-	(3,170)	25,000		21,830
33	392	Stores Equipment		-	-	-	-		-
34	393	Tools, Shop & Garage Equipment		(6,255)	1,423	(60,612)	221,643		156,200
35	394	Laboratory Equipment		-	-	-	1,993		1,993
36	395	Power Operated Equipment		-	-	(1,711)	1,711		0
37	396	Communication Equipment		-	-	(42,582)	161,410		118,828
38	397	Miscellaneous Equipment		-	-	-	-		-
39	398	Other Tangible Plant		-	-	-	-		-
40		Post-in-service AFUDC	716,722						716,722
41		TOTALS	$ 20,563,838	$ (15,403)	$ 2,821,059	$ (1,314,477)	$ 0	$ -	$ 22,055,018
42									
43		Plant-in-Service per Books							$ 20,563,838
44									
45		Increase (decrease) in Plant-in-Service							$ 1,491,180
46									
47		Adjustment to Plant-in-Service							$ 1,491,180
48									
49		SUPPORTING SCHEDULES							
50		Workpapers/B-2 Schedule - Pima Sewer.xlsx							
51		B-2, pages 3.1 to 3.18							

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.1
Witness: Jones/Bourassa

					Per Decision No. 62184 - January 5, 2000						Current Books		Allocate A/D
Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	Company Plant at 12/31/1997	Company Pro Forma Adjust	Adopted Staff Adjust	Adopted RUCO Adjust	Order Plant at 12/31/1997	Accum. Deprec. At 12/31/1997	G/L Plant at 12/31/1997	NARUC Plant at 12/31/1997	Accum. Deprec. At 12/31/1997
1	351	Organization Cost	0.00%	0.00%					-		-	-	-
2	352	Franchise Cost	0.00%	0.00%					-		-	-	-
3	353	Land and Land Rights	0.00%	0.00%	76,709				76,709		76,709	76,709	-
4	354	Structures & Improvements	3.00%	3.33%	4,326	(4,326)			-		-	-	-
5	355	Power Generation Equipment	3.00%	5.00%					-		-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%					-		-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	2,559,281	149,529	(149,529)		2,559,281		2,559,281	2,559,281	267,514
8	361.2	Manholes & Cleanouts	3.00%	2.00%	1,118,725				1,118,725		1,118,725	1,118,725	116,937
9	362	Special Collecting Structures	3.00%	2.00%					-		-	-	-
10	363	Servcies to Customers	3.00%	2.00%			149,529		149,529		149,529	149,529	15,630
11	364	Flow Measuring Devices	3.00%	10.00%					-		-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%					-		-	-	-
13	366	Reuse Services	3.00%	2.00%					-		-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%					-		-	-	-
15	370	Receiving Wells	3.00%	3.57%				226,251	226,251		-	226,251	23,649
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	765,619		1,017		766,636		766,637	766,637	80,134
17	371.2	Other Pumping Equipment	3.00%	10.00%				100,000	100,000		-	100,000	10,453
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%					-		-	-	-
19	374	Reuse Distribution Reserviors	3.00%	2.50%					-		-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	343,041			(326,251)	16,790		343,041	16,790	1,755
21	380	Treatment & Disposal Equipment	3.00%	5.00%	8,545,863	2,135			8,547,798		8,547,798	8,547,798	893,476
22	381	Plant Sewers	3.00%	5.00%					-		-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%					-		-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%					-		-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%					-		-	-	-
26	390.1	Computers & Software	3.00%	20.00%					-		-	-	-
27	391	Transportation Equipment	3.00%	20.00%				3,261	3,261		-	3,260	341
28	392	Stores Equipment	3.00%	4.00%					-		-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	189,765		(5,612)	(3,261)	180,892		184,153	180,893	18,908
30	394	Laboratory Equipment	3.00%	10.00%					-		-	-	-
31	395	Power Operated Equipment	3.00%	5.00%					-		-	-	-
32	396	Communication Equipment	3.00%	10.00%					-		-	-	-
33	397	Miscellaneous Equipment	3.00%	10.00%					-		-	-	-
34	398	Other Tangible Plant	3.00%						-		-	-	-
35													
36		Sub Total			13,603,129	147,338	(4,595)	-	13,745,872	1,428,798	13,745,873	13,745,873	1,428,798
37													
38		Post-In Service AFUDC		4.52%	1,865,546		(1,148,824)	-	716,722	-	716,722	716,722	-
39													
40		TOTAL			15,468,675	147,338	(1,153,419)	-	14,462,594	1,428,798	14,462,595	14,462,595	1,428,798
41													
42		Depreciable Plant											
43		Composite Depreciation Rate											
44													
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff recommended depreciation rates.											
46													

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.2
Witness: Jones/Bourassa

					Sewer Plant Recorded on Water Books - Not Included in Decision 62184									
					1994									
Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant BalanceDe	Accum. prec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	9,140	-	9,140	-	-	-	-	137	9,140	137
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	650	-	650	-	-	-	-	10	650	10
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	1,057	-	1,057	-	-	-	-	16	1,057	16
21	380	Treatment & Disposal Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	-	-	-
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	-	-	-
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	-	-	-
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
32	396	Communication Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			10,847	-	10,847	-	-	-	-	163	10,847	163
37														
38		Post-In Service AFUDC		4.52%										
39														
40		TOTAL			10,847	-	10,847	-	-	-	-	163	10,847	163
41														
42		Depreciable Plant												
43		Composite Depreciation Rate												
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff i												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.3
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	Sewer Plant Recorded on Water Books - Not Included in Decision 62184									
					1995									
					Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant BalanceDe	Accum. prec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
5	355	*Power Generation Equipment*	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	13,367	-	13,367	-	-	-	-	475	22,507	612
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	2,758	-	2,758	-	-	-	-	61	3,407	71
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	32	1,057	48
21	380	Treatment & Disposal Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	-	-	-
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	-	-	-
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	-	-	-
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
32	396	Communication Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			16,125	-	16,125	-	-	-	-	567	26,971	730
37														
38		Post-In Service AFUDC		4.52%										
39														
40		TOTAL			16,125	-	16,125	-	-	-	-	567	26,971	730
41														
42		Depreciable Plant												
43		Composite Depreciation Rate												
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff r												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.4
Witness: Jones/Bourassa

					Sewer Plant Recorded on Water Books - Not Included in Decision 62184									
					1996									
Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant BalancsDe	Accum. prec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
5	355	*Power Generation Equipment*	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	-	-	-	-	-	-	-	675	22,507	1,287
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	7,258	-	7,258	-	-	-	-	211	10,665	282
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	2,203	-	2,203	-	-	-	-	65	3,260	112
21	380	Treatment & Disposal Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	-	-	-
26	390.1	Computers & *Software*	3.00%	20.00%	-	-	-	-	-	-	-	-	-	-
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	-	-	-
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	1,423	-	1,423	-	-	-	-	21	1,423	21
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
32	396	Communication Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			10,884	-	10,884	-	-	-	-	972	37,856	1,702
37														
38		Post-In Service AFUDC		4.52%										
39														
40		TOTAL			10,884	-	10,884	-	-	-	-	972	37,856	1,702
41														
42		Depreciable Plant												
43		Composite Depreciation Rate												
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.5
Witness: Jones/Bourassa

					Sewer Plant Recorded on Water Books - Not Included in Decision 62184									
					1997									
Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant BalanceDe	Accum. prec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
4	354	*Structures & Improvements*	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	-	-	-
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	-	-	-	-	-	-	-	675	22,507	1,962
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	-	-	-	-	-	-	-	320	10,665	602
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	98	3,260	210
21	380	Treatment & Disposal Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	-	-	-
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	-	-	-
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	-	-	-
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	-	-	-
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	-	-	-	-	43	1,423	64
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
32	396	Communication Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			-	-	-	-	-	-	-	1,136	37,856	2,838
37														
38		Post-In Service AFUDC		4.52%										
39														
40		TOTAL			-	-	-	-	-	-	-	1,136	37,856	2,838
41														
42		Depreciable Plant												
43		Composite Depreciation Rate												
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff r												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.6
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	1998 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant BalanceDe	Accum. prec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	480	480	-	-	76,229	-
4	354	Structures & Improvements	3.00%	3.33%	202,986	-	202,986	-	-	-	-	3,045	202,986	3,045
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	28,319	-	28,319	-	-	-	-	425	28,319	425
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	24,402	(9,148)	15,254	-	-	-	-	77,007	2,574,535	344,521
8	361.2	Manholes & Cleanouts	3.00%	2.00%	21,257	-	21,257	-	-	-	-	33,881	1,139,982	150,818
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	-	-	-	-	-	-	-	4,486	149,529	20,116
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	6,788	226,251	30,437
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	432,170	-	432,170	-	63,740	63,740	-	29,201	1,157,574	47,557
17	371.2	Other Pumping Equipment	3.00%	10.00%	54,700	-	54,700	-	65,250	65,250	-	2,842	89,450	(51,955)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	838,888	-	838,888	-	-	-	-	12,903	849,553	13,505
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	104,135	-	104,135	-	-	-	-	2,164	124,185	4,129
21	380	Treatment & Disposal Equipment	3.00%	5.00%	606,887	-	606,887	-	-	-	-	265,537	9,154,685	1,159,013
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	500,000	-	500,000	-	-	-	-	7,500	500,000	7,500
25	390	Office Furniture & Equipment	3.00%	6.67%	1,870	-	1,870	-	-	-	-	28	1,870	28
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	-	-	-
27	391	*Transportation Equipment*	3.00%	20.00%	584	-	584	-	-	-	-	107	3,844	448
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	2,860	-	2,860	-	47,661	47,661	-	4,797	137,515	(23,891)
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	1,068	-	1,068	-	-	-	-	16	1,068	16
32	396	Communication Equipment	3.00%	10.00%	36,607	-	36,607	-	-	-	-	549	36,607	549
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			2,856,732	(9,148)	2,847,584	-	177,131	177,131	-	451,275	16,454,182	1,706,259
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	32,396
39														
40		TOTAL			2,856,732	(9,148)	2,847,584	-	177,131	177,131	-	483,670	17,170,904	1,738,655
41														
42		Depreciable Plant											16,377,953	
43		Composite Depreciation Rate											2.9532%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff I												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.7
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	1999 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant BalanceDe	Accum. prec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	76,229	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	6,090	202,986	9,134
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	850	28,319	1,274
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	400,340	-	400,340	-	-	-	-	83,241	2,974,876	427,762
8	361.2	Manholes & Cleanouts	3.00%	2.00%	129,190	-	129,190	-	-	-	-	36,137	1,269,172	186,955
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	213,312	-	213,312	-	-	-	-	7,686	362,641	27,601
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	6,788	226,251	37,224
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	54,090	-	54,090	-	14,000	14,000	-	35,329	1,197,664	68,886
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	-	-	-	-	2,684	89,450	(49,272)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	82,615	-	82,615	-	2,406	2,406	-	26,690	929,761	37,789
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	3,726	124,185	7,854
21	380	Treatment & Disposal Equipment	3.00%	5.00%	73,913	-	73,913	-	17,618	17,618	-	275,485	9,210,980	1,416,880
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	15,000	500,000	22,500
25	390	Office Furniture & Equipment	3.00%	6.67%	745	-	745	-	-	-	-	67	2,615	95
26	390.1	Computers & Software	3.00%	20.00%	1,512	-	1,512	-	-	-	-	23	1,512	23
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	115	3,844	563
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	1,363	-	1,363	-	-	-	-	4,146	138,878	(19,746)
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	32	1,068	48
32	396	Communication Equipment	3.00%	10.00%	13,860	-	13,860	-	-	-	-	1,306	50,467	1,855
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			970,940	-	970,940	-	34,024	34,024	-	505,392	17,391,098	2,177,627
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	64,792
39														
40		TOTAL			970,940	-	970,940	-	34,024	34,024	-	537,788	18,107,820	2,242,419
41														
42		Depreciable Plant											17,314,869	
43		Composite Depreciation Rate											3.1059%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff r												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.8
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2000 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant BalanceDe	Accum. prec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	76,229	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	6,759	202,986	15,894
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	566	28,319	1,841
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	-	-	-	-	59,498	2,974,876	487,260
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	-	-	-	-	25,383	1,269,172	212,338
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	515	-	515	-	-	-	-	7,262	363,356	35,063
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	8,077	226,251	45,301
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	101,860	-	101,860	-	8,564	8,564	-	124,431	1,290,960	184,753
17	371.2	Other Pumping Equipment	3.00%	10.00%	6,592	-	6,592	-	-	-	-	9,275	96,042	(39,997)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	20,717	-	20,717	-	7,216	7,216	-	93,651	943,262	124,224
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	2,484	124,185	10,338
21	380	Treatment & Disposal Equipment	3.00%	5.00%	139,747	-	139,747	-	25,869	25,869	-	463,396	9,324,858	1,854,407
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	33,350	500,000	55,850
25	390	Office Furniture & Equipment	3.00%	6.67%	3,752	-	3,752	-	-	-	-	300	6,367	395
26	390.1	Computers & Software	3.00%	20.00%	2,360	-	2,360	-	-	-	-	538	3,872	561
27	391	Transportation Equipment	3.00%	20.00%	21,500	-	21,500	-	-	-	-	2,919	25,344	3,482
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	1,725	-	1,725	1,236	149	1,385	-	13,905	139,218	(7,225)
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	643	-	643	-	-	-	-	69	1,711	118
32	396	Communication Equipment	3.00%	10.00%	15,319	-	15,319	-	1,917	1,917	-	5,717	63,869	5,655
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			314,731	-	314,731	1,236	43,715	44,951	-	857,580	17,660,878	2,990,257
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	97,188
39														
40		TOTAL			314,731	-	314,731	1,236	43,715	44,951	-	889,976	18,377,600	3,087,444
41														
42		Depreciable Plant											17,584,649	
43		Composite Depreciation Rate											5.0611%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff i												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.9
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2001 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant BalanceDe	Accum. prec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	76,229	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	6,759	202,986	22,653
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	566	28,319	2,407
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	1,355	-	1,355	-	-	-	-	59,511	2,976,231	546,771
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	-	-	-	-	25,383	1,269,172	237,722
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	1,640	-	1,640	-	-	-	-	7,284	364,996	42,347
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	8,077	226,251	53,378
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	11,409	-	11,409	-	5,303	5,303	-	129,401	1,297,066	308,851
17	371.2	Other Pumping Equipment	3.00%	10.00%	11,207	-	11,207	-	495	495	-	10,140	106,754	(30,352)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	47,141	-	47,141	-	6,651	6,651	-	96,351	983,752	213,924
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	2,484	124,185	12,822
21	380	Treatment & Disposal Equipment	3.00%	5.00%	66,653	-	66,653	-	15,672	15,672	-	467,517	9,375,839	2,306,253
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	5,438	-	5,438	-	-	-	-	33,531	505,438	89,381
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	425	6,367	820
26	390.1	Computers & Software	3.00%	20.00%	1,691	-	1,691	-	-	-	-	944	5,564	1,505
27	391	*Transportation Equipment*	3.00%	20.00%	-	-	-	-	-	-	-	5,069	25,344	8,550
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	9,757	-	9,757	-	-	-	-	14,410	148,975	7,184
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	86	1,711	203
32	396	Communication Equipment	3.00%	10.00%	9,560	-	9,560	-	680	680	-	6,831	72,749	11,806
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			165,851	-	165,851	-	28,801	28,801	-	874,769	17,797,928	3,836,224
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	129,583
39														
40		TOTAL			165,851	-	165,851	-	28,801	28,801	-	907,164	18,514,650	3,965,808
41														
42		Depreciable Plant											17,721,699	
43		Composite Depreciation Rate											5.1189%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.10
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2002 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant BalanceDe	Accum. prec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	76,229	-
4	354	Structures & Improvements	3.00%	3.33%	1,351	-	1,351	-	-	-	-	6,782	204,337	29,435
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	566	28,319	2,973
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	230,146	-	230,146	-	-	-	-	61,826	3,206,377	608,597
8	361.2	Manholes & Cleanouts	3.00%	2.00%	134,175	-	134,175	-	-	-	-	26,725	1,403,347	264,447
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	106,678	-	106,678	-	-	-	-	8,367	471,674	50,714
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	8,077	226,251	61,456
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	11,844	-	11,844	-	1,681	1,681	-	130,215	1,307,229	437,385
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	-	-	-	-	10,675	106,754	(19,677)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	16,178	-	16,178	-	8,760	8,760	-	98,746	991,170	303,910
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	2,484	124,185	15,305
21	380	Treatment & Disposal Equipment	3.00%	5.00%	84,553	-	84,553	-	19,766	19,766	-	470,412	9,440,626	2,756,899
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	287,579	-	287,579	-	-	-	-	43,303	793,016	132,685
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	425	6,367	1,244
26	390.1	Computers & Software	3.00%	20.00%	1,728	-	1,728	-	-	-	-	1,286	7,292	2,790
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	5,069	25,344	13,619
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	5,634	-	5,634	-	2,853	2,853	-	15,037	151,756	19,368
30	394	Laboratory Equipment	3.00%	10.00%	1,993	-	1,993	-	-	-	-	100	1,993	100
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	86	1,711	289
32	396	Communication Equipment	3.00%	10.00%	1,592	-	1,592	-	3,919	3,919	-	7,159	70,422	15,046
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			883,450	-	883,450	-	36,979	36,979	-	897,338	18,644,400	4,696,583
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	161,979
39														
40		TOTAL			883,450	-	883,450	-	36,979	36,979	-	929,734	19,361,122	4,858,563
41														
42		Depreciable Plant											18,568,170	
43		Composite Depreciation Rate											5.0071%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff r												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.11
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2003 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant BalanceDe	Accum. prec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	76,229	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	3,055	3,055	-	6,754	201,282	33,134
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	*Collection Sewers - Force*	3.00%	2.00%	-	-	-	-	-	-	-	566	28,319	3,540
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	378,861	-	378,861	-	-	-	-	67,916	3,585,238	676,513
8	361.2	Manholes & Cleanouts	3.00%	2.00%	156,785	-	156,785	-	-	-	-	29,635	1,560,132	294,082
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	89,529	-	89,529	-	-	-	-	10,329	561,202	61,042
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	8,077	226,251	69,533
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	35,524	-	35,524	-	20,117	20,117	-	131,493	1,322,636	548,761
17	371.2	Other Pumping Equipment	3.00%	10.00%	4,853	-	4,853	-	-	-	-	10,918	111,608	(8,759)
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	34,368	-	34,368	-	13,353	13,353	-	100,168	1,012,185	390,724
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	2,702	-	2,702	-	-	-	-	2,511	126,887	17,816
21	380	Treatment & Disposal Equipment	3.00%	5.00%	78,286	-	78,286	-	16,849	16,849	-	473,567	9,502,063	3,213,616
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	52,894	793,016	185,579
25	390	*Office Furniture & Equipment*	3.00%	6.67%	-	-	-	-	-	-	-	425	6,367	1,669
26	390.1	Computers & Software	3.00%	20.00%	4,307	-	4,307	-	3,872	3,872	-	1,502	7,727	420
27	391	Transportation Equipment	3.00%	20.00%	13,747	-	13,747	-	-	-	-	6,444	39,091	20,063
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	9,638	(6,255)	3,384	-	113	113	-	15,339	155,027	34,594
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	199	1,993	299
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	86	1,711	374
32	396	Communication Equipment	3.00%	10.00%	31,795	-	31,795	-	10,731	10,731	-	8,095	91,487	12,410
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			840,395	(6,255)	834,140	-	68,091	68,091	-	926,917	19,410,449	5,555,410
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	194,375
39														
40		TOTAL			840,395	(6,255)	834,140	-	68,091	68,091	-	959,313	20,127,171	5,749,785
41														
42		Depreciable Plant											19,334,220	
43		Composite Depreciation Rate											4.9617%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff r												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.12
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2004 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant BalanceDe	Accum. prec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	15,299	-	15,299	-	-	-	-	-	91,528	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	6,703	201,282	39,836
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	566	28,319	4,106
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	10,421	-	10,421	-	-	-	-	71,809	3,595,659	748,322
8	361.2	Manholes & Cleanouts	3.00%	2.00%	6,766	-	6,766	-	-	-	-	31,270	1,566,898	325,352
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	3,435	-	3,435	-	-	-	-	11,258	564,637	72,301
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	8,077	226,251	77,610
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	76,413	-	76,413	-	28,063	28,063	-	134,681	1,370,986	655,379
17	371.2	Other Pumping Equipment	3.00%	10.00%	1,251	-	1,251	-	-	-	-	11,223	112,859	2,465
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	24,716	-	24,716	-	9,721	9,721	-	101,968	1,027,180	482,972
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	2,538	126,887	20,354
21	380	Treatment & Disposal Equipment	3.00%	5.00%	379,961	-	379,961	-	118,948	118,948	-	481,628	9,763,076	3,576,297
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	52,894	793,016	238,473
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	425	6,367	2,094
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	1,545	7,727	1,966
27	391	Transportation Equipment	3.00%	20.00%	1,909	-	1,909	-	1,261	1,261	-	7,883	39,739	26,685
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	1,585	-	1,585	-	1,000	1,000	-	15,532	155,611	49,126
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	199	1,993	498
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	86	1,711	460
32	396	Communication Equipment	3.00%	10.00%	25,038	-	25,038	-	2,052	2,052	-	10,298	114,473	20,656
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			546,795	-	546,795	-	161,045	161,045	-	950,585	19,796,199	6,344,950
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	226,771
39														
40		TOTAL			546,795	-	546,795	-	161,045	161,045	-	982,981	20,512,921	6,571,721
41														
42		Depreciable Plant											19,704,671	
43		Composite Depreciation Rate											4.9886%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff I												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.13
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2005 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant BalanceDe	Accum. prec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	91,528	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	6,703	201,282	46,539
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	69,204	-	69,204	-	-	-	-	1,258	97,523	5,365
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	225,293	-	225,293	-	-	-	-	74,166	3,820,952	822,488
8	361.2	Manholes & Cleanouts	3.00%	2.00%	132,296	-	132,296	-	-	-	-	32,661	1,699,194	358,013
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	50,514	-	50,514	-	-	-	-	11,798	615,152	84,099
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	8,077	226,251	85,687
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	75,225	-	75,225	64,361	30,922	95,283	-	136,096	1,350,928	696,192
17	371.2	Other Pumping Equipment	3.00%	10.00%	3,343	-	3,343	-	-	-	-	11,453	116,201	13,918
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	71,431	-	71,431	-	15,449	15,449	-	105,517	1,083,163	573,040
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	2,538	126,887	22,892
21	380	Treatment & Disposal Equipment	3.00%	5.00%	427,259	-	427,259	331,845	260,594	592,440	-	484,024	9,597,895	3,467,881
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	*Outfall Sewer Lines*	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	52,894	793,016	291,367
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	2,813	2,813	-	331	3,554	(389)
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	1,691	1,691	-	1,376	6,036	1,651
27	391	Transportation Equipment	3.00%	20.00%	5,500	-	5,500	-	-	-	-	8,498	45,239	35,183
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	8,313	-	8,313	-	2,885	2,885	-	15,833	161,039	62,073
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	199	1,993	697
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	86	1,711	545
32	396	Communication Equipment	3.00%	10.00%	5,986	-	5,986	-	3,150	3,150	-	11,589	117,309	29,095
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			1,074,365	-	1,074,365	396,207	317,504	713,711	-	965,097	20,156,854	6,596,336
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	259,167
39														
40		TOTAL			1,074,365	-	1,074,365	396,207	317,504	713,711	-	997,493	20,873,576	6,855,503
41														
42		Depreciable Plant											20,065,325	
43		Composite Depreciation Rate											4.9712%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff r												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.14
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2006 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	91,528	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	6,703	201,282	53,242
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	1,950	97,523	7,315
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	-	-	-	-	76,419	3,820,952	898,907
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	-	-	-	-	33,984	1,699,194	391,997
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	-	-	-	-	-	-	-	12,303	615,152	96,402
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	8,077	226,251	93,764
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	10,630	-	10,630	-	5,000	5,000	-	135,374	1,356,558	826,566
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	-	-	-	-	11,620	116,201	25,538
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	58,153	-	58,153	-	18,992	18,992	-	110,274	1,122,323	664,322
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	3,089	-	3,089	-	-	-	-	2,569	129,976	25,460
21	380	Treatment & Disposal Equipment	3.00%	5.00%	72,002	-	72,002	-	10,214	10,214	-	481,439	9,659,683	3,939,106
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	*Outfall Sewer Lines*	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	52,894	793,016	344,261
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	237	3,554	(151)
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	1,207	6,036	2,858
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	9,048	45,239	44,231
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	-	-	-	-	16,104	161,039	78,177
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	199	1,993	897
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	643	643	-	69	1,068	(28)
32	396	Communication Equipment	3.00%	10.00%	16,537	-	16,537	-	-	-	-	12,558	133,847	41,653
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			160,411	-	160,411	-	34,849	34,849	-	973,030	20,282,416	7,534,517
37														
38		*Post-In Service AFUDC*		4.52%								32,396	716,722	291,563
39														
40		TOTAL			160,411	-	160,411	-	34,849	34,849	-	1,005,426	20,999,138	7,826,079
41														
42		Depreciable Plant											20,190,887	
43		Composite Depreciation Rate											4.9796%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff r												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.15
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2007 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	91,528	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	6,703	201,282	59,945
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	*Collection Sewers - Force*	3.00%	2.00%	-	-	-	-	-	-	-	1,950	97,523	9,266
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	-	-	-	-	76,419	3,820,952	975,326
8	361.2	Manholes & Cleanouts	3.00%	2.00%	-	-	-	-	-	-	-	33,984	1,699,194	425,981
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	-	-	-	-	-	-	-	12,303	615,152	108,705
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	8,077	226,251	101,841
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	29,215	-	29,215	-	14,835	14,835	-	136,375	1,370,938	948,106
17	371.2	Other Pumping Equipment	3.00%	10.00%	11,170	-	11,170	-	29,789	29,789	-	10,689	97,582	6,438
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	21,213	-	21,213	-	7,228	7,228	-	112,932	1,136,309	770,026
19	374	Reuse Distribution Reservioirs	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	5,414	-	5,414	-	-	-	-	2,654	135,390	28,114
21	380	Treatment & Disposal Equipment	3.00%	5.00%	33,470	-	33,470	-	3,675	3,675	-	483,729	9,689,478	4,419,160
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	52,894	793,016	397,156
25	390	*Office Furniture & Equipment*	3.00%	6.67%	-	-	-	-	-	-	-	237	3,554	86
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	1,207	6,036	4,065
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	1,909	1,909	-	1,009	43,330	43,330
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	2,574	-	2,574	-	951	951	-	16,185	162,663	93,411
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	199	1,993	1,096
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	53	1,068	25
32	396	Communication Equipment	3.00%	10.00%	-	-	-	-	13,427	13,427	-	12,713	120,420	40,939
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			103,057	-	103,057	-	71,814	71,814	-	970,313	20,313,658	8,433,015
37														
38		Post-In Service AFUDC		4.92%								32,396	716,722	323,958
39														
40		TOTAL			103,057	-	103,057	-	71,814	71,814	-	1,002,709	21,030,380	8,756,973
41														
42		Depreciable Plant											20,222,130	
43		Composite Depreciation Rate											4.9585%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.16
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2008 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant BalanceDe	Accum. prec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	91,528	-
4	354	Structures & Improvements	3.00%	3.33%	49,150	-	49,150	-	-	-	-	7,521	250,433	67,466
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	1,950	97,523	11,216
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	33,561	-	33,561	-	-	-	-	76,755	3,854,512	1,052,081
8	361.2	Manholes & Cleanouts	3.00%	2.00%	15,412	-	15,412	-	-	-	-	34,138	1,714,606	460,119
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	17,097	-	17,097	-	-	-	-	12,474	632,249	121,179
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	8,077	226,251	109,919
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	29,252	-	29,252	-	11,030	11,030	-	138,005	1,389,160	1,075,081
17	371.2	Other Pumping Equipment	3.00%	10.00%	3,616	-	3,616	-	-	-	-	9,939	101,198	16,377
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	262,374	-	262,374	-	890	890	-	126,705	1,397,793	895,841
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	2,055	-	2,055	-	-	-	-	2,728	137,444	30,842
21	380	Treatment & Disposal Equipment	3.00%	5.00%	170,263	-	170,263	-	79,777	79,777	-	486,736	9,779,964	4,826,119
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	179,493	-	179,493	-	-	-	-	58,880	972,509	456,036
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	237	3,554	323
26	390.1	Computers & Software	3.00%	20.00%	982	-	982	-	-	-	-	1,305	7,018	5,371
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	21,500	-	21,500	1,500	(1,500)	21,830	21,830
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	1,463	5,000	6,463	-	15,943	156,200	102,892
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	199	1,993	1,295
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	1,068	1,068	-	27	0	(1,016)
32	396	Communication Equipment	3.00%	10.00%	-	-	-	-	6,706	6,706	-	11,707	113,714	45,940
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			763,255	-	763,255	22,963	104,471	127,434	1,500	991,827	20,949,479	9,298,908
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	356,354
39														
40		TOTAL			763,255	-	763,255	22,963	104,471	127,434	1,500	1,024,223	21,666,201	9,655,262
41														
42		Depreciable Plant											20,857,951	
43		Composite Depreciation Rate											4.9105%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff r												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.17
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2009 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Deprecition (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	91,528	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	8,339	250,433	75,805
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	1,950	97,523	13,167
7	361.1	Collection Sewers - Gravity	3.00%	2.00%	-	-	-	-	-	-	-	77,090	3,854,512	1,129,171
8	361.2	Manholes & Cleanouts	3.00%	2.00%	3,765	-	3,765	-	-	-	-	34,330	1,718,371	494,448
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	-	-	-	-	-	-	-	12,645	632,249	133,824
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	8,077	226,251	117,996
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	211,774	-	211,774	-	90,630	90,630	-	144,973	1,510,304	1,129,424
17	371.2	Other Pumping Equipment	3.00%	10.00%	-	-	-	-	-	-	-	10,120	101,198	26,496
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	21,325	-	21,325	-	14,635	14,635	-	140,114	1,404,483	1,021,319
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	2,749	137,444	33,591
21	380	Treatment & Disposal Equipment	3.00%	5.00%	102,914	-	102,914	-	57,810	57,810	-	490,126	9,825,068	5,258,434
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	64,866	972,509	520,902
25	390	Office Furniture & Equipment	3.00%	6.67%	-	-	-	-	-	-	-	237	3,554	560
26	390.1	Computers & Software	3.00%	20.00%	-	-	-	-	-	-	-	1,404	7,018	6,774
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	-	21,830	21,830
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	-	-	-	-	15,620	156,200	118,512
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	199	1,993	1,495
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	0	0	(1,016)
32	396	Communication Equipment	3.00%	10.00%	5,115	-	5,115	-	-	-	-	11,627	118,828	57,567
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			344,894	-	344,894	-	163,075	163,075	-	1,024,467	21,131,298	10,160,300
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	388,750
39														
40		TOTAL			344,894	-	344,894	-	163,075	163,075	-	1,056,863	21,848,020	10,549,050
41														
42		Depreciable Plant											21,038,770	
43		Composite Depreciation Rate											5.0232%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff r												
46														

Pima Utility Company - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.18
Witness: Jones/Bourassa

