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ORIGINAL

MEMORANDUM

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TO: Docket Control

FROM: Steven M. Olea
Director
Utilities Division

DATE: October 24, 2011

RE: SUPPLEMENTAL STAFF REPORT FOR GOODMAN WATER COMPANY'S
APPLICATION FOR A RATE INCREASE. DOCKET NO. W-2500A-10-0382

Attached is the Supplemental Staff Report for Goodman Water Company's application for a permanent increase in rates pursuant to a Procedural Order dated September 15, 2011, to provide by October 24, 2011, any comments in opposition to the settlement agreement entered in by some of the parties in this rate case. Staff opposes the settlement agreement, as filed, and recommends adoption Staff's modifications to the Settlement Agreement.

SMO:GLF:red

Originator: Gordon L. Fox

Attachment: Original and fifteen copies

Arizona Corporation Commission

DOCKETED

OCT 24 2011

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Docket No. W-2500A-10-0382

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

GOODMAN WATER COMPANY

DOCKET NO. W-2500A-10-0382

**APPLICATION
FOR A RATE INCREASE**

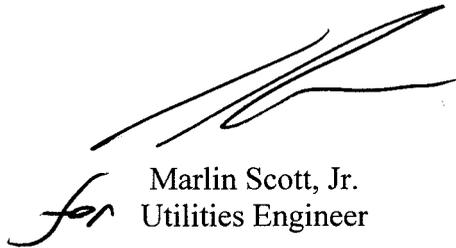
OCTOBER 24, 2011

STAFF ACKNOWLEDGMENT

The Supplemental Staff Report for Goodman Water Company Docket No. W-2500A-10-0382 is the responsibility of the Staff members listed below. Gordon L. Fox is responsible for the financial analysis. Marlin Scott, Jr. is responsible for the engineering and technical analysis.



Gordon L. Fox
Public Utility Analyst Manager



for Marlin Scott, Jr.
Utilities Engineer

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SUMMARY OF FILING/BACKGROUND

On September 10, 2010, Goodman Water Company (“Goodman” or “Company”), an Arizona for-profit, Class C public service corporation providing water service to approximately 600 customers in the vicinity of Oracle in Pinal County, Arizona, filed an application for a permanent rate increase with the Arizona Corporation Commission (“Commission”). Goodman’s application, as filed, requests a \$291,454 (50.9 percent) revenue increase to provide a \$253,194 operating income for a 10.54 percent rate of return on a \$2,402,222 fair value rate base (“FVRB”).¹ Goodman’s Rebuttal testimony requests a 262,717 (44.19 percent) revenue increase to provide a \$227,309 operating income for a 9.89 percent rate of return on a \$2,298,376 FVRB. A hearing in this matter commenced on July 26, 2011, continued through July 28, 2011, and was scheduled to reconvene on September 12 and 13, 2011, until vacated to accommodate preparation of a “Settlement Agreement” and supporting testimony by some of the parties (Goodman and intervenors RUCO, Lawrence Wawryzniak and James Schoemperlen) that had come to terms regarding significant disputed issues. The parties to the Settlement Agreement (“Signatories”) had neither invited the Commission Utilities Division Staff (“Staff”) to participate in the settlement discussions nor disclosed to Staff that the discussions were taking place until an agreement in principle had been reached regarding the rate application.

A Procedural Order, dated September 15, 2011, established, pursuant to an agreement by the parties, dates for (1) filing the Settlement Agreement (September 15, 2011), (2) filing testimony supporting the settlement (October 4, 2011), (3) filing testimony opposing the settlement (October 24, 2011) and (4) conducting a hearing (October 31 and November 1, 2011). The purpose of this Supplemental Staff Report is to present Staff’s comments on the Settlement Agreement and the testimonies of the Signatories. Staff’s comments identify reasons that the Commission should not adopt the Settlement Agreement as filed, and identifies an alternative that preserves most of the Signatories’ claimed benefits while avoiding its multiple pitfalls. Staff supports this alternative presented in the attached Phase 1, Phase 2 and Phase 3 Schedules GLF-1 through GLF-20.

Staff provided its Updated Surrebuttal Schedules to the Signatories for consideration in preparation of their testimonies in support of the Settlement Agreement. Staff’s updated Surrebuttal revenue requirement of \$797,063 represents an increase of \$202,604, or 34.08 percent, over test year revenue of \$594,459 for a 9.2 percent rate of return on a Staff-adjusted FVRB of \$2,077,253. Staff’s updated Surrebuttal revenue requirement represents a \$21,780 increase from its initial Surrebuttal testimony. Staff’s updated revenue requirement reflects a correction to remove Advances in Aid of Construction related to mains that were double counted in the calculation of accumulated deferred income taxes; adjustments to Land and Structures and Improvements to recognize the fully-allocated cost of purchases from an affiliate; and the consequential effects on depreciation expense, accumulated depreciation, property and income taxes and rate design.²

¹ The Company did not propose a FVRB that differs from its original cost rate base.

² All of the incremental revenue requirement is attributed to the commodity rates.

SETTLEMENT AGREEMENT

The Settlement Agreement resolves points of contention among the Signatories regarding: overall revenue increase; fair value rate base; excess capacity; phase-in rates; rate design; and stay out provision.³ The settlement is in the form of a “black box,” i.e., no specific revenue, expense, or rate base adjustments are identified. Agreement is limited to only the amounts specifically identified in the Settlement Agreement. The primary impetus for the settlement was Goodman’s decision to reach out to its customers in the Eagle Crest Ranch Community and to intervenors.⁴ A secondary purpose was to avoid the expense and delay associated with continued protracted litigation.⁵

The primary issues specified in the Settlement Agreement are as follows:

1. A \$138,000 revenue increase⁶ with a three-year phase-in: Year 1, 11.6%; Year 2, 5.80%; and Year 3, 5.8%. There will be no compounding and the Company also waives its right to foregone revenues and any interest thereon.⁷
2. Total revenues of \$732,459.⁸
3. FVRB is \$1,755,118.⁹
4. No conclusion as to whether excess capacity exists.¹⁰
5. The Company agrees not to file for another permanent increase in its rates for water service until at least January 1, 2015, using a test year no earlier than the twelve (12) months ended December 31, 2014 (“Stay Out”).¹¹
6. The Commission will authorize Goodman to defer \$269,307 of accumulated depreciation through the end of the test year.¹²
7. The Commission will authorize Goodman to defer the recording of annual depreciation of \$44,136 on utility plant currently in service, which is not included in rate base for purposes of this rate case during the Stay Out period.¹³

Staff’s comments regarding these primary components of the Settlement Agreement are presented below.

³ Settlement Agreement, paragraph 1.15.

⁴ *Id.*, paragraph 1.11.

⁵ *Id.*, paragraph 1.17.

⁶ *Id.*, paragraph 2.1.

⁷ *Id.*, paragraph 2.6.

⁸ *Id.*, paragraph 2.1.

⁹ *Id.*, paragraph 2.2.

¹⁰ *Id.*, paragraph 2.5.

¹¹ *Id.*, paragraph 2.8.

¹² *Id.*, paragraph 2.3.

¹³ *Id.*

ENGINEERING ANALYSIS¹⁴

Plant-in-Service Adjustments

In this rate case proceeding, Staff field inspected and evaluated the Company's water system to determine if any plant facilities had excess capacity or were not used and useful. Based on Staff's evaluation, Staff concluded that:

1. Not Used and Useful – The Company's plant-in-service consisted of certain identified plant facilities that were not used and useful. Therefore, Staff made a plant-in-service adjustment totaling to \$128,600 for plant items considered not used and useful in this proceeding. Staff's final plant-in-service adjustment is shown in its Surrebuttal Testimony.
2. Capacity – The Company's plant-in-service did not have any excess capacity. The Company's water system consisted of two wells (total production of 1,300 gallons per minute) and two storage tanks (totaling to 1,000,000 gallons), with 803,000 gallons of useable capacity. The Company does not request to include in rate base in this rate case the \$72,350 cost for the 190,000 gallon "upsizing" of Water Plant No. 3, reducing the total useable capacity requested in this case to 613,000 gallons. Based on these factors, Staff determined that the operation of the two wells and two storage tanks could adequately serve up to 933 service connections.

During the test year 2009, the Company had 621 service connections and Staff projected that the Company could have approximately 875 service connections within a five-year period. The total storage tank capacity of 1,000,000 gallons, with 613,000 gallons of useable capacity for this rate case, is not unreasonable because only 13,340 gallons (58 connections x 230 GPD per connection), or 7 percent, exceeds the **minimum** one-day storage requirement. This 13,340-gallon extra storage capacity would enable the Company to service unanticipated higher peak demand. Further, this storage is used operationally as discussed below.

From an operational standpoint, Staff did not find excess plant capacity for the following reasons: (1) this system serves different pressure zones; (2) due to different pressure zones, additional plant facilities are needed to deliver adequate water pressure and to meet fire flow requirements; (3) this system provides looped service to some customers; i.e., if water service is disrupted in one direction, then water service could continue from another direction; and (4) the location of the customers. An example of customer location is as follows: In the most-northern portion of the water system, Water Plant No. 3 could serve approximately 50 lots in Phase 5-B of Eagle Crest Ranch. During the test year, approximately six lots

¹⁴ Sponsored by Marlin Scott, Jr.

were being served in this Phase 5-B subdivision. Three of the six lots are located at the end of the line at the most western end of the ridge. In order for these three lots to receive adequate water service (adequate pressure plus fire flow protection), the entire water main from Water Plant No. 3 to the customers and the entire Water Plant No. 3 itself are needed to provide reliable and continuous service.

The 1,300 GPM total well capacity is not excessive because one well is a back-up to the other in case one well is placed out of service. In addition, the total well capacity supplements the fire flow requirement.

In contrast to Staff's conclusion that there is no plant-in-service excess capacity, the Settlement Agreement specifically states, "the Signatory Parties reach no conclusion as to whether or not any "excess capacity" may or may not exist at this time on the Company's system."¹⁵

Depreciation Rates

The Settlement Agreement does not specify any depreciation rates. Staff recommends that the Company continue to use the depreciation rates by individual National Association of Regulatory Utility Commissioners category as presented in Table I-1 of the Engineering Report in Staff's Direct Testimony.

FINANCIAL ANALYSIS¹⁶

Although the Settlement Agreement specifies a FVRB of \$1,755,118, total revenues of \$732,459, and an increase in revenues of \$138,000, it does not specify essential financial elements, including: (1) plant values; (2) accumulated depreciation balance; (3) depreciation rates; (4) operating income; (5) total or individual operating expenses; (6) capital structure; and (7) rate of return or the cost rates for its debt and equity components. The black box format adopted specifically denies any specific revenue, expense, or rate base adjustments. This approach precludes the determination or inference of elements necessary for determining the revenue requirement in a future rate case (accumulated depreciation) and frustrates assessment of the reasonableness of the revenues and rates (rate of return). For example, although the \$1,755,118 FVRB is RUCO's Surrebuttal position,¹⁷ the underlying adjustments and resulting components of rate base cannot be assumed.¹⁸ As a result, implementation of Settlement Agreement paragraph 2.3 that allows Goodman "to defer the recording of annual depreciation of \$44,136 on utility plant currently in service, which is not included in rate base for purposes of

¹⁵ Id., paragraph 2.5.

¹⁶ Sponsored by Gordon L. Fox

¹⁷ Jodi A. Jerich, Settlement Agreement Testimony, p. 4.

¹⁸ Contrary to the black box format adopted by the Settlement Agreement, RUCO claims that the Settlement Agreement adopts its recommended adjustments to the test year level of accumulated depreciation and depreciation expense – specific components of the FVRB. Jodi A. Jerich, Settlement Agreement Testimony, p. 7.

this rate case, during the “Stay Out” period” cannot occur because the portion of plant not included in rate base is not identified or identifiable. In turn, the portion of plant that is in rate base and subject to depreciation is not identified or identifiable. As a result, the amount of accumulated depreciation in a future rate case will be undeterminable. The absence of specified depreciation rates aggravates this defect.

The absence of a specified operating income and resulting rate of return is another significant defect in the Settlement Agreement. Rate of return is the primary metric for determining the reasonableness of the revenues and rates; accordingly, the reasonableness of the rates must be assessed on a less-desirable and informative basis. The lack of a specified capital structure or the cost rates for debt and equity further exacerbate the inability to assess the reasonableness of the revenue and rates.

The omission of firm values for plant items means that in the next rate case the most recent determination of plant values will have been in Decision No. 69404 for a test year ending September 30, 2005, and that plant additions from that date forward will be subject to contention in the future rate case. As a consequence, Staff and potentially other parties will duplicate efforts already performed in the instant case and invite new potential contentions resulting in inefficient use of resources.

The major rate base issue in the instant case is whether plant-in-service includes excess capacity.¹⁹ The Settlement Agreement makes no determination regarding whether excess capacity exists and punts it forward to the next rate case under the general theme that the settlement will appease homeowners in the Eagle Crest Ranch community garnering support by existing homeowners for others to build new homes, thus creating growth to mitigate/eliminate the excess capacity discord between Goodman and the intervenors in the future. While these hopes may be fulfilled, whether any substantive growth will occur is unknown. Another significant plant issue in this case is the valuation of four land parcels for well sites Goodman purchased from an affiliate. The Settlement agreement does not resolve the valuation of these parcels. It is inefficient to postpone to a future rate case the resolution of these land valuations upon which significant resources have already been expended in the current case.

Paragraph 2.3 of the Settlement Agreement states:

For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that as a condition of approval of this Agreement, the Commission will authorize Goodman to defer \$269,307 of accumulated depreciation through the end of the test year and to defer the recording of annual depreciation of \$44,136 on utility plant currently in service, which is not included in rate base for purposes of this rate case, during the “Stay Out” period

¹⁹ The value of the excess capacity adjustment proposed by RUCO is \$1,360,580, Timothy J. Coley, Surrebuttal Testimony, p. 2.

The meaning of paragraph 2.3 is further explained in the Settlement Agreement testimony of Thomas J. Bourassa at page 4, as follows:

This provision recognizes that the agreed upon revenue requirement and lower rate base does not recognize certain plant and equipment constructed since the last rate case. This provision is a key provision as the Company's rates have not and will not include depreciation at least until the next rate case some time after January 1, 2015.

In other words, the Settlement Agreement would (1) reach back to the effective date (May 1, 2007) of rates established in Decision No. 69404 for the prior rate case and restate depreciation that occurred on certain unspecified plant over the period beginning May 1, 2007, and ending December 31, 2009 (32 months) as a \$269,307 deferral and (2) defer \$44,136 of the amount of depreciation on unspecified plant that has been and will be recorded over the period beginning January 1, 2010, through December 31, 2014 (5 years), for a total amount of deferrals to be considered for recovery in the next rate case of \$489,987 [(5 x \$44,136) + \$269,307].

The provisions of paragraph 2.3 present several concerns. First, the anticipated \$489,987 deferral represents 66.9 percent ($\$489,987 \div \$732,459$) of the proposed annual revenue requirement. Whatever method is authorized in the next rate case for recovering this deferral, it would place significant additional upward pressure on rates in addition to any other rate increase deemed appropriate at that time, and it has the potential to renew any contentiousness between Goodman and its customers that is ameliorated via the settlement in this rate case.

Second, deferring depreciation expense creates an intergenerational transfer of costs from current ratepayers to future ratepayers.

Finally, and most egregiously, paragraph 2.3 calls for restating depreciation expense that was incurred in the past. The regulatory framework does not provide for any such restatement. The regulatory framework for deferring expenses is a prospective view, i.e., expenses incurred subsequent to regulatory approval can be deferred for consideration of recovery as authorized at a later date. Accordingly, although Staff in this case opposes authorization to defer depreciation expense going forward, at least such deferral is consistent with the regulatory framework. However, paragraph 2.3 contemplates not only deferral of depreciation going forward, but also the restatement of depreciation expense incurred in the past. The latter is retroactive ratemaking. Under the regulatory framework, ratepayers have already paid any expenses that have occurred prior to the time the regulatory authority authorized the deferral. Thus, the provisions of paragraph 2.3 would have ratepayers pay a second time, assuming recovery of the deferred amount is authorized in the next rate case, for depreciation expense already paid by ratepayers on certain specified plant beginning on May 1, 2007, through the effective date of rates established in this case.

In summary, the Settlement Agreement contains multiple defects. Accordingly, the Settlement Agreement should be rejected.

Despite these Settlement Agreement defects, Staff recognizes and respects the efforts and stated objectives of the Signatories. In this case, with greatly divergent positions among the participants, it is in the public interest to find reasonable common ground through compromise. Accordingly, it is desirable to adopt an alternative resolution that refines the Settlement Agreement by retaining many of its salient features and discarding its major faults. Staff concludes that such an alternate resolution can be achieved by simply retaining the revenue requirement and revenue increase (with the three-year phase-in), the rate design²⁰ and the Stay Out features as contemplated by paragraphs 2.1, 2.2, 2.6, 2.7 and 2.8 of the Settlement Agreement; rejecting paragraphs 2.3 and 2.4 pertaining to the deferral of depreciation and accumulated depreciation; rejecting paragraph 2.5 pertaining to recognition of excess capacity; and adopting Staff's recommended rate base, operating expenses and depreciation rates.

Recognizing Staff's rate base resolves the excess capacity and land valuation issues and provides a basis for determining critical components of rate base in the next rate case. Recognizing Staff's rate base in concert with its operating expenses provides a basis for determining an operating income and the reasonableness of the rates adopted in this rate case. The trade-off of this alternative versus the Settlement Agreement is that the Company will forgo the opportunity to recover from ratepayers in its next rate case depreciation deferrals in exchange for certain recognition of the plant that is challenged as excess capacity in this rate case.

Under Staff's alternative resolution, the step-one, step-two and step-three operating incomes are \$116,041, \$135,425, and \$154,809, respectively, for 5.59, 6.52 and 7.45 percent rates of return on a \$2,077,253 fair value rate base. Since these results provide sufficient cash flow to meet all of Goodman's obligations, Staff finds these alternative revenues and rates reasonable as long as Goodman also finds them acceptable.

STAFF RECOMMENDATIONS

Staff recommends:

1. That the Commission reject the Settlement Agreement.
2. Adoption of the three-year phase-in revenue requirements, rates of return and rate designs as discussed herein and presented in the attached Phase 1, Phase 2 and Phase 3 Schedules GLF-1 through GLF-20, along with adoption of Staff's rate base and operating expenses as presented in Staff's Updated (9/12/11) Surrebuttal Schedules GLF-1 through GLF-20 and Staff's recommended depreciation rates.

²⁰ Staff's rate design varies somewhat from that of the Settlement Agreement.