Line No.	NARUC Account No.	Description	Deprec. Before Jan. '00	Allowed Deprec. Rate[1]	2010 Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	91,528	-
4	354	Structures & Improvements	3.00%	3.33%	-	-	-	-	-	-	-	8,339	250,433	84,144
5	355	Power Generation Equipment	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	3.00%	2.00%	-	-	-	-	-	-	-	1,950	97,523	15,117
7	361.1	*Collection Sewers - Gravity*	3.00%	2.00%	-	-	-	-	-	-	-	77,090	3,854,512	1,206,261
8	361.2	Manholes & Cleanouts	3.00%	2.00%	73,351	-	73,351	-	-	-	-	35,101	1,791,722	529,549
9	362	Special Collecting Structures	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
10	363	Servcies to Customers	3.00%	2.00%	-	-	-	-	-	-	-	12,645	632,249	146,469
11	364	Flow Measuring Devices	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
12	365	Flow Measuring Installations	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
13	366	Reuse Services	3.00%	2.00%	-	-	-	-	-	-	-	-	-	-
14	367	Reuse Meters and Meter Installations	3.00%	8.33%	-	-	-	-	-	-	-	-	-	-
15	370	Receiving Wells	3.00%	3.57%	-	-	-	-	-	-	-	8,077	226,251	126,073
16	371.1	Pumping Equipment - Lift Stations	3.00%	10.00%	65,322	-	65,322	-	31,480	31,480	-	152,723	1,544,146	1,250,667
17	371.2	Other Pumping Equipment	3.00%	10.00%	2,243	-	2,243	-	-	-	-	10,232	103,441	36,728
18	371.3	Pumping Equipment - Recharge Wells	3.00%	10.00%	52,091	-	52,091	-	20,374	20,374	-	142,034	1,436,200	1,142,980
19	374	Reuse Distribution Reserviors	3.00%	2.50%	-	-	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Distribution	3.00%	2.00%	-	-	-	-	-	-	-	2,749	137,444	36,340
21	380	Treatment & Disposal Equipment	3.00%	5.00%	80,127	-	80,127	-	21,123	21,123	-	492,728	9,884,071	5,730,039
22	381	Plant Sewers	3.00%	5.00%	-	-	-	-	-	-	-	-	-	-
23	382	Outfall Sewer Lines	3.00%	3.33%	-	-	-	-	-	-	-	-	-	-
24	389	Other Plant & Misc Equipment	3.00%	6.67%	-	-	-	-	-	-	-	64,866	972,509	585,769
25	390	Office Furniture & Equipment	3.00%	6.67%	2,975	-	2,975	-	-	-	-	336	6,529	896
26	390.1	Computers & Software	3.00%	20.00%	3,867	-	3,867	-	-	-	-	1,790	10,884	8,564
27	391	Transportation Equipment	3.00%	20.00%	-	-	-	-	-	-	-	-	21,830	21,830
28	392	Stores Equipment	3.00%	4.00%	-	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3.00%	10.00%	-	-	-	-	-	-	-	15,620	156,200	134,132
30	394	Laboratory Equipment	3.00%	10.00%	-	-	-	-	-	-	-	199	1,993	1,694
31	395	Power Operated Equipment	3.00%	5.00%	-	-	-	-	-	-	-	0	0	(1,016)
32	396	Communication Equipment	3.00%	10.00%	-	-	-	-	-	-	-	11,883	118,828	69,450
33	397	Miscellaneous Equipment	3.00%	10.00%	-	-	-	-	-	-	-	-	-	-
34	398	Other Tangible Plant	3.00%		-	-	-	-	-	-	-	-	-	-
35														
36		Sub Total			279,976	-	279,976	-	72,977	72,977	-	1,038,364	21,338,296	11,125,687
37														
38		Post-In Service AFUDC		4.52%								32,396	716,722	421,146
39														
40		TOTAL			279,976	-	279,976	-	72,977	72,977	-	1,070,760	22,055,018	11,546,833
41														
42		Depreciable Plant											21,246,768	
43		Composite Depreciation Rate											5.0396%	
44														
45		[1] Shaded cells are per Decision No. 62184. Other cells per Staff r												
46														

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Schedule B-2
Page 4
Witness: Bourassa

Accumulated Depreciation

Line No.	Acct. No.	Description	Per Books Accum. Depr.	A Retirement Adjustments	B Difference to Computed Balance	Adjustments C Intentionally Left Blank	D Intentionally Left Blank	E Intentionally Left Blank	Adjusted Accum. Depr.
6	351	Organization Cost		-	-				-
7	352	Franchise Cost		-	-				-
8	353	Land and Land Rights		(480)	84,624				84,144
9	354	Structures & Improvements	4,634	(3,055)	(1,579)				-
10	355	Power Generation Equipment	-	-	15,117				15,117
11	360	Collection Sewers - Force	827,319	-	378,943				1,206,261
12	361.1	Collection Sewers - Gravity	3,120,270	-	(2,590,720)				529,549
13	361.2	Manholes & Cleanouts	-	-	-				-
14	362	Special Collecting Structures	-	-	146,469				146,469
15	363	Servcies to Customers	327,378	-	(327,378)				-
16	364	Flow Measuring Devices	-	-	-				-
17	365	Flow Measuring Installations	-	-	-				-
18	366	Reuse Services	-	-	-				-
19	367	Reuse Meters and Meter Installations	-	-	126,073				126,073
20	370	Receiving Wells	-	-	1,250,667				1,250,667
21	371.1	Pumping Equipment - Lift Stations	-	(325,364)	362,092				36,728
22	371.2	Other Pumping Equipment	-	(95,534)	1,238,514				1,142,980
23	371.3	Pumping Equipment - Recharge Wells	-	(125,675)	125,675				-
24	374	Reuse Distribution Reservioirs	-	-	36,340				36,340
25	375	Reuse Transmission and Distribution	-	-	5,730,039				5,730,039
26	380	Treatment & Disposal Equipment	5,547,925	(647,917)	(4,900,008)				-
27	381	Plant Sewers	-	-	-				-
28	382	Outfall Sewer Lines	280,339	-	305,430				585,769
29	389	Other Plant & Misc Equipment	177,655	-	(176,759)				896
30	390	Office Furniture & Equipment	-	(2,813)	11,377				8,564
31	390.1	Computers & Software	-	(5,563)	27,393				21,830
32	391	Transportation Equipment	-	(3,170)	3,170				-
33	392	Stores Equipment	-	-	134,132				134,132
34	393	Tools, Shop & Garage Equipment	-	(60,612)	62,306				1,694
35	394	Laboratory Equipment	-	-	(1,016)				(1,016)
36	395	Power Operated Equipment	-	(1,711)	71,161				69,450
37	396	Communication Equipment	-	(42,582)	42,582				-
38	397	*Miscellaneous Equipment*	-	-	-				-
39	398	Other Tangible Plant	-	-	-				-
40		Post-in-service AFUDC	356,180		64,966				421,146
41		TOTALS	$ 10,641,699	$ (1,314,477)	$ 2,219,610	$ -	$ -	$ -	$ 11,546,833
42									
43	Accumulated Depreciation per Books								$ 10,641,699
44									
45	Increase (decrease) in Accumulated Depreciation								$ 905,133
46									
47	Adjustment to Accumulated Depreciation								$ 905,133
48									
49	SUPPORTING SCHEDULES								
50	Workpapers/B-2 Schedule - Pima Sewer.xlsx								
51	B-2, pages 3.1 to 3.18								

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Exhibit
Schedule B-2
Page 5
Witness: Bourassa

Contributions-in-Aid of Construction (CIAC) and Accumulated Amortization

Line No.		Gross CIAC	Accumulated Amortization
1			
2			
3			
4			
5	Computed balance at 12/31/2010	$ 937,694	$ 578,092
6			
7	Book balance at 12/31/2010	$ 937,694	$ 756,631
8			
9	Increase (decrease)	$ (0)	$ (178,539)
10			
11			
12	Adjustment to CIAC/A.A. CIAC	$ (0)	$ 178,539
13	Label	3a	3b
14			
15			
16			
17			
18			
19	SUPPORTING SCHEDULES		
20	E-1		
21	B-2, page 5.1		
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Pima UtilityCompany - Wastewater Division
Test Year Ended 12/31/2010
Contributions-in-aid of Construction (CIAC)

Exhibit
Schedule B-2
Page 5.1
Witness: Bourassa

Line No.		Balance 12/31/1997	1998 Additions	1998 Balance 12/31/1998	1999 Additions	1999 Balance 12/31/1999	2000 Additions	2000 Balance 12/31/2000	2001 Additions	2001 Balance 12/31/2001	2002 Additions	2002 Balance 12/31/2002	2003 Additions	2003 Balance 12/31/2003
5	CIAC	355,985	523,655	879,640	58,054	937,694	-	937,694	-	937,694	-	937,694	-	937,694
7	Amortization Decision No. 58743	16,378												
8	Amortization Rate Before Jan '00			3.0000%		3.0000%								
9	Amortization Rate After Jan. '00							5.0611%		5.1189%		5.0071%		4.9617%
10	Amortization (1/2 yr convention)			18,534		27,260		47,458		48,000		46,952		46,526
11	Accumulated Amortization			34,912		62,172		109,630		157,630		204,582		251,108
13	Net CIAC	339,607	523,655	844,728	58,054	875,522	-	828,064	-	780,064	-	733,112	-	686,586

Line No.		2004 Additions	2004 Balance 12/31/2004	2005 Additions	2005 Balance 12/31/2005	2006 Additions	2006 Balance 12/31/2006	2007 Additions	2007 Balance 12/31/2007	2008 Additions	2008 Balance 12/31/2008	2009 Additions	2009 Balance 12/31/2009
21	CIAC	-	937,694	-	937,694	-	937,694	-	937,694	-	937,694	-	937,694
23	Amortization Decision No. 58743												
24	Amortization Rate Before Jan '00												
25	Amortization Rate After Jan. '00		4.99%		4.97%		4.98%		4.96%		4.91%		5.02%
26	Amortization (1/2 yr convention)		46,777		46,615		46,693		46,495		46,045		47,102
27	Accumulated Amortization		297,885		344,500		391,193		437,689		483,734		530,836
29	Net CIAC	-	639,809	-	593,194	-	546,501	-	500,005	-	453,960	-	406,858

Line No.		2010 Additions	2010 Balance 12/31/2010
38	CIAC	-	937,694
40	Amortization Decision No. 58743		
41	Amortization Rate Before Jan '00		
42	Amortization Rate After Jan. '00		5.04%
43	Amortization (1/2 yr convention)		47,256
44	Accumulated Amortization		578,092
46	Net CIAC	-	359,602

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Computation of Working Capital

Exhibit
Schedule B-5
Page 1
Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	$	162,329
3	Pumping Power (1/24 of Pumping Power)		5,597
4	Purchased Water (1/24 of Purchased Water)		-
5			
6			
7			
8			
9	Total Working Capital Allowance	$	167,926
10			
11			
12	Working Capital Requested	$	-
13			
14			
15			
16			
17		Adjusted Test Year	
18	Total Operating Expense	$	2,654,991
19	Less:		
20	Income Tax	$	85,405
21	Property Tax		125,916
22	Depreciation		1,010,700
23	Purchased Water		-
24	Pumping Power		134,337
25	Allowable Expenses	$	1,298,633
26	1/8 of allowable expenses	$	162,329
27			
28			
29	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
30	E-1	B-1	
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Income Statement

Exhibit
Schedule C-1
Page 1
Witness: Bourassa

Line No.		Test Year Book Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**					
2	Flat Rate Revenues	$ 2,955,870	$ 41,519	$ 2,997,389	$ 691,210	$ 3,688,599
3	Metered Revenues	93,356	-	93,356		93,356
4	Other Revenues	42,030	(36,000)	6,030		6,030
5		$ 3,091,256	$ 5,519	$ 3,096,775	$ 691,210	$ 3,787,985
6	**Operating Expenses**					
7	Salaries and Wages	$ 345,644	-	$ 345,644		$ 345,644
8	Salaries and Wages - Off. and Dir.	90,294	-	90,294		90,294
9	Employee Pensions and Benefits	115,720	-	115,720		115,720
10	Purchased Power	105,351	28,986	134,337		134,337
11	Chemicals	84,059	-	84,059		84,059
12	Materials and Supplies	184,532	-	184,532		184,532
13	Office Supplies and Expense	188,906	-	188,906		188,906
14	Contractual Services - Engineering	20,305	-	20,305		20,305
15	Contractual Services - Accounting	3,067	-	3,067		3,067
16	Contractual Services - Legal	108	-	108		108
17	Contractual Services - Other	61,500	-	61,500		61,500
18	Contractual Services - Water Testing	15,729	-	15,729		15,729
19	Rents - Equipment	698	-	698		698
20	Transportation Expenses	28,808	-	28,808		28,808
21	Insurance - Vehicle	3,067	-	3,067		3,067
22	Insurance - General Liability	20,916	-	20,916		20,916
23	Insurance - Worker's Comp	222	-	222		222
24	Reg. Comm. Exp.	-	-	-		-
25	Reg. Comm. Exp. - Rate Case	-	50,000	50,000		50,000
26	Bad Debt Expense	9,509	-	9,509		9,509
27	Miscellaneous Expense	2,174	-	2,174		2,174
28	Depreciation Expense	702,524	308,176	1,010,700		1,010,700
29	Amortization of Deferred Operating Costs	-	62,925	62,925		62,925
30	Taxes Other Than Income	10,449	-	10,449		10,449
31	Property Taxes	164,773	(38,857)	125,916	9,267	135,183
32	Income Tax	-	85,405	85,405	189,676	275,081
33			-	-		-
34	**Total Operating Expenses**	$ 2,158,356	$ 496,635	$ 2,654,991	$ 198,943	$ 2,853,934
35	**Operating Income**	$ 932,900	$ (491,116)	$ 441,784	$ 492,268	$ 934,051
36	**Other Income (Expense)**					
37	Interest Income	97	-	97		97
38	Other income	52	-	52		52
39	Interest Expense	(487,087)	266,956	(220,131)		(220,131)
40	Other Expense	(1,639)	-	(1,639)		(1,639)
41	Gain/Loss Sale of Fixed Assets	-	-	-		-
42	**Total Other Income (Expense)**	$ (488,577)	$ 266,956	$ (221,621)	$ -	$ (221,621)
43	**Net Profit (Loss)**	$ 444,324	$ (224,161)	$ 220,163	$ 492,268	$ 712,431
44						
45	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
46	C-1, page 2				A-1	
47	E-2					
48						

Pima UtilityCompany - *Wastewater Division*
Test Year Ended December 31, 2010
Income Statement

Exhibit
Schedule C-1
Page 2
Witness: Bourassa

Line No.		LABEL>>>>> Test Year Book Results	1 Depreciation	2 Property Taxes	3 Rate Case Expense	4 Revenue Annualization & Bill Correct.	5 Purchased Power	6 Annualize Purchased Power	7 Amortize Deferred Operating Costs	8 Annualize Effluent Credit Sales	9 Interest Synchronization	10 Income tax	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	**Revenues**														
2	Flat Rate Revenues	$ 2,955,870				41,519							$ 2,997,389	$ 691,210	$ 3,688,599
3	Metered Revenues	93,356											93,356		93,356
4	Other Revenues	42,030								(36,000)			6,030		6,030
5		$ 3,091,256	$ -	$ -	$ -	$ 41,519	$ -	$ -	$ -	$ (36,000)	$ -	$ -	$ 3,096,775	$ 691,210	$ 3,787,985
6	**Operating Expenses**														
7	Salaries and Wages	$ 345,644											$ 345,644		$ 345,644
8	Salaries and Wages - Off. and Dir.	90,294											90,294		90,294
9	Employee Pensions and Benefits	115,720											115,720		115,720
10	Purchased Power	105,351					29,923	(937)					134,337		134,337
11	Chemicals	84,059											84,059		84,059
12	Materials and Supplies	184,532											184,532		184,532
13	Office Supplies and Expense	188,906											188,906		188,906
14	Contractual Services - Engineering	20,305											20,305		20,305
15	Contractual Services - Accounting	3,067											3,067		3,067
16	Contractual Services - Legal	108											108		108
17	Contractual Services - Other	61,500											61,500		61,500
18	Contr. Services - Water Testing	15,729											15,729		15,729
19	Rents - Equipment	698											698		698
20	Transportation Expenses	28,808											28,808		28,808
21	Insurance - Vehicle	3,067											3,067		3,067
22	Insurance - General Liability	20,916											20,916		20,916
23	Insurance - Worker's Comp	222											222		222
24	Reg. Comm. Exp.	-											-		-
25	Reg. Comm. Exp. - Rate Case	-			50,000								50,000		50,000
26	Bad Debt Expense	9,509											9,509		9,509
27	Miscellaneous Expense	2,174											2,174		2,174
28	Depreciation Expense	702,524	308,176										1,010,700		1,010,700
29	Amortization of Deferred Op. Costs	-							62,925				62,925		62,925
30	Taxes Other Than Income	10,449											10,449		10,449
31	Property Taxes	164,773		(38,857)									125,916	9,267	135,183
32	Income Tax	-										85,405	85,405	189,676	275,081
33															
34	**Total Operating Expenses**	$ 2,158,356	$ 308,176	$ (38,857)	$ 50,000	$ -	$ 29,923	$ (937)	$ 62,925	$ -	$ -	$ 85,405	$ 2,654,991	$ 198,943	$ 2,853,934
35	**Operating Income**	$ 932,900	$ (308,176)	$ 38,857	$ (50,000)	$ 41,519	$ (29,923)	$ 937	$ (62,925)	$ (36,000)	$ -	$ (85,405)	$ 441,784	$ 492,268	$ 934,051
36	**Other Income (Expense)**														
37	Interest Income	97											97		97
38	Other Income	52											52		52
39	Interest Expense	(487,087)									266,956		(220,131)		(220,131)
40	Other Expense	(1,639)											(1,639)		(1,639)
41	Gain/Loss Sale of Fixed Assets	-											-		-
42	**Total Other Income (Expense)**	$ (488,577)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 266,956	$ -	$ (221,621)	$ -	$ (221,621)
43	**Net Profit (Loss)**	$ 444,324	$ (308,176)	$ 38,857	$ (50,000)	$ 41,519	$ (29,923)	$ 937	$ (62,925)	$ (36,000)	$ 266,956	$ (85,405)	$ 220,163	$ 492,268	$ 712,431
44															
45	SUPPORTING SCHEDULES:														
46	C-2														
47	E-2														

RECAP SCHEDULES:
C-1, page 1

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustments to Revenues and Expenses

Exhibit
Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses						
		1	2	3	4	5	6	Subtotal
1		Depreciation	Property	Rate Case	Rev. Annual.	Purchased	Annual. Purchased	
2		Expense	Taxes	Expense	& Bill Correct.	Power	Power	
3	Revenues				41,519			41,519
4								
5	Expenses	308,176	(38,857)	50,000		29,923	(937)	348,305
6								
7	Operating							
8	Income	(308,176)	38,857	(50,000)	41,519	(29,923)	937	(306,786)
9								
10	Interest							
11	Expense							-
12	Other							
13	Income /							-
14	Expense							
15								
16	Net Income	(308,176)	38,857	(50,000)	41,519	(29,923)	937	(306,786)
17								
18								
19		Adjustments to Revenues and Expenses						
20		7	8	9	10	11	12	Subtotal
21		Effluent	Deferred Op.	Interest	Income			
22		Credits	Costs	Synch.	Taxes			
23	Revenues	(36,000)						5,519
24								
25	Expenses		62,925		85,405			496,635
26								
27	Operating							
28	Income	(36,000)	(62,925)	-	(85,405)	-	-	(491,116)
29								
30	Interest							
31	Expense			266,956				266,956
32	Other							
33	Income /							-
34	Expense							
35								
36	Net Income	(36,000)	(62,925)	266,956	(85,405)	-	-	(224,161)
37								

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Schedule C-2
Page 2
Witness: Bourassa

Depreciation Expense

Line No.	Acct. No.	Description	Adjusted Original Cost	Proposed Rates	Depreciation Expense	
1						
2						
3						
4						
5	351	Organization Cost	-	0.00%	-	
6	352	Franchise Cost	-	0.00%	-	
7	353	Land and Land Rights	91,528	0.00%	-	
8	354	Structures & Improvements	250,433	3.33%	8,339	
9	355	Power Generation Equipment	-	5.00%	-	
10	360	Collection Sewers - Force	97,523	2.00%	-	*
11	361.1	Collection Sewers - Gravity	3,854,512	2.00%	77,090	
12	361.2	Manholes & Cleanouts	1,791,722	2.00%	35,834	
13	362	Special Collecting Structures	-	2.00%	-	
14	363	Servcies to Customers	632,249	2.00%	12,645	
15	364	Flow Measuring Devices	-	10.00%	-	
16	365	Flow Measuring Installations	-	10.00%	-	
17	366	Reuse Services	-	2.00%	-	
18	367	Reuse Meters and Meter Installations	-	8.33%	-	
19	370	Receiving Wells	226,251	3.57%	-	*
20	371.1	Pumping Equipment - Lift Stations	1,544,146	10.00%	154,415	
21	371.2	Other Pumping Equipment	103,441	10.00%	-	*
22	371.3	Pumping Equipment - Recharge Wells	1,436,200	10.00%	143,620	
23	374	Reuse Distribution Reserviors	-	2.50%	-	
24	375	Reuse Transmission and Distribution	137,444	2.00%	-	*
25	380	Treatment & Disposal Equipment	9,884,071	5.00%	494,204	
26	381	Plant Sewers	-	5.00%	-	
27	382	Outfall Sewer Lines	-	3.33%	-	
28	389	Other Plant & Misc Equipment	972,509	6.67%	64,866	
29	390	Office Furniture & Equipment	6,529	6.67%	-	*
30	390.1	Computers & Software	10,884	20.00%	-	*
31	391	Transportation Equipment	21,830	20.00%	4,366	
32	392	Stores Equipment	-	4.00%	-	
33	393	Tools, Shop & Garage Equipment	156,200	10.00%	15,620	
34	394	Laboratory Equipment	1,993	10.00%	199	
35	395	Power Operated Equipment	0	5.00%	-	*
36	396	Communication Equipment	118,828	10.00%	11,883	
37	397	Miscellaneous Equipment	-	10.00%	-	
38	398	Other Tangible Plant	-	10.00%	-	
39		Post-in-service AFUDC	716,722	4.52%	32,396	
40						
41		TOTALS	$ 22,055,018		$ 1,055,478	
42						
43			Gross CIAC	Amort. Rate		
44	Less: Amortization of Contributions		$ 937,694	4.7753%	$ (44,777)	
45	Total Depreciation Expense				$ 1,010,700	
46						
47	Adjusted Test Year Depreciation Expense				702,524	
48						
49	Increase (decrease) in Depreciation Expense				308,176	
50						
51	Adjustment to Revenues and/or Expenses				$ 308,176	
52						
53	SUPPORTING SCHEDULE					
54	B-2, page 3					

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 2

Exhibit
Schedule C-2
Page 3
Witness: Bourassa

Property Taxes

Line No.	DESCRIPTION	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues - 2007	$ 3,096,775	$ 3,096,775
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	6,193,550	6,193,550
4	Company Recommended Revenue	3,096,775	3,787,985
5	Subtotal (Line 4 + Line 5)	9,290,325	9,981,535
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	3,096,775	3,327,178
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	6,193,550	6,654,357
10	Plus: 10% of CWIP - 2010	20,190	20,190
11	Less: Net Book Value of Licensed Vehicles	21,830	21,830
12	Full Cash Value (Line 9 + Line 10 - Line 11)	6,191,909	6,652,716
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	1,238,382	1,330,543
15	Composite Property Tax Rate - Obtained from ADOR	10.0552%	10.0552%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 124,522	$ 133,789
17	Tax on Parcels	1,393	1,393
18	Total Property Taxes (Line 16 + Line 17)	$ 125,916	
19	Test Year Property Taxes	$ 164,773	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	**$ (38,857)**	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 135,183
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 125,916
24	Increase in Property Tax Due to Increase in Revenue Requirement		**$ 9,267**
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		$ 9,267
27	Increase in Revenue Requirement		$ 691,210
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.34070%
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

Line No.			
1			
2			
3	Estimated Rate Case Expense	$	200,000
4			
5	Estimated Amortization Period in Years		4
6			
7	Annual Rate Case Expense	$	50,000
8			
9	Test Year Rate Case Expense	$	-
10			
11	Increase(decrease) Rate Case Expense	$	50,000
12			
13	Adjustment to Revenue and/or Expense	$	50,000
14			
15			
16			
17			
18			
19			
20			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Schedule C-2
Page 5
Witness: Bourassa

Revenue Annualization and Billing Correction

Line No.			
1			
2			
3			
4	Revenue Annualization	$	13,363
5	Effluent Billing Correction		28,156
6			
7			
8	Total Revenue from Annualization	$	41,519
9			
10			
11	Adjustment to Revenue and/or Expense	$	41,519
12			
13	SUPPORTING SCHEDULES		
14	C-2 pages 5.1 to 5.8		
15	H-1, page 1		
16			
17			
18			
19			
20			

Pima Utility Company - Wastewater Division
Revenue Annualization to Year End Customers: Residential 5/8x3/4 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule C-2
Page 5.1
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	9,743	9,743	9,743	9,743	9,743	9,743	9,743
2	Actual Customers	9,748	9,745	9,762	9,765	9,752	9,742	9,736
3	Increase in Number of Customers/Bills	(5)	(2)	(19)	(22)	(9)	1	7
4	Average Revenue / Present Rates	$ 22.73	$ 22.73	$ 22.73	$ 22.73	$ 22.73	$ 22.73	$ 22.73
5	Revenue Annualization / Present Rates	$ (114)	$ (45)	$ (432)	$ (500)	$ (205)	$ 23	$ 159
6								
7	Increase in Number of Customers	(5)	(2)	(19)	(22)	(9)	1	7
8	Average Revenue / Proposed Rates	$ 27.79	$ 27.79	$ 27.79	$ 27.79	$ 27.79	$ 27.79	$ 27.79
9	Revenue Annualization / Proposed Rates	$ (139)	$ (56)	$ (528)	$ (611)	$ (250)	$ 28	$ 195
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								Total
13								Year
14		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec		
15	Year End Number of Customers	9,743	9,743	9,743	9,743	9,743		
16	Actual Customers	9,745	9,747	9,744	9,733	9,743		
17	Increase in Number of Customers/Bills	(2)	(4)	(1)	10	-		(46)
18	Average Revenue / Present Rates	$ 22.73	$ 22.73	$ 22.73	$ 22.73	$ 22.73		
19	Revenue Annualization / Present Rates	$ (45)	$ (91)	$ (23)	$ 227	$ -		$ (1,046)
20								
21	Increase in Number of Customers	(2)	(4)	(1)	10	-		
22	Average Revenue / Proposed Rates	$ 27.79	$ 27.79	$ 27.79	$ 27.79	$ 27.79		
23	Revenue Annualization / Proposed Rates	$ (45)	$ (91)	$ (23)	$ 227	$ -		$ (1,278)
24	Additional Gallons to be Produced	-	-	-	-	-		-

Pima Utility Company - Wastewater Division
Revenue Annualization to Year End Customers: Residential 1 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule C-2
Page 5.2
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	207	207	207	207	207	207	207
2	Actual Customers	204	202	204	203	205	205	206
3	Increase in Number of Customers/Bills	3	5	3	4	2	2	1
4	Average Revenue / Present Rates	$ 59.33	$ 59.33	$ 59.33	$ 59.33	$ 59.33	$ 59.33	$ 59.33
5	Revenue Annualization / Present Rates	$ 178	$ 297	$ 178	$ 237	$ 119	$ 119	$ 59
6								
7	Increase in Number of Customers	3	5	3	4	2	2	1
8	Average Revenue / Proposed Rates	$ 72.53	$ 72.53	$ 72.53	$ 72.53	$ 72.53	$ 72.53	$ 72.53
9	Revenue Annualization / Proposed Rates	$ 218	$ 363	$ 218	$ 290	$ 145	$ 145	$ 73
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12		Month	Month	Month	Month	Month		Total
13		of	of	of	of	of		Year
14		Aug	Sep	Oct	Nov	Dec		
15	Year End Number of Customers	207	207	207	207	207		
16	Actual Customers	202	206	207	203	205		
17	Increase in Number of Customers/Bills	5	1	-	4	2		32
18	Average Revenue / Present Rates	$ 59.33	$ 59.33	$ 59.33	$ 59.33	$ 59.33		
19	Revenue Annualization / Present Rates	$ 297	$ 59	$ -	$ 237	$ 119		$ 1,899
20								
21	Increase in Number of Customers	5	1	-	4	2		
22	Average Revenue / Proposed Rates	$ 72.53	$ 72.53	$ 72.53	$ 72.53	$ 72.53		
23	Revenue Annualization / Proposed Rates	$ 297	$ 59	$ -	$ 237	$ 119		$ 2,321
24	Additional Gallons to be Produced	-	-	-	-	-		-

Pima Utility Company - Wastewater Division
Revenue Annualization to Year End Customers: *Residential 5/8x3/4 Inch Meter*
Test Year Ended December 31, 2010

Exhibit
Schedule C-2
Page 5.3
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	24	24	24	24	24	24	24
2	Actual Customers	23	23	23	23	23	23	24
3	Increase in Number of Customers/Bills	1	1	1	1	1	1	-
4	Average Revenue / Present Rates	$ 22.73	$ 22.73	$ 22.73	$ 22.73	$ 22.73	$ 22.73	$ 22.73
5	Revenue Annualization / Present Rates	$ 23	$ 23	$ 23	$ 23	$ 23	$ 23	$ -
6								
7	Increase in Number of Customers	1	1	1	1	1	1	-
8	Average Revenue / Proposed Rates	$ 27.79	$ 27.79	$ 27.79	$ 27.79	$ 27.79	$ 27.79	$ 27.79
9	Revenue Annualization / Proposed Rates	$ 28	$ 28	$ 28	$ 28	$ 28	$ 28	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec		Total Year
13								
14								
15	Year End Number of Customers	24	24	24	24	24		
16	Actual Customers	24	24	24	24	24		
17	Increase in Number of Customers/Bills	-	-	-	-	-		6
18	Average Revenue / Present Rates	$ 22.73	$ 22.73	$ 22.73	$ 22.73	$ 22.73		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ 136
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 27.79	$ 27.79	$ 27.79	$ 27.79	$ 27.79		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ 167
24	Additional Gallons to be Produced	-	-	-	-	-		-

Pima Utility Company - Wastewater Division
Revenue Annualization to Year End Customers: Commercial 3/4 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule C-2
Page 5.4
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	3	3	3	3	3	3	3
2	Actual Customers	3	3	3	3	3	3	3
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 35.33	$ 35.33	$ 35.33	$ 35.33	$ 35.33	$ 35.33	$ 35.33
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	*Increase in Number of Customers*	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 43.19	$ 43.19	$ 43.19	$ 43.19	$ 43.19	$ 43.19	$ 43.19
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	*Additional Gallons to be Produced*	-	-	-	-	-	-	-
11								
12								
13								
14		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec		Total Year
15	Year End Number of Customers	3	3	3	3	3		
16	Actual Customers	3	3	3	3	3		
17	Increase in Number of Customers/Bills	-	-	-	-	-		-
18	Average Revenue / Present Rates	$ 35.33	$ 35.33	$ 35.33	$ 35.33	$ 35.33		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ -
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 43.19	$ 43.19	$ 43.19	$ 43.19	$ 43.19		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ -
24	Additional Gallons to be Produced	-	-	-	-	-		-

Pima Utility Company - Wastewater Division
Revenue Annualization to Year End Customers: Commercial 1 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule C-2
Page 5.5
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	22	22	22	22	22	22	22
2	Actual Customers	25	25	25	25	25	25	25
3	Increase in Number of Customers/Bills	(3)	(3)	(3)	(3)	(3)	(3)	(3)
4	Average Revenue / Present Rates	$ 59.33	$ 59.33	$ 59.33	$ 59.33	$ 59.33	$ 59.33	$ 59.33
5	Revenue Annualization / Present Rates	$ (178)	$ (178)	$ (178)	$ (178)	$ (178)	$ (178)	$ (178)
6								
7	Increase in Number of Customers	(3)	(3)	(3)	(3)	(3)	(3)	(3)
8	Average Revenue / Proposed Rates	$ 72.53	$ 72.53	$ 72.53	$ 72.53	$ 72.53	$ 72.53	$ 72.53
9	Revenue Annualization / Proposed Rates	$ (218)	$ (218)	$ (218)	$ (218)	$ (218)	$ (218)	$ (218)
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12		Month	Month	Month	Month	Month		Total
13		of	of	of	of	of		Year
14		Aug	Sep	Oct	Nov	Dec		
15	Year End Number of Customers	22	22	22	22	22		
16	Actual Customers	22	22	22	22	22		
17	Increase in Number of Customers/Bills	-	-	-	-	-		(21)
18	Average Revenue / Present Rates	$ 59.33	$ 59.33	$ 59.33	$ 59.33	$ 59.33		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ (1,246)
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 72.53	$ 72.53	$ 72.53	$ 72.53	$ 72.53		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ (1,523)
24	Additional Gallons to be Produced	-	-	-	-	-		-

Pima Utility Company - Wastewater Division
Revenue Annualization to Year End Customers: Commercial 1.5 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule C-2
Page 5.6
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	9	9	9	9	9	9	9
2	Actual Customers	9	9	9	9	9	9	9
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 117.33	$ 117.33	$ 117.33	$ 117.33	$ 117.33	$ 117.33	$ 117.33
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 143.44	$ 143.44	$ 143.44	$ 143.44	$ 143.44	$ 143.44	$ 143.44
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12		Month	Month	Month	Month	Month		Total
13		of	of	of	of	of		Year
14		Aug	Sep	Oct	Nov	Dec		
15	Year End Number of Customers	9	9	9	9	9		
16	Actual Customers	9	9	9	9	9		
17	Increase in Number of Customers/Bills	-	-	-	-	-		-
18	Average Revenue / Present Rates	$ 117.33	$ 117.33	$ 117.33	$ 117.33	$ 117.33		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ -
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 143.44	$ 143.44	$ 143.44	$ 143.44	$ 143.44		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ -
24	Additional Gallons to be Produced	-	-	-	-	-		-

Pima Utility Company - Wastewater Division
Revenue Annualization to Year End Customers: Commerical 2 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule C-2
Page 5.7
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	52	52	52	52	52	52	52
2	Actual Customers	51	51	51	51	51	51	52
3	Increase in Number of Customers/Bills	1	1	1	1	1	1	-
4	Average Revenue / Present Rates	$ 187.33	$ 187.33	$ 187.33	$ 187.33	$ 187.33	$ 187.33	$ 187.33
5	Revenue Annualization / Present Rates	$ 187	$ 187	$ 187	$ 187	$ 187	$ 187	$ -
6								
7	Increase in Number of Customers	1	1	1	1	1	1	-
8	Average Revenue / Proposed Rates	$ 229.01	$ 229.01	$ 229.01	$ 229.01	$ 229.01	$ 229.01	$ 229.01
9	Revenue Annualization / Proposed Rates	$ 229	$ 229	$ 229	$ 229	$ 229	$ 229	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec		Total Year
15	Year End Number of Customers	52	52	52	52	52		
16	Actual Customers	52	52	52	52	52		
17	Increase in Number of Customers/Bills	-	-	-	-	-		6
18	Average Revenue / Present Rates	$ 187.33	$ 187.33	$ 187.33	$ 187.33	$ 187.33		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ 1,124
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 229.01	$ 229.01	$ 229.01	$ 229.01	$ 229.01		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ 1,374
24	Additional Gallons to be Produced	-	-	-	-	-		-

Pima Utility Company - Wastewater Division
Revenue Annualization to Year End Customers: Irrigation - Recovered Effluent
Test Year Ended December 31, 2010

Exhibit
Schedule C-2
Page 5.8
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	1	1	1	1	1	1	1
2	Actual Customers							
3	Increase in Number of Customers/Bills	1	1	1	1	1	1	1
4	Average Revenue / Present Rates	$ 804.00	$ 680.46	$ 575.42	$ 631.21	$ 960.02	$ 1,814.30	$ 2,449.98
5	Revenue Annualization / Present Rates	$ 804	$ 680	$ 575	$ 631	$ 960	$ 1,814	$ 2,450
6								
7	Increase in Number of Customers	1	1	1	1	1	1	1
8	Average Revenue / Proposed Rates	$ 970.34	$ 821.24	$ 694.47	$ 761.81	$ 1,158.64	$ 2,189.67	$ 2,956.87
9	Revenue Annualization / Proposed Rates	$ 970	$ 821	$ 694	$ 762	$ 1,159	$ 2,190	$ 2,957
10	Additional Gallons to be Produced	1,386,200	1,173,200	992,100	1,088,300	1,655,200	3,128,100	4,224,100
11								
12		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec		Total Year
13								
14								
15	Year End Number of Customers	1	1	1	1	1		
16	Actual Customers	-	-	-	-	-		
17	Increase in Number of Customers/Bills	1	1	1	1	1		12
18	Average Revenue / Present Rates	$ 849.93	$ 1,540.48	$ 711.37	$ 746.40	$ 732.08		
19	Revenue Annualization / Present Rates	$ 850	$ 1,540	$ 711	$ 746	$ 732		$ 12,496
20								
21	Increase in Number of Customers	1	1	1	1	1		
22	Average Revenue / Proposed Rates	$ 1,025.78	$ 1,859.20	$ 858.55	$ 900.83	$ 883.54		
23	Revenue Annualization / Proposed Rates	$ 850	$ 1,540	$ 711	$ 746	$ 732		$ 15,081
24	Additional Gallons to be Produced	1,465,400	2,656,000	1,226,500	1,286,900	1,262,200		21,544,200

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Schedule C-2
Page 6
Witness: Bourassa

Purchased Power Adjustments

Line No.			
1			
2			
3	Rebate from Ocotillo Water Conservation District	$	26,712
4	Add power costs for recharge wells		3,211
5			
6	Total	$	29,923
7			
8			
9			
10			
11	Adjustment to purchased power expense	$	29,923
12			
13			
14	Adjustment to Revenue and/or Expense	$	29,923
15			
16	REFERENCE		
17	Testimony		
18			
19			
20			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Schedule C-2
Page 7
Witness: Bourassa

Annualize Purchased Power

Line No.			
1			
2	Test Year purchased power expense	$	105,351
3	Purchased Power Adjustments (Adjustment 5)		29,923
4			
5	Test Year purchased power expense	$	135,273
6			
7	Gallons treated during test year (in ,1000's)		390,108
8			
9	Cost per 1,000 gallons = line3 / line 5	$	0.35
10			
11	Additional billings from annualization		(69)
12			
13	Annual waste water flow per additional connection (in 1,000's)		38.8
14			
15			
16	Additional gallons treated from annualization (in 1,000's)		(2,676)
17			
18	Additional purchased power expense	$	(937)
19			
20			
21	Adjustment to Revenue and/or Expense	$	(937)
22			
23	REFERENCE		
24	Line 3: C-1 line 11		
25	Line 5: from 2010 annual report		
26	Line 11: Annual gallons treated per customer. See Scehdule E-7		
27	Line 14: Line 9 times Line 11		
28	Line 16: Line 7 times Line 14		

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Schedule C-2
Page 8
Witness: Bourassa

Line No.			
1	Amorization of deferred operating costs		
2			
3			
4	Deferred operating costs at end of test year	$	1,048,756
5			
6	Proposed percentage of costs to be recovered		30%
7			
8	Proposed amount to be recovered	$	314,627
9			
10	Amortization period (years)		5
11			
12	Annual amortization	$	62,925
13			
14			
15			
16	Adjustment to Amortization Expense	$	62,925
17			
18			
19	Adjustment to Revenue and/or Expense	$	62,925
20			
21			
22			
23			
24			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Schedule C-2
Page 9
Witness: Bourassa

Line No.			
1	Annualize effluent credit sales		
2			
3	Test year effluent credit sales	$	40,000
4			
5	Normalization period (years)	$	10
6			
7	Normalized annual effluent credit sales	$	4,000
8			
9			
10	Test year effluent credit sales	$	40,000
11			
12			
13	Adjustment to Revenue and/or Expense	$	(36,000)
14			
15			
16			
17			
18			
19			
20			
21			
22			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Schedule C-2
Page 10
Witness: Bourassa

Interest Synchronization

Line No.			
1			
2			
3			
4	Fair Value Rate Base	$ 9,863,271	
5	Weighted Cost of Debt	2.23%	
6	Interest Expense		$ 220,131
7			
8	Test Year Interest Expense		$ 487,087
9			
10	Increase (decrease) in Interest Expense		(266,956)
11			
12			
13			
14	Adjustment to Revenue and/or Expense		$ 266,956
15			
16			
17	Weighted Cost of Debt Computation		

18						Weighted
19			Amount	Percent	Cost	Cost
20	Debt	$	8,370,000	31.08%	7.18%	2.23%
21	Equity	$	18,563,072	68.92%	10.50%	7.24%
22	Total	$	26,933,072	100.00%		9.47%

23
24
25
26
27
28
29
30

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Adjustment to Revenues and/or Expenses
Adjustment Number 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

Line No.			Test Year Adjusted Results	Adjusted with Rate Increase
1	Income Tax Computation			
2				
3				
4				
5				
6	Revenue		$ 3,096,775	$ 3,787,985
7	Operating Expenses Excluding Income Taxes		2,569,586	2,578,853
8	Synchronized Interest		220,131	220,131
9				
10	Income Before Taxes		$ 307,058	$ 989,001
11				
12	Arizona Income Before Taxes		$ 307,058	$ 989,001
13				
14	Less: Effective Arizona Income Tax		$ 13,654	$ 43,979
15	Rate =	4.45% [1]		
16	Arizona Taxable Income		$ 293,404	$ 945,022
17				
18	Arizona Income Taxes		$ 13,654	$ 43,979
19				
20	Federal Income Before Taxes		$ 307,058	$ 989,001
21				
22	Less Arizona Income Taxes		$ 13,654	$ 43,979
23				
24	Federal Taxable Income		$ 293,404	$ 945,022
25				
26				
27				
28	FEDERAL INCOME TAXES:			
29	Effective Federal Tax Rate	24.45% [1]	$ 71,751	$ 231,101
30				
31				
32				
33				
34				
35	Federal Income Taxes		$ 71,751	$ 231,101
36				
37				
38	Total Income Tax		$ 85,405	$ 275,080
39				
40	Overall Tax Rate		27.81%	27.81%
41				
42	Income Tax		$ 85,405	$ 275,080
43	Test Year Income tax Expense		-	85,405
44	Adjustment to Income Tax Expense		$ 85,405	$ 189,675
45				
46				
47	[1] See work papers/testimony			
48				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Computation of Gross Revenue Conversion Factor

Exhibit
Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	27.8140%
2		
3	Property Taxes	0.9678%
4		
5		
6	Total Tax Percentage	28.7818%
7		
8	Operating Income % = 100% - Tax Percentage	71.2182%
9		
10		
11		
12		
13	1 = Gross Revenue Conversion Factor	
14	Operating Income %	1.4041
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
26	C-3, page 2	A-1
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010

Exhibit
Schedule C-3
Page 2
Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	[E]	[F]
	Calculation of Gross Revenue Conversion Factor:						
1	Revenue	100.0000%					
2	Uncollecible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	28.7818%					
5	Subtotal (L3 - L4)	71.2182%					
6	**Revenue Conversion Factor (L1 / L5)**	1.404134					
	Calculation of Uncollectible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 17)	27.8140%					
9	One Minus Combined Income Tax Rate (L7 - L8)	72.1860%					
10	Uncollectible Rate	0.0000%					
11	*Uncollectible Factor (L9 * L10)*		0.0000%				
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	4.4468%					
14	Federal Taxable Income (L12 - L13)	95.5532%					
15	Applicable Federal Income Tax Rate (Line 44)	24.4546%					
16	Effective Federal Income Tax Rate (L14 x L15)	23.3672%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		27.8140%				
	Calculation of Effective Property Tax Factor						
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	27.8140%					
20	One Minus Combined Income Tax Rate (L18-L19)	72.1860%					
21	Property Tax Factor	1.3407%					
22	Effective Property Tax Factor (L20*L21)		0.9678%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			28.7818%			
24	Required Operating Income	$ 934,052					
25	AdjustedTest Year Operating Income (Loss)	$ 441,784					
26	Required Increase in Operating Income (L24 - L25)		$ 492,268				
27	Income Taxes on Recommended Revenue (Col. (E), L52)	$ 275,081					
28	Income Taxes on Test Year Revenue (Col. (B), L52)	$ 85,405					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 189,676				
30	Recommended Revenue Requirement	$ 3,787,985					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L30 * L31)	$ -					
33	Adjusted Test Year Uncollectible Expense	$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		$ -				
35	Property Tax with Recommended Revenue	$ 135,183					
36	Property Tax on Test Year Revenue	$ 125,916					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		$ 9,267				
38	Total Required Increase in Revenue (L26 + L29 + L37)		$ 691,211				

		(A)	(B)	(C)	(D)	[E]	[F]
		Test Year			Company Recommended		
		Total Pima UtilityCompany - Wastewater Division			Total Pima UtilityCompany - Wastewater Division		
	Calculation of Income Tax:						
39	Revenue	$ 3,096,775	$ 3,096,775		$ 3,787,985	$ 3,787,985	
40	Operating Expenses Excluding Income Taxes	$ 2,569,586	$ 2,569,586		$ 2,578,853	$ 2,578,853	
41	Synchronized Interest (L47)	$ 220,131	$ 220,131	$ -	$ 220,131	$ 220,131	
42	Arizona Taxable Income (L30 - L31 - L32)	$ 307,058	$ 307,058	$ -	$ 989,002	$ 989,002	$ -
43	Arizona State Effective Income Tax Rate (see work papers)	4.4468%	4.4468%	4.4468%	4.4468%	4.4468%	4.4468%
44	Arizona Income Tax (L33 x L34)	$ 13,654	$ 13,654	$ -	$ 43,979	$ 43,979	$ -
45	Federal Taxable Income (L33 - L35)	$ 293,404	$ 293,404	$ -	$ 945,023	$ 945,023	$ -
46	Effective Tax Rate (see work papers)	24.4546%	24.4546%		24.4546%	24.4546%	
47	Federal Income Tax	$ 71,751	$ 71,751	$ -	$ 231,102	$ 231,102	$ -
48							
49							
50							
51	Total Federal Income Tax	$ 71,751	$ 71,751	$ -	$ 231,102	$ 231,102	$ -
52	Combined Federal and State Income Tax (L35 + L42)	$ 85,405	$ 85,405	$ -	$ 275,081	$ 275,081	$ -

53
54W ATER Applicable Federal Income Tax Rate [Col. [E], L51 - Col. [B], L51] / [Col. [E], L45 - Col. [B], L45] 24.4546%
55

	Calcul ation of Interest Synchronization:		N/A
56	Rate Base	$ 9,863,271	$ -
57	Weighted Average Cost of Debt	2.2318%	0.0000%
58	Synchronized Interest (L56 X L57)	$ 220,131	$ -

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2010	Year Ended 12/31/2009	Year Ended 12/31/2008
1	**ASSETS**			
2	Plant In Service	$ 20,563,838	$ 20,335,953	$ 20,012,385
3	Non-Utility Plant	-	-	-
4	Construction Work in Progress	20,190	-	97,018
5	Less: Accumulated Depreciation	(10,641,699)	(9,896,791)	(9,096,854)
6	Net Plant	$ 9,942,329	$ 10,439,163	$ 11,012,548
7				
8	Debt Reserve Fund	$ 952,499	$ 952,499	$ 957,137
9				
10		$ 952,499	$ 952,499	$ 957,137
11				
12	CURRENT ASSETS			
13	Cash and Equivalents			
14	Restricted Cash	1,472,031	4,795	255,019
15	Accounts Receivable, Net	278,895	269,654	268,127
16	Other Receivables	40,000	-	-
17	Notes Receivable	153,361	1,269,002	507,059
18	Materials and Supplies			
19	Prepayments			
20	Other Current Assets			
21	Total Current Assets	$ 1,944,287	$ 1,543,452	$ 1,030,205
22				
23	Unamortized Debt Discount	$ 220,893	$ 246,881	$ 272,868
24	Other Deferred Debits	1,213,851	1,213,851	1,213,851
25	Total Deferred Debtis	$ 1,434,744	$ 1,460,732	$ 1,486,719
26				
27	Other Investments & Special Funds	$ -	$ -	$ -
28				
29	TOTAL ASSETS	$ 14,273,859	$ 14,395,845	$ 14,486,609
30				
31				
32	**LIABILITIES AND STOCKHOLDERS' EQUITY**			
33				
34	Common Equity	$ 7,272,375	$ 6,828,052	$ 6,429,704
35				
36	Long-Term Debt	$ 6,125,000	$ 6,595,000	$ 7,035,000
37				
38	CURRENT LIABILITIES			
39	Accounts Payable	$ 96,544	$ 124,110	$ 74,211
40	Current Portion of Long-Term Debt			
41	Payables to Associated Companies	-	-	-
42	Security Deposits			
43	Customer Meter Deposits, Current			
44	Accrued Taxes	82,386	79,230	76,205
45	Accrued Interest	222,030	239,068	255,019
46	Other Current Liabilities	9,148	8,522	7,229
47	Total Current Liabilities	$ 410,108	$ 450,930	$ 412,662
48	DEFERRED CREDITS			
49	Customer Meter Deposits, less current	$ -	$ -	$ -
50	Advances in Aid of Construction	285,313	298,417	343,412
51	Accumulated Deferred Income Taxes			
52	Contributions In Aid of Construction	937,694	937,694	937,694
53	Accumulated Amortization	(756,631)	(714,247)	(671,863)
54	Total Deferred Credits	$ 466,375	$ 521,864	$ 609,243
55				
56	Total Liabilities & Common Equity	$ 14,273,859	$ 14,395,845	$ 14,486,609
57				
58				
59				
60	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
61	Workpapers/Trial Balance Mapping Water and Sewer tjb.xls		A-3	
62				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Comparative Income Statements

Exhibit
Schedule E-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2010	Prior Year Ended 12/31/2009	Prior Year Ended 12/31/2008
1	**Revenues**			
2	Flat Rate Revenues	$ 2,955,870	$ 2,958,971	$ 2,948,589
3	Metered Revenues	93,356	150,408	159,533
4	Other Wastewater Revenues	42,030	4,330	12,670
5	**Total Revenues**	$ 3,091,256	$ 3,113,709	$ 3,120,792
6	**Operating Expenses**			
7	Salaries and Wages	$ 345,644	$ 299,910	$ 291,830
8	Salaries and Wages - Officers and Directors	90,294	90,294	90,571
9	Employee Pensions and Benefits	115,720	107,405	99,843
10	Purchased Power	105,351	136,258	147,637
11	Chemicals	84,059	103,489	85,909
12	Materials and Supplies	184,532	130,158	129,343
13	Office Supplies and Expense	188,906	238,700	231,214
14	Contractual Services - Engineering	20,305	-	-
15	Contractual Services - Accounting	3,067	3,709	2,940
16	Contractual Services - Legal	108	3,879	-
17	Contractual Services - Other	61,500	63,900	58,800
18	Contractual Services - Testing	15,729	13,614	12,567
19	Rents - Equipment	698	450	450
20	Transportation Expenses	28,808	21,777	29,472
21	Insurance - Vehicle	3,067	2,905	1,268
22	Insurance - General Liability	20,916	38,057	28,061
23	Insurance - Worker's Comp	222	264	240
24	Regulatory Commission Expense	-	-	-
25	Regulatory Commission Expense - Rate Case	-	-	-
26	Bad Debt Expense	9,509	10,260	6,898
27	Miscellaneous Expense	2,174	2,541	1,700
28	Depreciation & Amortization Expense	702,524	757,553	770,492
29	Taxes Other Than Income	10,449	10,794	10,436
30	Property Taxes	164,773	158,553	152,435
31	Income Tax	-	-	-
32		-	-	-
33	**Total Operating Expenses**	$ 2,158,356	$ 2,194,470	$ 2,152,104
34	**Operating Income**	$ 932,900	$ 919,239	$ 968,688
35	**Other Income (Expense)**			
36	Interest Income	97	158	12,618
37	Other Income	52	37	26
38	Interest Expense	(487,087)	(520,074)	(550,887)
39	Other Expense	(1,639)	(1,013)	(60)
40	Gain/Loss Sale of Fixed Assets	-	-	1,400
41	**Total Other Income (Expense)**	$ (488,577)	$ (520,892)	$ (536,903)
42	**Net Profit (Loss)**	$ 444,324	$ 398,348	$ 431,785
43				
44				
45				
46	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
47	Workpapers/Trial Balance Mapping Water and Sewer tjb.xls		A-2	
48				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Comparative Statements of Cash Flows

Exhibit
Schedule E-3
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2010	Prior Year Ended 12/31/2009	Prior Year Ended 12/31/2008
1				
2				
3	Cash Flows from Operating Activities			
4	Net Income	$ 444,324	$ 398,348	$ 431,785
5	Adjustments to reconcile net income to net cash			
6	provided by operating activities:			
7	Depreciation and Amortization	702,524	757,553	770,492
8	Depreciation Adjustments	-	-	(22,963)
9	Changes in Certain Assets and Liabilities:			
10	Accounts Receivable	(9,241)	(1,527)	4,835
11	Unbilled Revenues			
12	Materials and Supplies Inventory			
13	Prepaid Expenses			
14	Restricted Cash	(1,467,236)	250,224	14,994
15	Notes Receivable	1,115,641	(761,943)	(705,592)
16	Accounts Payable	(27,566)	49,899	(4,610)
17	Intercompany payable			
18	Interest Payable	(17,038)	(15,951)	(14,862)
19	Taxes Payable	3,156	3,025	(6,940)
20	Other assets and liabilities	(39,374)	1,293	(407)
21				
22	Net Cash Flow provided by Operating Activities	$ 705,191	$ 680,920	$ 466,731
23	Cash Flow From Investing Activities:			
24	Capital Expenditures	(248,075)	(226,550)	(234,673)
25	Plant Held for Future Use	-	-	-
26	Changes in debt reserve fund	-	4,638	151,955
27	Net Cash Flows from Investing Activities	$ (248,075)	$ (221,912)	$ (82,718)
28	Cash Flow From Financing Activities			
29	Change in Restricted Cash	-	-	-
30	Proceeds from Long-Term Debt	-	-	-
31	Net receipt of contributions in aid of construction	-	-	-
32	Net receipts of advances in aid of construction	(13,104)	(44,995)	-
33	Repayments of Long-Term Debt	(470,000)	(440,000)	(410,000)
34	Distributions/Dividends Paid	-	-	-
35	Deferred Financing Costs	25,988	25,987	25,987
36	Paid in Capital	-	-	-
37	Net Cash Flows Provided by Financing Activities	$ (457,116)	$ (459,008)	$ (384,013)
38	Increase(decrease) in Cash and Cash Equivalents	(0)	0	0
39	Cash and Cash Equivalents at Beginning of Year	0	0	-
40	Cash and Cash Equivalents at End of Year	0	0	0
41				
42				
43	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
44	Workpapers/cashflow sewer.xls		A-5	
45				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Statement of Changes in Stockholder's Equity

Exhibit
Schedule E-4
Page 1
Witness: Bourassa

Line No.		Common Stock	Additional Paid-In-Capital	Retained Earnings	Total
1					
2					
3					
4	Balance, December 31, 2007	$ 72,624	$ 4,037,614	$ 1,887,682	$ 5,997,920
5	Addnl Paid In Capital Adjustment				-
6	Distributions/Dividends			-	-
7	Rounding				-
8	Net Income			431,785	431,785
9					
10	Balance, December 31, 2008	$ 72,624	$ 4,037,614	$ 2,319,466	$ 6,429,704
11	Addnl Paid In Capital		-		-
12	Distributions/Dividends			-	-
13	Rounding				-
14	Net Income			398,348	398,348
15					
16	Balance, December 31, 2009	$ 72,624	$ 4,037,614	$ 2,717,814	$ 6,828,052
17	Addnl Paid In Capital				-
18	Distributions/Dividends			-	-
19	Rounding				-
20	Net Income			444,324	444,324
21					
22	Balance, December 31, 2010	$ 72,624	$ 4,037,614	$ 3,162,137	$ 7,272,375
23					
24					
25					
26					
27					
28					
29	SUPPORTING SCHEDULES:			RECAP SCHEDULES:	
30				E-1	
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Detail of Plant in Service

Exhibit
Schedule E-5
Page 1
Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 12/31/2009	Plant Additions, Reclass-ications or or Retirements	Plant Balance at 12/31/2010
1					
2	351	Organization Cost	$ -	$ -	$ -
3	352	Franchise Cost		-	
4	353	Land and Land Rights	92,008	-	92,008
5	354	Structures & Improvements	5,421	3,479	8,901
6	355	Power Generation Equipment		-	
7	360	Collection Sewers - Force	1,526,701	62,307	1,589,008
8	361.1	Collection Sewers - Gravity	5,919,663	73,351	5,993,014
9	361.2	Manholes & Cleanouts		-	
10	362	Special Collecting Structures		-	
11	363	Servcies to Customers	628,785	-	628,785
12	364	Flow Measuring Devices		-	
13	365	Flow Measuring Installations		-	
14	366	Reuse Services			
15	367	Reuse Meters and Meter Installations			
16	370	Receiving Wells		-	
17	371.1	Pumping Equipment - Lift Stations			
18	371.2	Other Pumping Equipment			
19	371.3	Pumping Equipment - Recharge Wells		-	
20	374	Reuse Distribution Reserviors		-	
21	375	Reuse Transmission and Distribution		-	
22	380	Treatment & Disposal Equipment	10,583,267	72,476	10,655,743
23	381	Plant Sewers		-	
24	382	Outfall Sewer Lines	536,196	2,243	538,439
25	389	Other Plant & Misc Equipment	327,190	14,028	341,218
26	390	Office Furniture & Equipment		-	
27	390.1	Computers & Software		-	
28	391	Transportation Equipment		-	
29	392	Stores Equipment		-	
30	393	Tools, Shop & Garage Equipment		-	
31	394	Laboratory Equipment		-	
32	395	Power Operated Equipment		-	
33	396	Communication Equipment		-	
34	397	Miscellaneous Equipment			
35	398	Other Tangible Plant			
36		Post-in-service AFUDC	716,722		716,722
37				-	
38		Rounding			-
39		TOTAL WATER PLANT	$ 20,335,953	$ 227,885	$ 20,563,838
40					
41	SUPPORTING SCHEDULES			RECAP SCHEDULES:	
42	Workpapers/Trial Balance Mapping Water and Sewer tjb.xls			A-4	
43				E-1	
44					

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Operating Statistics

Exhibit
Schedule E-7
Page 1
Witness: Bouras

Line No.		Test Year Ended 12/31/2010	Prior Year Ended 12/31/2009	Prior Year Ended 12/31/2008
1	WATER STATISTICS:			
2				
3				
4				
5	Gallons Treated (in Thousands)	390,108	387,475	392,907
6				
7				
8				
9	Sewer Revenues from Customers:	$ 2,955,870	$ 2,958,971	$ 2,948,589
10				
11				
12				
13				
14	Year End Number of Customers	10,058	10,049	10,187
15				
16				
17	Annual Gallons Treated (in Thousands)			
18	Per Year End Customer	38.8	38.6	38.6
19				
20				
21				
22	Annual Revenue per Year End Customer	$ 293.88	$ 294.45	$ 289.45
23				
24	Pumping Cost Per 1,000 Gallons	$ 0.2701	$ 0.3517	$ 0.3758
25				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Bourassa

Line No.	Description	Test Year Ended 12/31/2010	Prior Year Ended 12/31/2009	Prior Year Ended 12/31/2008
1	Description			
2				
3	State Income Taxes	$ -	$ -	$ -
4	Federal Income Taxes	-	-	-
5	Payroll Taxes	619	578	616
6	Property Taxes	164,773	158,553	152,435
7				
8	Totals	$ 165,392	$ 159,131	$ 153,051
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa

Line No.	
1	
2	See attached audited financial statements.
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
26	
27	
28	
29	
30	
31	
32	
33	
34	
35	
36	
37	
38	
39	
40	

PIMA UTILITY COMPANY

FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

BARRY & MOORE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pima Utility Company

We have audited the accompanying balance sheets of *Pima Utility Company* as of December 31, 2010 and 2009, and the related statements of income, capitalization and cash flows for the years then ended. These financial statements are the responsibility of the management of *Pima Utility Company*. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Pima Utility Company* as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

April 22, 2011

Barry & Moore, P.C.

2198 East Camelback, Suite 370 • Phoenix, Arizona 85016 • (602) 277-5463 FAX (602) 248-9074

PIMA UTILITY COMPANY

BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

	In thousands	
	2010	2009
ASSETS		
PLANT IN SERVICE AND UNDER CONSTRUCTION, NET	$ 21,540	$ 21,999
CURRENT ASSETS:		
Cash	169	92
Service customers receivable	479	431
Receivable from affiliate	872	1,835
Other assets	0	2
Total current assets	1,520	2,360
RESTRICTED FUNDS	2,425	957
DEFERRED CHARGES	1,796	1,855
	$ 27,281	$ 27,171
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES:		
Accounts payable	$ 335	$ 247
Accrued liabilities	455	454
Current portion of bonds payable	505	470
Total current liabilities	1,295	1,171
BONDS PAYABLE, NET OF CURRENT PORTION	5,620	6,125
ADVANCES IN AID OF CONSTRUCTION	660	683
CONTRIBUTIONS IN AID OF CONSTRUCTION	274	335
Total liabilities	7,849	8,314
CAPITALIZATION:		
Common stock; $1 par value; 10,000,000 shares authorized; 180,041 shares issued and outstanding	180	180
Additional paid-in capital	10,801	10,801
Retained earnings	8,451	7,876
Total capitalization	19,432	18,857
	$ 27,281	$ 27,171

See accompanying notes and auditors' report.

PIMA UTILITY COMPANY

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	In thousands	
	2010	2009
REVENUE:		
Water	$ 1,658	$ 1,711
Wastewater	2,956	2,959
Irrigation	411	486
Excess capacity	1	2
Establishment fees	1	2
Other income	48	9
Total revenue	5,075	5,169
OPERATING EXPENSES:		
Salaries and employee benefits	931	827
Electricity	334	387
Repairs and maintenance	514	417
Chemicals	101	118
Testing, fees and permits	85	76
Insurance	52	82
Property taxes	259	257
Professional services	59	31
Administrative services	105	105
Other expense	141	152
Total operating expenses	2,581	2,452
Income before depreciation, amortization and interest	2,494	2,717
NON-OPERATING EXPENSES:		
Depreciation	1,148	1,188
Amortization	32	32
Interest expense, net	439	399
NET INCOME	$ 875	$ 1,098

See accompanying notes and auditors' report.

PIMA UTILITY COMPANY

STATEMENTS OF CAPITALIZATION
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

In thousands

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL CAPITALIZATION
BALANCES, December 31, 2008	$ 180	$ 10,801	$ 10,218	$ 21,199
NET INCOME	0	0	1,098	1,098
DISTRIBUTIONS	0	0	(3,440)	(3,440)
BALANCES, December 31, 2009	$ 180	$ 10,801	$ 7,876	$ 18,857
NET INCOME	0	0	875	875
DISTRIBUTIONS	0	0	(300)	(300)
BALANCES, December 31, 2010	$ 180	$ 10,801	$ 8,451	$ 19,432

See accompanying notes and auditors' report.

PIMA UTILITY COMPANY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

In thousands

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 875	$ 1,098
Adjustments to reconcile net income to net cash flows from operating activities-		
Amortization of bond issue costs	26	26
Depreciation and amortization	1,181	1,220
Loss on sale of assets	1	0
(Increase) decrease in-		
Service customers receivable	(48)	(11)
Other assets	2	5
Increase (decrease) in-		
Accounts payable	88	91
Accrued liabilities	1	(34)
Total adjustments	1,251	1,297
Net cash flows from operating activities	2,126	2,395
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in restricted funds	(1,468)	255
Decrease in receivable from affiliate	963	2,013
Plant additions	(751)	(751)
Net cash flows from investing activities	(1,256)	1,517
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bonds payable	(470)	(440)
Advances in aid of construction	(23)	(84)
Distributions	(300)	(3,440)
Net cash flows from financing activities	(793)	(3,964)
INCREASE (DECREASE) IN CASH	77	(52)
CASH, beginning of year	92	144
CASH, end of year	$ 169	$ 92

See accompanying notes and auditors' report.

PIMA UTILITY COMPANY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Business Activity-

Pima Utility Company (Company), an Arizona corporation organized in 1972, provides water and wastewater services to substantially all of the homes in the Sun Lakes retirement community.

The rates for water and wastewater services are authorized by the Arizona Corporation Commission.

Recognition of Revenue and Expenses-

Revenue and expenses are recognized on the accrual method. Under this method, revenue is recognized when earned rather than when collected, and expenses are recognized when incurred rather than when paid.