GOODMAN WATER COMPANY
Docket No. W-02500A-10-0382
Test Year ended December 31, 2009

TESTIMONY - GORDON L. FOX (9/12/11)

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REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 2,402,222	\$ 2,402,222	\$ 2,077,253	\$ 2,077,253
2	Adjusted Operating Income (Loss)	\$ 73,882	\$ 73,882	\$ 71,259	\$ 71,259
3	Current Rate of Return (L2 / L1)	3.08%	3.08%	3.43%	3.43%
4	Required Rate of Return	10.54%	10.54%	9.20%	9.20%
5	Required Operating Income (L4 * L1)	\$ 253,194	\$ 253,194	\$ 191,107	\$ 191,107
6	Operating Income Deficiency (L5 - L2)	\$ 179,312	\$ 179,312	\$ 119,848	\$ 119,848
7	Gross Revenue Conversion Factor	1.6254	1.6254	1.6905	1.6905
8	Required Revenue Increase (L7 * L6)	\$ 291,454	\$ 291,454	\$ 202,604	\$ 202,604
9	Adjusted Test Year Revenue	\$ 572,751	\$ 572,751	\$ 594,459	\$ 594,459
10	Proposed Annual Revenue (L8 + L9)	\$ 864,205	\$ 864,205	\$ 797,063	\$ 797,063
11	Required Increase in Revenue (%)	50.89%	50.89%	34.08%	34.08%
12	Rate of Return on Common Equity (%)	11.00%	11.00%	9.10%	9.10%

References:

Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedule GLF-2 , GLF-3 & GLF-11

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<i>Calculation of Gross Revenue Conversion Factor:</i>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 23)	40.8462%			
5	Subtotal (L3 - L4)	59.1538%			
6	Revenue Conversion Factor (L1 / L5)	1.6905			
<i>Calculation of Uncollectible Factor:</i>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	40.2523%			
9	One Minus Combined Income Tax Rate (L7 - L8)	59.7477%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
<i>Calculation of Effective Tax Rate:</i>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 53)	35.7772%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.332842837			
17	Combined Federal and State Income Tax Rate (L13 +L16)	40.2523%			
<i>Calculation of Effective Property Tax Factor</i>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	40.2523%			
20	One Minus Combined Income Tax Rate (L18 - L19)	59.7477%			
21	Property Tax Factor (GLF-17, L26)	0.9941%			
22	Effective Property Tax Factor (L 21 * L 22)	0.5940%			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		40.8462%		
24	Required Operating Income (Schedule GLF-1, Line 5)	\$ 191,107			
25	Adjusted Test Year Operating Income (Loss) (Schedule GLF-11, Line 33)	\$ 71,259			
26	Required Increase in Operating Income (L24 - L25)		\$ 119,848		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	\$ 90,802			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	\$ 10,060			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 80,742		
30	Recommended Revenue Requirement (Schedule GLF-1, Line 10)	\$ 797,063			
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. (L32 - L33)		\$ -		
35	Property Tax with Recommended Revenue (GLF-17, L21)	\$ 21,063			
36	Property Tax on Test Year Revenue (GLF-17, L22)	\$ 19,049			
37	Increase in Property Tax Due to Increase in Revenue (GLF-17, L23)		\$ 2,014		
38	Total Required Increase in Revenue (L26 + L29 + L34+L37)		\$ 202,604		
<i>Calculation of Income Tax:</i>					
		Test Year		STAFF Recommended	
39	Revenue (Schedule GLF-11, Col.(C), Line 5 & Sch. GLF-1, Col. (D), Line 10)	\$ 594,459		\$ 797,063	
40	Operating Expenses Excluding Income Taxes	\$ 513,139		\$ 515,154	
41	Synchronized Interest (L56)	\$ 33,236		\$ 33,236	
42	Arizona Taxable Income (L39 - L40- L41)	\$ 48,083		\$ 248,673	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L42 x L43)		\$ 3,350		\$ 17,328
45	Federal Taxable Income (L42 - L44)	\$ 44,733		\$ 231,346	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 6,710		\$ 7,500	
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ -		\$ 6,250	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -		\$ 8,500	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -		\$ 51,225	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -		\$ -	
51	Total Federal Income Tax	\$ 6,710		\$ 73,475	
52	Combined Federal and State Income Tax (L44 + L51)	\$ 10,060		\$ 90,802	
53	Applicable Federal Income Tax Rate [Col. (D), L51 - Col. (B), L51] / [Col. (C), L44 - Col. (A), L44]				35.78%
<i>Calculation of Interest Synchronization:</i>					
54	Rate Base (Schedule GLF-3, Col. (C), Line (14))	\$ 2,077,253			
55	Weighted Average Cost of Debt (Surrebuttal Schedule JCM-1)	1.60%			
56	Synchronized Interest (L54 X L55)	\$ 33,236			

GOODMAN WATER COMPANY
Docket No. W-02500A-10-0382
Test Year ended December 31, 2009

Schedule GLF-3
Date: 9/12/11

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	REF	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 5,453,761	\$ (487,242)	\$ 4,966,519
2	Less: Accumulated Depreciation	731,205	16,013	747,218
3	Net Plant in Service	<u>\$ 4,722,556</u>	<u>\$ (503,255)</u>	<u>\$ 4,219,301</u>
<u>LESS:</u>				
4	Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -
5	Less: Accumulated Amortization	-	-	-
6	Net CIAC	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
7	Advances in Aid of Construction (AIAC)	2,101,905	(128,600)	1,973,305
8	Service Line & Meter Installation Charges	83,087	-	83,087
9	Deferred Income Tax Credits	135,342	(49,686)	85,656
<u>ADD:</u>				
10	Unamortized Finance Charges	-	-	-
11	Deferred Tax Assets	-	-	-
12	Working Capital	-	-	-
13	Intentionally Left Blank	-	-	-
14	Original Cost Rate Base	<u>\$ 2,402,222</u>	<u>\$ (324,969)</u>	<u>\$ 2,077,253</u>

References:

Column (A), Company Schedule B-1
Column [B]: Column [C] - Column [A]
Column [C], GLF-4

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) LAND ADJ.#1	(C) WATER TREATMENT ADJ.#2	(D) DISTRIBUTION RESERVOIR ADJ.#3	(E) DISTRIBUTION RESERVOIR ADJ.#4	(F) TRANSMISSION MAINS ADJ.#5	(G) TRANSMISSION ACCUMULATED DEPRECIATION ADJ.#6	(C) AIAC ADJ.#7	(F) ADIT ADJ.#8	(J) STAFF ADJUSTED
PLANT IN SERVICE:												
1	301	Organization Cost	\$ 127,103									\$ 127,103
2	302	Franchise Cost										
3	303	Land and Land Rights	494,159	(472,521)								21,638
4	304	Structures and Improvements	182,570	186,229								368,799
5	305	Collecting and Impounding Res.										
6	306	Lake River and other Intakes										
7	307	Wells and Springs	386,591									386,591
8	308	Infiltration Galleries and Tunnels										
9	309	Supply Mains										
10	310	Power Generation Equipment										
11	311	Electrical Pumping Equipment	968,652									968,652
12	320	Water Treatment Equipment	15,947	(15,947)								
13	320.1	Water Treatment Plant										
14	320.2	Chemical Solution Feeders		15,947								15,947
15	330	Distribution Reservoirs & Standpipe	836,890			(636,890)						312,477
16	330.1	Storage Tanks				384,827						452,063
17	330.2	Pressure Tanks				452,063						1,482,720
18	331	Transmission and Distribution Mains	1,611,320				(128,600)					386,947
19	333	Services	386,947									84,263
20	334	Meters	94,263									161,737
21	335	Hydrants	161,737									187,582
22	336	Backflow Prevention Devices										
23	339	Other Plant & Miscellaneous Equipment	187,582									
24	340	Office Furniture & Fixtures										
25	340.1	Computers & Software										
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										
32	347	Miscellaneous Equipment										
33	348	Other Tangible Plant										
34		Rounding Amount										
35		Subtotal Plant in Service	\$ 5,453,761	\$ (286,292)	\$	\$ (72,350)	\$ (128,600)	\$	\$ 16,013	\$	\$	\$ 4,966,519
36	Add:											
37	Other 1	Intentionally Left Blank										
38	Other 2	Intentionally Left Blank										
39	Less:											
40	Other 3	Intentionally Left Blank										
41	Other 4	Intentionally Left Blank										
42												
43	Total Plant in Service:		\$ 5,453,761	\$ (286,292)	\$	\$ (72,350)	\$ (128,600)	\$	\$ 16,013	\$	\$	\$ 4,966,519
44	Less: Accumulated Depreciation		731,205									\$ 747,218
45	Intentionally Left Blank											
46	Net Plant in Service (L59 - L 60)		\$ 4,722,556	\$ (286,292)	\$	\$ (72,350)	\$ (128,600)	\$	\$ (16,013)	\$	\$	\$ 4,219,301
47												
48	LESS:											
49	Contributions in Aid of Construction (CIAC)											
50	Less: Accumulated Amortization											
51	Net CIAC (L49 - L50)											
52	Advances in Aid of Construction (AIAC)		2,101,905							(128,600)		1,973,305
53	Service Line & Meter Installation Charges		83,087									83,087
54	Deferred Income Tax Credit		135,342								(49,686)	85,656
55												
56	ADD:											
57	Unamortized Finance Charges											
58	Deferred Tax Assets											
59	Working Capital											
60	Regulatory Asset (Liability)											
61	Original Cost Rate Base		\$ 2,402,222	\$ (286,292)	\$	\$ (72,350)	\$ (128,600)	\$	\$ (16,013)	\$ 128,600	\$ 49,686	\$ 2,077,253

References:
Column [A] Schedule B-2, E-1

ORIGINAL COST RATE BASE ADJUSTMENT # 1 - LAND PURCHASE

LINE NO.	Description	Account Number	COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED			
1	Land and Land Rights	303	\$ 494,159	\$ (472,521)	\$ 21,638			
2	Structures & Improvements	304	\$ 182,570	\$ 186,229	\$ 368,799			
			Plant 1 0.72 Acres	Plant 2 0.25 Acres	Plant 4 0.39 Acres	Plant 3 0.63 Acres	Total 1.99 Acres	
Land:								
3	Purchase Price (467.155 Acres)	\$ 4,103,318	\$ 6,324	\$ 2,196	\$ 3,426	\$ 5,534	\$ 17,479	
4	Closing Costs						\$ 2,159	
5	Appraisal Fee						\$ 2,000	
6	Total Land						\$ 21,638	
Structures and Improvements:								
7	GRA Improvements 4/15/85 to 6/12/01	\$ 795,363	\$ 1,226	\$ 426	\$ 664	\$ 1,073	\$ 3,388	
8	Phase I Development Costs (68.93 Acres)	\$ 7,283,576	76,080	26,417	-	-	\$ 102,496	
9	Phase III Development Costs (43.66 Acres)	\$ 2,284,877	-	-	20,410	-	\$ 20,410	
10	Phase IV Development Costs (95.705 Acres)	\$ 9,104,785	-	-	-	59,934	\$ 59,934	
11	Total Add'l Structures and Improvements		\$ 77,306	\$ 26,842	\$ 21,074	\$ 61,007	\$ 186,229	
Accumulated Depreciation - Structures and Improvements - Book:								
In Service Date:			5/1/02	8/1/05	1/1/08	10/1/08		
12	Depreciation Basis (Line 11)		\$ 77,306	\$ 26,842	\$ 21,074	\$ 61,007	\$ 186,229	
13	Depreciation - 2002 (2.5%)		966				966	
14	Depreciation - 2003 (2.5%)		1,933				1,933	
15	Depreciation - 2004 (2.5%)		1,933				1,933	
16	Depreciation - 2005 (2.5%)		1,933	336			2,268	
17	Depreciation - 2006 (2.5%)		1,933	671			2,604	
18	Depreciation - 2007 (2.5%*4/12) +(3.33%*8/12) ¹		2,360	820			3,180	
19	Depreciation - 2008 (3.33%)		2,574	894	351	1,016	4,835	
20	Depreciation - 2009 (3.33%) - Test Year		2,574	894	702	2,035	6,204	
21	Accumulated Depreciation (Sum Lines 13 thru 20)²		\$ 16,206	\$ 3,614	\$ 1,053	\$ 3,050	\$ 23,923	

¹ Depreciation rate changed from 2.5% to 3.33% May 1, 2007.

² \$23,923 adjustment to A/D is reflected in GLF-10, Line 2.

GOODMAN WATER COMPANY
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Schedule GLF-6
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ORIGINAL COST RATE BASE ADJUSTMENT # 2 - RECLASSIFY WATER TREATMENT EQUIPMENT

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	320	Water Treatment Equipment	\$ 15,947	\$ (15,947)	\$ -
2	320.1	Water Treatment Plant		-	-
3	320.2	Chemical Solution Feeders		\$ 15,947	\$ 15,947
4		Total	<u>\$ 15,947</u>	<u>\$ -</u>	<u>\$ 15,947</u>

References:

Col [A]: Company Schedule B-1
 Col [B]: GLF Testimony , SDR GTM-1.5
 Col [C]: Col. [A] + Col. [B]

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Schedule GLF-7
 Date: 9/12/11

ORIGINAL COST RATE BASE ADJUSTMENT # 3 - RECLASSIFY DISTRIBUTION RESERVOIRS

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	330	Distribution Reservoirs & Standpipe	\$ 836,890	\$ (836,890)	\$ -
2	330.1	Storage Tanks		\$ 384,827	\$ 384,827
3	330.2	Pressure Tanks		\$ 452,063	\$ 452,063
4		Total	<u>\$ 836,890</u>	<u>\$ -</u>	<u>\$ 836,890</u>

References:

Col [A]: Company Schedule B-1
 Col [B]: GLF Testimony, SDR GTM-1.4
 Col [C]: Col. [A] + Col. [B]

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Schedule GLF-8
Date: 9/12/11

ORIGINAL COST RATE BASE ADJUSTMENT # 4 - ELIMINATE EXCESS CAPACITY - STORAGE TANK

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	331	Storage Tanks ¹	<u>\$ 384,827</u>	<u>\$ (72,350)</u>	<u>\$ 312,477</u>

¹ The Company proposed amount is the portion claimed by the Company and reclassified by Staff to Acct. 330.1 as shown in GTM-7.

References:

Col [A]: Company Schedule B-1
Col [B]: GLF and MSJ Testimony
Col [C]: Col. [A] + Col. [B]

GOODMAN WATER COMPANY
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Test Year ended December 31, 2009

Schedule GLF-9
Date: 9/12/11

ORIGINAL COST RATE BASE ADJUSTMENT # 5 - ELIMINATE EXCESS CAPACITY - DISTRIBUTION MAINS

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	333	Transmission and Distribution Mains	<u>1,611,320</u>	<u>\$ (128,600)</u>	<u>\$ 1,482,720</u>

References:

Col [A]: Company Schedule B-1
Col [B]: GTM and MSJ Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule GLF-10
Date: 9/12/11

ORIGINAL COST RATE BASE ADJUSTMENT # 6 - ADJUST ACCUMULATED DEPRECIATION

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Accumulated Depreciation	\$ 731,205	\$ 16,013	\$ 747,218
			Accumulated Depreciation per application	Accumulated Depreciation per Staff	Difference
2		Structures and Improvements	\$ 10,285	\$ 34,208	\$ 23,923
3		Collecting and Impounding Res.	-	-	-
4		Lake River and other Intakes	-	-	-
5		Wells and Springs	67,423	67,423	0
6		Infiltration Galleries and Tunnels	-	-	-
7		Supply Mains	-	-	-
8		Power Generation Equipment	-	-	-
9		Electrical Pumping Equipment	341,101	341,101	0
10		Water Treatment Equipment	2,167	0	(2,167)
11		Water Treatment Plant	-	-	-
12		Chemical Solution Feeders	-	2,167	2,167
13		Distribution Reservoirs & Standpipe	64,318	-	(64,318)
14		Storage Tanks	-	27,712	27,712
15		Pressure Tanks	-	32,553	32,553
16		Transmission and Distribution Mains	139,059	135,201	(3,858)
17		Services	40,947	40,947	-
18		Meters	17,066	17,066	-
19		Hydrants	12,984	12,984	-
20		Backflow Prevention Devices	-	-	-
21		Other Plant & Miscellaneous Equipment	35,847	35,847	-
22		Office Furniture & Fixtures	-	-	-
23		Computers & Software	-	-	-
24		Transportation Equipment	-	-	-
25		Stores Equipment	-	-	-
26		Tools and Work Equipment	-	-	-
27		Laboratory Equipment	-	-	-
28		Power Operated Equipment	-	-	-
29		Communications Equipment	-	-	-
30		Miscellaneous Equipment	-	-	-
31		Other Tangible Plant	-	-	-
			\$ 731,197	\$ 747,210	\$ 16,013

References:

Col [A]: Company Schedule B-1
Col [B]: GLF Testimony, RUCO DR 2.12
Col [C]: Col. [A] + Col. [B]

GOODMAN WATER COMPANY
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Test Year ended December 31, 2009

Schedule GLF-10.1
Date: 9/12/11

ORIGINAL COST RATE BASE ADJUSTMENT # 7 - REDUCE AIAC

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	108	AIAC	<u>2,101,905</u>	<u>\$ (128,600)</u>	<u>\$ 1,973,305</u>

References:

Col [A]: Company Schedule B-1

Col [B]: GLF Testimony

Col [C]: Col. [A] + Col. [B]

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Test Year ended December 31, 2009

Schedule GLF-10.2
Date: 9/12/11

ORIGINAL COST RATE BASE ADJUSTMENT # 8 - ACCUMULATED DEFERRED INCOME TAX

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1		Accumulated Deferred Income Tax	<u>135,342</u>	<u>\$ (49,686)</u>	<u>\$ 85,656</u>

References:

Col [A]: Company Schedule B-1
Col [B]: GLF Testimony
Col [C]: Col. [A] + Col. [B]

ADIT Calculation

	Adj Book Value	Tax Value	Realization Probability	Expected Realized (Taxable TD) Deductible TD	Tax Rate	Future Tax Asset Current	Non-current	Future Tax Liability Current	Non-current
PIS	4,966,519								
A/D	(747,218)								
CIAC	(1,381,314)								
Total/ Fixed Assets	2,837,988	2,019,279	100%	(818,709)	37.8%				(309,316)
AIAC		1,973,305	30%	591,992	37.8%		223,660		
Totals						-	223,660	-	(309,316)

ADIT Net Asset (Liability) - Staff	(65,656)
ADIT Net Asset (Liability) Company as Filed	(135,342)
Staff Adjustment	49,686

Computation of Net Tax Value at Dec. 31, 2009:

Unadjusted Cost per 2009 Tax Deprec Report	4,938,108
Reconciling Items not on tax report	
Net Structures and Improvement to Land not on tax, used in rates	162,306
Adjusted land costs not on tax, on books (Staff adjusted Land Value)	21,638
Net Unadjusted Cost Tax Basis	5,122,053

Basis Reductions/Additions:

Basis reduction 2009 and prior years	(14,706)
Advance or Contr plant with no deprec basis listed on 2009 Tax Deprec Report	(2,707,816)
Accumulated Depreciation 2008 and prior (2009 Tax Deprec Report)	(339,352)
Upsizing Adjustment - Tank	(72,350)
Tax Depreciation related to Tank Upsizing	4,341
Excess Capacity - Mains	128,600
Tax Depreciation related to Excess Capacity - Mains (2008) (AIAC no depr)	-
2009 Current Year Tax Depreciation	(101,491)
Net Basis Reduction 2007 and Prior years	(3,102,774)
Net tax value of PIS at Dec. 31, 2008	2,019,279

CIAC (including impact of change to probability of realization)

Gross CIAC (Schedule B-2)	-
Less: Pre-1996 CIAC	-
A.A.	-
A.A. on Pre-1996	-
A.A. on Post 1996 CIAC	-
Net CIAC before unrealized AIAC	-

Unrealized AIAC Component:

Adjusted Net AIAC	1,973,305
AIAC funding Mains	-
Sub-total	1,973,305
Unrealized AIAC Component % (1-Realized AIAC Component)	70%
	1,381,314
Total Realizable CIAC	1,381,314

AIAC (including impact of change to probability of realization)

AIAC (Schedule B-2)	1,973,305
Less: Pre-1996 AIAC included for book and tax purposes	-
Net AIAC before unrealized portion	1,973,305
Less: Unrealized AIAC from above	(1,381,314)
Net Realizable AIAC	591,992