Income Taxes-

As permitted by the *Income Taxes* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the Company evaluates all tax positions as required by the *Contingencies* topic of the FASB ASC, which requires a more likely-than not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in the Company's tax return. Management believes the tax positions taken on the Company's tax returns are fairly stated. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2006.

The Company and its stockholders have elected to be taxed as an S corporation. In lieu of corporate income taxes, the stockholders are personally taxed on the Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

Plant in Service-

Plant is service is stated at original cost. All water assets are depreciated on the straight-line method at 3% annually. Wastewater assets are depreciated on the straight-line method over the following useful lives-

Collection system, manholes and cleanouts and service laterals	50 years
Lift stations	10 – 28 years
Treatment and disposal systems	20 years
Structures and improvements	4 – 20 years
Equipment	5 – 10 years
Effluent lines	10 – 50 years

Repairs and maintenance to plant in service are generally expensed as incurred. Expenditures determined to represent additions and improvements are capitalized.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*:

Deferred Charges-

Deferred charges represent costs amortizable pursuant to rulings by the Arizona Corporation Commission over the following lives-

Bond issue costs	23.5 years
Allowance for funds used during construction	22 years
Deferred operating costs for 1996 and 1997	5 years
Deferred operating costs for 1998 and 1999	Pending
Rate hearing costs	Pending

Estimates-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Long-Lived Assets-

The Company periodically evaluates the carrying value of the long-lived assets in accordance with the FASB ASC. Under the FASB ASC, long-lived assets and certain identifiable intangible assets to be held and used in operations are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company does not believe impairment exists at December 31, 2010.

Supplemental Cash Flow Information-

Interest paid totaled $478,000 and $510,000 in 2010 and 2009, respectively.

(2) PLANT IN SERVICE AND UNDER CONSTRUCTION, NET:

Plant in service and under construction, net consists of the following-

	In thousands	
	2010	2009
Construction work-in progress	$ 20	$ 0
Land	189	189
Wastewater:		
Collection system	4,201	4,201
Manholes and cleanouts	1,792	1,718
Lift stations	1,589	1,527
Treatment and disposal systems	10,656	10,583
Service laterals	629	629
Structures and improvements	9	5
Equipment	341	327
Effluent lines	538	536
	19,755	19,526
Water:		
Mains	3,057	3,057
Services	4,499	4,321
Hydrants	892	892
Tanks	2,708	2,679
Water supply	1,789	1,692
Meters	1,011	975
Pumps	830	731
Equipment	730	700
Structures and improvements	2,292	2,285
	17,808	17,332
Total plant in service and under construction	37,772	37,047
Less accumulated depreciation	16,232	15,048
	$ 21,540	$ 21,999

(3) RESTRICTED FUNDS:

Restricted funds consist of investments held by a trustee to comply with the requirements of the Trust Indenture related to the Industrial Development Authority Bonds.

The restricted funds are invested in money markets and are recorded at cost in the following trustee accounts-

	In thousands	
	2010	2009
Reserve fund	$ 953	$ 952
Bond fund	1,472	5
	$ 2,425	$ 957

(4) DEFERRED CHARGES:

Deferred charges consist of the following-

	In thousands	
	2010	2009
Bond issue costs, net of amortization	$ 221	$ 247
Allowance for funds used during construction, net of amortization	360	393
Deferred operating costs for 1996 and 1997	1	1
Deferred operating costs for 1998 and 1999	1,049	1,049
Rate hearing costs	165	165
	$ 1,796	$ 1,855

Pursuant to an order from the Arizona Corporation Commission, from 1996 to 1999, the Company was authorized to defer 30% of the incremental operating costs of the new wastewater treatment facilities.

(5) ACCRUED LIABILITIES:

Accrued liabilities consist of the following-

	In thousands	
	2010	2009
Payroll and taxes	$ 67	$ 54
Sales tax	27	23
Property taxes	129	128
Regulatory taxes	10	10
Interest	222	239
	$ 455	$ 454

(6) BONDS PAYABLE:

In December, 1995, the Company received $10,300,000 from the sale of Industrial Development Authority Bonds of Maricopa County, which financed the construction of the wastewater treatment facility.

The bonds bear interest at 7.25% and require annual debt service of approximately $951,000 through July, 2019.

Annual principal payments are as follows-

Year Ending December 31	*In thousands*
2011	$ 505
2012	545
2013	580
2014	625
2015	670
Thereafter	3,200
	$ 6,125

(7) ADVANCES AND CONTRIBUTIONS IN AID OF CONSTRUCTION:

The advances in aid of construction contracts provide that a percentage of gross revenues from each applicable unit over a specified period will be paid to reimburse the customer for the cost of the water system.

Any unrefunded portion upon the contract expiration is transferred to contributions in aid of construction.

(8) INTEREST EXPENSE, NET:

Interest expense, net consists of the following-

	In thousands	
	2010	2009
Interest income	$ 48	$ 121
Interest expense	(461)	(494)
Amortization of bond issue costs	(26)	(26)
	$ (439)	$ (399)

(9) FAIR VALUE OF FINANCIAL INSTRUMENTS:

In accordance with the *Fair Value Measurements and Disclosures* topic of the FASB ASC, the carrying amount reported in the balance sheet for current assets, restricted funds and current liabilities approximate fair values due to the short maturity of these instruments.

At December 31, 2010, the fair value of long-term debt was equal to the carrying amount.

(10) TRANSACTIONS WITH RELATED PARTIES:

On an ongoing basis, Pima Utility Company engages in certain business activities with affiliates which arise through the normal course of business.

The Company has an agreement with an affiliated developer where the developer pays a monthly fee to reserve capacity of the new wastewater treatment plant for its undeveloped lots. The Company earned $1,000 and $2,000 during 2010 and 2009, respectively, pursuant to this agreement.

The Company provides water services to affiliates for construction activity and golf courses. Revenue earned from these affiliates during 2010 and 2009 was $59,000 and $211,000, respectively.

The Company paid $105,000 in 2010 and 2009, respectively, to an affiliate for administrative and accounting services.

The Company also advances excess funds to an affiliate. The advances are payable on demand and provide for monthly interest at the affiliates borrowing rate. The Company earned $48,000 and $120,000 of interest on the advances during 2010 and 2009, respectively. At December 31, 2010 and 2009, the outstanding receivable from affiliate was $872,000 and $1,835,000, respectively.

(11) RETIREMENT PLAN AND TRUST:

The Company and affiliated entities have a multi-employer trust profit sharing plan under Section 401 and 401(K) of the Internal Revenue Code. The Plan and Trust provides for retirement, disability and accidental benefits for eligible employees. The Company matches employee contributions at a rate of 25%. The Plan and Trust also provides for additional contributions by the employer, at management's discretion. As of December 31, 2010, the Company had no liability to the Plan and Trust for matching or additional contributions. The Company contributed approximately $9,000 in 2010 and 2009, respectively to the Plan.

(12) CONCENTRATIONS OF CREDIT RISK:

The *Risk and* Uncertainties topic of the FASB ASC requires certain disclosures relating to concentrations and the general risk associated with those concentrations.

Substantially all customers reside within the Sun Lakes community.

(13) SUBSEQUENT EVENTS:

Management has evaluated all subsequent events through the date the financial statements were available to be issued on April 22, 2011. No subsequent events occurred during this period which require adjustment to or disclosure in the financial statements.

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Projected Income Statements - Present & Proposed Rates

Exhibit
Schedule F-1
Page 1
Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 12/31/2011	At Proposed Rates Year Ended 12/31/2011
1	**Revenues**			
2	Metered Water Revenues	$ 2,955,870	$ 2,997,389	$ 3,688,599
3	Unmetered Water Revenues	93,356	93,356	93,356
4	Other Water Revenues	42,030	6,030	6,030
5		$ 3,091,256	$ 3,096,775	$ 3,787,985
6	**Operating Expenses**			
7	Salaries and Wages	$ 345,644	$ 345,644	$ 345,644
8	Salaries and Wages - Officers and Directors	90,294	90,294	90,294
9	Employee Pensions and Benefits	115,720	115,720	115,720
10	Purchased Power	105,351	134,337	134,337
11	Chemicals	84,059	84,059	84,059
12	Materials and Supplies	184,532	184,532	184,532
13	Office Supplies and Expense	188,906	188,906	188,906
14	Contractual Services - Engineering	20,305	20,305	20,305
15	Contractual Services - Accounting	3,067	3,067	3,067
16	Contractual Services - Legal	108	108	108
17	Contractual Services - Other	61,500	61,500	61,500
18	Contractual Services - Water Testing	15,729	15,729	15,729
19	Rents - Equipment	698	698	698
20	Transportation Expenses	28,808	28,808	28,808
21	Insurance - Vehicle	3,067	3,067	3,067
22	Insurance - General Liability	20,916	20,916	20,916
23	Insurance - Worker's Comp	222	222	222
24	Regulatory Commission Expense	-	-	-
25	Regulatory Commission Expense - Rate Case	-	50,000	50,000
26	Bad Debt Expense	9,509	9,509	9,509
27	Miscellaneous Expense	2,174	2,174	2,174
28	Depreciation Expense	702,524	1,010,700	1,010,700
29	Taxes Other Than Income	10,449	10,449	10,449
30	Property Taxes	164,773	125,916	135,183
31	Income Tax	-	85,405	275,081
32				
33	**Total Operating Expenses**	$ 2,158,356	$ 2,592,066	$ 2,791,008
34	**Operating Income**	$ 932,900	$ 504,709	$ 996,977
35	**Other Income (Expense)**			
36	Interest Income	97	97	97
37	Other income	52	52	52
38	Interest Expense	(487,087)	(220,131)	(220,131)
39	Other Expense	(1,639)	(1,639)	(1,639)
40	Gain/Loss Sale of Fixed Assets	-	-	-
41	**Total Other Income (Expense)**	$ (488,577)	$ (221,621)	$ (221,621)
42	**Net Profit (Loss)**	$ 444,324	$ 283,088	$ 775,356
43				
44				
45	SUPPORTING SCHEDULES:			
46	C-1			
47				
48				
49	XXXX			

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Projected Statements of Changes in Financial Position
Present and Proposed Rates

Exhibit
Schedule F-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2010	At Present Rates Year Ended 12/31/2011	At Proposed Rates Year Ended 12/31/2011
1				
2				
3				
4				
5	Cash Flows from Operating Activities			
6	Net Income	$ 444,324	$ 220,163	$ 712,431
7	Adjustments to reconcile net income to net cash			
8	provided by operating activities:			
9	Depreciation and Amortization	702,524	1,010,700	1,010,700
10	Other	-		
11	Changes in Certain Assets and Liabilities:			
12	Accounts Receivable	(9,241)		
13	Unbilled Revenues	-		
14	Materials and Supplies Inventory	-		
15	Prepaid Expenses	-		
16	Deferred Charges	(1,467,236)		
17	Notes Receivable	1,115,641		
18	Accounts Payable	(27,566)		
19	Intercompany payable	-		
20	Customer Meter Deposits	(17,038)		
21	Taxes Payable	3,156		
22	Other assets and liabilities	(39,374)		
23	Net Cash Flow provided by Operating Activities	$ 705,191	$ 1,230,863	$ 1,723,131
24	Cash Flow From Investing Activities:			
25	Capital Expenditures	(248,075)	(315,000)	(315,000)
26	Plant Held for Future Use	-		
27	Changes in debt reserve fund	-		
28	Net Cash Flows from Investing Activities	$ (248,075)	$ (315,000)	$ (315,000)
29	Cash Flow From Financing Activities			
30	Change in Restricted Cash	-		
31	Change in net amounts due to parent and affiliates	-		
32	Net Receipt contributions in aid of construction	-	-	-
33	Net receipts of advances in aid of construction	(13,104)	(13,104)	(13,104)
34	Repayments of Long-Term Debt	(470,000)	(505,000)	(505,000)
35	Dividends Paid	-	-	-
36	Deferred Financing Costs	25,988	-	-
37	Paid in Capital	-	-	-
38	Net Cash Flows Provided by Financing Activities	$ (457,116)	$ (518,104)	$ (518,104)
39	Increase(decrease) in Cash and Cash Equivalents	(0)	397,759	890,027
40	Cash and Cash Equivalents at Beginning of Year	0	0	0
41	Cash and Cash Equivalents at End of Year	$ 0	$ 397,759	$ 890,027
42				
43				
44				
45	SUPPORTING SCHEDULES:			
46	E-3			
47				
48				
49				
50				

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Projected Construction Requirements

Exhibit
Schedule F-3
Page 1
Witness: Bourassa

Line No.	Account Number	Plant Asset:	Test Year	2011	2012	2013
1						
2	Account					
3	Number	Plant Asset:	Test Year	2011	2012	2013
4	351	Organization Cost	$ -	$ -	$ -	$ -
5	352	Franchise Cost	-	-	-	-
6	353	Land and Land Rights	-	-	-	-
7	354	Structures & Improvements	3,479	10,000	10,000	10,000
8	355	Power Generation Equipment	-	-	-	-
9	360	Collection Sewers - Force	62,307	65,000	65,000	65,000
10	361.1	Collection Sewers - Gravity	73,351	5,000	5,000	5,000
11	361.2	Manholes & Cleanouts	-	-	-	-
12	362	Special Collecting Structures	-	-	-	-
13	363	Servcies to Customers	-	-	-	-
14	364	Flow Measuring Devices	-	-	-	-
15	365	Flow Measuring Installations	-	-	-	-
16	366	Reuse Services	-	-	-	-
17	367	Reuse Meters and Meter Installations	-	-	-	-
18	370	Receiving Wells	-	-	-	-
19	371.1	Pumping Equipment - Lift Stations	-	-	500,000	500,000
20	371.2	Other Pumping Equipment	-	-	-	-
21	371.3	Pumping Equipment - Recharge Wells	-	-	-	-
22	374	Reuse Distribution Reserviors	-	-	-	-
23	375	Reuse Transmission and Distribution	-	-	-	-
24	380	Treatment & Disposal Equipment	72,476	220,000	100,000	100,000
25	381	Plant Sewers	-	-	-	-
26	382	Outfall Sewer Lines	2,243	-	250,000	250,000
27	389	Other Plant & Misc Equipment	14,028	15,000	15,000	15,000
28	390	Office Furniture & Equipment	-	-	-	-
29	390.1	Computers & Software	-	-	-	-
30	391	Transportation Equipment	-	-	-	-
31	392	Stores Equipment	-	-	-	-
32	393	Tools, Shop & Garage Equipment	-	-	-	-
33	394	Laboratory Equipment	-	-	-	-
34	395	Power Operated Equipment	-	-	-	-
35	396	Communication Equipment	-	-	-	-
36	397	Miscellaneous Equipment		-	-	-
37	398	Other Tangible Plant		-	-	-
38			-			
39	Total		$ 227,885	$ 315,000	$ 945,000	$ 945,000
40						
41						
42						

Pima UtilityCompany - Wastewater Division
Test Year Ended December 31, 2010
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line No.	
1	Property Taxes were computed using the method used by the Arizona Department
2	of Revenue modified for ratemaking.
3	
4	Projected construction expenditures are shown on Schedule A-4.
5	
6	Expense adjustments are shown on Schedule C2, and are explained in the testimony.
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
26	
27	
28	
29	
30	
31	
32	
33	
34	
35	
36	
37	
38	
39	
40	

Pima Utility Company - Wastewater Division
Revenue Summary
Test Year Ended December 31, 2010

Exhibit
Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Classification	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues	Additional Bills	Additional Gallons Treated
1	5/8x3/4 Inch	Residential	$ 2,658,546	$ 3,250,073	$ 591,527	22.25%	85.85%	85.80%		
2	1 Inch	Residential	145,477	177,846	32,369	22.25%	4.70%	4.69%		
3										
4	5/8x3/4 Inch	Commercial	$ 6,410	$ 7,836	$ 1,426	22.25%	0.21%	0.21%		
5	3/4 Inch	Commercial	1,272	1,555	283	22.25%	0.04%	0.04%		
6	1 Inch	Commercial	16,909	20,671	3,762	22.25%	0.55%	0.55%		
7	1 1/2 Inch	Commercial	12,672	15,491	2,819	22.25%	0.41%	0.41%		
8	2 Inch	Commercial	115,770	141,529	25,759	22.25%	3.74%	3.74%		
9										
10	Effluent 1		44,582	55,341	10,760	24.13%	1.44%	1.46%		
11	Effluent 2		76,930	94,127	17,196	22.35%	2.48%	2.48%		
12										
13	**Subtotals of Revenues**		$ 3,078,568	$ 3,764,469	$ 685,901	22.28%	99.41%	99.38%		
14	**Revenue Annualizations:**									
15	5/8x3/4 Inch	Residential	$ (1,046)	$ (1,278)	$ (233)	22.25%	-0.03%	-0.03%	(46)	(138,000)
16	1 Inch	Residential	1,899	2,321	422	22.25%	0.06%	0.06%	32	96,000
17										
18	5/8x3/4 Inch	Commercial	$ 136	$ 167	$ 30	22.25%	0.00%	0.00%	6	18,000
19	3/4 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%	0	-
20	1 Inch	Commercial	(1,246)	(1,523)	(277)	22.25%	-0.04%	-0.04%	(21)	(63,000)
21	1 1/2 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%	-	-
22	2 Inch	Commercial	1,124	1,374	250	22.25%	0.04%	0.04%	6	18,000
23										
24	Effluent - water sales recovered effluent		12,496	15,081	2,585	20.69%	0.40%	0.40%	12	
25										
26										
27	**Subtotal Revenue Annualization**		13,363	16,141	2,778	20.79%	0.43%	0.52%	(11)	(69,000)
28										
29	**Total Revenues w/ Annualization**		$ 3,091,931	$ 3,780,610	$ 688,679	22.27%	99.84%	99.81%		
30	**Misc Revenues**		6,030	6,030	-	0.00%	0.19%	0.16%		
31	**Reconciling Amount**		(1,186)	1,345	2,530	-213.32%	-0.04%	0.04%		
32	**Total Revenues**		$ 3,096,775	$ 3,787,985	$ 691,209	22.32%	100.00%	100.00%		
33										
34										
35	**Reconciliation to GL Revenues**									
36	Metered Revenues Per GL		$ 3,049,226							
37	Adjustments Irrigation Revenues									
38	*recorded on sewer books*		(2,314)							
39	Effluent 2 Bill Correction[1]		28,156							
40	Adjusted Metered Revenues		$ 3,077,382							
41										
42	Bill Count Rev. before Annualization		3,078,568							
43	Difference		$ (1,186)							
44	Effluent 2 Billings at incorrect rates									
45	Unreconciled Difference		$ (1,186)							
46	% Difference		-0.04%							
47	Tolerance (+/- 0.5%)		$ 15,387							
48	Acceptable		Yes							
49										

50 [1] Effluent 2 customers were charged at the Water Division irrigation rate of $0.36 per 1,000 gallons during the test year. These addtional revenues are inculded in C-2 Adjustment 4.

Pima Utility Company - Wastewater Division
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2010

Exhibit
Schedule H-2
Page 1
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/2010	Average Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	9,747	-	$ 22.73	$ 27.79	$ 5.06	22.25%	96.85%
2	1 Inch	Residential	204	-	59.33	72.53	13.20	22.25%	2.03%
3									
4	5/8x3/4 Inch	Commercial	24	-	$ 22.73	$ 27.79	$ 5.06	22.25%	0.23%
5	3/4 Inch	Commercial	3	-	35.33	43.19	7.86	22.25%	0.03%
6	1 Inch	Commercial	24	-	59.33	72.53	13.20	22.25%	0.24%
7	1 1/2 Inch	Commercial	9	-	117.33	143.44	26.11	22.25%	0.09%
8	2 Inch	Commercial	52	-	187.33	229.01	41.68	22.25%	0.51%
9									
10	Irrigation		2	4,059,941	$ 2,476.77	$ 3,074.52	$ 597.75	24.13%	0.01%
11									
12									
13									
14									
15									
16									
17									
18	Totals		10,063						100.00%
19									
20	Actual Year End Number								
21	of Customers:		10,058						
22									
23									
24									
25									

Pima Utility Company - Wastewater Division
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2010

Exhibit
Schedule H-2
Page 2
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size		(a) Average Number of Customers at 12/31/2010	Median Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	9,747	-	$ 22.73	$ 27.79	$ 5.06	22.25%	96.85%
2	1 Inch	Residential	204	-	59.33	72.53	13.20	22.25%	2.03%
3									
4	5/8x3/4 Inch	Commercial	24	-	$ 22.73	$ 27.79	$ 5.06	22.25%	0.23%
5	3/4 Inch	Commercial	3	-	$ 35.33	$ 43.19	7.86	22.25%	0.03%
6	1 Inch	Commercial	24	-	$ 59.33	$ 72.53	13.20	22.25%	0.24%
7	1 1/2 Inch	Commercial	9	-	117.33	143.44	26.11	22.25%	0.09%
8	2 Inch	Commercial	52	-	187.33	229.01	41.68	22.25%	0.51%
9									
10	Irrigation		2	1,784,000	$ 1,156.72	$ 1,481.36	$ 324.64	28.07%	0.01%
11									
12									
13									
14									
15									
16									
17	Totals		10,063						100.00%
18									
19	Actual Year End Number								
20	of Customers:		10,058						
21									
22									
23									
24									

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Present and Proposed Rates

Exhibit
Schedule H-3
Page 1

Line No.		Present Rates	Proposed Rates	Change	Percent Change
1	Sewer Services				
2	5/8x3/4 Inch	$ 22.73	$ 27.79	$ 5.06	22.25%
2	3/4 Inch	35.33	43.19	7.86	22.25%
3	1 Inch	59.33	72.53	13.20	22.25%
4	1 1/2 Inch	117.33	143.44	26.11	22.25%
5	2 Inch	187.33	229.01	41.68	22.25%
6	3 Inch	NT	444.60	444.60	
7	4 Inch	NT	694.69	694.69	
8	6 Inch	NT	1,389.37	1,389.37	
9					
10	Effluent Sales				
11	Monthly Minimum	180.00	232.56	52.56	29.20%
12	Gallons In Minimum	100,000	-		
13	Charge per 1,000 gallons	$ 0.58	$ 0.70	0.12	20.69%
14					
15	Recovered Effluent Sales				
16	Monthly Minimum	NT	$ 232.56		
17	Gallons In Minimum	NT	$ -		
18	Charge per 1,000 gallons	NT	$ 0.70		
19					
20					
21	Service Charges				
22	Impact Fee (new connection one-time only)	$ *260.00*	*NT*		
23	Establishment Fee	NT	$ 25.00		
24	Reestablishment (within 12 months)	NT	*		
25	Deferred payment (per month)	1.50%	1.50%		
26	Deposit	**	**		
27	Deposit Interest	**	**		
28	NSF check	$ 15.00	$ 15.00		
29	Late payment fee (per month)***	1.50%	1.50%		
30	Disconnect/Reconnect (delinquent account)	$ 500.00	NT		
31	Reconnection (Delinquent)	NT	$ 25.00		
32	After Hours Servie Charge	NT	$ 50.00		
33					
34	* Number of months off the system times the applicable sewer charge.				
35	** *Per Commission Rule* R14-2-603.B.7 and 603.B.3				
36	*** Late payment chrge based upon balance owing at the end of the billing cycle which is added to next bill.				
37					
38	[1] Recovered effluent was charged at the Water Division irrigation rate of $0.36 per 1,000 gallons during the test year.				
39					
40	NT = No Tariff				

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 5/8x3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 1
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 22.73	$ 27.79	$ 5.06	22.25%
1,000	22.73	27.79	$ 5.06	22.25%
2,000	22.73	27.79	$ 5.06	22.25%
3,000	22.73	27.79	$ 5.06	22.25%
4,000	22.73	27.79	$ 5.06	22.25%
5,000	22.73	27.79	$ 5.06	22.25%
6,000	22.73	27.79	$ 5.06	22.25%
7,000	22.73	27.79	$ 5.06	22.25%
8,000	22.73	27.79	$ 5.06	22.25%
9,000	22.73	27.79	$ 5.06	22.25%
10,000	22.73	27.79	$ 5.06	22.25%
12,000	22.73	27.79	$ 5.06	22.25%
14,000	22.73	27.79	$ 5.06	22.25%
16,000	22.73	27.79	$ 5.06	22.25%
18,000	22.73	27.79	$ 5.06	22.25%
20,000	22.73	27.79	$ 5.06	22.25%
25,000	22.73	27.79	$ 5.06	22.25%
30,000	22.73	27.79	$ 5.06	22.25%
35,000	22.73	27.79	$ 5.06	22.25%
40,000	22.73	27.79	$ 5.06	22.25%
45,000	22.73	27.79	$ 5.06	22.25%
50,000	22.73	27.79	$ 5.06	22.25%
60,000	22.73	27.79	$ 5.06	22.25%
70,000	22.73	27.79	$ 5.06	22.25%
80,000	22.73	27.79	$ 5.06	22.25%
90,000	22.73	27.79	$ 5.06	22.25%
100,000	22.73	27.79	$ 5.06	22.25%
Average Usage				
-	$ 22.73	$ 27.79	$ 5.06	22.25%
Median Usage				
-	$ 22.73	$ 27.79	$ 5.06	22.25%

Present Rates:
Monthly Minimum: $ 22.73

Proposed Rates:
Monthly Minimum: $ 27.79

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 1 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 2
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 59.33	$ 72.53	$ 13.20	22.25%
1,000	59.33	72.53	$ 13.20	22.25%
2,000	59.33	72.53	$ 13.20	22.25%
3,000	59.33	72.53	$ 13.20	22.25%
4,000	59.33	72.53	$ 13.20	22.25%
5,000	59.33	72.53	$ 13.20	22.25%
6,000	59.33	72.53	$ 13.20	22.25%
7,000	59.33	72.53	$ 13.20	22.25%
8,000	59.33	72.53	$ 13.20	22.25%
9,000	59.33	72.53	$ 13.20	22.25%
10,000	59.33	72.53	$ 13.20	22.25%
12,000	59.33	72.53	$ 13.20	22.25%
14,000	59.33	72.53	$ 13.20	22.25%
16,000	59.33	72.53	$ 13.20	22.25%
18,000	59.33	72.53	$ 13.20	22.25%
20,000	59.33	72.53	$ 13.20	22.25%
25,000	59.33	72.53	$ 13.20	22.25%
30,000	59.33	72.53	$ 13.20	22.25%
35,000	59.33	72.53	$ 13.20	22.25%
40,000	59.33	72.53	$ 13.20	22.25%
45,000	59.33	72.53	$ 13.20	22.25%
50,000	59.33	72.53	$ 13.20	22.25%
60,000	59.33	72.53	$ 13.20	22.25%
70,000	59.33	72.53	$ 13.20	22.25%
80,000	59.33	72.53	$ 13.20	22.25%
90,000	59.33	72.53	$ 13.20	22.25%
100,000	59.33	72.53	$ 13.20	22.25%
Average Usage				
-	$ 59.33	$ 72.53	$ 13.20	22.25%
Median Usage				
-	$ 59.33	$ 72.53	$ 13.20	22.25%

Present Rates:
Monthly Minimum: $ 59.33

Proposed Rates:
Monthly Minimum: $ 72.53

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 5/8x3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 3
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 22.73	$ 27.79	$ 5.06	22.25%
1,000	22.73	27.79	$ 5.06	22.25%
2,000	22.73	27.79	$ 5.06	22.25%
3,000	22.73	27.79	$ 5.06	22.25%
4,000	22.73	27.79	$ 5.06	22.25%
5,000	22.73	27.79	$ 5.06	22.25%
6,000	22.73	27.79	$ 5.06	22.25%
7,000	22.73	27.79	$ 5.06	22.25%
8,000	22.73	27.79	$ 5.06	22.25%
9,000	22.73	27.79	$ 5.06	22.25%
10,000	22.73	27.79	$ 5.06	22.25%
12,000	22.73	27.79	$ 5.06	22.25%
14,000	22.73	27.79	$ 5.06	22.25%
16,000	22.73	27.79	$ 5.06	22.25%
18,000	22.73	27.79	$ 5.06	22.25%
20,000	22.73	27.79	$ 5.06	22.25%
25,000	22.73	27.79	$ 5.06	22.25%
30,000	22.73	27.79	$ 5.06	22.25%
35,000	22.73	27.79	$ 5.06	22.25%
40,000	22.73	27.79	$ 5.06	22.25%
45,000	22.73	27.79	$ 5.06	22.25%
50,000	22.73	27.79	$ 5.06	22.25%
60,000	22.73	27.79	$ 5.06	22.25%
70,000	22.73	27.79	$ 5.06	22.25%
80,000	22.73	27.79	$ 5.06	22.25%
90,000	22.73	27.79	$ 5.06	22.25%
100,000	22.73	27.79	$ 5.06	22.25%
Average Usage				
-	$ 22.73	$ 27.79	$ 5.06	22.25%
Median Usage				
-	$ 22.73	$ 27.79	$ 5.06	22.25%

Present Rates:
Monthly Minimum: $ 22.73

Proposed Rates:
Monthly Minimum: $ 27.79

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 3/4 Inch Meter
Test Year Ended December 31, 2010
(Excludes all Revenue Related Taxes)

Exhibit
Schedule H-4
Page 4
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 35.33	$ 43.19	$ 7.86	22.25%
1,000	35.33	43.19	$ 7.86	22.25%
2,000	35.33	43.19	$ 7.86	22.25%
3,000	35.33	43.19	$ 7.86	22.25%
4,000	35.33	43.19	$ 7.86	22.25%
5,000	35.33	43.19	$ 7.86	22.25%
6,000	35.33	43.19	$ 7.86	22.25%
7,000	35.33	43.19	$ 7.86	22.25%
8,000	35.33	43.19	$ 7.86	22.25%
9,000	35.33	43.19	$ 7.86	22.25%
10,000	35.33	43.19	$ 7.86	22.25%
12,000	35.33	43.19	$ 7.86	22.25%
14,000	35.33	43.19	$ 7.86	22.25%
16,000	35.33	43.19	$ 7.86	22.25%
18,000	35.33	43.19	$ 7.86	22.25%
20,000	35.33	43.19	$ 7.86	22.25%
25,000	35.33	43.19	$ 7.86	22.25%
30,000	35.33	43.19	$ 7.86	22.25%
35,000	35.33	43.19	$ 7.86	22.25%
40,000	35.33	43.19	$ 7.86	22.25%
45,000	35.33	43.19	$ 7.86	22.25%
50,000	35.33	43.19	$ 7.86	22.25%
60,000	35.33	43.19	$ 7.86	22.25%
70,000	35.33	43.19	$ 7.86	22.25%
80,000	35.33	43.19	$ 7.86	22.25%
90,000	35.33	43.19	$ 7.86	22.25%
100,000	35.33	43.19	$ 7.86	22.25%
Average Usage				
-	$ 35.33	$ 43.19	$ 7.86	22.25%
Median Usage				
-	$ 35.33	$ 43.19	$ 7.86	22.25%

Present Rates:
Monthly Minimum: $ 35.33

Proposed Rates:
Monthly Minimum: $ 43.19

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 5
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 59.33	$ 72.53	$ 13.20	22.25%
1,000	59.33	72.53	$ 13.20	22.25%
2,000	59.33	72.53	$ 13.20	22.25%
3,000	59.33	72.53	$ 13.20	22.25%
4,000	59.33	72.53	$ 13.20	22.25%
5,000	59.33	72.53	$ 13.20	22.25%
6,000	59.33	72.53	$ 13.20	22.25%
7,000	59.33	72.53	$ 13.20	22.25%
8,000	59.33	72.53	$ 13.20	22.25%
9,000	59.33	72.53	$ 13.20	22.25%
10,000	59.33	72.53	$ 13.20	22.25%
12,000	59.33	72.53	$ 13.20	22.25%
14,000	59.33	72.53	$ 13.20	22.25%
16,000	59.33	72.53	$ 13.20	22.25%
18,000	59.33	72.53	$ 13.20	22.25%
20,000	59.33	72.53	$ 13.20	22.25%
25,000	59.33	72.53	$ 13.20	22.25%
30,000	59.33	72.53	$ 13.20	22.25%
35,000	59.33	72.53	$ 13.20	22.25%
40,000	59.33	72.53	$ 13.20	22.25%
45,000	59.33	72.53	$ 13.20	22.25%
50,000	59.33	72.53	$ 13.20	22.25%
60,000	59.33	72.53	$ 13.20	22.25%
70,000	59.33	72.53	$ 13.20	22.25%
80,000	59.33	72.53	$ 13.20	22.25%
90,000	59.33	72.53	$ 13.20	22.25%
100,000	59.33	72.53	$ 13.20	22.25%
Average Usage				
-	$ 59.33	$ 72.53	$ 13.20	22.25%
Median Usage				
-	$ 59.33	$ 72.53	$ 13.20	22.25%

Present Rates:
Monthly Minimum: $ 59.33

Proposed Rates:
Monthly Minimum: $ 72.53

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1.5 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 6
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 117.33	$ 143.44	$ 26.11	22.25%
1,000	117.33	143.44	$ 26.11	22.25%
2,000	117.33	143.44	$ 26.11	22.25%
3,000	117.33	143.44	$ 26.11	22.25%
4,000	117.33	143.44	$ 26.11	22.25%
5,000	117.33	143.44	$ 26.11	22.25%
6,000	117.33	143.44	$ 26.11	22.25%
7,000	117.33	143.44	$ 26.11	22.25%
8,000	117.33	143.44	$ 26.11	22.25%
9,000	117.33	143.44	$ 26.11	22.25%
10,000	117.33	143.44	$ 26.11	22.25%
12,000	117.33	143.44	$ 26.11	22.25%
14,000	117.33	143.44	$ 26.11	22.25%
16,000	117.33	143.44	$ 26.11	22.25%
18,000	117.33	143.44	$ 26.11	22.25%
20,000	117.33	143.44	$ 26.11	22.25%
25,000	117.33	143.44	$ 26.11	22.25%
30,000	117.33	143.44	$ 26.11	22.25%
35,000	117.33	143.44	$ 26.11	22.25%
40,000	117.33	143.44	$ 26.11	22.25%
45,000	117.33	143.44	$ 26.11	22.25%
50,000	117.33	143.44	$ 26.11	22.25%
60,000	117.33	143.44	$ 26.11	22.25%
70,000	117.33	143.44	$ 26.11	22.25%
80,000	117.33	143.44	$ 26.11	22.25%
90,000	117.33	143.44	$ 26.11	22.25%
100,000	117.33	143.44	$ 26.11	22.25%
Average Usage				
-	$ 117.33	$ 143.44	$ 26.11	22.25%
Median Usage				
-	$ 117.33	$ 143.44	$ 26.11	22.25%

Present Rates:
Monthly Minimum: $ 117.33

Proposed Rates:
Monthly Minimum: $ 143.44

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Commerical 2 Inch Meter
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 7
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 187.33	$ 229.01	$ 41.68	22.25%
1,000	187.33	229.01	$ 41.68	22.25%
2,000	187.33	229.01	$ 41.68	22.25%
3,000	187.33	229.01	$ 41.68	22.25%
4,000	187.33	229.01	$ 41.68	22.25%
5,000	187.33	229.01	$ 41.68	22.25%
6,000	187.33	229.01	$ 41.68	22.25%
7,000	187.33	229.01	$ 41.68	22.25%
8,000	187.33	229.01	$ 41.68	22.25%
9,000	187.33	229.01	$ 41.68	22.25%
10,000	187.33	229.01	$ 41.68	22.25%
12,000	187.33	229.01	$ 41.68	22.25%
14,000	187.33	229.01	$ 41.68	22.25%
16,000	187.33	229.01	$ 41.68	22.25%
18,000	187.33	229.01	$ 41.68	22.25%
20,000	187.33	229.01	$ 41.68	22.25%
25,000	187.33	229.01	$ 41.68	22.25%
30,000	187.33	229.01	$ 41.68	22.25%
35,000	187.33	229.01	$ 41.68	22.25%
40,000	187.33	229.01	$ 41.68	22.25%
45,000	187.33	229.01	$ 41.68	22.25%
50,000	187.33	229.01	$ 41.68	22.25%
60,000	187.33	229.01	$ 41.68	22.25%
70,000	187.33	229.01	$ 41.68	22.25%
80,000	187.33	229.01	$ 41.68	22.25%
90,000	187.33	229.01	$ 41.68	22.25%
100,000	187.33	229.01	$ 41.68	22.25%
Average Usage				
-	$ 187.33	$ 229.01	$ 41.68	22.25%
Median Usage				
-	$ 187.33	$ 229.01	$ 41.68	22.25%

Present Rates:
Monthly Minimum: $ 187.33

Proposed Rates:
Monthly Minimum: $ 229.01

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Effluent Sales 1
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 8
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 180.00	$ 232.56	$ 52.56	29.20%
1,000	180.00	233.26	$ 53.26	29.59%
2,000	180.00	233.96	$ 53.96	29.98%
3,000	180.00	234.66	$ 54.66	30.37%
4,000	180.00	235.36	$ 55.36	30.76%
5,000	180.00	236.06	$ 56.06	31.14%
6,000	180.00	236.76	$ 56.76	31.53%
7,000	180.00	237.46	$ 57.46	31.92%
8,000	180.00	238.16	$ 58.16	32.31%
9,000	180.00	238.86	$ 58.86	32.70%
10,000	180.00	239.56	$ 59.56	33.09%
12,000	180.00	240.96	$ 60.96	33.87%
14,000	180.00	242.36	$ 62.36	34.64%
16,000	180.00	243.76	$ 63.76	35.42%
18,000	180.00	245.16	$ 65.16	36.20%
20,000	180.00	246.56	$ 66.56	36.98%
25,000	180.00	250.06	$ 70.06	38.92%
30,000	180.00	253.56	$ 73.56	40.87%
35,000	180.00	257.06	$ 77.06	42.81%
40,000	180.00	260.56	$ 80.56	44.76%
45,000	180.00	264.06	$ 84.06	46.70%
50,000	180.00	267.56	$ 87.56	48.64%
60,000	180.00	274.56	$ 94.56	52.53%
70,000	180.00	281.56	$ 101.56	56.42%
80,000	180.00	288.56	$ 108.56	60.31%
90,000	180.00	295.56	$ 115.56	64.20%
100,000	180.00	302.56	$ 122.56	68.09%
Average Usage				
4,059,941	$ 2,476.77	$3,074.52	$ 597.75	24.13%
Median Usage				
1,784,000	$ 1,156.72	$1,481.36	$ 324.64	28.07%

Present Rates:		
Monthly Minimum:	$	180.00
Gallons in Minimum		100,000
Charge Per 1,000 Gallons		
All Gallons	$	0.58

Proposed Rates:		
Monthly Minimum:	$	232.56
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons	$	0.70

Pima Utility Company - Wastewater Division
Bill Comparison of Present and Proposed Rates
Customer Classification Effluent Sales 2
Test Year Ended December 31, 2010

Exhibit
Schedule H-4
Page 9
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 180.00	$ 232.56	$ 52.56	29.20%
1,000	180.00	233.26	$ 53.26	29.59%
2,000	180.00	233.96	$ 53.96	29.98%
3,000	180.00	234.66	$ 54.66	30.37%
4,000	180.00	235.36	$ 55.36	30.76%
5,000	180.00	236.06	$ 56.06	31.14%
6,000	180.00	236.76	$ 56.76	31.53%
7,000	180.00	237.46	$ 57.46	31.92%
8,000	180.00	238.16	$ 58.16	32.31%
9,000	180.00	238.86	$ 58.86	32.70%
10,000	180.00	239.56	$ 59.56	33.09%
12,000	180.00	240.96	$ 60.96	33.87%
14,000	180.00	242.36	$ 62.36	34.64%
16,000	180.00	243.76	$ 63.76	35.42%
18,000	180.00	245.16	$ 65.16	36.20%
20,000	180.00	246.56	$ 66.56	36.98%
25,000	180.00	250.06	$ 70.06	38.92%
30,000	180.00	253.56	$ 73.56	40.87%
35,000	180.00	257.06	$ 77.06	42.81%
40,000	180.00	260.56	$ 80.56	44.76%
45,000	180.00	264.06	$ 84.06	46.70%
50,000	180.00	267.56	$ 87.56	48.64%
60,000	180.00	274.56	$ 94.56	52.53%
70,000	180.00	281.56	$ 101.56	56.42%
80,000	180.00	288.56	$ 108.56	60.31%
90,000	180.00	295.56	$ 115.56	64.20%
100,000	180.00	302.56	$ 122.56	68.09%
Average Usage				
8,632,224	$ 5,128.69	$6,275.12	$ 1,146.43	22.35%
Median Usage				
6,029,361	$ 3,619.03	$4,453.11	$ 834.08	23.05%

Present Rates:

Monthly Minimum:	$	180.00
Gallons in Minimum		100,000
Charge Per 1,000 Gallons		
All Gallons	$	0.58

Note: Present rates reflect the Water Division ir
This was an error.

Proposed Rates:

Monthly Minimum:	$	232.56
Gallons in Minimum		-
Charge Per 1,000 Gallons		
All Gallons	$	0.70

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Customer Classification Residential 5/8x3/4 Inch Meter

Exhibit
Schedule H-5
Page 1
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s
-	-	9,748	9,745	9,762	9,765	9,752	9742	9,736	9,745	9,747	9,744	9,733	9,743	116,962	116,962	-
1	1,000													-	116,962	-
1,001	2,000													-	116,962	-
2,001	3,000													-	116,962	-
3,001	4,000													-	116,962	-
4,001	5,000													-	116,962	-
5,001	6,000													-	116,962	-
6,001	7,000													-	116,962	-
7,001	8,000													-	116,962	-
8,001	9,000													-	116,962	-
9,001	10,000													-	116,962	-
10,001	12,000													-	116,962	-
12,001	14,000													-	116,962	-
14,001	16,000													-	116,962	-
16,001	18,000													-	116,962	-
18,001	20,000													-	116,962	-
20,001	25,000													-	116,962	-
25,001	30,000													-	116,962	-
30,001	35,000													-	116,962	-
35,001	40,000													-	116,962	-
40,001	45,000													-	116,962	-
45,001	50,000													-	116,962	-
50,001	60,000													-	116,962	-
60,001	70,000													-	116,962	-
70,001	80,000													-	116,962	-
80,001	90,000													-	116,962	-
90,001	100,000													-	116,962	-
	-													-	116,962	-
Totals		9,748	9,745	9,762	9,765	9,752	9,742	9,736	9,745	9,747	9,744	9,733	9,743	116,962		

Average Usage	-
Median Usage	-
Average # Customers	9,747
Change in Number of Customers	(5)

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Customer Classification Residential 1 Inch Meter

Exhibit
Schedule H-5
Page 2
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	204	202	204	203	205	205	206	202	206	207	203	205	2,452	2,452	-
1	1,000													-	2,452	-
1,001	2,000													-	2,452	-
2,001	3,000													-	2,452	-
3,001	4,000													-	2,452	-
4,001	5,000													-	2,452	-
5,001	6,000													-	2,452	-
6,001	7,000													-	2,452	-
7,001	8,000													-	2,452	-
8,001	9,000													-	2,452	-
9,001	10,000													-	2,452	-
10,001	12,000													-	2,452	-
12,001	14,000													-	2,452	-
14,001	16,000													-	2,452	-
16,001	18,000													-	2,452	-
18,001	20,000													-	2,452	-
20,001	25,000													-	2,452	-
25,001	30,000													-	2,452	-
30,001	35,000													-	2,452	-
35,001	40,000													-	2,452	-
40,001	45,000													-	2,452	-
45,001	50,000													-	2,452	-
50,001	60,000													-	2,452	-
60,001	70,000													-	2,452	-
70,001	80,000													-	2,452	-
80,001	90,000													-	2,452	-
90,001	100,000													-	2,452	-
	-													-	2,452	-
															2,452	-
Totals		204	202	204	203	205	205	206	202	206	207	203	205	2,452		

Average Usage	-
Median Usage	-
Average # Customers	204
Change in Number of Customers	1

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Customer Classification Commercial 5/8x3/4 Inch Meter

Exhibit
Schedule H-5
Page 3
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s
-	-	23	23	23	23	23	23	24	24	24	24	24	24	282	282	-
1	1,000													-	282	-
1,001	2,000													-	282	-
2,001	3,000													-	282	-
3,001	4,000													-	282	-
4,001	5,000													-	282	-
5,001	6,000													-	282	-
6,001	7,000													-	282	-
7,001	8,000													-	282	-
8,001	9,000													-	282	-
9,001	10,000													-	282	-
10,001	12,000													-	282	-
12,001	14,000													-	282	-
14,001	16,000													-	282	-
16,001	18,000													-	282	-
18,001	20,000													-	282	-
20,001	25,000													-	282	-
25,001	30,000													-	282	-
30,001	35,000													-	282	-
35,001	40,000													-	282	-
40,001	45,000													-	282	-
45,001	50,000													-	282	-
50,001	60,000													-	282	-
60,001	70,000													-	282	-
70,001	80,000													-	282	-
80,001	90,000													-	282	-
90,001	100,000													-	282	-
	-													-	282	-
	-													-	282	-
Totals		23	23	23	23	23	23	24	24	24	24	24	24	282		

Average Usage	-
Median Usage	-
Average # Customers	24
Change in Number of Customers	1

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Customer Classification Commercial 3/4 Inch Meter

Exhibit
Schedule H-5
Page 4
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	3	3	3	3	3	3	3	3	3	3	3	3	36	36	-
1	1,000													-	36	-
1,001	2,000													-	36	-
2,001	3,000													-	36	-
3,001	4,000													-	36	-
4,001	5,000													-	36	-
5,001	6,000													-	36	-
6,001	7,000													-	36	-
7,001	8,000													-	36	-
8,001	9,000													-	36	-
9,001	10,000													-	36	-
10,001	12,000													-	36	-
12,001	14,000													-	36	-
14,001	16,000													-	36	-
16,001	18,000													-	36	-
18,001	20,000													-	36	-
20,001	25,000													-	36	-
25,001	30,000													-	36	-
30,001	35,000													-	36	-
35,001	40,000													-	36	-
40,001	45,000													-	36	-
45,001	50,000													-	36	-
50,001	60,000													-	36	-
60,001	70,000													-	36	-
70,001	80,000													-	36	-
80,001	90,000													-	36	-
90,001	100,000													-	36	-
	-													-	36	-
Totals		3	3	3	3	3	3	3	3	3	3	3	3	36		

Average Usage	-
Median Usage	-
Average # Customers	3
Change in Number of Customers	-

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Customer Classification Commercial 1 Inch Meter

Exhibit
Schedule H-5
Page 5
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	25	25	25	25	25	25	25	22	22	22	22	22	285	285	-
1	1,000													-	285	-
1,001	2,000													-	285	-
2,001	3,000													-	285	-
3,001	4,000													-	285	-
4,001	5,000													-	285	-
5,001	6,000													-	285	-
6,001	7,000													-	285	-
7,001	8,000													-	285	-
8,001	9,000													-	285	-
9,001	10,000													-	285	-
10,001	12,000													-	285	-
12,001	14,000													-	285	-
14,001	16,000													-	285	-
16,001	18,000													-	285	-
18,001	20,000													-	285	-
20,001	25,000													-	285	-
25,001	30,000													-	285	-
30,001	35,000													-	285	-
35,001	40,000													-	285	-
40,001	45,000													-	285	-
45,001	50,000													-	285	-
50,001	60,000													-	285	-
60,001	70,000													-	285	-
70,001	80,000													-	285	-
80,001	90,000													-	285	-
90,001	100,000													-	285	-
	-													-	285	-
																-
Totals		25	25	25	25	25	25	25	22	22	22	22	22	285		

Average Usage	-
Median Usage	-
Average # Customers	24
Change in Number of Customers	(3)

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Customer Classification Commercial 1.5 Inch Meter

Exhibit
Schedule H-5
Page 6
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-	9	9	9	9	9	9	9	9	9	9	9	9	108	108	-
1	1,000													-	108	-
1,001	2,000													-	108	-
2,001	3,000													-	108	-
3,001	4,000													-	108	-
4,001	5,000													-	108	-
5,001	6,000													-	108	-
6,001	7,000													-	108	-
7,001	8,000													-	108	-
8,001	9,000													-	108	-
9,001	10,000													-	108	-
10,001	12,000													-	108	-
12,001	14,000													-	108	-
14,001	16,000													-	108	-
16,001	18,000													-	108	-
18,001	20,000													-	108	-
20,001	25,000													-	108	-
25,001	30,000													-	108	-
30,001	35,000													-	108	-
35,001	40,000													-	108	-
40,001	45,000													-	108	-
45,001	50,000													-	108	-
50,001	60,000													-	108	-
60,001	70,000													-	108	-
70,001	80,000													-	108	-
80,001	90,000													-	108	-
90,001	100,000													-	108	-
	-													-	108	-
Totals		9	9	9	9	9	9	9	9	9	9	9	9	108		

Average Usage	-
Median Usage	-
Average # Customers	9
Change in Number of Customers	-

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Customer Classification Commerical 2 Inch Meter

Exhibit
Schedule H-5
Page 7
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
-	-	51	51	51	51	51	51	52	52	52	52	52	52	618	618	-
1	1,000													-	618	-
1,001	2,000													-	618	-
2,001	3,000													-	618	-
3,001	4,000													-	618	-
4,001	5,000													-	618	-
5,001	6,000													-	618	-
6,001	7,000													-	618	-
7,001	8,000													-	618	-
8,001	9,000													-	618	-
9,001	10,000													-	618	-
10,001	12,000													-	618	-
12,001	14,000													-	618	-
14,001	16,000													-	618	-
16,001	18,000													-	618	-
18,001	20,000													-	618	-
20,001	25,000													-	618	-
25,001	30,000													-	618	-
30,001	35,000													-	618	-
35,001	40,000													-	618	-
40,001	45,000													-	618	-
45,001	50,000													-	618	-
50,001	60,000													-	618	-
60,001	70,000													-	618	-
70,001	80,000													-	618	-
80,001	90,000													-	618	-
90,001	100,000													-	618	-
	-													-	618	-
Totals		51	51	51	51	51	51	52	52	52	52	52	52	618		

Average Usage	-
Median Usage	-
Average # Customers	52
Change in Number of Customers	1

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Customer Classification Effluent Sales 1

Exhibit
Schedule H-5
Page 8
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-													-	-	-
1,001	2,000													-	-	-
2,001	3,000													-	-	-
3,001	4,000													-	-	-
4,001	5,000													-	-	-
5,001	6,000													-	-	-
6,001	7,000													-	-	-
7,001	8,000													-	-	-
8,001	9,000													-	-	-
9,001	10,000													-	-	-
10,001	12,000													-	-	-
12,001	14,000													-	-	-
14,001	16,000													-	-	-
16,001	18,000													-	-	-
18,001	20,000													-	-	-
20,001	25,000													-	-	-
25,001	30,000													-	-	-
30,001	35,000													-	-	-
35,001	40,000													-	-	-
40,001	45,000													-	-	-
45,001	50,000													-	-	-
50,001	60,000													-	-	-
60,001	70,000													-	-	-
70,001	80,000													-	-	-
80,001	90,000													-	-	-
90,001	100,000													-	-	-
437,000	437,000		1											1	1	437
451,000	451,000										1			1	2	888
1,489,000	1,489,000								1					1	3	2,377
682,000	682,000									1				1	4	3,059
919,000	919,000							1						1	5	3,978
997,000	997,000		1											1	6	4,975
1,047,000	1,047,000						1							1	7	6,022
1,367,000	1,367,000						1							1	8	7,389
1,459,000	1,459,000			1										1	9	8,848
2,109,000	2,109,000	1												1	10	10,957
2,217,000	2,217,000						1							1	11	13,174
2,236,000	2,236,000				1									1	12	15,410
3,204,000	3,204,000	1												1	13	18,614
5,360,000	5,360,000			1										1	14	23,974
5,958,931	5,958,931					1								1	15	29,933
6,614,000	6,614,000				1									1	16	36,547
15,777,000	15,777,000				1									1	17	52,324
20,755,000	20,755,000					1								1	18	73,079
	-													-	18	73,079
Totals		2	2	2	3	2	3	1	1	1	1	-	-	18		

Average Usage	4,059,941
Median Usage	1,784,000
Average # Customers	2
Change in Number of Customers	(2)

Pima Utility Company - Wastewater Division
Test Year Ended December 31, 2010
Customer Classification Effluent Sales 2

Exhibit
Schedule H-5
Page 9
Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumul-ative Billing	Cumul-ative Gals (1,000s)
-	-													-	-	-
1,001	2,000													-	-	-
2,001	3,000													-	-	-
3,001	4,000													-	-	-
4,001	5,000													-	-	-
5,001	6,000													-	-	-
6,001	7,000													-	-	-
7,001	8,000													-	-	-
8,001	9,000													-	-	-
9,001	10,000													-	-	-
10,001	12,000													-	-	-
12,001	14,000													-	-	-
14,001	16,000													-	-	-
16,001	18,000													-	-	-
18,001	20,000													-	-	-
20,001	25,000													-	-	-
25,001	30,000													-	-	-
30,001	35,000													-	-	-
35,001	40,000													-	-	-
40,001	45,000													-	-	-
45,001	50,000													-	-	-
50,001	60,000													-	-	-
60,001	70,000													-	-	-
70,001	80,000													-	-	-
80,001	90,000													-	-	-
90,001	100,000													-	-	-
1,800,000	1,800,000									1				1	1	1,800
2,241,000	2,241,000										1			1	2	4,041
2,818,000	2,818,000							1						1	3	6,859
2,873,000	2,873,000												1	1	4	9,732
3,003,000	3,003,000						1							1	5	12,735
3,767,000	3,767,000								1					1	6	16,502
4,475,000	4,475,000											1		1	7	20,977
6,029,361	6,029,361											1		1	8	27,006
9,338,000	9,338,000												1	1	9	36,344
10,531,000	10,531,000								1					1	10	46,875
13,735,000	13,735,000										1			1	11	60,610
13,933,000	13,933,000											1		1	12	74,543
15,093,000	15,093,000						1							1	13	89,636
19,552,000	19,552,000							1						1	14	109,188
20,295,000	20,295,000									1				1	15	129,483
	-													-	15	129,483
Totals		-	-	-	-	-	2	2	2	2	2	3	2	15		

Average Usage	8,632,224
Median Usage	6,029,361
Average # Customers	1
Change in Number of Customers	2

FENNEMORE CRAIG
A Professional Corporation
Jay L. Shapiro (No. 014650)
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012
Telephone (602) 916-5000

Attorneys for Pima Utility Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: W-02199A-11-_____
IN THE MATTER OF THE APPLICATION OF PIMA UTILITY COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	DOCKET NO: SW-02199A-11-_____

DIRECT TESTIMONY OF

THOMAS J. BOURASSA

(COST OF CAPITAL)

August 29, 2011

TABLE OF CONTENTS

I. INTRODUCTION AND QUALIFICATIONS 1

II. SUMMARY OF TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY 1

III. OVERVIEW OF THE RELATIONSHIP BETWEEN RISK AND THE EXPECTED RETURN ON AN INVESTMENT 4

IV. THE MEANING OF "JUST AND REASONABLE" RATE OF RETURN 15

V. THE ESTIMATED COST OF EQUITY FOR PIMA 16

A. The Publicly Traded Utilities That Comprise the Sample Group Used to Estimate the Company's Cost of Equity. 16

B. Overview of the DCF and CAPM Methodologies 26

C. Explanation of the DCF Model and Its Inputs 28

D. Explanation of the CAPM and Its Inputs 34

E. Explanation of the Build-Up Method and Its Inputs 39

F. Financial Risk Adjustment 41

G. Company Specific Risk Premium 42

H. Summary and Conclusions 44

2447671.3/075040.0025

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q. ARE YOU THE SAME THOMAS J. BOURASSA THAT CONCURRENTLY FILED DIRECT TESTIMONY ON RATE BASE, INCOME STATEMENT, REVENUE REQUIREMENT AND RATE DESIGN IN THIS DOCKET?

A. Yes, and all of my background information and testimony regarding my qualifications are contained in that portion of my direct testimony.

II. SUMMARY OF TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY

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

A. This portion of my direct testimony focuses on cost of capital issues. I will testify in support of Pima Utility Company's ("Pima" or the "Company") proposed rate of return on its fair value rate base ("FVRB"). I am sponsoring the Company's D Schedules, which are attached to this testimony. There are twenty schedules that support my testimony and one attachment. As noted above, I am also sponsoring direct testimony that addresses the Company's rate base, income statement (revenue and operating expenses), required increase in revenue, and its rate design and proposed rates and charges for service. For convenience, that testimony and my related schedules are contained in separate volumes.

Q. PLEASE SUMMARIZE YOUR COST OF CAPITAL TESTIMONY.

A. I have determined that the Company's cost of equity falls in the range of 9.7 percent to 11.7 percent with the midpoint of the range at 10.7 percent. I am recommending a return on equity ("ROE") of 10.5 percent, which is 20 basis points

lower than the midrange, primarily due to the Company's desire to help mitigate the impact of necessary rate increase.

My recommendation is based on consideration of (i) cost of equity estimates using constant growth and multi-stage growth discounted cash flow ("DCF") models and the capital asset pricing model ("CAPM") for the sample group of publicly traded utilities, (ii) my review of the economic conditions expected to prevail during the period in which new rates will be in effect, (iii) my judgments about the risks associated with small utilities like Pima not captured by the market data for publicly-traded water utilities used in my study, (iv) the financial risk associated with the level of debt in Pima's capital structure, and (v) additional specific business and operational risks faced by Pima.

Q. WHAT IS THE RECOMMENDED CAPITAL STRUCTURE FOR PIMA?

A. The actual capital structure at the end of the test year (December 31, 2010) consisted 22.5 percent debt and 77.5 percent equity. However, the Company is recommending a proforma consolidated capital structure consisting of 31.1 percent debt and 68.9 percent equity. This is based upon issuance of an additional $4 million of long-term debt and post test year principle payments on existing debt of $1.755 million. The Company is filing a financing application to issue long-term debt totaling $4 million parallel with its rate application.

Q. WHAT IS THE RECOMMENDED COST OF DEBT FOR PIMA?

A. The proforma cost of debt is 7.182 percent. This is based upon the weighted effective interest rates of Pima's exiting IDA bonds and the new long-term debt as shown on Schedule D-2. The effective interest rate reflects the amortization of debt issuance costs and is computed using the effective interest method (or yield-to-maturity) method.[1]

[1] The effective-interest method recognizes interest expense as a constant percentage of the bond's carrying

Q. WHAT IS THE INTEREST RATE ON THE IDA BONDS?

A. 7.25 percent. Including the impact of the amortization of the bond issuance costs, the effective interest rate is 7.696 percent.

Q. WHAT IS THE PROPOSED INTEREST RATE ON THE NEW DEBT?

A. 6.50 percent. Including the impact of the amortization of the bond issuance costs, the effective interest rate is 6.62 percent.

Q. WHAT IS THE WEIGHTED AVERAGE COST OF CAPITAL?

A. The weighted cost of capital based upon a proforma capital structure consisting of 31.1 percent debt and 68.9 percent equity, a debt cost of 7.183 percent, and a cost of equity of 10.5 percent is 9.47 percent as shown on Schedule D-1.

Q. PLEASE SUMMARIZE THE APPROACH YOU USED TO ESTIMATE THE COST OF EQUITY FOR THE COMPANY.

A. The cost of equity for Pima cannot be estimated directly because the Company's equity is not in the form of a publicly traded security and thus there is no market data for Pima. Consequently, I applied the DCF and CAPM models using data from a sample of water utilities selected from the Value Line Investment Survey. There are six water utilities in my sample: American States Water, Aqua America, California Water, Connecticut Water, Middlesex Water, and SJW Corp. As explained later in my testimony, these companies aren't really comparable to Pima, but they are water utilities for which market data are available and because the Utilities Division Staff has relied on data for these water utilities in a number of recent water and sewer utility rate cases.

To serve as a check on my cost of equity estimate, I prepared cost of equity estimates using two risk premium methods (build-up methods) that do not require a

---

value, rather than as an equal dollar amount each year.

beta estimate. Since Pima is not publicly traded there is no beta. Build-up methods are commonly used for non-publicly traded companies.

My DCF analyses indicate ROEs in the range of 9.2 percent to 9.8 percent with a midpoint of 9.5 percent. The CAPM analysis, again using the same sample group, indicates ROEs in the range of 10.0 percent to 12.4 percent are appropriate with a midpoint of 11.2 percent. Both the DCF and CAPM ranges are before consideration of company-specific risks.

My ROE estimates after consideration of company-specific risks are in the range of 9.7 percent to 11.7 percent with a midpoint of 10.7 percent. Given Pima's relatively small size compared to the larger publicly-traded utilities used in my sample, the regulatory methods and policies used in this jurisdiction, and other company-specific factors, it is my opinion that at the present time, a cost of equity of 10.7 percent is warranted. My cost of equity estimate using the build-up methods indicates a cost of equity for Pima in the range of 13.07 percent to 15.27 percent. Thus, the 10.7 percent cost of equity estimate produced by the DCF and CAPM is extremely conservative by comparison.

However, my recommendation of a 10.5 percent ROE balances my judgment about the degree of financial and business risk associated with an investment in Pima, as well as consideration of the current economic environment and the Company's desire to help reduce the impact on ratepayers. A summary of my cost of equity analysis result is shown on Schedule D-4.1.

III. OVERVIEW OF THE RELATIONSHIP BETWEEN RISK AND THE EXPECTED RETURN ON AN INVESTMENT

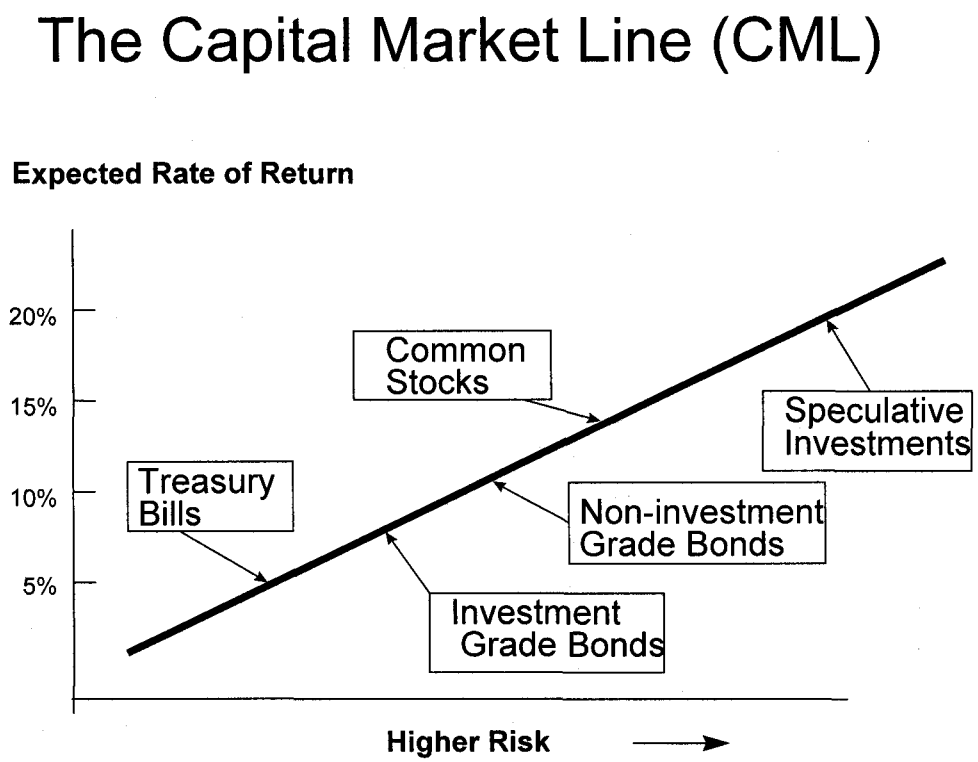
Q. HOW IS THE COST OF EQUITY TYPICALLY ANALYZED?

A. The cost of equity is the rate of return that equity investors expect to receive on their investment. Investors can choose to invest in many types of assets, not simply

publicly traded stock. Each investment will have varying degrees of risk, ranging from relatively low risk assets such as Treasury securities to somewhat higher risk corporate bonds to even higher risk common stocks. As the level of risk increases, investors require higher returns on their investment. Finance models that are used to estimate the cost of equity often rely on this basic concept.