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>OPERATING REVENUES:</u>					
2	Metered Water Revenues	\$ 559,013	\$ 21,708	\$ 580,721	\$ 202,604	\$ 783,325
3	Unmetered Water Revenues	-	-	-	-	-
4	Other Water Revenues	13,738	-	13,738	-	13,738
5	Total Operating Revenues	\$ 572,751	\$ 21,708	\$ 594,459	\$ 202,604	\$ 797,063
6						
7	<u>OPERATING EXPENSES:</u>					
8	Salaries and Wages	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ 40,000
9	Employee Pensions & Benefits	-	-	-	-	-
10	Purchased Water	-	-	-	-	-
11	Purchased Power	27,066	577	27,643	-	27,643
12	Chemicals	-	-	-	-	-
13	Repairs and Maintenance	7,746	-	7,746	-	7,746
14	Office Supplies and Expense	14,855	-	14,855	-	14,855
15	Outside Services	102,925	-	102,925	-	102,925
16	Water Testing	1,215	1,568	2,783	-	2,783
17	Rents	-	-	-	-	-
18	Transportation Expenses	-	-	-	-	-
19	Insurance - General Liability	9,669	-	9,669	-	9,669
20	Insurance - Health and Life	-	-	-	-	-
21	Advertising	-	-	-	-	-
22	Regulatory Comm Expense - Rate Case	20,000	20,000	40,000	-	40,000
23	Regulatory Comm Expense - Other	378	-	378	-	378
24	Bad Debt Expense	-	-	-	-	-
25	Miscellaneous Expense	-	-	-	-	-
26	Depreciation and Amortization	227,855	17,249	245,104	-	245,104
27	Interest on Security Deposits	-	-	-	-	-
28	Taxes other than Income	2,988	-	2,988	-	2,988
29	Property Taxes	21,299	(2,250)	19,049	2,014	21,063
30	Income Tax	22,873	(12,813)	10,060	80,742	90,802
31	Total Operating Expenses	\$ 498,869	\$ 24,331	\$ 523,200	\$ 82,756	\$ 605,956
32						
33	Operating Income	\$ 73,882	\$ (2,623)	\$ 71,259	\$ 119,848	\$ 191,107

References:
Column [A]: Company Schedule C-1
Column [B]: Schedule GLF-12
Column [C]: Column [A] + Column [B]
Column [D]: Schedules GLF-1 and GLF-2
Column [E]: Column [C] + Column [D]

GOODMAN WATER COMPANY
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SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) GLF-13 Revenue Annualization ADJ #1	(C) GLF-14 Rate Case Exp ADJ #2	(D) GLF-15 Water Testing ADJ #3	(E) GLF-16 Depreciation Exp ADJ #4	(F) GLF-17 Property Taxes ADJ #5	(G) GLF-18 Income Taxes ADJ #6	(H) GLF-18.1 An Pur Pwr ADJ #7	(I) STAFF ADJUSTED
1	<u>Operating Revenues:</u>									
2	Metered Water Revenues	\$ 559,013	\$ 21,708							\$ 580,721
3	Unmetered Water Revenues	-	-							
4	Other Water Revenues	13,738								13,738
5	Total Operating Revenues	\$ 572,751	\$ 21,708							\$ 594,459
6	<u>Operating Expenses:</u>									
7	Salaries and Wages	\$ 40,000								40,000
8	Employee Pensions & Benefits	-								
9	Purchased Water	-								
10	Purchased Power	27,066							577	27,643
11	Chemicals	-								
12	Repairs and Maintenance	7,746								7,746
13	Office Supplies and Expense	14,855								14,855
14	Outside Services	102,925								102,925
15	Water Testing	1,215			1,568					2,783
16	Rents	-								
17	Transportation Expenses	-								
18	Insurance - General Liability	9,669								9,669
19	Insurance - Health and Life	-								
20	Advertising	-								
21	Regulatory Comm Expense - Rate Case	20,000		20,000						40,000
22	Regulatory Comm Expense - Other	378								378
23	Bad Debt Expense	-								
24	Miscellaneous Expense	-								
25	Depreciation and Amortization	227,855				17,249				245,104
26	Interest on Security Deposits	2,988								2,988
27	Taxes other than Income	21,299								19,049
28	Property Taxes	22,873					(2,250)			10,080
29	Income Tax	-						(12,813)		-
30	Total Operating Expenses	\$ 498,869	\$ 20,000	\$ 20,000	\$ 1,568	\$ 17,249	\$ (2,250)	\$ (12,813)	\$ 577	\$ 523,200
31	Operating Income	\$ 73,882	\$ 21,708	\$ (20,000)	\$ (1,568)	\$ (17,249)	\$ 2,250	\$ 12,813	\$ (577)	\$ 71,259

References:
Column [A]: Company Schedule C-1
Column [B] - [G]: Schedule GTM-13 through GTM-17
Column [I]: Add Column [A] - Column [F]

GOODMAN WATER COMPANY
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Schedule GLF-13
Date: 9/12/11

OPERATING INCOME ADJUSTMENT # 1 - REVENUE ANNUALIZATION

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Metered Water Revenues	<u>\$ 559,013</u>	<u>\$ 21,708</u>	<u>\$ 580,721</u>

References:

Col [A]: Company Schedule B-1

Col [B]: GLF Testimony

Col [C]: Col. [A] + Col. [B]

GOODMAN WATER COMPANY
Docket No. W-02500A-10-0382
Test Year ended December 31, 2009

Schedule GLF-14
Date: 9/12/11

OPERATING INCOME ADJUSTMENT # 2 - RATE CASE EXPENSE

<u>LINE</u> <u>NO.</u>	<u>DESCRIPTION</u>	<u>[A]</u> <u>COMPANY</u> <u>PROPOSED</u>	<u>[B]</u> <u>STAFF</u> <u>ADJUSTMENTS</u>	<u>[C]</u> <u>STAFF</u> <u>RECOMMENDED</u>
1	Regulatory Commission Expense - Rate Case	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 40,000</u>

References:

Column [A]: Company Schedule C-1

Column [B]: GLF Testimony

Col [C]: Col. [A] + Col. [B]

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Test Year ended December 31, 2009

Schedule GLF-15
Date: 9/12/11

OPERATING INCOME ADJUSTMENT # 3 - WATER TESTING EXPENSE

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1		Water Testing	<u>\$ 1,215</u>	<u>\$ 1,568</u>	<u>\$ 2,783</u>

References:

Col [A]: Company Schedule B-1

Col [B]: GLF Testimony

Col [C]: Col. [A] + Col. [B]

OPERATING INCOME ADJUSTMENT # 4 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization	\$ 227,855	\$ 17,249	\$ 245,104

Line No.	ACCT NO.	DESCRIPTION	[A] Company Proposed PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
Plant In Service						
2	301	Organization Cost	\$ 127,103	127,103	0.00%	\$ -
3	302	Franchise Cost	-	-	0.00%	-
4	303	Land and Land Rights	494,159	21,638	0.00%	-
5	304	Structures and Improvements	182,570	368,799	3.33%	12,281
6	305	Collecting and Impounding Res.	-	-	2.50%	-
7	306	Lake River and other Intakes	-	-	2.50%	-
8	307	Wells and Springs	386,591	386,591	3.33%	12,873
9	308	Infiltration Galleries and Tunnels	-	-	6.67%	-
10	309	Supply Mains	-	-	2.00%	-
11	310	Power Generation Equipment	-	-	5.00%	-
12	311	Electrical Pumping Equipment	968,652	968,652	12.50%	121,082
13	320.0	Water Treatment Equipment	15,947	-	-	-
14	320.1	Water Treatment Plant	-	-	3.33%	-
15	320.2	Chemical Solution Feeders	-	15,947	20.00%	3,189
16	330	Distribution Reservoirs & Standpipe	836,890	-	-	-
17	330	Storage Tanks	-	312,477	2.22%	6,937
18	330	Pressure Tanks	-	452,063	5.00%	22,603
19	331	Transmission and Distribution Mains	1,611,320	1,482,720	2.00%	29,654
20	333	Services	386,947	386,947	3.33%	12,885
21	334	Meters	94,263	94,263	8.33%	7,852
22	335	Hydrants	161,737	161,737	2.00%	3,235
23	336	Backflow Prevention Devices	-	-	6.67%	-
24	339	Other Plant & Miscellaneous Equipment	187,582	187,582	6.67%	12,512
25	340	Office Furniture & Fixtures	-	-	6.67%	-
26	340	Computers & Software	-	-	20.00%	-
27	341	Transportation Equipment	-	-	20.00%	-
28	342	Stores Equipment	-	-	4.00%	-
29	343	Tools and Work Equipment	-	-	5.00%	-
30	344	Laboratory Equipment	-	-	10.00%	-
31	345	Power Operated Equipment	-	-	5.00%	-
32	346	Communications Equipment	-	-	10.00%	-
33	347	Miscellaneous Equipment	-	-	10.00%	-
34	348	Other Tangible Plant	-	-	3.33%	-
35	-	Rounding Amount	-	-	67.00%	-
36		Subtotal General	\$ 5,453,761	\$ 4,966,519		\$ 245,104
37		Less: Non- depreciable Account(s)	621,262	148,741		
38		Depreciable Plant (L29-L30)	\$ 4,832,499	\$ 4,817,778		
39		Contributions-in-Aid-of-Construction (CIAC)			\$ -	
40		Weighted Average Depreciation/Amortization Rate			5.0875%	
41		Less: Amortization of CIAC (L32 x L33)				\$ -
42		Depreciation Expense - STAFF [Col. (C), L36 - L41]				\$ 245,104

OPERATING INCOME ADJUSTMENT # 5 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2009	\$ 594,459	\$ 594,459
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 1,188,918	\$ 1,188,918
4a	Staff Adjusted Test Year Revenues - 2006	594,459	
4b	Staff Recommended Revenue, Per Schedule GLF-1		797,063
5	Subtotal (Line 4 + Line 5)	\$ 1,783,377	\$ 1,985,981
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 594,459	\$ 661,994
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 1,188,918	\$ 1,323,987
10	Plus: 10% of CWIP -		-
11	Less: Net Book Value of Licensed Vehicles		-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 1,188,918	\$ 1,323,987
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	237,784	\$ 264,797
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16)	7.4558%	7.4558%
16	Property Tax Expense - Excludes Parcels (Line 14 * Line 15)	\$ 17,729	\$ 19,743
17	Tax of Parcels	\$ 1,320	\$ 1,320
18	Staff Recommended Test Year Property Tax (Line 16 + Line 17)	\$ 19,049	
19	Company Proposed Property Tax	21,299	
20	Staff Test Year Adjustment (Line 18-Line 19)	\$ (2,250)	
21	Property Tax - Staff Recommended Revenue (Line 16 + Line 17)		\$ 21,063
22	Staff Test Year Adjusted Property Tax Expense (Line 18)		\$ 19,049
23	Increase/(Decrease) to Property Tax Expense Line 21 - Line 22)		\$ 2,014
24	Increase to Property Tax Expense		\$ 2,014
25	Increase in Revenue Requirement		202,604
26	Increase to Property Tax per Dollar Increase in Revenue (Line 24/Line 25)		0.994107%

References:

Col [A]: Company Schedule C-1 Page 3
Col [B]: GLF Testimony

GOODMAN WATER COMPANY
Docket No. W-02500A-10-0382
Test Year ended December 31, 2009

Schedule GLF-18
Date: 9/12/11

OPERATING INCOME ADJUSTMENT # 6 - INCOME TAXES

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	Income Tax	<u>\$ 22,873</u>	<u>\$ (12,813)</u>	<u>\$ 10,060</u>

References:

Col [A]: Company Schedule C-1 Page 3
Col [B]: Column [C] - Column [A]
Col [C]: Schedule GLF-2

GOODMAN WATER COMPANY
Docket No. W-02500A-10-0382
Test Year ended December 31, 2009

Schedule GLF-18.1
Date: 9/12/11

OPERATING INCOME ADJUSTMENT # 7 - ANNUALIZE PURCHASED POWER

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1		Purchased Power	<u>\$ 27,066</u>	<u>\$ 577</u>	<u>\$ 27,643</u>

References:

Col [A]: Company Schedule B-1

Col [B]: GLF Testimony

Col [C]: Col. [A] + Col. [B]

RATE DESIGN

Monthly Usage Charge (all classes)	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8" Meter - All Classes	\$ 42.20	\$ 56.97	\$ 51.00
3/4" Meter - All Classes	\$ 63.30	\$ 85.46	\$ 76.50
1" Meter - All Classes	\$ 105.50	\$ 142.43	\$ 128.00
1½" Meter - All Classes	\$ 211.50	\$ 284.85	\$ 255.00
2" Meter - All Classes	\$ 339.68	\$ 455.76	\$ 408.00
3" Meter - All Classes	\$ 675.20	\$ 911.52	\$ 816.00
4" Meter - All Classes	\$ 1,055.00	\$ 1,424.25	\$ 1,275.00
6" Meter - All Classes	\$ 2,110.00	\$ 2,848.50	\$ 2,550.00
Construction/Stand pipe	N/A	N/A	N/A
Commodity Rates (all classes)			
5/8" Meter			
From 1 to 3,000 Gallons	\$ 3.95	\$ 6.80	\$ 5.10
From 3,001 to 9,000 Gallons	\$ 5.91	\$ 10.92	\$ 10.40
Over 9,000 Gallons	\$ 7.11	\$ 13.13	\$ 12.40
3/4" Meter			
From 1 to 3,000 Gallons	\$ 3.95	\$ 6.80	\$ 5.10
From 3,001 to 9,000 Gallons	\$ 5.91	\$ 10.92	\$ 10.40
Over 10,000 Gallons	\$ 7.11	\$ 13.13	\$ 12.40
1" Meter			
From 1 to 22,500 Gallons	\$ 5.91	\$ 10.92	\$ 10.40
Over 22,500 Gallons	\$ 7.11	\$ 13.13	\$ 12.40
1½" Meter			
From 1 to 34,000 Gallons	\$ 5.91	\$ 10.92	\$ 10.40
Over 34,000 Gallons	\$ 7.11	\$ 13.13	\$ 12.40
2" Meter			
From 1 to 45,000 Gallons	\$ 5.91	\$ 10.92	\$ 10.40
Over 45,000 Gallons	\$ 7.11	\$ 13.13	\$ 12.40
3" Meter			
From 1 to 68,000 Gallons	\$ 5.91	\$ 10.92	\$ 10.40
Over 68,000 Gallons	\$ 7.11	\$ 13.13	\$ 12.40
4" Meter			
From 1 to 90,000 Gallons	\$ 5.91	\$ 10.92	\$ 10.40
Over 90,000 Gallons	\$ 7.11	\$ 13.13	\$ 12.40
6" Meter (Res., Comm.)			
From 1 to 135,000 Gallons	\$ 5.91	\$ 10.92	\$ 10.40
Over 135,000 Gallons	\$ 7.11	\$ 13.13	\$ 12.40
Construction/Stand pipe (Res., Comm.)			
All Gallons	\$ 7.11	\$ 13.13	\$ 12.40

Service Line and Meter Installation Charges	Present	Co. Proposed			Staff Recommended		
	Total	Line	Meter	Total	Line	Meter	Total
5/8" Meter	\$ 225	\$ 385	\$ 135	\$ 520	\$ 385	\$ 135	\$ 520
3/4" Meter	270	415	205	620	415	205	620
1" Meter	300	465	265	730	465	265	730
1½" Meter	425	520	475	995	520	475	995
2" Turbine Meter	550	800	995	1,795	800	995	1,795
2" Compound Meter	550	800	1,840	2,640	800	1,840	2,640
3" Turbine Meter	750	1,015	1,620	2,635	1,015	1,620	2,635
3" Compound Meter	750	1,135	2,495	3,630	1,135	2,495	3,630
4" Turbine Meter	1,375	1,430	2,570	4,000	1,430	2,570	4,000
4" Compound Meter	1,375	1,610	3,545	5,155	1,610	3,545	5,155
6" Turbine Meter	2,800	2,150	4,925	7,075	2,150	4,925	7,075
6" Compound Meter	2,800	2,270	6,820	9,090	2,270	6,820	9,090
8"	Cost	Cost	Cost	Cost	Cost	Cost	Cost
10"	Cost	Cost	Cost	Cost	Cost	Cost	Cost
12"	Cost	Cost	Cost	Cost	Cost	Cost	Cost
Service Charges							
Establishment	\$ 50.00			\$ 50.00			\$ 50.00
Establishment (After Hours)	75.00			75.00			NT
Reconnection (delinquent)	75.00			75.00			75.00
Reconnection (after hours)	50.00			50.00			NT
Meter Test	20.00			20.00			20.00
Deposit Requirement (Residential)	(a)			(a)			(a)
Deposit Requirement (None Residential Meter)	(a)			(a)			(a)
Deposit Interest	6.00%			6.00%			6.00%
Re-Establishment (With-in 12 Months)	(b)			(b)			(b)
NSF Check	15.00			15.00			15.00
Deferred Payment, Per Month	1.5%			1.50%			1.50%
Meter Re-Read	20.00			20.00			20.00
Late Charge per month	1.5%			1.5%			1.5%
Customer Requested Meter Test	20.00			20.00			20.00
After Hours Service Charge	10.00			10.00			50.00
Turn-on/off (at customer request)	NT			75.00			NT
Moving Customer Meter (at customer request)	NT			cost			cost
NT = No Tariff							
Monthly Service Charge for Fire Sprinkler							
All Meter Sizes							Greater of \$10 or 2 percent of the general service rate for a similar size meter.

Per Commission Rules (R14-2-403.B)

- (a) Residential - two times the average bill. Non-residential - two and one-half times the average bill.
- (b) Minimum charge times number of months disconnected.

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per Commission Rule (14-2-409.D.5). All advances and/or contributions are to include labor, materials, overheads and all applicable taxes, Cost to include labor, materials and parts, overheads and all applicable taxes.

Typical Bill Analysis
Residential 5/8 Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,477	\$ 66.73	\$ 100.30	\$ 33.57	50.31%
Median Usage	4,500	60.96	89.63	\$ 28.68	47.04%
Staff Recommended					
Average Usage	5,477	\$ 66.73	\$ 92.06	\$ 25.33	37.96%
Median Usage	4,500	60.96	81.90	\$ 20.95	34.36%

Present & Proposed Rates (Without Taxes)
Residential 5/8 Inch Meter

Consumption	Rates	Rates	Increase	Rates	Increase
-	\$ 42.20	\$ 56.97	35.00%	\$ 51.00	20.85%
1,000	46.15	63.77	38.18%	56.10	21.56%
2,000	50.10	70.57	40.86%	61.20	22.16%
3,000	54.05	77.37	43.15%	66.30	22.66%
4,000	58.00	84.17	45.12%	76.70	32.24%
4,500	60.96	89.63	47.04%	81.90	34.36%
5,000	63.91	95.09	48.79%	87.10	36.29%
5,477	66.73	100.30	50.31%	92.06	37.96%
6,000	69.82	106.01	51.83%	97.50	39.64%
7,000	75.73	116.93	54.40%	107.90	42.48%
8,000	81.64	127.85	56.60%	118.30	44.90%
9,000	87.55	138.77	58.50%	128.70	47.00%
10,000	94.66	151.90	60.47%	141.10	49.06%
11,000	101.77	165.03	62.16%	153.50	50.83%
12,000	108.88	178.16	63.63%	165.90	52.37%
13,000	115.99	191.29	64.92%	178.30	53.72%
14,000	123.10	204.42	66.06%	190.70	54.91%
15,000	130.21	217.55	67.08%	203.10	55.98%
16,000	137.32	230.68	67.99%	215.50	56.93%
17,000	144.43	243.81	68.81%	227.90	57.79%
18,000	151.54	256.94	69.55%	240.30	58.57%
19,000	158.65	270.07	70.23%	252.70	59.28%
20,000	165.76	283.20	70.85%	265.10	59.93%
25,000	201.31	348.85	73.29%	327.10	62.49%
30,000	236.86	414.50	75.00%	389.10	64.27%
35,000	272.41	480.15	76.26%	451.10	65.60%
40,000	307.96	545.80	77.23%	513.10	66.61%
45,000	343.51	611.45	78.00%	575.10	67.42%
50,000	379.06	677.10	78.63%	637.10	68.07%
75,000	556.81	1,005.35	80.56%	947.10	70.09%
100,000	734.56	1,333.60	81.55%	1,257.10	71.14%

TESTIMONY - GORDON L. FOX

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REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 2,402,222	\$ 2,402,222	\$ 2,077,253	\$ 2,077,253
2	Adjusted Operating Income (Loss)	\$ 73,882	\$ 73,882	\$ 71,259	\$ 71,259
3	Current Rate of Return (L2 / L1)	3.08%	3.08%	3.43%	3.43%
4	Required Rate of Return	10.54%	10.54%	5.59%	5.59%
5	Required Operating Income (L4 * L1)	\$ 253,194	\$ 253,194	\$ 116,041	\$ 116,041
6	Operating Income Deficiency (L5 - L2)	\$ 179,312	\$ 179,312	\$ 44,782	\$ 44,782
7	Gross Revenue Conversion Factor	1.6254	1.6254	1.5408	1.5408
8	Required Revenue Increase (L7 * L6)	\$ 291,454	\$ 291,454	\$ 69,000	\$ 69,000
9	Adjusted Test Year Revenue	\$ 572,751	\$ 572,751	\$ 594,459	\$ 594,459
10	Proposed Annual Revenue (L8 + L9)	\$ 864,205	\$ 864,205	\$ 663,459	\$ 663,459
11	Required Increase in Revenue (%)	50.89%	50.89%	11.61%	11.61%
12	Rate of Return on Common Equity (%)	11.00%	11.00%		

References:

Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedule GLF-2 , GLF-3 & GLF-11

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 23)	35.0986%			
5	Subtotal (L3 - L4)	64.9014%			
6	Revenue Conversion Factor (L1 / L5)	1.5408			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	34.4469%			
9	One Minus Combined Income Tax Rate (L7 - L8)	65.5531%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 53)	29.5370%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.274789067			
17	Combined Federal and State Income Tax Rate (L13 +L16)	34.4469%			
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	34.4469%			
20	One Minus Combined Income Tax Rate (L18 - L19)	65.5531%			
21	Property Tax Factor (GLF-17, L26)	0.9941%			
22	Effective Property Tax Factor (L 21 * L 22)	0.6517%			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		35.0986%		
24	Required Operating Income (Schedule GLF-1, Line 5)	\$ 116,041			
25	Adjusted Test Year Operating Income (Loss) (Schedule GLF-11, Line 33)	\$ 71,259			
26	Required Increase in Operating Income (L24 - L25)		\$ 44,782		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	\$ 33,592			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	\$ 10,060			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 23,532		
30	Recommended Revenue Requirement (Schedule GLF-1, Line 10)	\$ 663,459			
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. (L32 - L33)		\$ -		
35	Property Tax with Recommended Revenue (GLF-17, L21)	\$ 19,735			
36	Property Tax on Test Year Revenue (GLF-17, L22)	\$ 19,049			
37	Increase in Property Tax Due to Increase in Revenue (GLF-17, L23)		\$ 686		
38	Total Required Increase in Revenue (L26 + L29 + L34+L37)		\$ 69,000		
<u>Calculation of Income Tax:</u>					
		Test Year		STAFF Recommended	
39	Revenue (Schedule GLF-11, Col.[C], Line 5 & Sch. GLF-1, Col. [D], Line 10)	\$ 594,459		\$ 663,459	
40	Operating Expenses Excluding Income Taxes	\$ 513,139		\$ 513,825	
41	Synchronized Interest (L56)	\$ 33,236		\$ 33,236	
42	Arizona Taxable Income (L39 - L40- L41)	\$ 48,083		\$ 116,398	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L42 x L43)		\$ 3,350		\$ 8,111
45	Federal Taxable Income (L42 - L44)	\$ 44,733		\$ 108,287	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 6,710		\$ 7,500	
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ -		\$ 6,250	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -		\$ 8,500	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -		\$ 3,232	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -		\$ -	
51	Total Federal Income Tax	\$ 6,710		\$ 25,482	
52	Combined Federal and State Income Tax (L44 + L51)	\$ 10,060		\$ 33,592	
53	Applicable Federal Income Tax Rate [Col. (D), L51 - Col. (B), L51] / [Col. (C), L44 - Col. (A), L44]				29.54%
<u>Calculation of Interest Synchronization:</u>					
54	Rate Base (Schedule GLF-3, Col. [C], Line (14))	\$ 2,077,253			
55	Weighted Average Cost of Debt (Surrebuttal Schedule JCM-1)	1.60%			
56	Synchronized Interest (L54 X L55)	\$ 33,236			

GOODMAN WATER COMPANY
Docket No. W-02500A-10-0382
Test Year ended December 31, 2009

Schedule GLF-3
Phase 1

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	REF	(C) STAFF AS ADJUSTED	
1	Plant in Service	\$ 5,453,761	\$	(487,242)	\$ 4,966,519
2	Less: Accumulated Depreciation	731,205		16,013	747,218
3	Net Plant in Service	<u>\$ 4,722,556</u>	<u>\$</u>	<u>(503,255)</u>	<u>\$ 4,219,301</u>
<u>LESS:</u>					
4	Contributions in Aid of Construction (CIAC)	\$ -	\$	-	\$ -
5	Less: Accumulated Amortization	-		-	-
6	Net CIAC	<u>\$ -</u>	<u>\$</u>	<u>-</u>	<u>\$ -</u>
7	Advances in Aid of Construction (AIAC)	2,101,905		(128,600)	1,973,305
8	Service Line & Meter Installation Charges	83,087		-	83,087
9	Deferred Income Tax Credits	135,342		(49,686)	85,656
<u>ADD:</u>					
10	Unamortized Finance Charges	-		-	-
11	Deferred Tax Assets	-		-	-
12	Working Capital	-		-	-
13	Intentionally Left Blank	-		-	-
14	Original Cost Rate Base	<u>\$ 2,402,222</u>	<u>\$</u>	<u>(324,969)</u>	<u>\$ 2,077,253</u>

References:

Column (A), Company Schedule B-1
Column [B]: Column [C] - Column [A]
Column [C], GLF-4

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) LAND ADJ #1	(C) WATER TREATMENT ADJ #2	(D) DISTRIBUTION RESERVOIR ADJ #3	(E) DISTRIBUTION RESERVOIR ADJ #4	(F) TRANSMISSION MAINS ADJ #5	(G) TRANSMISSION ACCUMULATED DEPRECIATION ADJ #6	(C) AIAC ADJ #7	(I) ADIT ADJ #8	(J) STAFF ADJUSTED
PLANT IN SERVICE:												
1	301	Organization Cost	\$ 127,103									\$ 127,103
2	302	Franchise Cost										
3	303	Land and Land Rights	494,159	(472,521)								21,638
4	304	Structures and Improvements	182,570	186,229								368,799
5	305	Collecting and Impounding Res.										
6	306	Lake River and other Intakes										
7	307	Wells and Springs	386,591									386,591
8	308	Infiltration Galleries and Tunnels										
9	309	Supply Mains										
10	310	Power Generation Equipment										
11	311	Electrical Pumping Equipment	968,652		(15,947)							968,652
12	320	Water Treatment Equipment	15,947									
13	320.1	Water Treatment Plant										
14	320.2	Chemical Solution Feeders										
15	330	Distribution Reservoirs & Standpipe	836,890		15,947							15,947
16	330.1	Storage Tanks				(836,890)						312,477
17	330.2	Pressure Tanks				452,063						452,063
18	331	Transmission and Distribution Mains	1,611,320				(128,600)					1,462,720
19	333	Services	386,947									386,947
20	334	Meters	94,263									94,263
21	335	Hydrants	161,737									161,737
22	336	Backflow Prevention Devices										
23	339	Other Plant & Miscellaneous Equipment	187,562									187,562
24	340	Office Furniture & Fixtures										
25	340.1	Computers & Software										
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										
32	347	Miscellaneous Equipment										
33	348	Other Tangible Plant										
34		Rounding Amount	\$ 5,453,761	\$ (286,292)	\$	\$	\$ (72,350)	\$ (128,600)	\$	\$	\$	\$ 4,966,519
35		Subtotal Plant in Service										
36		Add:										
37	Other 1	Intentionally Left Blank										
38	Other 2	Intentionally Left Blank										
39	Less:											
40	Other 3	Intentionally Left Blank										
41	Other 4	Intentionally Left Blank										
42												
43		Total Plant in Service:	\$ 5,453,761	\$ (286,292)	\$	\$ (72,350)	\$ (128,600)	\$	\$ 16,013	\$	\$	\$ 4,966,519
44		Less: Accumulated Depreciation	731,205									\$ 747,218
45		Intentionally Left Blank										
46		Net Plant in Service (L59 - L 60)	\$ 4,722,556	\$ (286,292)	\$	\$ (72,350)	\$ (128,600)	\$ (16,013)	\$	\$	\$	\$ 4,219,301
47												
48		LESS:										
49		Contributions in Aid of Construction (CIAC)										
50		Less: Accumulated Amortization										
51		Net CIAC (L49 - L50)										
52		Advances in Aid of Construction (AIAC)	2,101,905							(128,600)		1,973,305
53		Service Line & Meter Installation Charges	83,087									83,087
54		Deferred Income Tax Credit	135,342								(49,686)	85,656
55												
56		ADD:										
57		Unamortized Finance Charges										
58		Deferred Tax Assets										
59		Working Capital										
60		Regulatory Asset (Liability)										
61		Original Cost Rate Base	\$ 2,402,222	\$ (286,292)	\$	\$ (72,350)	\$ (128,600)	\$ (16,013)	\$	\$ 128,600	\$ 49,686	\$ 2,077,253

References:
Column (A) Schedule B-2, E-1

ORIGINAL COST RATE BASE ADJUSTMENT # 1 - LAND PURCHASE

LINE NO.	Description	Account Number	COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED		
1	Land and Land Rights	303	\$ 494,159	\$ (472,521)	\$ 21,638		
2	Structures & Improvements	304	\$ 182,570	\$ 186,229	\$ 368,799		
			Plant 1 0.72 Acres	Plant 2 0.25 Acres	Plant 4 0.39 Acres	Plant 3 0.63 Acres	Total 1.99 Acres
Land:							
3	Purchase Price (467.155 Acres)	\$ 4,103,318	\$ 6,324	\$ 2,196	\$ 3,426	\$ 5,534	\$ 17,479
4	Closing Costs						\$ 2,159
5	Appraisal Fee						\$ 2,000
6	Total Land						\$ 21,638
Structures and Improvements:							
7	GRA Improvements 4/15/85 to 6/12/01	\$ 795,363	\$ 1,226	\$ 426	\$ 664	\$ 1,073	\$ 3,388
8	Phase I Development Costs (68.93 Acres)	\$ 7,283,576	76,080	26,417	-	-	\$ 102,496
9	Phase III Development Costs (43.66 Acres)	\$ 2,284,877	-	-	20,410	-	\$ 20,410
10	Phase IV Development Costs (95.705 Acres)	\$ 9,104,785	-	-	-	59,934	\$ 59,934
11	Total Add'l Structures and Improvements		\$ 77,306	\$ 26,842	\$ 21,074	\$ 61,007	\$ 186,229
Accumulated Depreciation - Structures and Improvements - Book:							
In Service Date:							
			5/1/02	8/1/05	1/1/08	10/1/08	
12	Depreciation Basis (Line 11)		\$ 77,306	\$ 26,842	\$ 21,074	\$ 61,007	\$ 186,229
13	Depreciation - 2002 (2.5%)		966				966
14	Depreciation - 2003 (2.5%)		1,933				1,933
15	Depreciation - 2004 (2.5%)		1,933				1,933
16	Depreciation - 2005 (2.5%)		1,933	336			2,268
17	Depreciation - 2006 (2.5%)		1,933	671			2,604
18	Depreciation - 2007 (2.5%*4/12) +(3.33%*8/12) ¹		2,360	820			3,180
19	Depreciation - 2008 (3.33%)		2,574	894	351	1,016	4,835
20	Depreciation - 2009 (3.33%) - Test Year		2,574	894	702	2,035	6,204
21	Accumulated Depreciation (Sum Lines 13 thru 20)²		\$ 16,206	\$ 3,614	\$ 1,053	\$ 3,050	\$ 23,923

¹ Depreciation rate changed from 2.5% to 3.33% May 1, 2007.

² \$23,923 adjustment to A/D is reflected in GLF-10, Line 2.

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Schedule GLF-6
 Phase 1

ORIGINAL COST RATE BASE ADJUSTMENT # 2 - RECLASSIFY WATER TREATMENT EQUIPMENT

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	320	Water Treatment Equipment	\$ 15,947	\$ (15,947)	\$ -
2	320.1	Water Treatment Plant		-	-
3	320.2	Chemical Solution Feeders		\$ 15,947	\$ 15,947
4		Total	<u>\$ 15,947</u>	<u>\$ -</u>	<u>\$ 15,947</u>

References:

Col [A]: Company Schedule B-1
 Col [B]: GLF Testimony , SDR GTM-1.5
 Col [C]: Col. [A] + Col. [B]

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Schedule GLF-7
 Phase 1

ORIGINAL COST RATE BASE ADJUSTMENT # 3 - RECLASSIFY DISTRIBUTION RESERVOIRS

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	330	Distribution Reservoirs & Standpipe	\$ 836,890	\$ (836,890)	\$ -
2	330.1	Storage Tanks		\$ 384,827	\$ 384,827
3	330.2	Pressure Tanks		\$ 452,063	\$ 452,063
4		Total	<u>\$ 836,890</u>	<u>\$ -</u>	<u>\$ 836,890</u>

References:

Col [A]: Company Schedule B-1
 Col [B]: GLF Testimony, SDR GTM-1.4
 Col [C]: Col. [A] + Col. [B]

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Schedule GLF-8
Phase 1

ORIGINAL COST RATE BASE ADJUSTMENT # 4 - ELIMINATE EXCESS CAPACITY - STORAGE TANK

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	331	Storage Tanks ¹	<u>\$ 384,827</u>	<u>\$ (72,350)</u>	<u>\$ 312,477</u>

¹ The Company proposed amount is the portion claimed by the Company and reclassified by Staff to Acct. 330.1 as shown in GTM-7.

References:

Col [A]: Company Schedule B-1
Col [B]: GLF and MSJ Testimony
Col [C]: Col. [A] + Col. [B]

GOODMAN WATER COMPANY
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Schedule GLF-9
Phase 1

ORIGINAL COST RATE BASE ADJUSTMENT # 5 - ELIMINATE EXCESS CAPACITY - DISTRIBUTION MAINS

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	333	Transmission and Distribution Mains	<u>1,611,320</u>	<u>\$ (128,600)</u>	<u>\$ 1,482,720</u>

References:

Col [A]: Company Schedule B-1
Col [B]: GTM and MSJ Testimony
Col [C]: Col. [A] + Col. [B]

ORIGINAL COST RATE BASE ADJUSTMENT # 6 - ADJUST ACCUMULATED DEPRECIATION

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Accumulated Depreciation	\$ 731,205	\$ 16,013	\$ 747,218
			Accumulated Depreciation per application	Accumulated Depreciation per Staff	Difference
2		Structures and Improvements	\$ 10,285	\$ 34,208	\$ 23,923
3		Collecting and Impounding Res.	-	-	-
4		Lake River and other Intakes	-	-	-
5		Wells and Springs	67,423	67,423	0
6		Infiltration Galleries and Tunnels	-	-	-
7		Supply Mains	-	-	-
8		Power Generation Equipment	-	-	-
9		Electrical Pumping Equipment	341,101	341,101	0
10		Water Treatment Equipment	2,167	0	(2,167)
11		Water Treatment Plant	-	-	-
12		Chemical Solution Feeders	-	2,167	2,167
13		Distribution Reservoirs & Standpipe	64,318	-	(64,318)
14		Storage Tanks	-	27,712	27,712
15		Pressure Tanks	-	32,553	32,553
16		Transmission and Distribution Mains	139,059	135,201	(3,858)
17		Services	40,947	40,947	-
18		Meters	17,066	17,066	-
19		Hydrants	12,984	12,984	-
20		Backflow Prevention Devices	-	-	-
21		Other Plant & Miscellaneous Equipment	35,847	35,847	-
22		Office Furniture & Fixtures	-	-	-
23		Computers & Software	-	-	-
24		Transportation Equipment	-	-	-
25		Stores Equipment	-	-	-
26		Tools and Work Equipment	-	-	-
27		Laboratory Equipment	-	-	-
28		Power Operated Equipment	-	-	-
29		Communications Equipment	-	-	-
30		Miscellaneous Equipment	-	-	-
31		Other Tangible Plant	-	-	-
			\$ 731,197	\$ 747,210	\$ 16,013

References:

- Col [A]: Company Schedule B-1
- Col [B]: GLF Testimony, RUCO DR 2.12
- Col [C]: Col. [A] + Col. [B]

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Schedule GLF-10.1
Phase 1

ORIGINAL COST RATE BASE ADJUSTMENT # 7 - REDUCE AIAC

<u>LINE</u> <u>NO.</u>	<u>Account</u> <u>Number</u>	<u>DESCRIPTION</u>	<u>[A]</u> <u>COMPANY</u> <u>PROPOSED</u>	<u>[B]</u> <u>STAFF</u> <u>ADJUSTMENTS</u>	<u>[C]</u> <u>STAFF</u> <u>RECOMMENDED</u>
1	108	AIAC	<u>2,101,905</u>	<u>\$ (128,600)</u>	<u>\$ 1,973,305</u>

References:

Col [A]: Company Schedule B-1

Col [B]: GLF Testimony

Col [C]: Col. [A] + Col. [B]

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Schedule GLF-10.2
Phase 1

ORIGINAL COST RATE BASE ADJUSTMENT # 8 - ACCUMULATED DEFERRED INCOME TAX

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1		Accumulated Deferred Income Tax	<u>135,342</u>	<u>\$ (49,686)</u>	<u>\$ 85,656</u>

References:

Col [A]: Company Schedule B-1

Col [B]: GLF Testimony

Col [C]: Col. [A] + Col. [B]

ADIT Calculation

	Adj		Realization Probability	Expected Realized (Taxable TD) Deductible TD	Tax Rate	Future Tax Asset		Future Tax Liability	
	Book Value	Tax Value				Current	Non-current	Current	Non-current
PIS	4,966,519								
A/D	(747,218)								
CIAC	(1,381,314)								
Total/ Fixed Assets	2,837,988	2,019,279	100%	(818,709)	37.8%				(309,316)
AIAC		1,973,305	30%	591,992	37.8%		223,660		
Totals						-	223,660	-	(309,316)

ADIT Net Asset (Liability) - Staff	(85,656)
ADIT Net Asset (Liability) Company as Filed	(135,342)
Staff Adjustment	49,686

Computation of Net Tax Value at Dec. 31, 2009:

Unadjusted Cost per 2009 Tax Deprec Report	4,938,108
Reconciling Items not on tax report	
Net Structures and Improvement to Land not on tax, used in rates	162,306
Adjusted land costs not on tax, on books (Staff adjusted Land Value)	21,638
Net Unadjusted Cost Tax Basis	5,122,053

Basis Reductions/Additions:

Basis reduction 2009 and prior years	(14,706)
Advance or Contr plant with no deprec basis listed on 2009 Tax Deprec Report	(2,707,816)
Accumulated Depreciation 2008 and prior (2009 Tax Deprec Report)	(339,352)
Upsizing Adjustment - Tank	(72,350)
Tax Depreciation related to Tank Upsizing	4,341
Excess Capacity - Mains	128,600
Tax Depreciation related to Excess Capacity - Mains (2008) (AIAC no depr)	-
2009 Current Year Tax Depreciation	(101,491)
Net Basis Reduction 2007 and Prior years	(3,102,774)
Net tax value of PIS at Dec. 31, 2008	2,019,279