Q. CAN YOU ILLUSTRATE THE CAPITAL MARKET RISK-RETURN CONCEPT?

A. Yes. The following graph depicts the risk-return relationship that has become widely known as the Capital Market Line ("CML"). The CML illustrates in a general way the risk-return relationship.



The CML can be viewed as a continuum of the available investment opportunities for investors. Investment risk increases move upward and to the right along the CML. Again, the return required by investors increases with the risk.

Q. HOW DOES THE RISK-RETURN TRADE OFF CONCEPT WORK IN THE CAPITAL MARKET?

A. As indicated by the CML, the allocation of capital in a free market economy is based upon the relative risk of, and expected return from, an investment. In general, investors rank investment opportunities in the order of their relative risks. Investment alternatives in which the expected return is commensurate with the perceived risk become viable investment options. If all other factors remain equal, the greater the risk, the higher the rate of return investors will require to compensate them for the possibility of loss of either the principal amount invested or the expected annual income from such investment.

Short-term Treasury bills provide a high degree of certainty and in nominal terms (after considering inflation) are considered virtually risk free. Long-term bonds and preferred stocks, having priority claims to assets and fixed income payments, are relatively low risk, but are not risk free. The market values of long-term bonds often fluctuate when government policies or other factors cause interest rates to change. Common stocks are higher and to the right on the CML continuum because they are exposed to more risk. Common stock risk includes the nature of the underlying business and financial strength of the issuing corporation as well as market-wide factors, such as general changes in capital costs.

The capital markets reflect investor expectations and requirements each day through market prices. Prices for stocks and bonds change to reflect investor expectations and the relative attractiveness of one investment versus another. While the example provided above seems straightforward, returns on common

stocks are not directly observable in advance, in contrast to debt or preferred stocks with fixed payment terms. This means that these returns must be estimated from market data. Estimating the cost of equity capital is a matter of informed judgment about the relative risk of the company in question and the expected rate of return characteristics of other alternative investments.

Q. HOW IS THE COST OF EQUITY FOR A PARTICULAR UTILITY DETERMINED?

A. The estimation of a utility's cost of equity is complex. It requires an analysis of the factors influencing the cost of various types of capital, such as interest on long-term debt, dividends on preferred stock, and earnings on common equity. The data for such an analysis comes from highly competitive capital markets, where the firm raises funds by issuing common stock, selling bonds, and by borrowing (both long- and short-term) from banks and other financial institutions. In the capital markets, the cost of capital, whether the capital is in the form of debt or equity, is determined by two important factors:

1) The pure or real rate of interest, often called the risk-free rate of interest; and,

2) The uncertainty or risk premium (the compensation the investor requires over and above the real or pure rate of interest for subjecting his capital to additional risk).

Q. PLEASE DISCUSS THESE FACTORS IN GREATER DETAIL.

A. The pure rate of interest essentially reflects both the time preference for and the productivity of capital. From the standpoint of the individual, it is the rate of interest required to induce the individual to forgo present consumption and offer the funds thus saved to others for a specified length of time. Moreover, the pure rate of interest concept is based on the assumption that no uncertainty affects the

investment undertaken by the individual, i.e., there is no doubt that the periodic interest payments will be made and the principal returned at the end of the time period. In reality, investments without any risk do not exist. Every commitment of funds involves some degree of uncertainty.

Turning to the second factor affecting the cost of capital, it is generally accepted that the higher the degree of uncertainty, the higher the cost of capital. Investors are regarded as risk adverse and require that the rate of return increase as the risk(s) (uncertainty) associated with an investment increase(s).

Q. CAN YOU PROVIDE SOME PERSPECTIVE ON YOUR PREVIOUS DISCUSSION WITH RESPECT TO RETURNS ON COMMON STOCKS?

A. Yes. Conceptually,

[1] Required Return for Common Stocks = Return on a risk-free asset + Risk Premium

where the risk premium investors require for common stocks will be higher than the risk premium they require for investment grade bonds. This relationship is depicted in the graph of the CML above. As I will discuss later in this testimony, this concept is the basis of risk premium methods, such as the CAPM, that are used to estimate the cost of equity.

Q. WHAT HAS BEEN THE RECENT EXPERIENCE IN THE U.S. CAPITAL MARKETS?

A. In the past 10 years, inflation and capital market costs have generally declined. Interest rates have been lower than in previous decades. Past inflation, as measured by the Consumer Price Index, has been at relatively low levels in the past 10 years.

The roughly six year span of economic expansion after the 2001 recession began to wane in 2007. Year-over-year Gross Domestic Product ("GDP") growth[2] for 2004, 2005, and 2006 was 3.6 percent, 2.9 percent, and 2.8 percent, respectively. GDP growth was, in part, spurred on by low interest rates during this period. The Federal Reserve, having lowered the target Federal Funds rate to 1.0 percent by the end of 2003, began raising interest rates in 2004 to help keep the economy from overheating and to help keep inflation in check. By mid-2006, the target Federal Funds rate had been raised to 5.25 percent.

The economic expansion was broad, taking in the major consumer and industrial sectors for much of its span. However, the economic expansion also brought excesses, particularly in the areas of housing, lending practices, and the financial markets.

Economic growth slowed in 2007. For 2007, the year-over-year GDP growth had dropped to 2.0 percent with the last quarter of 2007 at a negative 0.2 percent. The slow economic growth, combined with the excesses during the economic expansion of the previous six years, created turmoil in the credit, financial, and housing markets. This turmoil had a significant drag on the economy. Federal Reserve Chairman Ben Bernanke noted in Congressional testimony in late 2008 that financial markets were under considerable stress and that broader retrenchment in the willingness of investors to bear risk, troubles in the credit markets and a weaker outlook of economic growth have each added to the stresses on economic growth.

In order to address the weakening economy, the Federal Reserve, starting in September 2007, has undertaken a series of Federal Funds rate cut actions (500 to

[2] GDP percentage change based on current dollars (1930-2010).

525 total basis points). The reductions in interest rates by the Federal Open Market Committee ("FMOC") were taken in order to promote economic growth and to mitigate risks to economic activity. The target Federal Funds rate currently stands at zero to .25 percent.

The recession, which some argue began in late 2007 continued through 2008 and for most of 2009. The year-over-year GDP growth for 2008 was -0.3 percent. The year-over-year GDP growth for 2009 was -3.5 percent. However during the last quarter of 2009 the economy grew 3.8 percent. Many economists believe the recession ended in the third quarter of 2009, however, the recovery has been slow and tepid due to continued high unemployment and a lingering slump in housing and construction as well as and continued weakness in business and consumer spending.

GDP growth for 2010 was a modest 3.0 percent. However, the economy began to wane in the third and fourth quarters of 2010. In the first and second quarter of 2011, the business expansion stumbled. GDP growth for the first and second quarter of 2011 was 0.4 percent and 1.3 percent, respectively. Economists note that unusually severe weather and the earthquake in Japan that disrupted supply chains contributed to the falloff in business expansion in the first half of 2011. The recent budget and debt ceiling battles and the downgrade in U.S. debt have also contributed heavily to low consumer sentiment and consumer spending which will likely have a drag on the economy for several quarters. Economists foresee a modest GDP growth of 3.0 percent for the second half of 2011 rising slightly in 2012.

Q. WHAT ABOUT INTEREST RATES AND THE STATUS OF THE STOCK MARKET?

A. After the significant drop on the U.S. stock markets in 2008 and the surge in 2009, the stock market now seems stuck in a range bounded by those optimistic investors on one side pointing to low interest rates, modest valuations, and surging earnings, and those concerned investors pointing to continued global uncertainty, slowing GDP growth. So, there remains uncertainty over the potential for future economic growth. This was clearly seen in the roughly 15 percent market drop seen in the weeks just before this filing was made.

With respect to interest rates, the Federal Reserve lowered the Federal Funds target rate to near zero during the depths of the 2007 to 2009 recession where it continues to stand at zero to .25 percent. While the move to lower interest rates may have been necessary at the time, the Federal Reserve is left with little latitude to affect new monetary moves going forward. The Federal Reserve recently announced (August 9, 2011) that it intended to keep interest rates low well into 2013 due, in part, to the expected economic conditions going forward. This news was met with mixed reactions from investors. On the one hand, investors and businesses received some level of certainty regarding interest rates over the next few years. On the other hand, the need to keep interest rates low reflects that the Federal Reserve does not expect economic conditions to improve much over the same period.

In short, the current capital markets continue to reflect the uncertainty and low confidence of investors in the financial markets and in the future prospects of economic growth over the next several years. Naturally, despite relatively low U.S. Treasury yields over the past several years, the premiums required for

investors to hold and buy private securities remains high due to this ongoing uncertainty.

Q. IS THERE A RELATIONSHIP BETWEEN THE COST OF EQUITY AND INTEREST RATES?

A. Yes. All things being equal, the cost of equity moves in the same direction as interest rates. Lower interest rates on U.S. Treasuries ("risk-free" rate) imply lower equity returns and visa versa. However, as indicated by Equation [1] above, the risk premium required to compensate investors also impacts the cost of equity. Higher risk premiums required by investors imply higher equity costs and vice versa. Risk premiums are impacted by uncertainty not only future interest rates, but business and economic conditions, expected inflation (or deflation), and other risk factors including business risk, regulatory risk, financial risk, construction risk, and liquidity risk.

Q. IS PIMA AFFECTED BY THESE SAME MARKET UNCERTAINTIES AND CONCERNS?

A. Yes, in general, all investors are impacted by economic uncertainty including the Company's investors. Capital costs have risen significantly over the past few years because of this uncertainty. And, smaller utilities like Pima generally feel the impact worse because of their size, with a small customer base and a related limited or inability to attract capital.

Q. WHAT RECENT DEVELOPMENTS IN THE WATER UTILITY INDUSTRY ARE AFFECTING INVESTMENTS?

A. On the whole, the water and wastewater utility industry is expected to continue to confront increasing need for infrastructure upgrades and replacement, as well as possible additional demand. *Value Line Investment Survey* continues to stress that many utilities have facilities that are decades old and in need of significant

maintenance and, in some cases, massive renovation and replacement. As infrastructure costs continue to climb, many smaller companies are at a serious disadvantage. Without sufficient resources to fund improvements to meet new and more stringent requirements, many smaller companies are being forced to sell to larger utilities, which have greater operational flexibility and resources, as well as access to capital. However, *Value Line* notes that most of the companies in this sector are starved for cash and balance sheets are debt-laden. This will require outside financing largely from more debt and higher associated interest expense, which will thwart share-earnings and shareholder gains. Some companies may have to rethink current payout ratios if the costs of doing business cannot be curbed.

Q. PLEASE DISCUSS IN MORE DETAIL THE IMPACT OF RISK ON CAPITAL COSTS.

A. With reference to specific utilities, risk is often discussed as consisting of two separate types of risk: business risk and financial risk.

Business risk, the basic risk associated with any business undertaking, is the uncertainty associated with the enterprise's day-to-day operations. In essence, it is a function of the normal day-to-day business environment, both locally and nationally. Business risks include the condition of the economy and capital markets, the state of labor markets, regional stability, government regulation, technological obsolescence, and other similar factors that may impact demand for the business product and its cost of production. For utilities, business risk also includes the volatility of revenues due to abnormal weather conditions, degree of operational leverage, regulation, and regulatory climate. Regulation, for example, can compound the business risk if it is unpredictable in reacting to cost increases both in terms of the time lag and magnitude for recovery of such increases.

Regulatory lag makes it difficult to earn a reasonable return, particularly in an inflationary environment and/or when there is significant lag between the timing of investment in capital projects and its recognition in rates. Put simply, the greater the degree of uncertainty regarding the various factors affecting a company's business, the greater the risk of an investment in that company and the greater the compensation required by the investor.

Financial risk, on the other hand, concerns the distribution of business risk to the various capital investors in the utility. As I discussed earlier, permanent capital is normally divided into three categories: long-term debt, preferred stock, and common equity. Because common equity owners have only a residual claim on earnings after debt and preferred stockholders are paid, financial risk tends to be concentrated in that element of the firm's capital. Thus, a decision by management to raise additional capital by issuing additional debt concentrates even more of the financial risk of the utility in the common equity owners.

An important component of financial risk is construction risk. Construction risk refers to the magnitude of a company's capital budget. If a company has a large construction budget relative to internally generated cash flows, it will require external financing. It is important that companies have access to capital funds on reasonable terms and conditions. Utilities are more susceptible to construction risk for two reasons. First, utilities generally have high capital requirements to build plant to serve customers. Second, utilities have a mandated obligation to serve leaving less flexibility both in the timing and discretion of scheduling capital projects. This is compounded by the limited ability to wait for more favorable market conditions to raise the capital necessary to fund the capital projects.

Although often discussed separately, the two types of risks (business and financial) are interrelated. Specifically, a common equity investor may seek to

offset exposure to high financial risk by investing in a firm perceived to have a low degree of business risk. In other words, the total risk to an investor would be high if the enterprise was characterized as a high business risk with a large portion of its permanent capital financed with senior debt. To attract capital under these circumstances, the firm would have to offer higher rates of return to its common equity investors.

IV. THE MEANING OF "JUST AND REASONABLE" RATE OF RETURN

Q. HAVE THE COURTS SET FORTH ANY CRITERIA THAT GOVERN THE RATE OF RETURN THAT A UTILITY'S RATES SHOULD PRODUCE?

A. Yes. In 1923, the U.S. Supreme Court set forth the following criteria for determining whether a rate of return is reasonable in *Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679, 692-93 (1923):

> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments on other business undertakings which are attended by corresponding risks and uncertainties .... The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market, and business conditions generally.

In summary, under *Bluefield Water Works*:

(1) The rate of return should be similar to the return in businesses with similar or comparable risks;

(2) The return should be sufficient to ensure the confidence in the financial integrity of the utility; and

(3) The return should be sufficient to maintain and support the utility's credit.

Q. HOW HAVE THESE CRITERIA BEEN APPLIED IN REGULATORY PROCEEDINGS?

A. Yes, but the application of the "reasonableness" criteria laid down by the Supreme Court has resulted in controversy. The typical method of computing the overall cost of capital is quite straightforward: it is the composite, weighted cost of the various classes of capital (debt, preferred stock, and common equity) used by the utility. The weighting is done by calculating the proportion that each class of capital bears to total capital. However, there is no consensus regarding the best method of estimating the cost of equity capital. The increasing regulatory emphasis on objectivity in determining the rate of return has resulted in a proliferation of market-based finance models that are used in equity return determination. As will be discussed more fully below, however, none of these models are universally accepted as the "correct" means of estimating the ROE.

V. THE ESTIMATED COST OF EQUITY FOR PIMA

A. The Publicly Traded Utilities That Comprise the Sample Group Used to Estimate the Company's Cost of Equity.

Q. PLEASE DESCRIBE THE APPROACH YOU FOLLOWED IN YOUR COST OF CAPITAL ANALYSIS FOR PIMA.

A. Again, estimating the cost of equity is a matter of informed judgment. The development of an appropriate rate of return for a regulated enterprise involves a determination of the level of risk associated with that enterprise and the determination of an appropriate return for that risk level. Practitioners employ

various techniques that provide a link to actual capital market data and assist in defining the various relationships that underlie the equity cost estimation process.

Since Pima is not publicly traded, the information required to directly estimate its cost of equity is not available. Accordingly, as previously noted, I used a sample group of water utilities as a starting point to develop an appropriate cost of equity for Pima. There are six water utilities included in the sample group: American States Water, Aqua America, California Water, Connecticut Water, Middlesex Water, and SJW Corp. All these companies are followed by the *Value Line Investment Survey.*

Q. ARE THE WATER UTILITIES IN YOUR SAMPLE DIRECTLY COMPARABLE TO PIMA?

A. No, but they are utilities for which market data is available. All of them are regulated, they primarily provide water service, although some provide both water and wastewater services, and their primary source of revenues is from regulated services. Therefore, they provide a useful starting point for developing a cost of equity for the Company. I emphasized "starting point" because Pima is not publicly traded. Additionally, there is no market data available for smaller utilities, like Pima, that can be used to directly develop cost of equity estimates.

Q. BRIEFLY, WHY IS A PROXY SAMPLE GROUP NECESSARY IN A COST OF CAPITAL ANALYSIS AND HOW IS IT SELECTED?

A. The comparable earnings standard set forth in the *Bluefield Water Works* decision, and in *Hope Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944), require the rate of return afforded to utilities be similar to the return in businesses with similar or comparable risks. A proxy group of companies with comparable risk is therefore the starting point in a cost of capital analysis.

There are two broad approaches to choosing a proxy group.[3] The first approach consists of selecting pure-play companies that are directly comparable in risk to the subject utility. The companies are chosen using strict criteria with an attempt to identify companies with the same investment risk as the subject utility. There are several qualitative measures that influence investors' assessment of risk that can be used to screen companies. These include SIC classification, bond ratings, beta risk, business risk scores, size, percentage of revenues from regulated operations, common equity ratio, geographical location, etc.[4]

The second approach is to select as large a group of utilities as possible that is representative of the utility industry average and make adjustments for any difference between the subject utility and the industry average. Whether one employs the direct approach or the indirect approach, the selection of companies for a proxy group always raises the question of whether it is possible to select a group that are of comparable risk. Further, there is always the question of identifying any differences in investment risk. The electric, natural gas, and water utility industries have witnessed numerous takeovers, restructuring, corporate reorganizations, unbundling, and increased competition over the last decade or so, all of which has made selections of proxy groups more difficult.[5]

The Company's approach utilizes an indirect method. The water companies selected derive the vast majority of their revenues from regulated operations. As shown in Schedule D-4.2, the six water utilities on average derive over 90 percent of the revenues from regulated activities. These companies were also chosen because they are publicly traded, are not in financial distress, and there is a

[3] Roger A. Morin. *New Regulatory Finance* (2006) at 400.
[4] *Id.*
[5] *Id.*

sufficiently long financial and market history from which to perform an analysis. American Water Works (AWK), for example, was not selected though it is publicly traded and derives 89 percent of its revenues from regulated activities. This is because AWK only became a publicly traded entity in 2006 so arguably there is insufficient financial and market history at this time in order to perform a robust and meaningful analysis. Pennichuck Corporation (PNNW), which was not used, is another example of a company that is not a good proxy company candidate. PNNW has been in merger negotiations with the City of Nashua and its stock price is heavily influenced by the pending merger.

The bottom line is that the water utility companies in my proxy group are considered representative of the average of the industry, and, as I have stated throughout my testimony, must be adjusted for differences in investment risk.

Q. DOES THE MARKET DATA PROVIDED BY THE WATER UTILITY SAMPLE CAPTURE ALL OF THE MARKET RISKS THAT PIMA MIGHT FACE IF IT WERE PUBLICLY TRADED?

A. In my opinion, no. As I stated, there is no comparable market data for utility companies the size of Pima. The average revenue of the water utility sample companies is over 66 times that of Pima, and the average net plant of the water utility sample companies is over 54 times that of Pima. Even the smallest company in the sample group, Connecticut Water, has nearly sixteen times the net plant of Pima, and nearly fourteen times the revenues.

Putting aside the size aspect, an investment in Pima is not a liquid investment. If an investor invests in any of the publicly traded utilities is not happy with the returns, he/she may sell his/her stock within minutes while liquidating an investment in Pima could take years. This is liquidity risk. Liquidity risk is a significant risk to an investment in non-publicly traded companies like Pima.

Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF THE WATER UTILITIES IN YOUR SAMPLE.

A. Schedule D-4.2 lists the current operating revenues and net plant for the six water utilities as reported by AUS Utility Reports (formerly C.A. Turner Utility Reports) and Pima, respectively. The six sample companies may be generally described as follows:

(1) American States Water (AWR) primarily serves the California market through Golden State Water Company, which provides water services to over 256,000 customers within 75 communities in ten counties in the State of California, primarily in Los Angeles, San Bernardino, and Orange counties. It has one subsidiary serving the Arizona market with approximately 13,000 customers in Fountain Hills and Scottsdale. AWR also owns an electric utility service provider with over 23,000 customers, but approximately 73 percent of its revenues were derived from commercial and residential water customers. Revenues for AWR were nearly $398 million in 2010 and net plant was nearly $855 million at the end of 2010.

(2) Aqua America (WTR) owns regulated utilities in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, Virginia, Maine, Missouri, New York, and Georgia, serving nearly 963,000 customers at the end of 2010. WTR's utility base is diversified among residential water, commercial water, fire protection, industrial water, other water, and wastewater customers. Total revenues for WTR were over $726 million in 2010 and net plant was nearly $3.5 billion at the end of 2010.

(3) California Water Service Group (CWT) owns subsidiaries in California, New Mexico, Washington, and Hawaii serving nearly 498,000 customers. Revenues for CWT were over $460 million in 2010 and net plant nearly $1.2 billion at the end of 2010.

(4) Connecticut Water Services (CTWS) owns subsidiaries in Connecticut and Massachusetts serving over 89,000 customers. Revenues for CTWS were nearly $73 million in 2010 and net plant over $344 million at the end of 2010.

(5) Middlesex Water (MSEX) owns subsidiaries in New Jersey, Delaware and Pennsylvania serving over 100,000 customers and provides water service under contract to municipalities in central New Jersey serving a population of over 303,000. Revenues for MSEX were over $102 million in 2010 and net plant was nearly $399 million at the end of 2010.

(6) SJW Corp. (SJW) owns San Jose Water, which provides water service in a 138 square mile area in San Jose, California, and surrounding communities serving nearly 235,000 customers. Revenues for SJW were nearly $216 million in 2010 and net plant was nearly $715 million at the end of 2010.

Q. HOW DOES PIMA COMPARE TO THE SAMPLE WATER UTILITIES?

A. It is much smaller. At the end of the test year, the Company had approximately 10,000 water and wastewater customers. Its revenues totaled approximately $5 million, and net plant-in-service was approximately $21.9 million. Pima is located in Maricopa County, Arizona, and has a relatively small service territory compared to the sample water companies.

Q. ARE THERE ANY OTHER CHARACTERISTICS THAT DISTINGUISH THE COMPANY FROM THE SAMPLE WATER UTILITIES?

A. Yes. Pima has less debt in its capital structure than the sample water utilities. At the end of the test year, Pima had approximately 22.5 percent debt and 77.5 percent equity in its capital structure. However, Pima is requesting approval of long-term debt of $4 million, which will increase the level of debt in the capital structure to approximately 31.1 percent and reduce the level of equity to 68.9 percent. The sample publicly traded water utilities current level of debt is about 50 percent on average; implying a lower level of financial risk for Pima.

Q. ARE THERE OTHER CHARACTERISTICS OF SMALLER UTILITIES, LIKE PIMA, WHICH INCREASE RISK?

A. Yes. Because smaller utilities, like Pima, are not publicly traded they have less financial flexibility which in turn increases risk. The Company does not have access to the public equity markets and this lack of financial flexibility increases risk because it has no choice but to rely on retained earnings, short-term debt, privately-placed debt and, to a limited extent, WIFA loans, in order to provide capital for plant improvements and additions necessary to ensure safe and reliable water service to its customers. Further, the Company does not have a market to issue common stock to the public to raise capital.

Water and sewer utilities are capital intensive and typically have to have large construction budgets. Since the last rate cases, the Company has added over $19 million of new plant. As I have previously discussed in this testimony, firms with large capital budgets face construction risk (a form of financial risk). The size of a utility's capital budget relative to the size of the utility itself often increases construction risk. Larger utilities may be able to fund large capital budgets from earnings and short-term borrowings. For smaller utilities, like Pima, the ability to

fund relatively large capital budgets from earnings and short-term debt is difficult and requires that additional capital be raised. However, the ability to raise additional capital is in and of itself challenging and compounded by a limited ability to access capital, an obligation to serve, and a limited ability wait for more favorable market conditions to raise the capital to fund necessary capital projects.

Q. WHAT OTHER RISK FACTORS DISTINGUISH PIMA FROM THE LARGER SAMPLE WATER UTILITIES?

A. There are a number of state specific factors that increase the risk to Arizona water (and wastewater) utilities.

First, the regulatory environment in which the Company operates is much different than that of the sample water utilities. Arizona water and wastewater utilities face legal constraints that limit their ability to obtain rate relief outside of a general rate case in which the "fair value" of the utility's property is determined and used to set rates. By policy, the Commission also limits the ability of Arizona utilities to utilize automatic adjustment mechanisms, advice letter filings and other streamlined procedures to obtain recovery of costs outside a general rate case, in contrast to many other jurisdictions.

Second, the Commission requires the use of an historic test year with limitations on the amount of out-of-period adjustments. This process creates another state-specific factor that increases risk and thus the required ROEs for utilities in Arizona. In fact, three out of the six sample water companies operate primarily in California – AWR, CWT and SJW. California uses future test years to help better match plant investment and revenues and expenses going forward - the period in which rates will be in effect. California also allows the use of balancing accounts on major operating expenses like purchased power and purchased water, which help utilities to timely recover expenses that are beyond their control.

California also allows the use of water revenue adjustment mechanisms ("WRAM") to address under collection of revenues due to water conservation.

A fourth utility in the sample group, WTR, has regulatory mechanisms available to it to help lessen risk. In six states in which WTR operates water utilities, and two states in which WTR operates wastewater utilities, regulatory bodies permit it to add a surcharge to water or wastewater bills to offset the additional depreciation and capital costs associated with certain capital expenditures related to replacing and rehabilitating infrastructure systems. WTR also operates in jurisdictions in which it may bill utility customers in accordance with a rate filing that is pending before the respective regulatory commission, as well as jurisdictions that authorize the use of expense deferrals and amortization in order to provide for recognition in its operating income of an amount that approximates the requested amount in a rate request. In addition, certain states in which WTR operates use a surcharge or credit on bills to reflect changes in certain costs, such as changes in state tax rates, other taxes and purchased water, until such time as the costs are incorporated into base rates.

Q. SO PIMA REALLY ISN'T COMPARABLE TO THE SAMPLE WATER UTILITIES.

A. It really isn't, for the reasons I have stated. Besides the obvious difference in size as wells as difference is regulatory environments, constraints on the rate making process in Arizona make it difficult to obtain approval of rates that allow Arizona water and wastewater utilities to recover the costs of service they will actually incur during the period when new rates are put in place, which can be a few years beyond the test year. In the interim, actual operating costs continue to increase. Risks are thus higher for Pima and the required return on equity should be above the level required by water and wastewater utilities that operate in states that do not

have such limitations, whether imposed by law or by agency policy, on the rate-setting system. Unfortunately, as I have testified, the approaches commonly used to estimate a utility's cost of equity require market data, which is not available for smaller companies and utilities operating exclusively in Arizona, like Pima. As a result, much larger, public companies must be used as proxies.

But the emphasis on proxy is very important. The criteria established by the Supreme Court in decisions such as *Bluefield Water Works* require the use of comparable companies, i.e., companies that would be viewed by investors as having similar risks. A rational investor would not regard Pima as having the same level of risk as WTR or even CTWS - even with Pima's lower financial risk - because of the previously mentioned regulatory constraints in Arizona. Consequently, the results produced by the DCF and CAPM methodologies, utilizing data for the sample utilities, often understate the appropriate return on equity for a regulated water and wastewater utility provider such as Pima.

Q. YOU PREVIOUSLY DISCUSSED FINANCIAL RISK, WHICH IS RELATED TO A FIRM'S CAPITAL STRUCTURE. HOW DO THE CAPITAL STRUCTURES OF THE SAMPLE WATER UTILITIES COMPARE TO PIMA?

A. Schedule D-4.3 shows that the proforma capital structure of Pima for this rate case contains 68.9 percent equity and 31.1 percent debt, compared to the average of the water utility sample of 50.0 percent debt and 50.0 percent equity.

Q. IS THERE A RELATIONSHIP BETWEEN A UTILITY'S CAPITAL STRUCTURE AND ITS COST OF CAPITAL?

A. Yes. Generally speaking, when a firm engages in debt financing, it exposes itself to greater risk. Once debt becomes significant relative to the total capital structure, the risk increases in a geometric fashion compared to the linear percentage increase

in the debt ratio itself. This risk is illustrated by considering the effect of leverage on net earnings. For example, as leverage increases, the equity ratio falls. This creates two adverse effects. First, equity earnings decline rapidly and may even disappear. Second, the "cushion" of equity protection for debt falls. A decline in the protection afforded debt holders, or the possibility of a serious decline in debt protection, will act to increase the cost of debt financing. Therefore, one may conclude that each new financing, whether through debt or equity, impacts the marginal cost of future financing by any alternative method. For a firm already perceived as being over-leveraged, this additional borrowing would cause the marginal cost of both equity and debt to increase. On the other hand, if the same firm instead successfully employed equity funding, this could actually reduce the real marginal cost of additional borrowing, even if the particular equity issuance occurred at a higher unit cost than an equivalent amount of debt.

Having less debt in its capital structure implies that Pima has less financial risk than the sample water utilities. However, smaller utilities cannot support the same level of debt as larger utilities and smaller utilities face higher business and operational risk, as compared to larger utilities, which magnify the financial risk of higher debt levels in their capital structures. The approximately 31.1 percent debt in the Company's capital structure is reasonable given its size.

B. <u>Overview of the DCF and CAPM Methodologies</u>

Q. PLEASE EXPLAIN THE GENERAL APPROACHES TO ESTIMATING THE COST OF CAPITAL.

A. These two broad approaches:

1) identify comparable-risk sample companies and estimate the cost of capital directly, or,

2) find the location of the CML and estimate the relative risk of the company, which jointly determines the cost of capital.

The DCF model is an example of a method falling into the first general approach. It is a direct method, but uses only a subset of the total capital market evidence. The DCF model rests on the premise that the fundamental value of an asset (stock) is its ability to generate future cash flows to the owner of that asset (stock). I will explain the DCF model in detail in a moment but, for now, the DCF is simply the sum of a stock's expected dividend yield and the expected long-term growth rate. Dividend yields are readily available, but long-term growth estimates are not.

The CAPM is an example of a method falling into the second general approach. It uses information on all securities rather than a small subset. I will explain the CAPM in more detail later. For now, the CAPM is a risk-return relationship, often depicted graphically as the CML. The CAPM is the sum of a risk-free return and a risk premium.

The Build-up Risk Premium method ("Build-up Method") is another example of a method falling into the second general approach. I will explain the Build-up Method in more detail later. For now, the Build-up method, like the CAPM, is a risk-return relationship. The Build-up Method is the sum of a risk-free return and a risk premium. However, rather than a single risk premium as is used in the CAPM, the risk premium in the Build-up Method is made up of one or more risk premia. Each risk premium represents the reward an investor receives for taking on a specific risk.

Each of these three methods has its own way of measuring investor expectations. In the final analysis, ROE estimates are subjective and should be based on sound, informed judgment rationally articulated and supported by

competent evidence. I have applied several versions of the DCF, and two versions of the CAPM to "bracket" the fair cost of equity capital for Pima, but without taking into account the additional risks that Pima possesses. I also use the Build-up Method which serves as a check on the results of my DCF and CAPM.

C. <u>Explanation of the DCF Model and Its Inputs</u>

Q. PLEASE EXPLAIN IN DETAIL THE DCF METHOD OF ESTIMATING THE COST OF EQUITY.

A. The DCF model is based on the concept that the current price of a share of stock is equal to the present value of future cash flows from the purchase of the stock. In other words, the DCF model is an attempt to replicate the market valuation process that sets the price investors are willing to pay for a share of a company's stock. It rests on the assumption that investors rely on ~~the expected returns (i.e.,~~ cash flow they expect to receive) to set the price of a security. The DCF model in its most general form is:

[2] $P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \ldots + CF_n/(1+k)^n$

where k is the cost of equity; n is a very large number; P_0 is the current stock price; and, $CF_1, CF_2, \ldots CF_n$ are all the expected future cash flows expected to be received in periods 1, 2, … n.

Equation (2) can be written to show that the current price (P_0) is also equal to

[3] $P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \ldots + P_t/(1+k)^t$

where P_t is the price expected to be received at the end of the period t. If the future price (P_t) included a premium (an expected increase in the stock price or capital gain), the price the investor would pay today (in anticipation of receiving that premium) would increase. In other words, by estimating the cash flows from the purchase of a stock in the form of dividends and capital gains, we can calculate the

investor's required rate of return, i.e., the rate of return an investor presumptively used in bidding the current price to the stock (P_0) to its current level.