CIAC (including impact of change to probability of realization)

Gross CIAC (Schedule B-2)	-
Less: Pre-1996 CIAC	-
A.A.	-
A.A. on Pre-1996	-
A.A. on Post 1996 CIAC	-
Net CIAC before unrealized AIAC	-

Unrealized AIAC Component:

Adjusted Net AIAC	1,973,305
AIAC funding Mains	-
Sub-total	1,973,305
Unrealized AIAC Component % (1-Realized AIAC Component)	70%
	1,381,314
Total Realizable CIAC	1,381,314

AIAC (including impact of change to probability of realization)

AIAC (Schedule B-2)	1,973,305
Less: Pre-1996 AIAC included for book and tax purposes	-
Net AIAC before unrealized portion	1,973,305
Less: Unrealized AIAC from above	(1,381,314)
Net Realizable AIAC	591,992

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	(A) COMPANY ADJUSTED TEST YEAR AS FILED	(B) STAFF TEST YEAR ADJUSTMENTS	(C) STAFF TEST YEAR AS ADJUSTED	(D) STAFF PROPOSED CHANGES	(E) STAFF RECOMMENDED
1	<u>OPERATING REVENUES:</u>					
2	Metered Water Revenues	\$ 559,013	\$ 21,708	\$ 580,721	\$ 69,000	\$ 649,721
3	Unmetered Water Revenues	-	-	-	-	-
4	Other Water Revenues	13,738	-	13,738	-	13,738
5	Total Operating Revenues	\$ 572,751	\$ 21,708	\$ 594,459	\$ 69,000	\$ 663,459
6						
7	<u>OPERATING EXPENSES:</u>					
8	Salaries and Wages	\$ 40,000	-	\$ 40,000	-	\$ 40,000
9	Employee Pensions & Benefits	-	-	-	-	-
10	Purchased Water	-	-	-	-	-
11	Purchased Power	27,066	577	27,643	-	27,643
12	Chemicals	-	-	-	-	-
13	Repairs and Maintenance	7,746	-	7,746	-	7,746
14	Office Supplies and Expense	14,855	-	14,855	-	14,855
15	Outside Services	102,925	-	102,925	-	102,925
16	Water Testing	1,215	1,568	2,783	-	2,783
17	Rents	-	-	-	-	-
18	Transportation Expenses	-	-	-	-	-
19	Insurance - General Liability	9,669	-	9,669	-	9,669
20	Insurance - Health and Life	-	-	-	-	-
21	Advertising	-	-	-	-	-
22	Regulatory Comm Expense - Rate Case	20,000	20,000	40,000	-	40,000
23	Regulatory Comm Expense - Other	378	-	378	-	378
24	Bad Debt Expense	-	-	-	-	-
25	Miscellaneous Expense	-	-	-	-	-
26	Depreciation and Amortization	227,855	17,249	245,104	-	245,104
27	Interest on Security Deposits	-	-	-	-	-
28	Taxes other than Income	2,988	-	2,988	-	2,988
29	Property Taxes	21,299	(2,250)	19,049	686	19,735
30	Income Tax	22,873	(12,813)	10,060	23,532	33,592
31	Total Operating Expenses	\$ 498,869	\$ 24,331	\$ 523,200	\$ 24,218	\$ 547,418
32						
33	Operating Income	\$ 73,882	\$ (2,623)	\$ 71,259	\$ 44,782	\$ 116,041

References:
Column [A]: Company Schedule C-1
Column [B]: Schedule GLF-12
Column [C]: Column [A] + Column [B]
Column [D]: Schedules GLF-1 and GLF-2
Column [E]: Column [C] + Column [D]

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SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) GLF-13 Revenue Annualization ADJ #1	(C) GLF-14 Rate Case Exp ADJ #2	(D) GLF-15 Water Testing ADJ #3	(E) GLF-16 Depreciation Exp ADJ #4	(F) GLF-17 Property Taxes ADJ #5	(G) GLF-18 Income Taxes ADJ #6	(H) GLF-18.1 An Pur Pwr ADJ #7	(I) STAFF ADJUSTED
1	<u>Operating Revenues:</u>									
2	Metered Water Revenues	\$ 559,013	\$ 21,708							\$ 580,721
3	Unmetered Water Revenues	13,738								13,738
4	Other Water Revenues									
5	Total Operating Revenues	\$ 572,751	\$ 21,708							\$ 594,459
6	<u>Operating Expenses:</u>									
7	Salaries and Wages	\$ 40,000								40,000
8	Employee Pensions & Benefits									
9	Purchased Water									
10	Purchased Power	27,066							577	27,643
11	Chemicals									
12	Repairs and Maintenance	7,746								7,746
13	Office Supplies and Expense	14,855								14,855
14	Outside Services	102,925								102,925
15	Water Testing	1,215			1,568					2,783
16	Rents									
17	Transportation Expenses									
18	Insurance - General Liability	9,669								9,669
19	Insurance - Health and Life									
20	Advertising									
21	Regulatory Comm Expense - Rate Case	20,000		20,000						40,000
22	Regulatory Comm Expense - Other	378								378
23	Bad Debt Expense									
24	Miscellaneous Expense	227,855				17,249				245,104
25	Depreciation and Amortization									
26	Interest on Security Deposits	2,988								2,988
27	Taxes other than Income	21,299					(2,250)			19,049
28	Property Taxes	22,873						(12,813)		10,060
29	Income Tax									
30	Total Operating Expenses	\$ 498,869	\$ 21,708	\$ 20,000	\$ 1,568	\$ 17,249	\$ (2,250)	\$ (12,813)	\$ 577	\$ 523,200
31	Operating Income	\$ 73,882	\$ 21,708	\$ (20,000)	\$ (1,568)	\$ (17,249)	\$ 2,250	\$ 12,813	\$ (577)	\$ 71,259

References:
Column [A]: Company Schedule C-1
Column [B] - [G]: Schedule GTM-13 through GTM-17
Column [C]: Add Column [A] - Column [F]

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Schedule GLF-13
Phase 1

OPERATING INCOME ADJUSTMENT # 1 - REVENUE ANNUALIZATION

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1		Metered Water Revenues	<u>\$ 559,013</u>	<u>\$ 21,708</u>	<u>\$ 580,721</u>

References:

Col [A]: Company Schedule B-1

Col [B]: GLF Testimony

Col [C]: Col. [A] + Col. [B]

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Schedule GLF-14
Phase 1

OPERATING INCOME ADJUSTMENT # 2 - RATE CASE EXPENSE

<u>LINE</u> <u>NO.</u>	<u>DESCRIPTION</u>	<u>[A]</u> <u>COMPANY</u> <u>PROPOSED</u>	<u>[B]</u> <u>STAFF</u> <u>ADJUSTMENTS</u>	<u>[C]</u> <u>STAFF</u> <u>RECOMMENDED</u>
1	Regulatory Commission Expense - Rate Case	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 40,000</u>

References:

Column [A]: Company Schedule C-1
Column [B]: GLF Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule GLF-15
Phase 1

OPERATING INCOME ADJUSTMENT # 3 - WATER TESTING EXPENSE

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1		Water Testing	<u>\$ 1,215</u>	<u>\$ 1,568</u>	<u>\$ 2,783</u>

References:

Col [A]: Company Schedule B-1

Col [B]: GLF Testimony

Col [C]: Col. [A] + Col. [B]

OPERATING INCOME ADJUSTMENT # 4 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization	\$ 227,855	\$ 17,249	\$ 245,104

Line No.	ACCT NO.	DESCRIPTION	[A] Company Proposed PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
Plant In Service						
2	301	Organization Cost	\$ 127,103	127,103	0.00%	\$ -
3	302	Franchise Cost	-	-	0.00%	-
4	303	Land and Land Rights	494,159	21,638	0.00%	-
5	304	Structures and Improvements	182,570	368,799	3.33%	12,281
6	305	Collecting and Impounding Res.	-	-	2.50%	-
7	306	Lake River and other Intakes	-	-	2.50%	-
8	307	Wells and Springs	386,591	386,591	3.33%	12,873
9	308	Infiltration Galleries and Tunnels	-	-	6.67%	-
10	309	Supply Mains	-	-	2.00%	-
11	310	Power Generation Equipment	-	-	5.00%	-
12	311	Electrical Pumping Equipment	968,652	968,652	12.50%	121,082
13	320.0	Water Treatment Equipment	15,947	-	-	-
14	320.1	Water Treatment Plant	-	-	3.33%	-
15	320.2	Chemical Solution Feeders	-	15,947	20.00%	3,189
16	330	Distribution Reservoirs & Standpipe	836,890	-	-	-
17	330	Storage Tanks	-	312,477	2.22%	6,937
18	330	Pressure Tanks	-	452,063	5.00%	22,603
19	331	Transmission and Distribution Mains	1,611,320	1,482,720	2.00%	29,654
20	333	Services	386,947	386,947	3.33%	12,885
21	334	Meters	94,263	94,263	8.33%	7,852
22	335	Hydrants	161,737	161,737	2.00%	3,235
23	336	Backflow Prevention Devices	-	-	6.67%	-
24	339	Other Plant & Miscellaneous Equipment	187,582	187,582	6.67%	12,512
25	340	Office Furniture & Fixtures	-	-	6.67%	-
26	340	Computers & Software	-	-	20.00%	-
27	341	Transportation Equipment	-	-	20.00%	-
28	342	Stores Equipment	-	-	4.00%	-
29	343	Tools and Work Equipment	-	-	5.00%	-
30	344	Laboratory Equipment	-	-	10.00%	-
31	345	Power Operated Equipment	-	-	5.00%	-
32	346	Communications Equipment	-	-	10.00%	-
33	347	Miscellaneous Equipment	-	-	10.00%	-
34	348	Other Tangible Plant	-	-	3.33%	-
35	-	Rounding Amount	-	-	67.00%	-
36		Subtotal General	\$ 5,453,761	\$ 4,966,519		\$ 245,104
37		Less: Non- depreciable Account(s)	621,262	148,741		
38		Depreciable Plant (L29-L30)	\$ 4,832,499	\$ 4,817,778		
39		Contributions-in-Aid-of-Construction (CIAC)			\$ -	
40		Weighted Average Depreciation/Amortization Rate			5.0875%	
41		Less: Amortization of CIAC (L32 x L33)				\$ -
42		Depreciation Expense - STAFF [Col. (C), L36 - L41]				\$ 245,104

OPERATING INCOME ADJUSTMENT # 5 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2009	\$ 594,459	\$ 594,459
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 1,188,918	\$ 1,188,918
4a	Staff Adjusted Test Year Revenues - 2006	594,459	
4b	Staff Recommended Revenue, Per Schedule GLF-1		663,459
5	Subtotal (Line 4 + Line 5)	\$ 1,783,377	\$ 1,852,377
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 594,459	\$ 617,459
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 1,188,918	\$ 1,234,918
10	Plus: 10% of CWIP -		-
11	Less: Net Book Value of Licensed Vehicles		-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 1,188,918	\$ 1,234,918
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	237,784	\$ 246,984
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16)	7.4558%	7.4558%
16	Property Tax Expense - Excludes Parcels (Line 14 * Line 15)	\$ 17,729	\$ 18,415
17	Tax of Parcels	\$ 1,320	\$ 1,320
18	Staff Recommended Test Year Property Tax (Line 16 + Line 17)	\$ 19,049	
19	Company Proposed Property Tax	21,299	
20	Staff Test Year Adjustment (Line 18-Line 19)	\$ (2,250)	
21	Property Tax - Staff Recommended Revenue (Line 16 + Line 17)		\$ 19,735
22	Staff Test Year Adjusted Property Tax Expense (Line 18)		\$ 19,049
23	Increase/(Decrease) to Property Tax Expense Line 21 - Line 22)		\$ 686
24	Increase to Property Tax Expense		\$ 686
25	Increase in Revenue Requirement		69,000
26	Increase to Property Tax per Dollar Increase in Revenue (Line 24/Line 25)		0.994107%

References:

Col [A]: Company Schedule C-1 Page 3
Col [B]: GLF Testimony

GOODMAN WATER COMPANY
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Schedule GLF-18
Phase 1

OPERATING INCOME ADJUSTMENT # 6 - INCOME TAXES

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	Income Tax	<u>\$ 22,873</u>	<u>\$ (12,813)</u>	<u>\$ 10,060</u>

References:

Col [A]: Company Schedule C-1 Page 3

Col [B]: Column [C] - Column [A]

Col [C]: Schedule GLF-2

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Schedule GLF-18.1
Phase 1

OPERATING INCOME ADJUSTMENT # 7 - ANNUALIZE PURCHASED POWER

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1		Purchased Power	<u>\$ 27,066</u>	<u>\$ 577</u>	<u>\$ 27,643</u>

References:

- Col [A]: Company Schedule B-1
- Col [B]: GLF Testimony
- Col [C]: Col. [A] + Col. [B]

RATE DESIGN

Monthly Usage Charge (all classes)	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8" Meter - All Classes	\$ 42.20	\$ 56.97	\$ 42.50
3/4" Meter - All Classes	\$ 63.30	\$ 85.46	\$ 63.75
1" Meter - All Classes	\$ 105.50	\$ 142.43	\$ 106.00
1½" Meter - All Classes	\$ 211.50	\$ 284.85	\$ 213.00
2" Meter - All Classes	\$ 339.68	\$ 455.76	\$ 340.00
3" Meter - All Classes	\$ 675.20	\$ 911.52	\$ 680.00
4" Meter - All Classes	\$ 1,055.00	\$ 1,424.25	\$ 1,063.00
6" Meter - All Classes	\$ 2,110.00	\$ 2,848.50	\$ 2,125.00
Construction/Stand pipe	N/A	N/A	N/A
Commodity Rates (all classes)			
5/8" Meter			
From 1 to 3,000 Gallons	\$ 3.95	\$ 6.80	\$ 4.30
From 3,001 to 9,000 Gallons	\$ 5.91	\$ 10.92	\$ 8.70
Over 9,000 Gallons	\$ 7.11	\$ 13.13	\$ 10.50
3/4" Meter			
From 1 to 3,000 Gallons	\$ 3.95	\$ 6.80	\$ 4.30
From 3,001 to 9,000 Gallons	\$ 5.91	\$ 10.92	\$ 8.70
Over 10,000 Gallons	\$ 7.11	\$ 13.13	\$ 10.50
1" Meter			
From 1 to 22,500 Gallons	\$ 5.91	\$ 10.92	\$ 8.70
Over 22,500 Gallons	\$ 7.11	\$ 13.13	\$ 10.50
1½" Meter			
From 1 to 34,000 Gallons	\$ 5.91	\$ 10.92	\$ 8.70
Over 34,000 Gallons	\$ 7.11	\$ 13.13	\$ 10.50
2" Meter			
From 1 to 45,000 Gallons	\$ 5.91	\$ 10.92	\$ 8.70
Over 45,000 Gallons	\$ 7.11	\$ 13.13	\$ 10.50
3" Meter			
From 1 to 68,000 Gallons	\$ 5.91	\$ 10.92	\$ 8.70
Over 68,000 Gallons	\$ 7.11	\$ 13.13	\$ 10.50
4" Meter			
From 1 to 90,000 Gallons	\$ 5.91	\$ 10.92	\$ 8.70
Over 90,000 Gallons	\$ 7.11	\$ 13.13	\$ 10.50
6" Meter (Res., Comm.)			
From 1 to 135,000 Gallons	\$ 5.91	\$ 10.92	\$ 8.70
Over 135,000 Gallons	\$ 7.11	\$ 13.13	\$ 10.50
Construction/Stand pipe (Res., Comm.)			
All Gallons	\$ 7.11	\$ 13.13	\$ 10.50

Service Line and Meter Installation Charges	Present	Co. Proposed			Staff Recommended		
	Total	Line	Meter	Total	Line	Meter	Total
5/8" Meter	\$ 225	\$ 385	\$ 135	\$ 520	\$ 385	\$ 135	\$ 520
3/4" Meter	270	415	205	620	415	205	620
1" Meter	300	465	265	730	465	265	730
1½" Meter	425	520	475	995	520	475	995
2" Turbine Meter	550	800	995	1,795	800	995	1,795
2" Compound Meter	550	800	1,840	2,640	800	1,840	2,640
3" Turbine Meter	750	1,015	1,620	2,635	1,015	1,620	2,635
3" Compound Meter	750	1,135	2,495	3,630	1,135	2,495	3,630
4" Turbine Meter	1,375	1,430	2,570	4,000	1,430	2,570	4,000
4" Compound Meter	1,375	1,610	3,545	5,155	1,610	3,545	5,155
6" Turbine Meter	2,800	2,150	4,925	7,075	2,150	4,925	7,075
6" Compound Meter	2,800	2,270	6,820	9,090	2,270	6,820	9,090
8"	Cost	Cost	Cost	Cost	Cost	Cost	Cost
10"	Cost	Cost	Cost	Cost	Cost	Cost	Cost
12"	Cost	Cost	Cost	Cost	Cost	Cost	Cost
Service Charges							
Establishment	\$ 50.00			\$ 50.00			\$ 50.00
Establishment (After Hours)	75.00			75.00			NT
Reconnection (delinquent)	75.00			75.00			75.00
Reconnection (after hours)	50.00			50.00			NT
Meter Test	20.00			20.00			20.00
Deposit Requirement (Residential)	(a)			(a)			(a)
Deposit Requirement (None Residential Meter)	(a)			(a)			(a)
Deposit Interest	6.00%			6.00%			6.00%
Re-Establishment (With-in 12 Months)	(b)			(b)			(b)
NSF Check	15.00			15.00			15.00
Deferred Payment, Per Month	1.5%			1.50%			1.50%
Meter Re-Read	20.00			20.00			20.00
Late Charge per month	1.5%			1.5%			1.5%
Customer Requested Meter Test	20.00			20.00			20.00
After Hours Service Charge	10.00			10.00			50.00
Turn-on/off (at customer request)	NT			75.00			NT
Moving Customer Meter (at customer request)	NT			cost			cost
NT = No Tariff							
Monthly Service Charge for Fire Sprinkler							
All Meter Sizes							Greater of \$10 or 2 percent of the general service rate for a similar size meter.

Per Commission Rules (R14-2-403.B)

- (a) Residential - two times the average bill. Non-residential - two and one-half times the average bill.
- (b) Minimum charge times number of months disconnected.

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per Commission Rule (14-2-409.D.5).
All advances and/or contributions are to include labor, materials, overheads and all applicable taxes,
Cost to include labor, materials and parts, overheads and all applicable taxes.