Equation [3] is a Market Price version of the DCF model. As with the general form of the DCF model in equation [2], in the Market Price approach the current stock price (P_0) is the present value of the expected cash inflows. The cash flows are comprised of dividends and the final selling price of the stock. The estimated cost of equity (k) is the rate of return investors expect if they bought the stock at today's price, held the stock and received dividends through the transition period, and then sold it for price (P_t).

Q. CAN YOU PROVIDE AN EXAMPLE TO ILLUSTRATE THE MARKET PRICE VERSION OF THE DCF MODEL?

A. Yes. Assume an investor buys a share of common stock for $40. If the expected dividend during the coming year is $2.00, then the expected dividend yield is 5 percent ($2.00/$40 = 5.0 percent). If the stock price is also expected to increase to $43.00 after one year, this $3.00 expected gain adds an additional 7.5 percent to the expected total rate of return ($3.00/$40 = 7.5 percent). Thus, the investor buying the stock at $40 per share, expects a total return of 12.5 percent (5 percent dividend yield plus 7.5 percent price appreciation). The total return of 12.5 percent is the appropriate measure of the cost of capital because this is the rate of return that caused the investor to commit $40 of his capital by purchasing the stock.

Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE DCF MODEL.

A. Under the assumption that future cash flows are expected to grow at a constant rate ("g"), equation [2] can be solved for k and rearranged into the simple form:

[4] $k = CF_1/P_0 + g$

where CF_1/P_0 is the expected dividend yield and g is the expected long-term dividend (price) growth rate ("g"). The expected dividend yield is computed as the ratio of next period's expected dividend ("CF_1") divided by the current stock price ("P_0"). This form of the DCF model is known as the constant growth DCF model and recognizes that investors expect to receive a portion of their total return in the form of current dividends and the remainder through future dividends and capital (price) appreciation. A key assumption of this form of the model is that investors expect that same rate of return (k) every year and that market price grows at the same rate as dividends. This has not been historically true for the water utility sample, as shown by the data in Schedule D-4.4 and Schedule D.4.5. As a result, estimates of long-term growth rates (g) should take this into account.

Q. ARE THERE ANY CONCERNS ABOUT APPLYING THE DCF MODEL TO UTILITY STOCKS?

A. There are a number of reasons why caution must be used when applying the DCF model to utility stocks. First, the stock price and dividend yield components may be unduly influenced by structural changes in the industry, such as mergers and acquisitions, which influence investor expectations. Second, the DCF model is based on a number of assumptions which may not be realistic given the current capital market environment. The traditional DCF model assumes that the stock price, book value, dividends, and earnings all grow at the same rate. This has not been historically true for the sample water utility companies. Third, the application of the DCF model produces estimates of the cost of equity that are consistent with investor expectations <u>only</u> when the market price of a stock and the stock's book value are approximately the same. The DCF model will understate the cost of equity when the market-to-book ratio exceeds 1.0 and conversely will overstate the cost of equity when the market-to-book ratio is less than 1.0. The reason for this is

that the market-derived return produced by the DCF is often applied to book value rate base by regulators. Fourth, the assumption of a constant growth rate may be unrealistic, and there may be difficulty in finding an adequate proxy for the growth rate. Historical growth rates can be downward based as a result of the impact of anemic historical growth rates in earnings, mergers and acquisitions, restructuring, unfavorable regulatory decisions, and even abnormal weather patterns. Further, by placing too much emphasis on the past, the estimation of future growth becomes circular.

Q. LET'S TURN TO THE SPECIFIC INPUTS USED IN YOUR DCF MODELS. WHAT DATA HAVE YOU USED TO COMPUTE THE EXPECTED DIVIDEND YIELD (CF_1/P_0) IN YOUR MODELS?

A. First, I computed a current dividend yield (CF_0/P_0). The expected dividend yield (CF_1/P_0) is the current dividend yield (CF_0/P_0) times one plus the growth rate (g). I used the spot price for each of the stocks of the water utilities in the sample group on as reported by the Value Line Investment Analyzer for July 22, 2011 for P_0. The current dividend (CF_0) is the dividend for the next year as reported by Value Line. In my schedules, the current dividend yield is denoted as (D_0/P_0), where D_0 is the current dividend and P_0 is the spot stock price. (D_1/P_0) is used to denote the expected dividend yield in the schedules.

Q. WHAT MEASURES OF GROWTH ("g") HAVE YOU USED?

A. For my primary DCF growth estimate, I have used analyst growth forecasts, where available, from four different, widely-followed sources: *Zack's Investment Research*, *Morningstar*, *Yahoo Finance*[6], and *Value Line Investment Survey*. Schedule D-4.6 reflects the analyst estimates of growth. The currently available

[6] Yahoo Finance analyst estimates provided by Thompson Financial.

estimates from these four sources provide at least two estimates for each of the sample water utility companies. When there is no estimate of forward-looking growth for a utility in the water utilities sample, I have assumed investors expect the growth for that utility to equal the average of growth rates for the other water utilities in the sample.

Q. WHY DID YOU USE FORECASTED GROWTH RATES AS YOUR PRIMARY ESTIMATE OF GROWTH?

A. The DCF model requires estimates of growth that investors expect in the future and not past estimates of growth that have already occurred. Accordingly, I use as a primary estimate of growth analysts' forecasts of growth. Logically, in estimating future growth, financial institutions and analysts have taken into account all relevant historical information on a company as well as other more recent information.[7] To the extent that past results provide useful indications of future growth prospects, analysts' forecasts would already incorporate that information. In addition, a stock's current price reflects known historic information on that company, including its past earnings history. Any further recognition of the past will double count what has already occurred. Therefore, forward-looking growth rates should be used.

Q. WHAT OTHER ESTIMATES OF GROWTH DID YOU USE?

A. I use the 5-year historical average growth rates in the stock price, book value per share ("BVPS"), earnings per share ("EPS") and dividends per share ("DPS")

[7] David A. Gordon, Myron J. Gordon and Lawrence I Gould, "Choice Among Methods of Estimating Share Yield," *Journal of Portfolio Management* (Spring 1989) 50 – 55. Gordon, Gordon and Gould found that a consensus of analysts' forecasts of earnings per share growth for the next five years provides a more accurate estimate of growth required in the DCF model than three different historical measures of growth (historical EPS, historical DPS, and historical retention growth). They explain that this result makes sense because analysts would take into account such past growth as indicators of future growth as well as any new information.

along with the average of analyst expectations. Using the historical average of growth in price, BVPS, EPS, and DPS is reasonable because investors know that, in equilibrium, common stock prices, BVPS, EPS and DPS will all grow at the same rate and would take information about changes in stock prices and growth in BVPS into account when they price utilities' stocks. As I stated earlier, a basic assumption of the DCF model is that the stock price, BVPS, EPS and DPS all grow at the same rate. While I believe the use of historical growth rates gives added recognition to the past that is already incorporated into analyst estimates of growth, I have been criticized by the Staff in the past for not giving direct consideration to past growth rates in my estimate of growth. So, I have endeavored to remove any basis for the criticism in this case. However, I do so reluctantly because the empirical evidence indicates that analyst estimates of growth are the best measure of growth for use in the DCF for utility stocks.

Q. HAVE YOU USED ANALYST ESTIMATES OF DPS GROWTH?

A. No. While I did not use analyst estimates of DPS growth, the average projected DPS growth rate of 4.13 percent is higher than the historical DPS growth rate of 3.33 percent. Putting this aside, I did not use analyst estimates of dividend growth for primarily because there are analyst estimates for dividend growth for only three of the six sample companies. Further, only one source (Value Line) provides DPS growth estimates. The wide availability of earnings growth estimates compared to dividend growth estimates indicates a greater reliance by investors on earnings rather than dividends for their investment decisions.

D. Explanation of the CAPM and Its Inputs

Q. PLEASE EXPLAIN THE CAPM METHODOLOGY FOR ESTIMATING THE COST OF EQUITY.

A. As I already indicated, the CAPM is a type of risk premium methodology that is often depicted graphically in a form identical to the CML. Put simply, the CAPM formula is the sum of a risk-free rate plus a risk premium. It quantifies the additional return required by investors for bearing incremental risk. The risk-free rate is the reward for postponing consumption by investing in the market. The risk premium is the additional return compensation for assuming risk.

The CAPM formula provides a formal risk-return relationship premised on the idea that only market risk matters, as measure by beta. The CAPM formula is:

$$(7) \quad k = R_f + \beta(R_m - R_f)$$

where k is the expected return, R_f is the risk-free rate, R_m is the market return, $(R_f - R_m)$ is the market risk premium, and β is beta.

The difficulty with the CAPM is that it is a prospective or forward-looking model while most of the capital market data required to match the input variables above is historical.

Q. WHAT IS THE RISK-FREE RATE?

A. It is the return on an investment with no risk. The U.S. Treasury rate serves as the basis for the risk-free rate because the yields are directly observable in the market and are backed by the U.S. government. Practically speaking, short-term rates are volatile, fluctuate widely and are subject to more random disturbances than long-term rates. In short, long-term Treasury rates are preferred for these reasons and because long-term rates are more appropriately matched to securities with an indefinite life or long-term investment horizon.

Q. WHAT IS BETA AND WHAT DOES IT MEASURE?

A. Beta is a measure of the relative risk of a security in relation to the market. In other words, it is a measure of the sensitivity of a security to the market as a whole. This sensitivity is also known as systematic risk. It is estimated by regressing a security's excess returns against a market portfolio's excess returns. The slope of the regression line is the beta.

Beta for the market is 1.0. A security with a beta greater than 1.0 is considered riskier than the market. A security with a beta less than 1.0 is considered less risky than the market.

There are computational problems surrounding beta. It depends on the return data, the time period used, its duration, the choice of the market index, and whether annual, monthly, or weekly return figures are used. Betas are estimated with error. Based on empirical evidence, high betas will tend to have a positive error (risk is overestimated) and low betas will have a negative error (risk is underestimated).[8]

Q. WHAT DID YOU USE AS THE PROXY OF THE BETA FOR PIMA?

A. I used the average beta of the sample water utility companies. Betas were obtained from *Value Line Investment Analyzer* (July 22, 2011). *Value Line* is the source for estimated betas that I regularly employ, along with Staff, and it is widely-accepted by financial analysts. The average beta as shown on Schedule D-4.9 is 0.78. I should note that because Pima is not publicly traded, Pima has no beta. I believe that Pima, if it were publicly traded, would have a higher beta than the sample water utility companies.

[8] Eugene F. Fama and Kenneth R. French, "The Capital Asset Pricing Model: Theory and Evidence," *Journal of Economic Perspectives* (Summer 2004) 25 – 46.

Q. WHY WOULD PIMA HAVE A HIGHER BETA?

A. As previously indicated, smaller companies are more risky than larger companies. In Chapter 7 of Morningstar's *Ibbotson SBBI 2011 Valuation Yearbook*, for example, Ibbotson reports that when betas (a measure of market risk) are properly estimated, betas are larger for small companies than for larger companies. As I will explain later, Ibbotson also finds that even after accounting for differences in beta risk, small firms require an additional risk premium over and above the added risk premium indicated by differences in beta risk.

Q. PLEASE EXPLAIN THE MARKET RISK PREMIUM.

A. The market-risk premium (R_m-R_f) is the return an investor expects to receive as compensation for market risk. It is the expected market return minus the risk-free rate. Approaches for estimating the market risk premium can be historical or prospective.

Since expected returns are not directly observable, historical realized returns are often used as a proxy for expected returns on the basis that the historical market risk premium follows what is known in statistics as a "random walk." If the historical risk premium does follow the random walk, then one should expect the risk premium to remain at its historical mean. Based on this argument, the best estimate of the future market risk premium is the historical mean. Morningstar's *SBBI Valuation Edition 2011 Yearbook* provides historical market returns for various asset classes from 1926 to 2010. This publication also provides market risk premiums over U.S. Treasury bonds, which make it an excellent source for historical market risk premiums.

Prospective market risk premium estimation approaches necessarily require examining the returns expected from common equities and bonds. One method employs applying the DCF model to a representative market index such as the

Value Line 1700 stocks (the *Value Line* Composite Index). The expected return from the DCF is measured for a number of periods of time, and then subtracted from the prevailing risk-free rate for each period to arrive at market risk premium for each period. The market risk premium subsequently employed in the CAPM is the average market risk premium of the overall period.

Q. HOW MANY MARKET RISK PREMIUM ESTIMATES DID YOU PREPARE IN CONNECTION WITH YOUR ASSIGNMENT FOR PIMA?

A. I prepared two market risk premium estimates: An historical market risk premium and a current market risk premium.

Q. HOW DID YOU ESTIMATE THE HISTORICAL MARKET RISK PREMIUM?

A. I used the Morningstar's *Ibbotson SBBI 2011 Valuation Yearbook* measure of the average premium of the market over long-term treasury securities from 1926 through 2010. The average historical market risk premium over long-term treasury securities is 6.7 percent.

Q. HOW DID YOU ESTIMATE THE CURRENT MARKET RISK PREMIUM?

A. I derived a market risk premium by, first, using the DCF model to compute an expected market return for each of the past 6 months using *Value Line's* projections of the average dividend yield and median 3-5 year price appreciation (growth) on the *Value Line* 1700 Composite Index. I then subtracted the average 30-year Treasury yield for each month from the expected market returns to arrive at the expected market risk premiums. Finally, I averaged the computed market risk premiums to determine the current market risk premium. The data and computations are shown on Schedule D-4.11. The average current market risk premium is 9.75 percent. Estimates of the current market risk premium have ranged from 7.01 percent to 13.82 percent over the past 12 months averaging 9.74

percent. The most recent 3-month average is 11.18 percent. My 6-month average estimate at 9.75 percent is in the lower end of the 12 month range and is more conservative than the recent 3-month average.

Q. HAS STAFF EMPLOYED A CURRENT MARKET RISK PREMIUM IN THE PAST?

A. Yes. However, their estimation of the current market risk premium was somewhat different. Staff uses a DCF model to compute the current market risk premium as I do. However, Staff also uses a single spot estimate using the median annualized projected 3-5 year price appreciation on the *Value Line* 1700 stocks in conjunction the median dividend yield on the *Value Line* 1700 stocks.

Q. WHY DO YOU BELIEVE THAT YOUR APPROACH IS MORE APPROPRIATE?

A. Staff typically computes a market risk premium based on a single point in time, which makes estimates extremely volatile, so much so that the expected market risk premium estimate can change by as much as 300 basis points (or more) each time it is estimated. The accuracy of the expected risk premium is greatly enhanced by increasing the number of periods used to estimate it. It is analogous to flipping a coin. One cannot predict with any degree of accuracy the result of a single flip of a balanced coin, or even a few. But the more coin flips, the greater degree of confidence one has in predicting the outcome.

Q. WHAT DO YOU ADOPT AS THE RETURN FOR THE RISK-FREE RATE?

A. I use long-term expected Treasury bond rates as the measure of the risk-free return for use with both CAPM cost of equity estimates from two sources: the Blue Chip Financial Forecast and Value Line. Morningstar's *Ibbotson SBBI 2011 Valuation Yearbook* explains on page 55 that the appropriate choice for the risk-free rate is the <u>expected</u> return for long-term Treasury securities. Thus, when determining an

estimate of the risk-free rate, it is appropriate to adopt a return that is no less than the expected return on the long-term Treasury bond rate. Both of my CAPM estimates are based on expected interest rates using a current spot estimate (July 22, 2011) and projected estimates of the long-term treasury rates for 2012 and 2013 (from *Blue Chip Financial Forecasts* and *Value Line Selection and Opinion*). The 2012 to 2013 timeframe is the period when new rates will be in effect for the Company.

E. Explanation of the Build-Up Method and Its Inputs

Q. PLEASE EXPLAIN THE BUILD-UP RISK PREMIUM METHODOLOGY FOR ESTIMATING THE COST OF EQUITY.

A. As I already indicated, like the CAPM, the Build-up method is a type of risk premium methodology. This is a common and effective method used by appraisers and valuation experts.[9] The Build-up Method is an additive model in which the return on a security is the sum of a risk-free rate and one or more risk premia. Each premium represents the reward an investor receives for taking on a specific risk. The elegance of the Build-up Method is that it does not require an estimate of market beta, which is problematic for non-publicly, traded companies such as Pima. The Build-up Method can be stated as follows:

[1] $k = R_f + RP_m + RP_s +/- RP_u$

where k = the expected return

R_f = risk-free rate

RP_m = equity risk premium for the market

RPs = equity risk premium for size

RP_u = risk premium attributed to the specific company or to the industry (often call the company specific risk premium)

[9] Morningstar *Ibbotson SBBI 2011 Valuation Yearbook*. Chapter 3.

Or alternatively as:

[2] $k = R_f + RP_{ms} +/- RP_u$

where k = the expected return

R_f = risk-free rate

RP_{m+s} = equity risk premium for the market and size

RP_u = risk premium attributed to the specific company or to the industry (often call the company specific risk premium)

The data for the equity risk premium for the market (RP_m), the equity risk premium for size (RP_s), and the company specific or industry risk premium (RP_u) can be readily obtained from *Morningstar* and/or other size premium studies such as the *Duff & Phelps* study.[10] *Morningstar* quantifies the size premium separate from the market risk premium by market capitalization as a measure of size whereas *Duff & Phelps* study quantifies the risk premium (RP_{m+s}) (market premium (RP_m) plus the size premium (RP_s)) by book value of common equity, 5 year average net income, market value of invested capital, total assets (as reported on balance sheet), 5-year average of earnings before interest, income taxes, depreciation and amortization (EBITDA), sales, and number of employees in addition to market capitalization – all of which have been shown to be highly correlated with market returns. I should note that the authors of the *Duff & Phelps* study conclude that, by whatever measures of size are used, the results are clear that there is an inverse relationship between size and historical equity returns – small companies have higher returns than larger companies.[11]

[10] Duff & Phelps LLC, *Risk Premium Report 2011.*

[11] *Id.* at 6.

Q. ARE THERE ADVANTAGES TO THE USE OF THE BUILD-UP RISK PREMIUM METHODOLOGY OVER THE CAPM FOR ESTIMATING THE COST OF EQUITY?

A. Yes. First, as I mentioned earlier, the Build-up Method does not require a market beta estimate that is not available for non-public firms. As I already discussed, I am using the average beta of the large publicly traded water utilities as a proxy for the beta of Pima. However, as I also discussed, there are computation problems surrounding beta and empirical financial data show that beta does not account for all of the risks associated with smaller firms. Second, each of the risk premia used in the Build-up Method can be quantified using data from the equity markets. Third, the various measures of size including fundamental accounting measures have a practical benefit of eliminating the need to make a "guesstimate" of size for comparative purposes where market data for determining market value measures of size is not available, particularly for non-public firms.

F. Financial Risk Adjustment

Q. PLEASE EXPLAIN YOUR FINANCIAL RISK ADJUSTMENT TO REFLECT THE COMPANY'S LOWER LEVEL OF DEBT IN ITS CAPITAL STRUCTURE AS COMPARED TO THE SAMPLE WATER UTILITIES.

A. My financial risk estimation is based upon the methodology developed by Professor Hamada of the University of Chicago, which incorporates the beta of a levered firm to that of its unlevered counterpart. The equation is

$$\beta_L = \beta_U[1 + (1 - T)\varphi]$$

where β_L and β_U are the levered and unlevered betas, respectively, T is the tax rate, and φ the leverage, defined as the ratio of debt and equity of the firm. In simple terms, I unlever the average beta of the six publicly-traded water utilities in my

sample using a ratio of the market value of debt and the market value of equity. While I can compute the market value of equity of the sample water utilities based on the current number of shares outstanding and the current stock price, estimating the market value of debt is much more difficult. For purposes of my analysis, I assume the market value of debt is the book value. This is a customary and realistic assumption.[12] Once the unlevered beta is determined, I relever the beta using the capital structure of Pima. For the market value of equity, I multiplied Pima's book value of equity times the average market-to-book ratio of the sample water utilities. For Pima's debt, I assume the market value of debt is equal to the book value.

The re-levered beta is then used in my CAPM models, and the new CAPM results are compared to my original CAPM results. The computed difference is the basis of my financial risk adjustment. My computation of the financial risk adjustment can be found in tables D-4.17, D-4.18, and D-4.19.

Q. WHAT IS THE COMPUTED FINANCIAL RISK ADJUSTMENT?

A. A downward adjustment of no more than 40 basis points. Again, however, in my opinion, the beta for Pima would be higher than that of the sample water utilities that would have resulted in a lower downward financial risk adjustment. But I have to make some assumptions to work with, an approach used by Staff and the Commission in past cases.

G. <u>Company Specific Risk Premium</u>

Q. PLEASE DISCUSS YOUR COMPANY-SPECIFIC RISK PREMIUM.

A. As I testified earlier, Pima is not directly comparable to the sample water utilities because of its small size and the regulatory environment in Arizona. The characteristics associated with small size such as the lack of diversification, limited

[12] *Morin* at 224.

revenue and cash flow, small customer base, lack of liquidity, as well as the magnitudes of regulatory and construction risk which are common to smaller water and wastewater utilities regardless of the regulatory jurisdiction. These characteristics and magnitudes of risk are unique only in the sense that the large publicly-traded water utilities (including the companies in the proxy group) do not possess these same characteristics and magnitudes of risk. With respect to Arizona regulation, the use of an historical test year, with limited out-of-period adjustments, and the lack of automatic adjuster mechanism(s) increases the risk of Pima as an investment.

Q. PLEASE DISCUSS SIZE RISK FOR SMALL UTILITY COMPANIES.

A. Investment risk increases as the firm size decreases, all else remaining constant. There is a great deal of empirical evidence that the firm size phenomenon exists. Morningstar's *Ibbotson SBBI 2011 Valuation Yearbook* (Chapter 7) reports that smaller companies have experienced higher returns that are not fully explainable by their higher betas and that beta is inversely related to company size. In other words, smaller companies not only have higher betas but higher returns than larger ones. Even after accounting for differences in beta risk, small companies require an additional risk premium over and above the added risk premium indicated by differences in beta risk. Dr. Zepp also reported evidence that the stocks of small water or wastewater utilities, like Pima, are more risky than the stocks of larger water utilities, such as those in the water utilities sample.[13] Even the California PUC conducted a study that showed smaller water utilities are more risky than

[13] Thomas M. Zepp, "Utility Stocks and the Size Effect – Revisited," The Quarterly Review Economics and Finance, Vol. 43, Issue 3, Autumn 2003, 578 – 582.

larger ones.[14] Based on the evidence, it is clear that investors require higher returns on small company stocks than on large company stocks.

I have included in Schedule D-4.16 the results of an *Ibbotson* study using annual data reporting the size premium based upon firm size and return data (i) provided in Morningstar's *Ibbotson SBBI 2010 Valuation Yearbook* and information, and (ii) contained in Dr. Zepp's 2003 article in The Quarterly Review Economic and Finance. I have estimated that a small company risk premium in the range of 99 to 237 basis points is appropriate.

Q. WHAT COMPANY SPECIFIC-RISK PREMIUM DO YOU RECOMMEND FOR PIMA?

A. To be conservative, and with Pima's desire to mitigate the impact of the required rate increase in mind, I concluded that a company specific risk premium of no less than 100 basis points is warranted for Pima to account for its smaller size and regulatory risk.

H. <u>Summary and Conclusions</u>

Q. HAVE YOU PREPARED A SCHEDULE THAT SUMMARIZES YOUR EQUITY COST ESTIMATES AND PRESENTS YOUR RECOMMENDATIONS?

A. Yes. The equity cost estimates and my recommendations are summarized in Schedule D-4.1.

In the first part of my analysis, I applied two versions of the constant growth DCF model. One uses analyst estimates of growth and the other uses historical growth and analyst expectations.[15] The DCF models produce an indicated equity cost in the range of 9.2 percent to 9.8 percent, with a midpoint of 9.5 percent.

---

[14] Staff Report on Issues Related to Small Water Utilities, June 10, 1991 and Pima Decision 92-03-093.

[15] *See* Schedule D-4.8.

In the second part of my analysis, I applied two versions of the CAPM – a historical risk premium CAPM and a current market risk premium CAPM. The CAPM analyses appear in Schedule D-4.12 and produce an indicated cost of equity in the range of 10.0 percent to 12.4 percent, with a midpoint of 11.2 percent.

In the third part of my analysis, I compute a financial risk adjustment to account for the lower level of debt in Pima's capital structure compared to the sample water utilities. My recommendation is that a downward financial risk adjustment of no more than 40 basis points be applied to Pima's cost of equity. My financial risk adjustment analysis is shown in schedules D-4.13, D-4.14, and D-4.15.

In the fourth part of my analysis, I reviewed the financial literature on the small firm size effect and determined that an appropriate small company size premium for small utilities like Pima is the range of 99 to 246 basis points.[16] I also considered the risks for Pima from Arizona regulation. My recommendation is that an upward adjustment for company-specific risk of no 50 to 100 basis points be applied to Pima's cost of equity.

The range of results of both my DCF and CAPM analyses and other risk adjustments is 9.7 percent to 11.7 percent, with a mid-point of 10.7 percent.[17]

Q. WHAT EQUITY RETURN DO YOU RECOMMEND?

A. My recommended return on equity based on Pima's capital structure is 10.7 percent. It is lower than the mid-point of the range of my over-all results and reflects the desire by the Company to help mitigate the impact on ratepayers.

---

[16] *See* Schedule D-4.16.

[17] *See* Schedule D-4.1.

Q. HAVE YOU PREPARED AN ESTIMATE OF THE COST OF EQUITY USING THE BUILD-UP METHOD FOR PIMA USING DATA FROM MORNINGSTAR?

A. Yes. Using the Build-up Method, I estimate the cost of equity for Pima to be 13.18 percent. This is based upon the data from *Morningstar* as contained Table C-1 (the risk-rate would be 4.6 percent,[18] the equity risk premium would be 6.7 percent,[19] the small company risk premium of 6.28 percent,[20]) and data contained in Table 3-5 – Industry Premia Estimates (negative 4.59 for the water supply industry SIC code 494). The calculation is shown as follows:

[1] $k = R_f + RP_m + RP_s +/- RP_u$

[2] $k = 4.6\% + 6.7\% + 6.36\% - 4.59\%$

[3] $k = 13.07\%$

Q. HAVE YOU PREPARED A COST OF EQUITY ESTIMATE FOR PIMA USING THE DUFF & PHELPS STUDY DATA?

A. Yes. Please see **Exhibit TJB-COC-DT1**. I have included cost of equity estimates for the water sample companies. These estimates have been adjusted for leverage (financial risk) differences between the companies in the size portfolios contained in the study and the water sample companies and Pima. Further, like the Build-up Method cost of equity estimate using the *Morningstar* data, the cost of equity estimates includes a water industry risk premium adjustment.[21] Based on various measures of size the results are as follows:[22]

---

[18] Long-term (20 year) U.S. Treasury Bond Yield

[19] Long-horizon historical equity risk premium.

[20] Decile 10 – smallest, market capitalization of 1.222 million to 235.647 million.

[21] Note that the risk premium for the water utility industry is negative indicating that water utilities are less risky than the market as a whole.

[22] *See* **Exhibit TJB-COC-DT1**, Table 7.

Stock Symbol	Company	Cost of Equity
AWR	American States Water Co.	11.72%
WTR	Aqua America	9.86%
CWT	California Water Services Group	11.92%
CTWS	Connecticut Water Services	13.38%
MSEX	Middlesex Water Company	12.86%
SJW	SJW Corp.	12.82%
	Average	12.09%
	Pima Utility Company	15.37%

Q. WHAT CONCLUSIONS CAN BE MADE FROM A COMPARISON OF THE BUILD-UP METHOD RESULTS TO YOUR RECOMMENDATIONS FOR THE COST OF EQUITY FOR PIMA?

A. I conclude my cost of equity estimates based on the DCF and CAPM of 10.7 percent and my recommendation of 10.5 percent for Pima are very conservative given its size. It also shows that my size premium used in my cost of capital analysis of 50 to 100 basis points is likely far too low and should be much higher. Even accounting for financial risk differences, the indicated cost of equity for Pima based on the *Duff & Phelps* study is over 328 basis points higher than the sample water companies.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY ON COST OF CAPITAL?

A. Yes.

Pima Utility Company

Thomas Bourassa Direct Testimony
(Cost of Capital)

Exhibit TJB-COC-DT1

Pima Utility Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOd
BASED UPON DUFF AND PHELPS RISK PREMIUM STUDY

TABLE 1

			Measures of size (Millions)					
	Company	Symbol	MV Equity[1]	Book Equity[1]	MVIC[1]	5 Yr Avg. Net Income	Total Assets[2]	5 Yr Avg. EBITDA[3]
1.	American States	AWR	$ 646	$ 377	$ 946	$ 27	$ 1,192	$ 115
2.	Aqua America	WTR	$ 3,069	$ 1,174	$ 4,601	$ 103	$ 4,072	$ 396
3.	California Water	CWT	$ 798	$ 436	$ 1,277	$ 35	$ 1,692	$ 117
4.	Connecticut Water	CTWS	$ 229	$ 114	$ 341	$ 9	$ 425	$ 22
5.	Middlesex	MSEX	$ 294	$ 174	$ 427	$ 12	$ 489	$ 37
6.	SJW Corp.	SJW	$ 452	$ 256	$ 747	$ 24	$ 935	$ 84
	Pima Utility Company		NA	$ 18.2	NA	$ 1.0	$ 13.0	$ 3.0

[1] From Value Line data (12/31/2010)
[2] From Zacks Investment Research. From E-1 for subject utility.
[3] Net Income. From Zacks Investment Research and Company ACC reports

Net Income Data

Company	Symbol	2010	2009	2008	2007	2006	Average
American States	AWR	$ 33.2	$ 29.5	$ 22.0	$ 28.0	$ 23.1	$ 27.2
Aqua America	WTR	$ 124.0	$ 104.4	$ 97.9	$ 95.0	$ 92.0	$ 102.6
California Water	CWT	$ 37.7	$ 40.6	$ 39.8	$ 31.2	$ 25.6	$ 34.9
Connecticut Water	CTWS	$ 9.8	$ 10.2	$ 9.4	$ 8.8	$ 7.0	$ 9.0
Middlesex	MSEX	$ 14.3	$ 10.0	$ 12.2	$ 11.8	$ 10.0	$ 11.7
SJW Corp.	SJW	$ 24.4	$ 15.2	$ 21.5	$ 19.3	$ 38.6	$ 23.8
Pima Utility Company		$ 0.9	$ 1.2	$ 1.2	$ 1.1	$ 1.2	$ 1.1

Net Income data for publicly traded water utilities from Zacks Investment Research and/or Yahoo Finance

[4] Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA). From Zacks Investment Research and Company ACC reports.

EBITDA Data

Company	Symbol	2010	2009	2008	2007	2006	Average
American States	AWR	$ 134.4	$ 122.6	$ 105.9	$ 102.8	$ 111.6	$ 115.5
Aqua America	WTR	$ 473.2	$ 415.2	$ 384.7	$ 364.5	$ 340.8	$ 395.7
California Water	CWT	$ 155.7	$ 125.5	$ 122.1	$ 95.6	$ 86.9	$ 117.2
Connecticut Water	CTWS	$ 22.5	$ 20.3	$ 21.1	$ 27.9	$ 17.4	$ 21.8
Middlesex	MSEX	$ 43.3	$ 34.6	$ 38.6	$ 36.6	$ 34.1	$ 37.4
SJW Corp.	SJW	$ 75.4	$ 93.5	$ 99.7	$ 77.7	$ 73.5	$ 84.0
Pima Utility Company		$ 2.5	$ 2.7	$ 2.7	$ 2.7	$ 2.8	$ 2.7

EBITDA data for publicly traded water utilities from Zacks Investment Research and/or Yahoo Finance
EBITDA data for subject utility from E-1 and/or ACC reports

Pima Utility Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOd
BASED UPON DUFF AND PHELPS RISK PREMIUM STUDY

MRP_{m+s} Estimates Using Duff & Phelps Study (Unlevered) **TABLE 2**
Assumes 100% Equity and 0% debt
Data Smoothing with Regression Analysis
Smoothed Premium (RP_{m+s}) = Constant + X Coefficients * Log(Relevent Metric)

$RPun_{relevered} = RP_{levered} - W_d/W_e*(\beta_u-\beta_d)*RP_{market}$
Where β_u = unlevered portfolio beta
β_d = debt beta, assumed to be 0.1
W_d = percentage of debt in capital structure
W_e = percentage of equity in capital structure
$RP_{levered}$ = levered realized risk premium

	MV Equity (Table C-1)	Book Equity (Table C-2)	MVIC (Table C-4)	5 Yr Avg. Net Income (Table C-3)	Total Assets (Table C-5)	5 Yr Avg. EBITDA (Table C-6)
Constant	18.617%	15.902%	18.978%	13.719%	17.948%	15.173%
X Coefficient(s)	-3.314%	-2.693%	-3.298%	-2.751%	-2.953%	-2.829%

MRP_{m+s} (unlevered)

	Company	Symbol	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	9.30%	8.96%	9.16%	9.77%	8.86%	9.34%	9.23%
2.	Aqua America	WTR	7.06%	7.64%	6.90%	8.19%	7.29%	7.83%	7.48%
3.	California Water	CWT	9.00%	8.79%	8.73%	9.47%	8.41%	9.32%	8.96%
4.	Connecticut Water	CTWS	10.80%	10.37%	10.63%	11.09%	10.19%	11.39%	10.74%
5.	Middlesex	MSEX	10.44%	9.87%	10.30%	10.78%	10.01%	10.72%	10.35%
6.	SJW Corp.	SJW	9.82%	9.42%	9.50%	9.93%	9.17%	9.73%	9.60%
	Average (unlevered)		9.40%	9.17%	9.20%	9.87%	8.99%	9.72%	9.39%
	Pima Utility Company		NA	12.51%	NA	13.72%	14.66%	13.82%	13.68%
	Implied Size Premium for Company over publicly traded water utilities								4.28%

Pima Utility Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOd
BASED UPON DUFF AND PHELPS RISK PREMIUM STUDY

Unlevered Portfilio Beta
(from Duff & Phelps RP Study - Table C)

TABLE 3

	Company	Symbol	Unlevered Portfolio Beta (β_u)						
			(Table C-1)	(Table C-2)	(Table C-4)	(Table C-3)	(Table C-5)	(Table C-6)	Average
1.	American States	AWR	0.97	0.96	0.95	0.96	0.94	0.97	0.96
2.	Aqua America	WTR	0.87	0.85	0.85	0.87	0.83	0.81	0.85
3.	California Water	CWT	0.94	0.95	0.95	0.94	0.92	0.95	0.94
4.	Connecticut Water	CTWS	0.96	1.00	0.97	0.97	0.99	1.03	0.99
5.	Middlesex	MSEX	0.98	1.00	0.98	0.97	0.99	0.99	0.99
6.	SJW Corp.	SJW	0.95	0.98	0.98	0.96	0.96	0.95	0.96
	Average		0.95	0.96	0.95	0.95	0.94	0.95	0.95
	Pima Utility Company		0.95	0.99	1.00	1.01	1.05	1.03	1.01

Pima Utility Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOd
BASED UPON DUFF AND PHELPS RISK PREMIUM STUDY

TABLE 4

MRP Estimates Using Duff & Phelps Study (Relevered)
Relevered Realized Risk Premium
$RP_{relevered} = RP_{unlevered} + W_d/W_e*(\beta_u-\beta_d)*RP_{market}$
Where β_u = unlevered portfolio beta
β_d = debt beta, assumed to be 0.1
W_d = percentage of debt in capital structure
W_e = percentage of equity in capital structure
$RP_{unlevered}$ = unlevered realized risk premium from Table 2
RP_{market} = general equity risk premium for the market since 1963 (4.4%)

			MRP_{m+s} (Relevered)							
	Company	Symbol	W_d/W_e	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	46.4%	11.08%	10.72%	10.90%	11.53%	10.58%	11.11%	10.99%
2.	Aqua America	WTR	49.9%	8.75%	9.28%	8.55%	9.88%	8.89%	9.38%	9.12%
3.	California Water	CWT	60.1%	11.22%	11.04%	10.98%	11.69%	10.58%	11.57%	11.18%
4.	Connecticut Water	CTWS	48.7%	12.64%	12.30%	12.49%	12.96%	12.09%	13.38%	12.64%
5.	Middlesex	MSEX	45.6%	12.20%	11.68%	12.07%	12.53%	11.79%	12.51%	12.13%
6.	SJW Corp.	SJW	65.5%	12.27%	11.95%	12.04%	12.41%	11.65%	12.18%	12.08%
	Average MRP (Relevered)		52.69%	11.36%	11.16%	11.17%	11.83%	10.93%	11.69%	11.36%
	Pima Utility Company		23.67%	NA	13.43%	NA	14.67%	15.65%	14.79%	14.63%

Pima Utility Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOd
BASED UPON DUFF AND PHELPS RISK PREMIUM STUDY

Equity Risk Premium Adjustment and Other meterics used in Build-up Method **TABLE 5**

[1] Estimate of Current Market Risk Premium (RP_{market})	4.40%
[2] Risk Premium Assumed in Duff & Phelps Study (1963-2010)	4.40%
[3] Equity Risk Premium Adjustment ([1] - [2])	0.00%
[4] Average MRP (relevered) for publicly traded water companies (from Table 4)	11.36%
[5] MRP (relevered) for publicly traded water companies (RP_{m+s}) ([3] + [4])	11.36%
[6] Equity Risk Premium Adjustment ([3])	0.00%
[7] Average MRP (relevered) for subject utility company (from Table 4)	14.63%
[8] MRP (relevered) for subject utility company (RP_{m+s}) ([6] + [7])	14.63%
[9] Industry Risk Premium (From *Ibbotson* for SIC 494 Water Supply Industry Table 3-5)	-4.59%
[10] Adjustment Factor to Industry Risk Premium ([2] / 6.7% [1])	0.6567
[11] Adjusted Industry Risk Premium (R_i) ([9] x [10])	-3.01%
[12] Risk Free Rate (Ibbotson LT U.S. Treasury Yield) (R_f)[2]	3.75%

[1] From *Ibbotson SBBI 2011 Valuation Edition Yearbook*. Long-Horison Equity Risk Premium (1926-2010)
[2] 20 year U.S. Treasury Bond Yield at July 22, 2011. Federal Reserve.

Pima Utility Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOd
BASED UPON DUFF AND PHELPS RISK PREMIUM STUDY

Cost of Equity (COE) Estimate using Build-up Method **TABLE 6**

$E(R_i) = R_f + RP_{m+s} + RP_i + RP_u$

Where:

$E(R_i)$ = Expected (indicated) rate of return
R_f = Risk-free rate of return. See Table 5.
RP_{m+s} = Market risk premium including size premium. See Table 4.
RP_i = Industry risk premium (adjusted) See Table 5.
RP_u = Company-specific risk premium

	Sample Publicly Traded Water Utilities	Goodman Water
R_f =	3.75%	3.75%
RP_{m+s} =	See Table 4	See Table 4
RP_i =	-3.01%	-3.01%
RP_u =	0.00%	0.00%

			Indicated COE $E(R_i)$						
	Company	Symbol	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	American States	AWR	11.81%	11.46%	11.63%	12.26%	11.31%	11.85%	11.72%
2.	Aqua America	WTR	9.49%	10.02%	9.28%	10.61%	9.63%	10.12%	9.86%
3.	California Water	CWT	11.96%	11.78%	11.72%	12.43%	11.32%	12.30%	11.92%
4.	Connecticut Water	CTWS	13.38%	13.03%	13.23%	13.69%	12.83%	14.12%	13.38%
5.	Middlesex	MSEX	12.94%	12.41%	12.80%	13.26%	12.53%	13.24%	12.86%
6.	SJW Corp.	SJW	13.00%	12.69%	12.77%	13.15%	12.39%	12.91%	12.82%
	Average COE estimate		12.10%	11.90%	11.91%	12.57%	11.67%	12.42%	12.09%
	Pima Utility Company		NA	14.17%	NA	15.40%	16.38%	15.53%	15.37%

Pima Utility Company

Schedules D

Pima Utility Company
Test Year Ended December 31, 2010
Summary of Cost of Capital

Exhibit
Schedule D-1
Page 1
Witness: Bourassa

Consildated Capital Structure of Water and Sewer Division

Line No.	Item of Capital	Adjusted End of Test Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	Proforma End of Test Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	End of Projected Year Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	6,125,000	22.53%	7.696%	1.73%	8,370,000	31.08%	7.182%	2.23%	8,370,000	31.10%	7.182%	2.23%
2													
3	Stockholder's Equity	21,063,072 [1,2]	77.47%	10.50%	8.13%	18,563,072 [3]	68.92%	10.50%	7.24%	18,539,615	68.90%	10.50%	7.23%
4													
5	Totals	27,188,072	100.00%		9.87%	26,933,072	100.00%		9.47%	26,909,615	100.00%		9.47%
6													
7													
8	[1] Adjustment for Equity for A/D Adj. Water Division, B-2, p. 4, Adj. 2-B		$ (588,942)										
9	[2] Adjustment for Equity for A/D Adj. Sewer Division, B-2, p. 4, Adj. 2-B		$ 2,219,610										
10	[3] Buy back equity using proceeds from proposed new long-term debt		$ (2,500,000)										
11													
12													
13													
14													
15													
16													
17													
18													
19													
20													
21													
22	SUPPORTING SCHEDULES:									RECAP SCHEDULES:			
23	D-1									A-3			
24	D-3												
25	D-4												
26	E-1												
27	E-1 Sewer Division												
28													
29													
30													

Pima Utility Company
Test Year Ended December 31, 2010
Cost of Long Term Debt

Exhibit
Schedule D-2
Page 1
Witness: Bourassa

Line No.	Description of Debt	End of Test Year Amount Outstanding	End of Test Year Annual Interest	End of Test Year Interest Rate	End of Test Year Weighted Cost	Proforma End of Test Year Amount Outstanding	Proforma End of Test Year Annual Interest	Proforma End of Test Year Interest Rate	Proforma End of Test Year Weighted Cost	End of Projected Year Amount Outstanding	End of Projected Year Annual Interest	End of Projected Year Interest Rate	End of Projected Year Weighted Cost
1													
2	IDA Bonds - Maricopa Cnty	6,125,000	471,380	7.696% [1]	7.696%	4,370,000	336,315	7.696%	4.018%	4,370,000	336,315	7.696%	4.018%
3	Proposed Long-term Debt				0.000%	4,000,000	264,785	6.620% [2]	3.163%	4,000,000	264,785	6.620%	3.163%
4													
5													
6													
7													
8													
9													
10													
11													
12													
13	Totals	$ 6,125,000	471,380		7.696%	$ 8,370,000	601,100		7.182%	$ 8,370,000	601,100		7.182%
14													
15													
16	Supporting Schdules:												
17	E-1												
18	E-2												
19	Workpapers												
20													
21													
22													
23	[1] Effective interest rate using Effective Interest Method for amortizating bond issuance costs. See work papers.												
24	[2] Effective interest rate using Effective Interest Method for amortizating bond issuance costs. See work papers.												
25													
26													
27													
28													
29													
30													

Pima Utility Company
Test Year Ended December 31, 2010
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Bourassa

Line No.		End of Test Year			End of Projected Year		
1							
2							
3	Description	Shares		Dividend	Shares		Dividend
4	of Issue	Outstanding	Amount	Requirement	Outstanding	Amount	Requirement
5							
6							
7	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21	SUPPORTING SCHEDULES:			RECAP SCHEDULES:			
22	E-1			D-1			
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							

Pima Utility Company
Test Year Ended December 31, 2010
Cost of Common Equity

Exhibit
Schedule D-4
Page 1
Witness: Bourassa

Line No.		
1		
2	The Company is proposing a cost of common equity of	10.50% ..
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
18	E-1	D-1
19	D-4.1 to D-4.16	
20		

Pima Utility Company
Summary of Results

Exhibit
Schedule D-4.1

Line No.	Method	Low	High	Midpoint
1				
2				
3				
4	Method	Low	High	Midpoint
5				
6	Range DCF Constant Growth Estimates[1]	9.2%	9.8%	9.5%
7				
8	Range of CAPM Estimates[2]	10.0%	12.4%	11.2%
9				
10				
11	Average of DCF and CAPM midpoint estimates	9.6%	11.1%	10.3%
12				
13				
14	Financial Risk Adjustment[3]	-0.4%	-0.4%	-0.4%
15				
16	Small Company Risk Premium[4]	0.5%	1.0%	0.8%
17				
18	Indicated Cost of Equity	9.7%	11.7%	10.7%
19				
20				
21				
22	Recommended Cost of Equity			10.5%
23				
24				
25				
26	[1] See Schedule D-4-8			
27	[2] See Schedule D-4.12			
28	[3] See Schedule D-4.16			
29	[4] See testimony.			

Pima Utility Company
Selected Characteristics of Sample Group of Water Utilities

Exhibit
Schedule D-4.2

Line No.	Company[1]	% Water Revenues	Operating Revenues (millions)	Net Plant (millions)	S&P Bond Rating	Moody's Bond Rating	Allowed ROE
4	1. American States	73%	$ 404.8	$ 868.0	A+	A2	10.20
5	2. Aqua America	98%	$ 736.9	$ 3,496.8	AA-	NR	10.33
6	3. California Water	95%	$ 468.3	$ 1,308.4	AA-	NR	10.20
7	4. Connecticut Water	99%	$ 70.3	$ 344.5	A	NR	9.75
8	5. Middlesex	90%	$ 104.5	$ 402.4	A	NR	10.15
9	6. SJW Corp.	96%	$ 218.9	$ 711.8	A	NR	10.20
11	Average	92%	$ 334.0	$ 1,188.7			10.14
13	Pima Utility Company	100% Water/Sewer	$ 2.0	$ 21.9	NR	NR	
14	(as of December 31, 2010)						

[1]AUS Utility Reports (July 2011).

Pima Utility Company
Capital Structures

Exhibit
Schedule D-4.3

No.		Book Value[1]		Market Value[1]	
1		Long-Term	Common	Long-Term	Common
2		Debt	Equity	Debt	Equity
3	Company				
4	1. American States	44.3%	55.7%	31.7%	68.3%
5	2. Aqua America	56.6%	43.4%	33.3%	66.7%
6	3. California Water	52.4%	47.6%	37.5%	62.5%
7	4. Connecticut Water	49.6%	50.4%	32.8%	67.2%
8	5. Middlesex	43.5%	56.5%	31.3%	68.7%
9	6. SJW Corp.	53.6%	46.4%	39.6%	60.4%
10					
11	Average	50.0%	50.0%	34.4%	65.6%
12					
13	Pima Utility Company [2]	31.1%	68.9%	N/A	N/A
14	(Proforma)				
15					
16					
17	[1] Value Line Analyzer Data (Jul 22, 2011)				
18	[2] Adjusted Per Schedule D-1				
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					

Pima Utility Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Schedule D-4.4

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Five-year historical average annual changes						
8	1. American States	4.19%	5.00%	11.50%	2.50%	6.90%	4.67%	5.78%
9	2. Aqua America	NMF	7.00%	4.50%	8.00%	6.50%	7.13%	6.81%
10	3. California Water	1.41%	5.50%	6.50%	1.00%	3.60%	6.67%	5.13%
11	4. Connecticut Water	5.97%	3.00%	1.50%	1.50%	2.99%	3.50%	3.25%
12	5. Middlesex	4.69%	5.50%	4.50%	1.50%	4.05%	3.00%	3.52%
13	6. SJW Corp.	1.57%	6.50%	NM	5.50%	4.52%	9.75%	7.14%
16	GROUP AVERAGE	3.56%	5.42%	5.70%	3.33%	4.76%	5.78%	5.27%
17	GROUP MEDIAN	4.19%	5.50%	4.50%	2.00%	4.28%	5.67%	5.46%

[1] Average of changes in annual stock prices ending on December 31 through 2010. Data from Yahoo Finance website.
[2] Value Line Analyzer Data, July 22, 2011
[3] See Schedule D-4.6.

Pima Utility Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Schedule D-4.5

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
1								
2								
3								
4		Ten-year historical average annual changes						
5								
6								
7	1. American States	5.75%	5.00%	4.50%	2.00%	4.31%	4.67%	4.49%
8	2. Aqua America	6.93%	9.00%	6.50%	7.50%	7.48%	7.13%	7.30%
9	3. California Water	5.91%	4.50%	3.00%	1.00%	3.60%	6.67%	5.13%
10	4. Connecticut Water	5.69%	4.00%	1.00%	1.50%	3.05%	3.50%	3.27%
11	5. Middlesex	4.50%	4.50%	2.50%	2.00%	3.37%	3.00%	3.19%
12	6. SJW Corp.	4.37%	6.00%	2.00%	5.00%	4.34%	9.75%	7.05%
13								
14								
15	GROUP AVERAGE	5.52%	5.50%	3.25%	3.17%	4.36%	5.78%	5.07%
16	GROUP MEDIAN	5.72%	4.75%	2.75%	2.00%	3.96%	5.67%	4.81%
17								
18								
19								
20	[1] Average of changes in annual stock prices ending December 31, 2010. Data from Yahoo Finance website.							
21	[2] Value Line Analyzer Data,July 22, 2011							
22	[3] See Rejoinder Schedule D-4.6.							
23								
24								
25								
26								
27								
28								

Pima Utility Company
Analysts Forecasts of Earnings Per Share Growth

Exhibit
Schedule D-4.6

Line No.		[1]	[2]	[3]	[4]	[5]
		ESTIMATES OF EARNINGS GROWTH				Average Growth (G)
	Company	Zacks[1]	Morningstar[1]	Yahoo[1]	Value Line[1]	(Cols 1-4)[2]
1	1. American States		3.00%	5.50%	5.50%	4.67%
2	2. Aqua America	6.50%	6.00%	6.00%	10.00%	7.13%
3	3. California Water		5.00%	9.00%	6.00%	6.67%
4	4. Connecticut Water	4.00%	3.00%	3.00%	4.00%	3.50%
5	5. Middlesex	3.00%	3.00%	3.00%	3.00%	3.00%
6	6. SJW Corp.			14.00%	5.50%	9.75%
7	GROUP AVERAGE	4.50%	4.00%	6.75%	5.67%	5.78%
8	GROUP MEDIAN					5.67%

[1] Data as of Jul 22, 2011

[2] Where no data available or single estimate, average of other utilities assumed to estimate for utility.

Pima Utility Company
Current Dividend Yields for Water Utility Sample Group

Exhibit
Schedule D-4.7

Line No.	Company	Curent Stock Price (P_0)[1]	Current Dividend (D_0)[1]	Current Dividend Yield (D_0/P_0)[1]	Average Annual Dividend Yield (D_0/P_0)[1,2]
6	1. American States	$ 34.75	$ 1.08	3.11%	2.94%
7	2. Aqua America	$ 22.24	$ 0.63	2.83%	3.09%
8	3. California Water	$ 19.13	$ 1.23	6.43%	3.07%
9	4. Connecticut Water	$ 26.34	$ 0.94	3.55%	4.11%
10	5. Middlesex	$ 18.82	$ 0.73	3.88%	4.71%
11	6. SJW Corp.	$ 24.29	$ 0.69	2.84%	2.84%
13	Average			3.77%	3.46%
14	Median			3.33%	3.08%

[1] Value Line Analyzer Data. Stock prices as of July 22, 2011.

[2] Average Annual Dividend is dividends declared per share for a year divided by the average annual price of the stock in the same year, expressed as a percentage. For comparison purposes only.

Pima Utility Company
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
Schedule D-4.8

Line No.		[1] Average Spot Dividend Yield (D_0/P_0)[1]	[2] Expected Dividend Yield (D_1/P_0)[2]	[3] Growth (g)	[4] Indicated Cost of Equity k=Div Yld + g (Cols 2+3)
8	DCF - Past and Future Growth	3.77%	3.97%	5.27% [3]	9.2%
10	DCF - Future Growth	3.77%	3.99%	5.78% [4]	9.8%
13	Average	3.77%	3.98%	5.53%	9.5%

[1] Spot Dividend Yield = D_0/P_0. See Schedule D-4.7.
[2] Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.
[3] Growth rate (g). Average of Past and Future Growth. See Schedule D-4.4, column 7
[4] Growth rate (g). Average of Analyst Estimates Future Growth. See Schedule D-4.6.

Pima Utility Company
Market Betas

Exhibit
Schedule D-4.9

Line No.		Company	Beta (β)[1]
1		Company	Beta (β)[1]
2	1.	American States	0.75
3	2.	Aqua America	0.65
4	3.	California Water	0.70
5	4.	Connecticut Water	0.80
6	5.	Middlesex	0.75
7	6.	SJW Corp.	0.90
8			
9		Average	**0.76**
10			
11			
12			
13		[1] Value Line Investment Analyzer data (July 22, 2011)	
14		Note: Beta is a relative measure of the historical sensitivity of a stock's price to overall fluctuations	
15		in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise	
16		(or fall) 50% more than the New York Stock Exchange Composite Index. The "Beta coefficient" is	
17		derived from a regression analysis of the relationship between weekly percent-age changes in the	
18		price of a stock and weekly percentage changes in the NYSE Index over a period of five years. In	
19		the case of shorter price histories, a smaller time period is used, but two years is the minimum.	
20		The Betas are adjusted for their long-term tendency to converge toward 1.00.	

Pima Utility Company
Forecasts of Long-Term Interest Rates
2011-2012

Exhibit
Schedule D-4.10

Line No.	Description	Current (Avg. May, June, July 2011)	2012	2013	Average
6	Blue Chip Consensus Forecasts	4.26%	5.20% [1]	5.2% [1]	4.9%
8	Value Line	4.26%	5.10% [2]	5.5% [2]	5.0%
10	Average				5.0%

[1] June 2011 Blue Chip Financial Forecasts consensus forecast of 30 Year U.S.Treasury
[2] *Value Line Quarterly forecast*, dated May 27, 2011, Long-term Treasury

Pima Utility Company
Computation of Current Market Risk Premium

Exhibit
Schedule D-4.11

Line No.	Month	Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]	+	Growth (g)[3]	=	Expected Market Return (k)	-	Monthly Average 30 Year Treasury Rate[4]	=	Market Risk Premium (MRP)
4	Dec 2009	2.04%	2.26%	+	10.67%	=	12.93%	-	4.35%	=	8.58%
5	Jan 2010	2.12%	2.37%	+	11.94%	=	14.31%	-	4.48%	=	9.83%
6	Feb	2.09%	2.35%	+	12.64%	=	14.99%	-	4.48%	=	10.51%
7	Mar	1.92%	2.13%	+	10.85%	=	12.98%	-	4.48%	=	8.50%
8	April	1.82%	1.97%	+	7.99%	=	9.96%	-	4.69%	=	5.27%
9	May	2.01%	2.27%	+	13.16%	=	15.43%	-	4.29%	=	11.14%
10	June	2.21%	2.57%	+	16.15%	=	18.72%	-	4.13%	=	14.59%
11	July	2.10%	2.40%	+	14.19%	=	16.59%	-	3.99%	=	12.60%
12	Aug	2.18%	2.50%	+	14.52%	=	17.02%	-	3.80%	=	13.22%
13	Sept	2.12%	2.39%	+	12.82%	=	15.21%	-	3.77%	=	11.44%
14	Oct	2.03%	2.28%	+	12.12%	=	14.40%	-	3.87%	=	10.53%
15	Nov	1.94%	2.15%	+	10.85%	=	13.00%	-	4.19%	=	8.81%
16	Dec 2010	1.86%	2.04%	+	9.73%	=	11.77%	-	4.42%	=	7.35%
17	Jan 2011	1.82%	1.99%	+	9.54%	=	11.53%	-	4.52%	=	7.01%
18	Feb	1.91%	2.13%	+	11.40%	=	13.53%	-	4.65%	=	8.88%
19	Mar	1.87%	2.07%	+	10.67%	=	12.74%	-	4.51%	=	8.23%
20	April	1.83%	2.02%	+	10.30%	=	12.32%	-	4.50%	=	7.82%
21	May	1.95%	2.18%	+	11.76%	=	13.94%	-	4.29%	=	9.65%
22	June	1.97%	2.21%	+	12.11%	=	14.32%	-	4.23%	=	10.09%
23	July 2011	2.23%	2.58%	+	15.51%	=	18.09%	-	4.27%	=	13.82%
24											
25	Recommended	1.96%	2.20%	+	11.96%	=	14.15%	-	4.41%	=	9.75%
26											
27	Short-term Trends										
28	Recent Twelve Months Avg	1.98%	2.21%	+	11.78%	=	13.99%	-	4.25%	=	9.74%
29	Recent Nine Months Avg	1.93%	2.15%	+	11.32%	=	13.47%	-	4.40%	=	9.07%
30	Recent Six Months Avg	1.96%	2.20%	+	11.96%	=	14.15%	-	4.41%	=	9.75%
31	Recent Three Months Avg	2.05%	2.32%	+	13.13%	=	15.45%	-	4.26%	=	11.18%

32
33
34 [1] Average Current Dividend Yield (D_0/P_0) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks
35 [2] Expected Dividend Yield (D_1/P_0) equals average current dividend yield (D0/P0) times one plus growth rate(g).
36 [3] Median 3-5 year price appreciation (annualized). Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks
37 [4] Monthly average 30 year U.S. Treasury. Federal Reserve.
38

Pima Utility Company
Capital Asset Pricing Model (CAPM)

Exhibit
Schedule D-4.12

Line No.		Rf[1]	+	beta[3]	x	Rp		=	k
1									
2									
3	Historical Market Risk Premium CAPM	5.0%	+	0.76	x	6.7%	[4]	=	10.0%
4									
5	Current Market Risk Premium CAPM	5.0%	+	0.76	x	9.7%	[5]	=	12.4%
6									
7	*Average*								11.2%
8									
9									
10									
11									
12	[1] Forecasts of long-term treasury yields. See Schedule D-4.10.								
13	[2] Value Line Investment Analyzer data. See Schedule D-4.9.								
14	[3] Historical Market Risk Premium from (Rp) *MorningStar SBBI 2011 Valuation Yearbook* Table A-1 Long-Horizon ERP 1926-2010								
15	[4] Computed using DCF constant growth method to determine current market return onValue Line 1700 stocks								
16	and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.11.								
17									
18									
19									
20									

Pima Utility Company
Financial Risk Computation

Exhibit
Schedule D-4.13

Line No.											
1	**CAPM**										
2		**Rf**		+	**β**		x	**(Rp)**			**k**
3	Historical Market Risk Premium	5.0%	1	+	0.76	2	x	6.7%	3	=	10.0%
4	Current Market Risk Premium	5.0%	1	+	0.76	2	x	9.7%	4	=	12.4%
5											
6	Average										11.2%
7											
8											
9	**CAPM Relevered Beta**										
10		**Rf**		+	**β**		x	**(Rp)**			**k**
11	Historical Market Risk Premium	5.0%	1	+	0.71	5	x	6.7%	3	=	9.7%
12	Current Market Risk Premium	5.0%	1	+	0.71	5	x	9.7%	4	=	11.9%
13											
14	Average										10.8%
15											
16	Financial Risk Adjustment										**-0.4%**
17											
18											

19 [1] Forecast of long-term treasury yields. See Schedule D-4.10
20 [2] Value Line Investment Analyzer data. See Schedule D-4.9
21 [3] Historical Market Risk Premium from (Rp) *MorningStar SBBI 2011 Valuation Yearbook* Table A-1 Long-Horizon ERP 1926-2010
22 [4] Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks
23 and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.11
24 [5] Relevered bata found on Schedule D-4.15
25

Pima Utility Company
Financial Risk Computation
Unlevered Beta

Exhibit
Schedule D-4.14

Line No.		Company	VL Beta β_L [1]	Raw Beta Raw β_L [2]	Tax Rate t[3]	MV Debt D[4]	MV Equity E[4]	Unlevered Raw Beta β_U [5]
1								
2								
3								
4								
5	1.	American States	0.75	0.63	43.2%	31.7%	68.3%	0.50
6	2.	Aqua America	0.65	0.48	39.2%	33.3%	66.7%	0.37
7	3.	California Water	0.70	0.55	39.5%	37.5%	62.5%	0.40
8	4.	Connecticut Water	0.80	0.70	35.2%	32.8%	67.2%	0.53
9	5.	Middlesex	0.75	0.63	32.1%	31.3%	68.7%	0.48
10	6.	SJW Corp.	0.90	0.85	38.8%	39.6%	60.4%	0.61
11								
12								
13		Sample Water Utilitie:	0.76	0.64	38.0%	34.4%	65.6%	0.48
14								
15								
16								
17								
18								
19								

20 [1] Value Line Investment Analyzer data. See Schedule D-4.13
21 Value Line uses the historical data of the stock, but assumes that a security's beta moves toward the market average over time. The formula is as follows:
22 Adjusted beta = .33 + (.67) * Raw beta
23 [2] Raw Beta = (VL beta - .33)/(.67)
24 [3] Effective tax rates for year ended December 31, 2010.
25 [4] See Schedule D-4.3
26 [5] Raw B_u = Raw B_L/ (1+ (1-t)*D/E)
27
28
29
30

Pima Utility Company
Financial Risk Computation
Relevered Beta

Exhibit
Schedule D-4.15

Line No.		Unlevered Raw Beta β_U[1]	MV Book Debt BD[2]	MV Equity Capital EC[2]	Tax Rate t[3]	Relevered Raw Beta $\beta_{RL}=\beta$ (1+(1-t)BD/EC)) β_{RL}	VL Adjusted Relevered Beta .33 + .67(Raw Beta) β_{RL}
1							
2							
3							
4							
5	Pima Utility Company	0.48	18.9%	81.1%	24.45%	0.56	0.71
6							
7							
8							
9							
10							
11							
12							

13 [1] Unlevered Beta from Schedule D-4.14.

14 [2] Capital Structure of Company (Projected)

	BV (in Thousands)		MV (in Thousands)	MV %
Long-term Debt	$ 8,370	1.00	$ 8,370	18.90%
Preferred Stock	$ -	1.00	-	0.0%
Common Stock	$ 18,563	1.94	(a) 35,997	81.1%
Total Capital	$ 26,933		$ 44,367	100.0%

(a) Current market-to-book ratio of sample water utilities. See work papers.

[3] Current tax rate based on proposed test year ending 12/31/2010.

Pima Utility Company
Size Premium[1]

Exhibit
Schedule D-4.16

Line No.		Beta(β)	Size Premiumfo	Risk Premium r Small Water Utilities[7]
6	Mid-Cap Companies[2]	1.13	1.00%	
8	Low-Cap Companies[3]	1.26	1.64%	
10	Micro-Cap Companies[4]	1.51	3.00%	
12	Decile 10[5]	1.64	4.74%	2.37%

		Risk Premium for Small Water Utilities
20	Estimated Risk Premium for small water utilities[6]	0.99%

[1] Data from Table 7-11 of Morningstar, *Ibbotson SBBI 2011 Valuation Yearbook.*
[2] Mid-Cap companies includes companies with market capitalization between $1,779 million and $6,794 million.
[3] Low-Cap companies includes companies with market capitalization between $478 million and $1,776 million.
[4] Micro-Cap companies includes companies with market capitalization less than $477 million.
[5] Decile 10 includes companies with market capitalization between $1.2 million and $235 million.
[6] From Table 2, Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited," *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.
[7] Computed as the weighted differences between the Decile 10 risk premium and the inidicated risk premiums for the sample water utlities as shown below. Excludes risk due to differences in beta.

		Market Cap. (Millions)	Class	Size Premium	Difference to Decile 10	Weight	Weighted Size Premium
1.	American States	$ 646	Low-Cap	1.76%	2.98%	0.1666667	0.50%
2.	Aqua America	$ 3,069	Mid-Cap	1.10%	3.64%	0.1666667	0.61%
3.	California Water	$ 798	Low-Cap	1.76%	2.98%	0.1666667	0.50%
4.	Connecticut Water	$ 229	Decile 10	4.78%	-0.04%	0.1666667	-0.01%
5.	Middlesex	$ 294	Micro-Cap	3.07%	1.67%	0.1666667	0.28%
6.	SJW Corp.	$ 452	Low-Cap	1.76%	2.98%	0.1666667	0.50%
	Weighted Size Premium for Small Companies						2.37%