Typical Bill Analysis
Residential 5/8 Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,477	\$ 66.73	\$ 100.30	\$ 33.57	50.31%
Median Usage	4,500	60.96	89.63	\$ 28.68	47.04%
Staff Recommended					
Average Usage	5,477	\$ 66.73	\$ 76.95	\$ 10.22	15.32%
Median Usage	4,500	60.96	68.45	\$ 7.49	12.30%

Present & Proposed Rates (Without Taxes)
Residential 5/8 Inch Meter

Consumption	Rates	Rates	Increase	Rates	Increase
-	\$ 42.20	\$ 56.97	35.00%	\$ 42.50	0.71%
1,000	46.15	63.77	38.18%	46.80	1.41%
2,000	50.10	70.57	40.86%	51.10	2.00%
3,000	54.05	77.37	43.15%	55.40	2.50%
4,000	58.00	84.17	45.12%	64.10	10.52%
4,500	60.96	89.63	47.04%	68.45	12.30%
5,000	63.91	95.09	48.79%	72.80	13.91%
5,477	66.73	100.30	50.31%	76.95	15.32%
6,000	69.82	106.01	51.83%	81.50	16.73%
7,000	75.73	116.93	54.40%	90.20	19.11%
8,000	81.64	127.85	56.60%	98.90	21.14%
9,000	87.55	138.77	58.50%	107.60	22.90%
10,000	94.66	151.90	60.47%	118.10	24.76%
11,000	101.77	165.03	62.16%	128.60	26.36%
12,000	108.88	178.16	63.63%	139.10	27.76%
13,000	115.99	191.29	64.92%	149.60	28.98%
14,000	123.10	204.42	66.06%	160.10	30.06%
15,000	130.21	217.55	67.08%	170.60	31.02%
16,000	137.32	230.68	67.99%	181.10	31.88%
17,000	144.43	243.81	68.81%	191.60	32.66%
18,000	151.54	256.94	69.55%	202.10	33.36%
19,000	158.65	270.07	70.23%	212.60	34.01%
20,000	165.76	283.20	70.85%	223.10	34.59%
25,000	201.31	348.85	73.29%	275.60	36.90%
30,000	236.86	414.50	75.00%	328.10	38.52%
35,000	272.41	480.15	76.26%	380.60	39.72%
40,000	307.96	545.80	77.23%	433.10	40.64%
45,000	343.51	611.45	78.00%	485.60	41.36%
50,000	379.06	677.10	78.63%	538.10	41.96%
75,000	556.81	1,005.35	80.56%	800.60	43.78%
100,000	734.56	1,333.60	81.55%	1,063.10	44.73%

GOODMAN WATER COMPANY
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Test Year ended December 31, 2009

TESTIMONY - GORDON L. FOX

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REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 2,402,222	\$ 2,402,222	\$ 2,077,253	\$ 2,077,253
2	Adjusted Operating Income (Loss)	\$ 73,882	\$ 73,882	\$ 71,259	\$ 71,259
3	Current Rate of Return (L2 / L1)	3.08%	3.08%	3.43%	3.43%
4	Required Rate of Return	10.54%	10.54%	6.52%	6.52%
5	Required Operating Income (L4 * L1)	\$ 253,194	\$ 253,194	\$ 135,425	\$ 135,425
6	Operating Income Deficiency (L5 - L2)	\$ 179,312	\$ 179,312	\$ 64,166	\$ 64,166
7	Gross Revenue Conversion Factor	1.6254	1.6254	1.6130	1.6130
8	Required Revenue Increase (L7 * L6)	\$ 291,454	\$ 291,454	\$ 103,500	\$ 103,500
9	Adjusted Test Year Revenue	\$ 572,751	\$ 572,751	\$ 594,459	\$ 594,459
10	Proposed Annual Revenue (L8 + L9)	\$ 864,205	\$ 864,205	\$ 697,959	\$ 697,959
11	Required Increase in Revenue (%)	50.89%	50.89%	17.41%	17.41%
12	Rate of Return on Common Equity (%)	11.00%	11.00%		

References:

Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedule GLF-2 , GLF-3 & GLF-11

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 23)	38.0039%			
5	Subtotal (L3 - L4)	61.9961%			
6	Revenue Conversion Factor (L1 / L5)	1.6130			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	37.3814%			
9	One Minus Combined Income Tax Rate (L7 - L8)	62.6186%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 53)	32.6914%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.304134312			
17	Combined Federal and State Income Tax Rate (L13 +L16)	37.3814%			
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	37.3814%			
20	One Minus Combined Income Tax Rate (L18 - L19)	62.6186%			
21	Property Tax Factor (GLF-17, L26)	0.9941%			
22	Effective Property Tax Factor (L 21 * L 22)	0.6225%			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		38.0039%		
24	Required Operating Income (Schedule GLF-1, Line 5)	\$ 135,425			
25	Adjusted Test Year Operating Income (Loss) (Schedule GLF-11, Line 33)	\$ 71,259			
26	Required Increase in Operating Income (L24 - L25)		\$ 64,166		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	\$ 48,366			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	\$ 10,060			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 38,305		
30	Recommended Revenue Requirement (Schedule GLF-1, Line 10)	\$ 697,959			
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. (L32 - L33)		\$ -		
35	Property Tax with Recommended Revenue (GLF-17, L21)	\$ 20,078			
36	Property Tax on Test Year Revenue (GLF-17, L22)	\$ 19,049			
37	Increase in Property Tax Due to Increase in Revenue (GLF-17, L23)		\$ 1,029		
38	Total Required Increase in Revenue (L26 + L29 + L34+L37)		\$ 103,500		
<u>Calculation of Income Tax:</u>					
39	Revenue (Schedule GLF-11, Col.[C], Line 5 & Sch. GLF-1, Col. [D], Line 10)	\$ 594,459		\$ 697,959	
40	Operating Expenses Excluding Income Taxes	\$ 513,139		\$ 514,168	
41	Synchronized Interest (L56)	\$ 33,236		\$ 33,236	
42	Arizona Taxable Income (L39 - L40- L41)	\$ 48,083		\$ 150,555	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L42 x L43)	\$ 3,350		\$ 10,491	
45	Federal Taxable Income (L42 - L44)	\$ 44,733		\$ 140,064	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 6,710		\$ 7,500	
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ -		\$ 6,250	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -		\$ 8,500	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -		\$ 15,625	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$1,000,000) @ 34%	\$ -		\$ -	
51	Total Federal Income Tax	\$ 6,710		\$ 37,875	
52	Combined Federal and State Income Tax (L44 + L51)	\$ 10,060		\$ 48,366	
53	Applicable Federal Income Tax Rate [Col. (D), L51 - Col. (B), L51] / [Col. (C), L44 - Col. (A), L44]				32.69%
<u>Calculation of Interest Synchronization:</u>					
54	Rate Base (Schedule GLF-3, Col. [C], Line (14))	\$ 2,077,253			
55	Weighted Average Cost of Debt (Surrebuttal Schedule JCM-1)	1.60%			
56	Synchronized Interest (L54 X L55)	\$ 33,236			

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	REF	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 5,453,761	\$ (487,242)	\$ 4,966,519
2	Less: Accumulated Depreciation	731,205	16,013	747,218
3	Net Plant in Service	<u>\$ 4,722,556</u>	<u>\$ (503,255)</u>	<u>\$ 4,219,301</u>
<u>LESS:</u>				
4	Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -
5	Less: Accumulated Amortization	-	-	-
6	Net CIAC	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
7	Advances in Aid of Construction (AIAC)	2,101,905	(128,600)	1,973,305
8	Service Line & Meter Installation Charges	83,087	-	83,087
9	Deferred Income Tax Credits	135,342	(49,686)	85,656
<u>ADD:</u>				
10	Unamortized Finance Charges	-	-	-
11	Deferred Tax Assets	-	-	-
12	Working Capital	-	-	-
13	Intentionally Left Blank	-	-	-
14	Original Cost Rate Base	<u>\$ 2,402,222</u>	<u>\$ (324,969)</u>	<u>\$ 2,077,253</u>

References:

Column (A), Company Schedule B-1
Column [B]: Column [C] - Column [A]
Column [C], GLF-4

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) LAND ADJ.#1	(C) WATER TREATMENT ADJ.#2	(D) DISTRIBUTION RESERVOIR ADJ.#3	(E) DISTRIBUTION RESERVOIR ADJ.#4	(F) TRANSMISSION MAINS ADJ.#5	(G) ACCUMULATED DEPRECIATION ADJ.#6	(C) AIAC ADJ.#7	(I) ADIT ADJ.#8	(J) STAFF ADJUSTED
PLANT IN SERVICE:												
1	301	Organization Cost	\$ 127,103									\$ 127,103
2	302	Franchise Cost										
3	303	Land and Land Rights		(472,521)								21,638
4	304	Structures and Improvements	182,570	186,229								368,799
5	305	Collecting and Impounding Res.										
6	306	Lake River and other Intakes										
7	307	Wells and Springs	386,591									386,591
8	308	Infiltration Galleries and Tunnels										
9	309	Supply Mains										
10	310	Power Generation Equipment										
11	311	Electrical Pumping Equipment	968,652									968,652
12	320	Water Treatment Equipment	15,947		(15,947)							
13	320.1	Water Treatment Plant										
14	320.2	Chemical Solution Feeders										
15	330	Distribution Reservoirs & Standpipe	836,890				(72,350)					15,947
16	330.1	Storage Tanks				(836,890)						312,477
17	330.2	Pressure Tanks				384,827		(128,600)				452,063
18	331	Transmission and Distribution Mains	1,611,320									1,482,720
19	333	Services	386,947									386,947
20	334	Meters	161,737									94,263
21	335	Hydrants										161,737
22	336	Backflow Prevention Devices										
23	338	Other Plant & Miscellaneous Equipment	187,582									187,582
24	340	Office Furniture & Fixtures										
25	340.1	Computers & Software										
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										
32	347	Miscellaneous Equipment										
33	348	Other Tangible Plant										
34		Rounding Amount	\$ 5,453,761	\$ (286,292)			\$ (72,350)	\$ (128,600)				\$ 4,966,519
35		Subtotal Plant in Service										
36		Add:										
37	Other 1	Intentionally Left Blank										
38	Other 2	Intentionally Left Blank										
39	Less:											
40	Other 3	Intentionally Left Blank										
41	Other 4	Intentionally Left Blank										
42												
43		Total Plant in Service:	\$ 5,453,761	\$ (286,292)			\$ (72,350)	\$ (128,600)	\$ 16,013			\$ 4,966,519
44		Less: Accumulated Depreciation	731,205									\$ 747,218
45		Intentionally Left Blank										
46		Net Plant in Service (L59 - L 60)	\$ 4,722,556	\$ (286,292)			\$ (72,350)	\$ (128,600)	\$ (16,013)			\$ 4,219,301
47												
48		LESS:										
49		Contributions in Aid of Construction (CIAC)										
50		Less: Accumulated Amortization										
51		Net CIAC (L49 - L50)										
52		Advances in Aid of Construction (AIAC)	2,101,905									1,973,305
53		Service Line & Meter Installation Charges	83,087									83,087
54		Deferred Income Tax Credit	135,342									85,656
55												
56		ADD:										
57		Unamortized Finance Charges										
58		Deferred Tax Assets										
59		Working Capital										
60		Regulatory Asset (Liability)										
61		Original Cost Rate Base	\$ 2,402,222	\$ (286,292)			\$ (72,350)	\$ (128,600)	\$ (16,013)		\$ (49,686)	\$ 2,077,253

References:
Column [A] Schedule B-2, E-1

ORIGINAL COST RATE BASE ADJUSTMENT # 1 - LAND PURCHASE

LINE NO.	Description	Account Number	COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED		
1	Land and Land Rights	303	\$ 494,159	\$ (472,521)	\$ 21,638		
2	Structures & Improvements	304	\$ 182,570	\$ 186,229	\$ 368,799		
			Plant 1 0.72 Acres	Plant 2 0.25 Acres	Plant 4 0.39 Acres	Plant 3 0.63 Acres	Total 1.99 Acres
Land:							
3	Purchase Price (467.155 Acres)	\$ 4,103,318	\$ 6,324	\$ 2,196	\$ 3,426	\$ 5,534	\$ 17,479
4	Closing Costs						\$ 2,159
5	Appraisal Fee						\$ 2,000
6	Total Land						\$ 21,638
Structures and Improvements:							
7	GRA Improvements 4/15/85 to 6/12/01	\$ 795,363	\$ 1,226	\$ 426	\$ 664	\$ 1,073	\$ 3,388
8	Phase I Development Costs (68.93 Acres)	\$ 7,283,576	76,080	26,417	-	-	\$ 102,496
9	Phase III Development Costs (43.66 Acres)	\$ 2,284,877	-	-	20,410	-	\$ 20,410
10	Phase IV Development Costs (95.705 Acres)	\$ 9,104,785	-	-	-	59,934	\$ 59,934
11	Total Add'l Structures and Improvements		\$ 77,306	\$ 26,842	\$ 21,074	\$ 61,007	\$ 186,229

Accumulated Depreciation - Structures and Improvements - Book:

In Service Date:	5/1/02	8/1/05	1/1/08	10/1/08	
12 Depreciation Basis (Line 11)	\$ 77,306	\$ 26,842	\$ 21,074	\$ 61,007	\$ 186,229
13 Depreciation - 2002 (2.5%)	966				966
14 Depreciation - 2003 (2.5%)	1,933				1,933
15 Depreciation - 2004 (2.5%)	1,933				1,933
16 Depreciation - 2005 (2.5%)	1,933	336			2,268
17 Depreciation - 2006 (2.5%)	1,933	671			2,604
18 Depreciation - 2007 (2.5%*4/12) +(3.33%*8/12) ¹	2,360	820			3,180
19 Depreciation - 2008 (3.33%)	2,574	894	351	1,016	4,835
20 Depreciation - 2009 (3.33%) - Test Year	2,574	894	702	2,035	6,204
21 Accumulated Depreciation (Sum Lines 13 thru 20) ²	\$ 16,206	\$ 3,614	\$ 1,053	\$ 3,050	\$ 23,923

¹ Depreciation rate changed from 2.5% to 3.33% May 1, 2007.

² \$23,923 adjustment to A/D is reflected in GLF-10, Line 2.

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Schedule GLF-6
 Phase 2

ORIGINAL COST RATE BASE ADJUSTMENT # 2 - RECLASSIFY WATER TREATMENT EQUIPMENT

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	320	Water Treatment Equipment	\$ 15,947	\$ (15,947)	\$ -
2	320.1	Water Treatment Plant		-	-
3	320.2	Chemical Solution Feeders		\$ 15,947	\$ 15,947
4		Total	<u>\$ 15,947</u>	<u>\$ -</u>	<u>\$ 15,947</u>

References:

- Col [A]: Company Schedule B-1
- Col [B]: GLF Testimony , SDR GTM-1.5
- Col [C]: Col. [A] + Col. [B]

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Schedule GLF-7
 Phase 2

ORIGINAL COST RATE BASE ADJUSTMENT # 3 - RECLASSIFY DISTRIBUTION RESERVOIRS

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	330	Distribution Reservoirs & Standpipe	\$ 836,890	\$ (836,890)	\$ -
2	330.1	Storage Tanks		\$ 384,827	\$ 384,827
3	330.2	Pressure Tanks		\$ 452,063	\$ 452,063
4		Total	<u>\$ 836,890</u>	<u>\$ -</u>	<u>\$ 836,890</u>

References:

Col [A]: Company Schedule B-1
 Col [B]: GLF Testimony, SDR GTM-1.4
 Col [C]: Col. [A] + Col. [B]

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Schedule GLF-8
Phase 2

ORIGINAL COST RATE BASE ADJUSTMENT # 4 - ELIMINATE EXCESS CAPACITY - STORAGE TANK

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	331	Storage Tanks ¹	<u>\$ 384,827</u>	<u>\$ (72,350)</u>	<u>\$ 312,477</u>

¹ The Company proposed amount is the portion claimed by the Company and reclassified by Staff to Acct. 330.1 as shown in GTM-7.

References:

Col [A]: Company Schedule B-1
Col [B]: GLF and MSJ Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule GLF-9
Phase 2

ORIGINAL COST RATE BASE ADJUSTMENT # 5 - ELIMINATE EXCESS CAPACITY - DISTRIBUTION MAINS

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	333	Transmission and Distribution Mains	<u>1,611,320</u>	<u>\$ (128,600)</u>	<u>\$ 1,482,720</u>

References:

Col [A]: Company Schedule B-1
Col [B]: GTM and MSJ Testimony
Col [C]: Col. [A] + Col. [B]

ORIGINAL COST RATE BASE ADJUSTMENT # 6 - ADJUST ACCUMULATED DEPRECIATION

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Accumulated Depreciation	\$ 731,205	\$ 16,013	\$ 747,218
			Accumulated Depreciation per application	Accumulated Depreciation per Staff	Difference
2		Structures and Improvements	\$ 10,285	\$ 34,208	\$ 23,923
3		Collecting and Impounding Res.	-	-	-
4		Lake River and other Intakes	-	-	-
5		Wells and Springs	67,423	67,423	0
6		Infiltration Galleries and Tunnels	-	-	-
7		Supply Mains	-	-	-
8		Power Generation Equipment	-	-	-
9		Electrical Pumping Equipment	341,101	341,101	0
10		Water Treatment Equipment	2,167	0	(2,167)
11		Water Treatment Plant	-	-	-
12		Chemical Solution Feeders	-	2,167	2,167
13		Distribution Reservoirs & Standpipe	64,318	-	(64,318)
14		Storage Tanks	-	27,712	27,712
15		Pressure Tanks	-	32,553	32,553
16		Transmission and Distribution Mains	139,059	135,201	(3,858)
17		Services	40,947	40,947	-
18		Meters	17,066	17,066	-
19		Hydrants	12,984	12,984	-
20		Backflow Prevention Devices	-	-	-
21		Other Plant & Miscellaneous Equipment	35,847	35,847	-
22		Office Furniture & Fixtures	-	-	-
23		Computers & Software	-	-	-
24		Transportation Equipment	-	-	-
25		Stores Equipment	-	-	-
26		Tools and Work Equipment	-	-	-
27		Laboratory Equipment	-	-	-
28		Power Operated Equipment	-	-	-
29		Communications Equipment	-	-	-
30		Miscellaneous Equipment	-	-	-
31		Other Tangible Plant	-	-	-
			\$ 731,197	\$ 747,210	\$ 16,013

References:

Col [A]: Company Schedule B-1
Col [B]: GLF Testimony, RUCO DR 2.12
Col [C]: Col. [A] + Col. [B]

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Schedule GLF-10.1
Phase 2

ORIGINAL COST RATE BASE ADJUSTMENT # 7 - REDUCE AIAC

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	108	AIAC	<u>2,101,905</u>	<u>\$ (128,600)</u>	<u>\$ 1,973,305</u>

References:

Col [A]: Company Schedule B-1
Col [B]: GLF Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule GLF-10.2
 Phase 2

ORIGINAL COST RATE BASE ADJUSTMENT # 8 - ACCUMULATED DEFERRED INCOME TAX

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Accumulated Deferred Income Tax	135,342	\$ (49,686)	\$ 85,656

References:

Col [A]: Company Schedule B-1

Col [B]: GLF Testimony

Col [C]: Col. [A] + Col. [B]

ADIT Calculation

	Adj Book Value	Tax Value	Realization Probability	Expected Realized (Taxable TD) Deductible TD	Tax Rate	Future Tax Asset		Future Tax Liability	
						Current	Non-current	Current	Non-current
PIS	4,966,519								
A/D	(747,218)								
CIAC	(1,381,314)								
Total/ Fixed Assets	2,837,988	2,019,279	100%	(818,709)	37.8%				(309,316)
AIAC		1,973,305	30%	591,992	37.8%		223,660		
Totals						-	223,660	-	(309,316)

ADIT Net Asset (Liability) - Staff	(85,656)
ADIT Net Asset (Liability) Company as Filed	(135,342)
Staff Adjustment	49,686

Computation of Net Tax Value at Dec. 31, 2009:

Unadjusted Cost per 2009 Tax Deprec Report	4,938,108
Reconciling Items not on tax report	
Net Structures and Improvement to Land not on tax, used in rates	162,306
Adjusted land costs not on tax, on books (Staff adjusted Land Value)	21,638
Net Unadjusted Cost Tax Basis	5,122,053

Basis Reductions/Additions:

Basis reduction 2009 and prior years	(14,706)
Advance or Contr plant with no deprec basis listed on 2009 Tax Deprec Report	(2,707,816)
Accumulated Depreciation 2008 and prior (2009 Tax Deprec Report)	(339,352)
Upsizing Adjustment - Tank	(72,350)
Tax Depreciation related to Tank Upsizing	4,341
Excess Capacity - Mains	128,600
Tax Depreciation related to Excess Capacity - Mains (2008) (AIAC no depr)	-
2009 Current Year Tax Depreciation	(101,491)
Net Basis Reduction 2007 and Prior years	(3,102,774)
Net tax value of PIS at Dec. 31, 2008	2,019,279

CIAC (including impact of change to probability of realization)

Gross CIAC (Schedule B-2)	-
Less: Pre-1996 CIAC	-
A.A.	-
A.A. on Pre-1996	-
A.A. on Post 1996 CIAC	-
Net CIAC before unrealized AIAC	-

Unrealized AIAC Component:

Adjusted Net AIAC	1,973,305
AIAC funding Mains	-
Sub-total	1,973,305
Unrealized AIAC Component % (1-Realized AIAC Component)	70%
	1,381,314
Total Realizable CIAC	1,381,314

AIAC (including impact of change to probability of realization)

AIAC (Schedule B-2)	1,973,305
Less: Pre-1996 AIAC included for book and tax purposes	-
Net AIAC before unrealized portion	1,973,305
Less: Unrealized AIAC from above	(1,381,314)
Net Realizable AIAC	591,992

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>OPERATING REVENUES:</u>					
2	Metered Water Revenues	\$ 559,013	\$ 21,708	\$ 580,721	\$ 103,500	\$ 684,221
3	Unmetered Water Revenues	-	-	-	-	-
4	Other Water Revenues	13,738	-	13,738	-	13,738
5	Total Operating Revenues	\$ 572,751	\$ 21,708	\$ 594,459	\$ 103,500	\$ 697,959
6						
7	<u>OPERATING EXPENSES:</u>					
8	Salaries and Wages	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ 40,000
9	Employee Pensions & Benefits	-	-	-	-	-
10	Purchased Water	-	-	-	-	-
11	Purchased Power	27,066	577	27,643	-	27,643
12	Chemicals	-	-	-	-	-
13	Repairs and Maintenance	7,746	-	7,746	-	7,746
14	Office Supplies and Expense	14,855	-	14,855	-	14,855
15	Outside Services	102,925	-	102,925	-	102,925
16	Water Testing	1,215	1,568	2,783	-	2,783
17	Rents	-	-	-	-	-
18	Transportation Expenses	-	-	-	-	-
19	Insurance - General Liability	9,669	-	9,669	-	9,669
20	Insurance - Health and Life	-	-	-	-	-
21	Advertising	-	-	-	-	-
22	Regulatory Comm Expense - Rate Case	20,000	20,000	40,000	-	40,000
23	Regulatory Comm Expense - Other	378	-	378	-	378
24	Bad Debt Expense	-	-	-	-	-
25	Miscellaneous Expense	-	-	-	-	-
26	Depreciation and Amortization	227,855	17,249	245,104	-	245,104
27	Interest on Security Deposits	-	-	-	-	-
28	Taxes other than Income	2,988	-	2,988	-	2,988
29	Property Taxes	21,299	(2,250)	19,049	1,029	20,078
30	Income Tax	22,873	(12,813)	10,060	38,305	48,366
31	Total Operating Expenses	\$ 498,869	\$ 24,331	\$ 523,200	\$ 39,334	\$ 562,534
32						
33	Operating Income	\$ 73,882	\$ (2,623)	\$ 71,259	\$ 64,166	\$ 135,425

References:
Column [A]: Company Schedule C-1
Column [B]: Schedule GLF-12
Column [C]: Column [A] + Column [B]
Column [D]: Schedules GLF-1 and GLF-2
Column [E]: Column [C] + Column [D]

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SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) GLF-13 Revenue Annualization ADJ #1	(C) GLF-14 Rate Case Exp ADJ #2	(D) GLF-15 Water Testing ADJ #3	(E) GLF-16 Depreciation Exp ADJ #4	(F) GLF-17 Property Taxes ADJ #5	(G) GLF-18 Income Taxes ADJ #6	(H) GLF-18.1 An Pur Pwr ADJ #7	(I) STAFF ADJUSTED
1	<u>Operating Revenues:</u>									
2	Metered Water Revenues	\$ 559,013	\$ 21,708							\$ 580,721
3	Unmetered Water Revenues	13,738								13,738
4	Other Water Revenues									
5	Total Operating Revenues	\$ 572,751	\$ 21,708							\$ 594,459
6	<u>Operating Expenses:</u>									
7	Salaries and Wages	\$ 40,000								40,000
8	Employee Pensions & Benefits									
9	Purchased Water									
10	Purchased Power	27,066							577	27,643
11	Chemicals									
12	Repairs and Maintenance	7,746								7,746
13	Office Supplies and Expense	14,855								14,855
14	Outside Services	102,925								102,925
15	Water Testing	1,215			1,568					2,783
16	Rents									
17	Transportation Expenses									
18	Insurance - General Liability	9,669								9,669
19	Insurance - Health and Life									
20	Advertising									
21	Regulatory Comm Expense - Rate Case	20,000		20,000						40,000
22	Regulatory Comm Expense - Other	378								378
23	Bad Debt Expense									
24	Miscellaneous Expense	227,855				17,249				245,104
25	Depreciation and Amortization									
26	Interest on Security Deposits	2,988								2,988
27	Taxes other than Income	21,299								19,049
28	Property Taxes	22,873					(2,250)			10,060
29	Income Tax							(12,813)		
30	Total Operating Expenses	\$ 498,869		\$ 20,000	\$ 1,568	\$ 17,249	\$ (2,250)	\$ (12,813)	\$ 577	\$ 523,200
31	Operating Income	\$ 73,882	\$ 21,708	\$ (20,000)	\$ (1,568)	\$ (17,249)	\$ 2,250	\$ 12,813	\$ (577)	\$ 71,259

References:
Column [A]: Company Schedule C-1
Column [B] - [G]: Schedule GTM-13 through GTM-17
Column [C]: Add Column [A] - Column [F]

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Schedule GLF-13
Phase 2

OPERATING INCOME ADJUSTMENT # 1 - REVENUE ANNUALIZATION

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Metered Water Revenues	<u>\$ 559,013</u>	<u>\$ 21,708</u>	<u>\$ 580,721</u>

References:

Col [A]: Company Schedule B-1

Col [B]: GLF Testimony

Col [C]: Col. [A] + Col. [B]

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Schedule GLF-14
Phase 2

OPERATING INCOME ADJUSTMENT # 2 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Regulatory Commission Expense - Rate Case	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 40,000</u>

References:

Column [A]: Company Schedule C-1
Column [B]: GLF Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule GLF-15
Phase 2

OPERATING INCOME ADJUSTMENT # 3 - WATER TESTING EXPENSE

<u>LINE</u> <u>NO.</u>	<u>Account</u> <u>Number</u>	<u>DESCRIPTION</u>	<u>[A]</u> <u>COMPANY</u> <u>PROPOSED</u>	<u>[B]</u> <u>STAFF</u> <u>ADJUSTMENTS</u>	<u>[C]</u> <u>STAFF</u> <u>RECOMMENDED</u>
1		Water Testing	<u>\$ 1,215</u>	<u>\$ 1,568</u>	<u>\$ 2,783</u>

References:

Col [A]: Company Schedule B-1

Col [B]: GLF Testimony

Col [C]: Col. [A] + Col. [B]

OPERATING INCOME ADJUSTMENT # 4 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization	\$ 227,855	\$ 17,249	\$ 245,104

Line No.	ACCT NO.	DESCRIPTION	[A] Company Proposed PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
Plant In Service						
2	301	Organization Cost	\$ 127,103	127,103	0.00%	\$ -
3	302	Franchise Cost	-	-	0.00%	-
4	303	Land and Land Rights	494,159	21,638	0.00%	-
5	304	Structures and Improvements	182,570	368,799	3.33%	12,281
6	305	Collecting and Impounding Res.	-	-	2.50%	-
7	306	Lake River and other Intakes	-	-	2.50%	-
8	307	Wells and Springs	386,591	386,591	3.33%	12,873
9	308	Infiltration Galleries and Tunnels	-	-	6.67%	-
10	309	Supply Mains	-	-	2.00%	-
11	310	Power Generation Equipment	-	-	5.00%	-
12	311	Electrical Pumping Equipment	968,652	968,652	12.50%	121,082
13	320.0	Water Treatment Equipment	15,947	-	-	-
14	320.1	Water Treatment Plant	-	-	3.33%	-
15	320.2	Chemical Solution Feeders	-	15,947	20.00%	3,189
16	330	Distribution Reservoirs & Standpipe	836,890	-	-	-
17	330	Storage Tanks	-	312,477	2.22%	6,937
18	330	Pressure Tanks	-	452,063	5.00%	22,603
19	331	Transmission and Distribution Mains	1,611,320	1,482,720	2.00%	29,654
20	333	Services	386,947	386,947	3.33%	12,885
21	334	Meters	94,263	94,263	8.33%	7,852
22	335	Hydrants	161,737	161,737	2.00%	3,235
23	336	Backflow Prevention Devices	-	-	6.67%	-
24	339	Other Plant & Miscellaneous Equipment	187,582	187,582	6.67%	12,512
25	340	Office Furniture & Fixtures	-	-	6.67%	-
26	340	Computers & Software	-	-	20.00%	-
27	341	Transportation Equipment	-	-	20.00%	-
28	342	Stores Equipment	-	-	4.00%	-
29	343	Tools and Work Equipment	-	-	5.00%	-
30	344	Laboratory Equipment	-	-	10.00%	-
31	345	Power Operated Equipment	-	-	5.00%	-
32	346	Communications Equipment	-	-	10.00%	-
33	347	Miscellaneous Equipment	-	-	10.00%	-
34	348	Other Tangible Plant	-	-	3.33%	-
35	-	Rounding Amount	-	-	67.00%	-
36		Subtotal General	\$ 5,453,761	\$ 4,966,519		\$ 245,104
37		Less: Non- depreciable Account(s)	621,262	148,741		
38		Depreciable Plant (L29-L30)	\$ 4,832,499	\$ 4,817,778		
39		Contributions-in-Aid-of-Construction (CIAC)			\$ -	
40		Weighted Average Depreciation/Amortization Rate			5.0875%	
41		Less: Amortization of CIAC (L32 x L33)			\$ -	
42		Depreciation Expense - STAFF [Col. (C), L36 - L41]			\$ 245,104	

OPERATING INCOME ADJUSTMENT # 5 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2009	\$ 594,459	\$ 594,459
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 1,188,918	\$ 1,188,918
4a	Staff Adjusted Test Year Revenues - 2006	594,459	
4b	Staff Recommended Test Year Revenue, Per Schedule GLF-1		697,959
5	Subtotal (Line 4 + Line 5)	\$ 1,783,377	\$ 1,886,877
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 594,459	\$ 628,959
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 1,188,918	\$ 1,257,918
10	Plus: 10% of CWIP -		-
11	Less: Net Book Value of Licensed Vehicles		-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 1,188,918	\$ 1,257,918
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	237,784	\$ 251,584
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16)	7.4558%	7.4558%
16	Property Tax Expense - Excludes Parcels (Line 14 * Line 15)	\$ 17,729	\$ 18,758
17	Tax of Parcels	\$ 1,320	\$ 1,320
18	Staff Recommended Test Year Property Tax (Line 16 + Line 17)	\$ 19,049	
19	Company Proposed Property Tax	21,299	
20	Staff Test Year Adjustment (Line 18-Line 19)	\$ (2,250)	
21	Property Tax - Staff Recommended Revenue (Line 16 + Line 17)		\$ 20,078
22	Staff Test Year Adjusted Property Tax Expense (Line 18)		\$ 19,049
23	Increase/(Decrease) to Property Tax Expense Line 21 - Line 22)		\$ 1,029
24	Increase to Property Tax Expense		\$ 1,029
25	Increase in Revenue Requirement		103,500
26	Increase to Property Tax per Dollar Increase in Revenue (Line 24/Line 25)		0.994107%

References:

Col [A]: Company Schedule C-1 Page 3
Col [B]: GLF Testimony

GOODMAN WATER COMPANY
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Schedule GLF-18
Phase 2

OPERATING INCOME ADJUSTMENT # 6 - INCOME TAXES

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	Income Tax	<u>\$ 22,873</u>	<u>\$ (12,813)</u>	<u>\$ 10,060</u>

References:
Col [A]: Company Schedule C-1 Page 3
Col [B]: Column [C] - Column [A]
Col [C]: Schedule GLF-2

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Schedule GLF-18.1
Phase 2

OPERATING INCOME ADJUSTMENT # 7 - ANNUALIZE PURCHASED POWER

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Purchased Power	\$ 27,066	\$ 577	\$ 27,643

References:

Col [A]: Company Schedule B-1
Col [B]: GLF Testimony
Col [C]: Col. [A] + Col. [B]

RATE DESIGN

Monthly Usage Charge (all classes)	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8" Meter - All Classes	\$ 42.20	\$ 56.97	\$ 45.00
3/4" Meter - All Classes	\$ 63.30	\$ 85.46	\$ 68.00
1" Meter - All Classes	\$ 105.50	\$ 142.43	\$ 113.00
1½" Meter - All Classes	\$ 211.50	\$ 284.85	\$ 225.00
2" Meter - All Classes	\$ 339.68	\$ 455.76	\$ 360.00
3" Meter - All Classes	\$ 675.20	\$ 911.52	\$ 720.00
4" Meter - All Classes	\$ 1,055.00	\$ 1,424.25	\$ 1,125.00
6" Meter - All Classes	\$ 2,110.00	\$ 2,848.50	\$ 2,250.00
Construction/Stand pipe	N/A	N/A	N/A
Commodity Rates (all classes)			
5/8" Meter			
From 1 to 3,000 Gallons	\$ 3.95	\$ 6.80	\$ 4.50
From 3,001 to 9,000 Gallons	\$ 5.91	\$ 10.92	\$ 9.10
Over 9,000 Gallons	\$ 7.11	\$ 13.13	\$ 11.00
3/4" Meter			
From 1 to 3,000 Gallons	\$ 3.95	\$ 6.80	\$ 4.50
From 3,001 to 9,000 Gallons	\$ 5.91	\$ 10.92	\$ 9.10
Over 10,000 Gallons	\$ 7.11	\$ 13.13	\$ 11.00
1" Meter			
From 1 to 22,500 Gallons	\$ 5.91	\$ 10.92	\$ 9.10
Over 22,500 Gallons	\$ 7.11	\$ 13.13	\$ 11.00
1½" Meter			
From 1 to 34,000 Gallons	\$ 5.91	\$ 10.92	\$ 9.10
Over 34,000 Gallons	\$ 7.11	\$ 13.13	\$ 11.00
2" Meter			
From 1 to 45,000 Gallons	\$ 5.91	\$ 10.92	\$ 9.10
Over 45,000 Gallons	\$ 7.11	\$ 13.13	\$ 11.00
3" Meter			
From 1 to 68,000 Gallons	\$ 5.91	\$ 10.92	\$ 9.10
Over 68,000 Gallons	\$ 7.11	\$ 13.13	\$ 11.00
4" Meter			
From 1 to 90,000 Gallons	\$ 5.91	\$ 10.92	\$ 9.10
Over 90,000 Gallons	\$ 7.11	\$ 13.13	\$ 11.00
6" Meter (Res., Comm.)			
From 1 to 135,000 Gallons	\$ 5.91	\$ 10.92	\$ 9.10
Over 135,000 Gallons	\$ 7.11	\$ 13.13	\$ 11.00
Construction/Stand pipe (Res., Comm.)			
All Gallons	\$ 7.11	\$ 13.13	\$ 11.00

Service Line and Meter Installation Charges	Present	Co. Proposed			Staff Recommended		
	Total	Line	Meter	Total	Line	Meter	Total
5/8" Meter	\$ 225	\$ 385	\$ 135	\$ 520	\$ 385	\$ 135	\$ 520
3/4" Meter	270	415	205	620	415	205	620
1" Meter	300	465	265	730	465	265	730
1½" Meter	425	520	475	995	520	475	995
2" Turbine Meter	550	800	995	1,795	800	995	1,795
2" Compound Meter	550	800	1,840	2,640	800	1,840	2,640
3" Turbine Meter	750	1,015	1,620	2,635	1,015	1,620	2,635
3" Compound Meter	750	1,135	2,495	3,630	1,135	2,495	3,630
4" Turbine Meter	1,375	1,430	2,570	4,000	1,430	2,570	4,000
4" Compound Meter	1,375	1,610	3,545	5,155	1,610	3,545	5,155
6" Turbine Meter	2,800	2,150	4,925	7,075	2,150	4,925	7,075
6" Compound Meter	2,800	2,270	6,820	9,090	2,270	6,820	9,090
8"	Cost	Cost	Cost	Cost	Cost	Cost	Cost
10"	Cost	Cost	Cost	Cost	Cost	Cost	Cost
12"	Cost	Cost	Cost	Cost	Cost	Cost	Cost
Service Charges							
Establishment	\$ 50.00			\$ 50.00			\$ 50.00
Establishment (After Hours)	75.00			75.00			NT
Reconnection (delinquent)	75.00			75.00			75.00
Reconnection (after hours)	50.00			50.00			NT
Meter Test	20.00			20.00			20.00
Deposit Requirement (Residential)	(a)			(a)			(a)
Deposit Requirement (None Residential Meter)	(a)			(a)			(a)
Deposit Interest	6.00%			6.00%			6.00%
Re-Establishment (With-in 12 Months)	(b)			(b)			(b)
NSF Check	15.00			15.00			15.00
Deferred Payment, Per Month	1.5%			1.50%			1.50%
Meter Re-Read	20.00			20.00			20.00
Late Charge per month	1.5%			1.5%			1.5%
Customer Requested Meter Test	20.00			20.00			20.00
After Hours Service Charge	10.00			10.00			50.00
Turn-on/off (at customer request)	NT			75.00			NT
Moving Customer Meter (at customer request)	NT			cost			cost
NT = No Tariff							
Monthly Service Charge for Fire Sprinkler							
All Meter Sizes					Greater of \$10 or 2 percent of the general service rate for a similar size meter.		

Per Commission Rules (R14-2-403.B)

- (a) Residential - two times the average bill. Non-residential - two and one-half times the average bill.
- (b) Minimum charge times number of months disconnected.

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per Commission Rule (14-2-409.D.5).
All advances and/or contributions are to include labor, materials, overheads and all applicable taxes,
Cost to include labor, materials and parts, overheads and all applicable taxes.

Typical Bill Analysis
Residential 5/8 Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,477	\$ 66.73	\$ 100.30	\$ 33.57	50.31%
Median Usage	4,500	60.96	89.63	\$ 28.68	47.04%
Staff Recommended					
Average Usage	5,477	\$ 66.73	\$ 81.04	\$ 14.31	21.45%
Median Usage	4,500	60.96	72.15	\$ 11.20	18.37%

Present & Proposed Rates (Without Taxes)
Residential 5/8 Inch Meter

Consumption	Rates	Rates	Increase	Rates	Increase
-	\$ 42.20	\$ 56.97	35.00%	\$ 45.00	6.64%
1,000	46.15	63.77	38.18%	49.50	7.26%
2,000	50.10	70.57	40.86%	54.00	7.78%
3,000	54.05	77.37	43.15%	58.50	8.23%
4,000	58.00	84.17	45.12%	67.60	16.55%
4,500	60.96	89.63	47.04%	72.15	18.37%
5,000	63.91	95.09	48.79%	76.70	20.01%
5,477	66.73	100.30	50.31%	81.04	21.45%
6,000	69.82	106.01	51.83%	85.80	22.89%
7,000	75.73	116.93	54.40%	94.90	25.31%
8,000	81.64	127.85	56.60%	104.00	27.39%
9,000	87.55	138.77	58.50%	113.10	29.18%
10,000	94.66	151.90	60.47%	124.10	31.10%
11,000	101.77	165.03	62.16%	135.10	32.75%
12,000	108.88	178.16	63.63%	146.10	34.18%
13,000	115.99	191.29	64.92%	157.10	35.44%
14,000	123.10	204.42	66.06%	168.10	36.56%
15,000	130.21	217.55	67.08%	179.10	37.55%
16,000	137.32	230.68	67.99%	190.10	38.44%
17,000	144.43	243.81	68.81%	201.10	39.24%
18,000	151.54	256.94	69.55%	212.10	39.96%
19,000	158.65	270.07	70.23%	223.10	40.62%
20,000	165.76	283.20	70.85%	234.10	41.23%
25,000	201.31	348.85	73.29%	289.10	43.61%
30,000	236.86	414.50	75.00%	344.10	45.28%
35,000	272.41	480.15	76.26%	399.10	46.51%
40,000	307.96	545.80	77.23%	454.10	47.45%
45,000	343.51	611.45	78.00%	509.10	48.21%
50,000	379.06	677.10	78.63%	564.10	48.82%
75,000	556.81	1,005.35	80.56%	839.10	50.70%
100,000	734.56	1,333.60	81.55%	1,114.10	51.67%

GOODMAN WATER COMPANY
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TESTIMONY - GORDON L. FOX

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REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 2,402,222	\$ 2,402,222	\$ 2,077,253	\$ 2,077,253
2	Adjusted Operating Income (Loss)	\$ 73,882	\$ 73,882	\$ 71,259	\$ 71,259
3	Current Rate of Return (L2 / L1)	3.08%	3.08%	3.43%	3.43%
4	Required Rate of Return	10.54%	10.54%	7.45%	7.45%
5	Required Operating Income (L4 * L1)	\$ 253,194	\$ 253,194	\$ 154,809	\$ 154,809
6	Operating Income Deficiency (L5 - L2)	\$ 179,312	\$ 179,312	\$ 83,550	\$ 83,550
7	Gross Revenue Conversion Factor	1.6254	1.6254	1.6517	1.6517
8	Required Revenue Increase (L7 * L6)	\$ 291,454	\$ 291,454	\$ 138,000	\$ 138,000
9	Adjusted Test Year Revenue	\$ 572,751	\$ 572,751	\$ 594,459	\$ 594,459
10	Proposed Annual Revenue (L8 + L9)	\$ 864,205	\$ 864,205	\$ 732,459	\$ 732,459
11	Required Increase in Revenue (%)	50.89%	50.89%	23.21%	23.21%
12	Rate of Return on Common Equity (%)	11.00%	11.00%		

References:

Column (A): Company Schedule B-1
Column (B): Company Schedule B-1
Column (C): Company Schedules A-1, A-2, & D-1
Column (D): Staff Schedule GLF-2 , GLF-3 & GLF-11

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 23)	39.4566%			
5	Subtotal (L3 - L4)	60.5434%			
6	Revenue Conversion Factor (L1 / L5)	1.6517			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	38.8487%			
9	One Minus Combined Income Tax Rate (L7 - L8)	61.1513%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0			
<u>Calculation of Effective Tax Rate:</u>					
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
13	Arizona State Income Tax Rate	6.9680%			
14	Federal Taxable Income (L12 - L13)	93.0320%			
15	Applicable Federal Income Tax Rate (Line 53)	34.2685%			
16	Effective Federal Income Tax Rate (L14 x L15)	0.318806934			
17	Combined Federal and State Income Tax Rate (L13 +L16)	38.8487%			
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	38.8487%			
20	One Minus Combined Income Tax Rate (L18 - L19)	61.1513%			
21	Property Tax Factor (GLF-17, L26)	0.9941%			
22	Effective Property Tax Factor (L 21 * L 22)	0.6079%			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		39.4566%		
24	Required Operating Income (Schedule GLF-1, Line 5)	\$ 154,809			
25	Adjusted Test Year Operating Income (Loss) (Schedule GLF-11, Line 33)	\$ 71,259			
26	Required Increase in Operating Income (L24 - L25)		\$ 83,550		
27	Income Taxes on Recommended Revenue (Col. (D), L52)	\$ 63,139			
28	Income Taxes on Test Year Revenue (Col. (B), L52)	\$ 10,060			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 53,078		
30	Recommended Revenue Requirement (Schedule GLF-1, Line 10)	\$ 732,459			
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. (L32 - L33)		\$ -		
35	Property Tax with Recommended Revenue (GLF-17, L21)	\$ 20,421			
36	Property Tax on Test Year Revenue (GLF-17, L22)	\$ 19,049			
37	Increase in Property Tax Due to Increase in Revenue (GLF-17, L23)		\$ 1,372		
38	Total Required Increase in Revenue (L26 + L29 + L34+L37)		\$ 138,000		
<u>Calculation of Income Tax:</u>					
39	Revenue (Schedule GLF-11, Col.(C), Line 5 & Sch. GLF-1, Col. (D), Line 10)	\$ 594,459		\$ 732,459	
40	Operating Expenses Excluding Income Taxes	\$ 513,139		\$ 514,511	
41	Synchronized Interest (L56)	\$ 33,236		\$ 33,236	
42	Arizona Taxable Income (L39 - L40- L41)	\$ 48,083		\$ 184,712	
43	Arizona State Income Tax Rate	6.9680%		6.9680%	
44	Arizona Income Tax (L42 x L43)	\$ 3,350		\$ 12,871	
45	Federal Taxable Income (L42 - L44)	\$ 44,733		\$ 171,841	
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 6,710		\$ 7,500	
47	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ -		\$ 6,250	
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -		\$ 8,500	
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -		\$ 28,018	
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -		\$ -	
51	Total Federal Income Tax	\$ 6,710		\$ 50,268	
52	Combined Federal and State Income Tax (L44 + L51)	\$ 10,060		\$ 63,139	
53	Applicable Federal Income Tax Rate [Col. (D), L51 - Col. (B), L51] / [Col. (C), L44 - Col. (A), L44]				34.27%
<u>Calculation of Interest Synchronization:</u>					
54	Rate Base (Schedule GLF-3, Col. (C), Line (14))	\$ 2,077,253			
55	Weighted Average Cost of Debt (Surrebuttal Schedule JCM-1)	1.60%			
56	Synchronized Interest (L54 X L55)	\$ 33,236			

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	REF	(C) STAFF AS ADJUSTED	
1	Plant in Service	\$ 5,453,761	\$	(487,242)	\$ 4,966,519
2	Less: Accumulated Depreciation	731,205		16,013	747,218
3	Net Plant in Service	<u>\$ 4,722,556</u>	<u>\$</u>	<u>(503,255)</u>	<u>\$ 4,219,301</u>
<u>LESS:</u>					
4	Contributions in Aid of Construction (CIAC)	\$ -	\$	-	\$ -
5	Less: Accumulated Amortization	-		-	-
6	Net CIAC	<u>\$ -</u>	<u>\$</u>	<u>-</u>	<u>\$ -</u>
7	Advances in Aid of Construction (AIAC)	2,101,905		(128,600)	1,973,305
8	Service Line & Meter Installation Charges	83,087		-	83,087
9	Deferred Income Tax Credits	135,342		(49,686)	85,656
<u>ADD:</u>					
10	Unamortized Finance Charges	-		-	-
11	Deferred Tax Assets	-		-	-
12	Working Capital	-		-	-
13	Intentionally Left Blank	-		-	-
14	Original Cost Rate Base	<u>\$ 2,402,222</u>	<u>\$</u>	<u>(324,969)</u>	<u>\$ 2,077,253</u>

References:

Column (A), Company Schedule B-1
Column [B]: Column [C] - Column [A]
Column [C], GLF-4

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) LAND ADJ.#1	(C) WATER TREATMENT ADJ.#2	(D) DISTRIBUTION RESERVOIR ADJ.#3	(E) DISTRIBUTION RESERVOIR ADJ.#4	(F) TRANSMISSION MAINS ADJ.#5	(G) TRANSMISSION ACCUMULATED DEPRECIATION ADJ.#6	(C) AIAC ADJ.#7	(I) ADIT ADJ.#8	(J) STAFF ADJUSTED
PLANT IN SERVICE:												
1	301	Organization Cost	\$ 127,103									\$ 127,103
2	302	Franchise Cost										
3	303	Land and Land Rights	494,159	(472,521)								21,638
4	304	Structures and Improvements	182,570	186,229								368,799
5	305	Collecting and Impounding Res.										
6	306	Lake River and other Intakes										
7	307	Wells and Springs	386,591									386,591
8	308	Infiltration Galleries and Tunnels										
9	309	Supply Mains										
10	310	Power Generation Equipment										
11	311	Electrical Pumping Equipment	968,652									968,652
12	320	Water Treatment Equipment	15,947		(15,947)							
13	320.1	Water Treatment Plant										
14	320.2	Chemical Solution Feeders			15,947							15,947
15	330	Distribution Reservoirs & Standpipe	836,890			(836,890)						
16	330.1	Storage Tanks				384,827	(72,350)					312,477
17	330.2	Pressure Tanks				452,063						452,063
18	331	Transmission and Distribution Mains	1,611,320					(128,600)				1,482,720
19	333	Services	386,947									386,947
20	334	Meters	94,263									94,263
21	335	Hydrants	161,737									161,737
22	336	Backflow Prevention Devices										
23	339	Other Plant & Miscellaneous Equipment	187,582									187,582
24	340	Office Furniture & Fixtures										
25	340.1	Computers & Software										
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										
32	347	Miscellaneous Equipment										
33	348	Other Tangible Plant										
34		Rounding Amount										
35		Subtotal Plant in Service	\$ 5,453,761	\$ (286,292)	\$ -	\$ -	\$ (72,350)	\$ (128,600)	\$ -	\$ -	\$ -	\$ 4,966,519
36		Add:										
37	Other 1	Intentionally Left Blank										
38	Other 2	Intentionally Left Blank										
39	Less:											
40	Other 3	Intentionally Left Blank										
41	Other 4	Intentionally Left Blank										
42												
43		Total Plant in Service:	\$ 5,453,761	\$ (286,292)	\$ -	\$ -	\$ (72,350)	\$ (128,600)	\$ 16,013	\$ -	\$ -	\$ 4,966,519
44		Less: Accumulated Depreciation	731,205									747,218
45		Intentionally Left Blank										
46		Net Plant in Service (L59 - L 60)	\$ 4,722,556	\$ (286,292)	\$ -	\$ -	\$ (72,350)	\$ (128,600)	\$ (16,013)	\$ -	\$ -	\$ 4,219,301
47		LESS:										
48		Contributions in Aid of Construction (CIAC)										
49		Less: Accumulated Amortization										
50		Net CIAC (L49 - L50)										
51		Advances in Aid of Construction (AIAC)	2,101,905							(128,600)		1,973,305
52		Service Line & Mele Installation Charges	83,087									83,087
53		Deferred Income Tax Credit	135,342								(49,686)	85,656
54												
55												
56		ADD:										
57		Unamortized Finance Charges										
58		Deferred Tax Assets										
59		Working Capital										
60		Regulatory Asset (Liability)										
61		Original Cost Rate Base	\$ 2,402,222	\$ (286,292)	\$ -	\$ -	\$ (72,350)	\$ (128,600)	\$ (16,013)	\$ 128,600	\$ 49,686	\$ 2,077,253

References:
Column (A) Schedule B-2, E-1

ORIGINAL COST RATE BASE ADJUSTMENT # 1 - LAND PURCHASE

LINE NO.	Description	Account Number	COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED		
1	Land and Land Rights	303	\$ 494,159	\$ (472,521)	\$ 21,638		
2	Structures & Improvements	304	\$ 182,570	\$ 186,229	\$ 368,799		
			Plant 1 0.72 Acres	Plant 2 0.25 Acres	Plant 4 0.39 Acres	Plant 3 0.63 Acres	Total 1.99 Acres
Land:							
3	Purchase Price (467.155 Acres)	\$ 4,103,318	\$ 6,324	\$ 2,196	\$ 3,426	\$ 5,534	\$ 17,479
4	Closing Costs						\$ 2,159
5	Appraisal Fee						\$ 2,000
6	Total Land						\$ 21,638
Structures and Improvements:							
7	GRA Improvements 4/15/85 to 6/12/01	\$ 795,363	\$ 1,226	\$ 426	\$ 664	\$ 1,073	\$ 3,388
8	Phase I Development Costs (68.93 Acres)	\$ 7,283,576	76,080	26,417	-	-	\$ 102,496
9	Phase III Development Costs (43.66 Acres)	\$ 2,284,877	-	-	20,410	-	\$ 20,410
10	Phase IV Development Costs (95.705 Acres)	\$ 9,104,785	-	-	-	59,934	\$ 59,934
11	Total Add'l Structures and Improvements		\$ 77,306	\$ 26,842	\$ 21,074	\$ 61,007	\$ 186,229
Accumulated Depreciation - Structures and Improvements - Book:							
In Service Date:							
			5/1/02	8/1/05	1/1/08	10/1/08	
12	Depreciation Basis (Line 11)		\$ 77,306	\$ 26,842	\$ 21,074	\$ 61,007	\$ 186,229
13	Depreciation - 2002 (2.5%)		966				966
14	Depreciation - 2003 (2.5%)		1,933				1,933
15	Depreciation - 2004 (2.5%)		1,933				1,933
16	Depreciation - 2005 (2.5%)		1,933	336			2,268
17	Depreciation - 2006 (2.5%)		1,933	671			2,604
18	Depreciation - 2007 (2.5%*4/12) +(3.33%*8/12) ¹		2,360	820			3,180
19	Depreciation - 2008 (3.33%)		2,574	894	351	1,016	4,835
20	Depreciation - 2009 (3.33%) - Test Year		2,574	894	702	2,035	6,204
21	Accumulated Depreciation (Sum Lines 13 thru 20)²		\$ 16,206	\$ 3,614	\$ 1,053	\$ 3,050	\$ 23,923

¹ Depreciation rate changed from 2.5% to 3.33% May 1, 2007.

² \$23,923 adjustment to A/D is reflected in GLF-10, Line 2.

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Schedule GLF-6
 Phase 3

ORIGINAL COST RATE BASE ADJUSTMENT # 2 - RECLASSIFY WATER TREATMENT EQUIPMENT

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	320	Water Treatment Equipment	\$ 15,947	\$ (15,947)	\$ -
2	320.1	Water Treatment Plant		-	-
3	320.2	Chemical Solution Feeders		\$ 15,947	\$ 15,947
4		Total	<u>\$ 15,947</u>	<u>\$ -</u>	<u>\$ 15,947</u>

References:

Col [A]: Company Schedule B-1
 Col [B]: GLF Testimony , SDR GTM-1.5
 Col [C]: Col. [A] + Col. [B]

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Schedule GLF-7
 Phase 3

ORIGINAL COST RATE BASE ADJUSTMENT # 3 - RECLASSIFY DISTRIBUTION RESERVOIRS

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	330	Distribution Reservoirs & Standpipe	\$ 836,890	\$ (836,890)	\$ -
2	330.1	Storage Tanks		\$ 384,827	\$ 384,827
3	330.2	Pressure Tanks		\$ 452,063	\$ 452,063
4		Total	<u>\$ 836,890</u>	<u>\$ -</u>	<u>\$ 836,890</u>

References:

- Col [A]: Company Schedule B-1
- Col [B]: GLF Testimony, SDR GTM-1.4
- Col [C]: Col. [A] + Col. [B]

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Schedule GLF-8
Phase 3

ORIGINAL COST RATE BASE ADJUSTMENT # 4 - ELIMINATE EXCESS CAPACITY - STORAGE TANK

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	331	Storage Tanks ¹	<u>\$ 384,827</u>	<u>\$ (72,350)</u>	<u>\$ 312,477</u>

¹ The Company proposed amount is the portion claimed by the Company and reclassified by Staff to Acct. 330.1 as shown in GTM-7.

References:

Col [A]: Company Schedule B-1
Col [B]: GLF and MSJ Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule GLF-9
Phase 3

ORIGINAL COST RATE BASE ADJUSTMENT # 5 - ELIMINATE EXCESS CAPACITY - DISTRIBUTION MAINS

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	333	Transmission and Distribution Mains	<u>1,611,320</u>	<u>\$ (128,600)</u>	<u>\$ 1,482,720</u>

References:

Col [A]: Company Schedule B-1
Col [B]: GTM and MSJ Testimony
Col [C]: Col. [A] + Col. [B]

ORIGINAL COST RATE BASE ADJUSTMENT # 6 - ADJUST ACCUMULATED DEPRECIATION

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Accumulated Depreciation	\$ 731,205	\$ 16,013	\$ 747,218
			Accumulated Depreciation per application	Accumulated Depreciation per Staff	Difference
2		Structures and Improvements	\$ 10,285	\$ 34,208	\$ 23,923
3		Collecting and Impounding Res.	-	-	-
4		Lake River and other Intakes	-	-	-
5		Wells and Springs	67,423	67,423	0
6		Infiltration Galleries and Tunnels	-	-	-
7		Supply Mains	-	-	-
8		Power Generation Equipment	-	-	-
9		Electrical Pumping Equipment	341,101	341,101	0
10		Water Treatment Equipment	2,167	0	(2,167)
11		Water Treatment Plant	-	-	-
12		Chemical Solution Feeders	-	2,167	2,167
13		Distribution Reservoirs & Standpipe	64,318	-	(64,318)
14		Storage Tanks	-	27,712	27,712
15		Pressure Tanks	-	32,553	32,553
16		Transmission and Distribution Mains	139,059	135,201	(3,858)
17		Services	40,947	40,947	-
18		Meters	17,066	17,066	-
19		Hydrants	12,984	12,984	-
20		Backflow Prevention Devices	-	-	-
21		Other Plant & Miscellaneous Equipment	35,847	35,847	-
22		Office Furniture & Fixtures	-	-	-
23		Computers & Software	-	-	-
24		Transportation Equipment	-	-	-
25		Stores Equipment	-	-	-
26		Tools and Work Equipment	-	-	-
27		Laboratory Equipment	-	-	-
28		Power Operated Equipment	-	-	-
29		Communications Equipment	-	-	-
30		Miscellaneous Equipment	-	-	-
31		Other Tangible Plant	-	-	-
			\$ 731,197	\$ 747,210	\$ 16,013

References:

Col [A]: Company Schedule B-1
Col [B]: GLF Testimony, RUCO DR 2.12
Col [C]: Col. [A] + Col. [B]

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Schedule GLF-10.1
Phase 3

ORIGINAL COST RATE BASE ADJUSTMENT # 7 - REDUCE AIAC

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	108	AIAC	<u>2,101,905</u>	<u>\$ (128,600)</u>	<u>\$ 1,973,305</u>

References:

Col [A]: Company Schedule B-1
Col [B]: GLF Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule GLF-10.2
Phase 3

ORIGINAL COST RATE BASE ADJUSTMENT # 8 - ACCUMULATED DEFERRED INCOME TAX

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1		Accumulated Deferred Income Tax	<u>135,342</u>	<u>\$ (49,686)</u>	<u>\$ 85,656</u>

References:

Col [A]: Company Schedule B-1
Col [B]: GLF Testimony
Col [C]: Col. [A] + Col. [B]

ADIT Calculation

	Adj		Realization Probability	Expected Realized (Taxable TD) Deductible TD	Tax Rate	Future Tax Asset		Future Tax Liability	
	Book Value	Tax Value				Current	Non-current	Current	Non-current
PIS	4,966,519								
A/D	(747,218)								
CIAC	(1,381,314)								
Total/ Fixed Assets	2,837,988	2,019,279	100%	(818,709)	37.8%				(309,316)
AIAC		1,973,305	30%	591,992	37.8%		223,660		
Totals						-	223,660	-	(309,316)

ADIT Net Asset (Liability) - Staff	(85,656)
ADIT Net Asset (Liability) Company as Filed	(135,342)
Staff Adjustment	49,686

Computation of Net Tax Value at Dec. 31, 2009:

Unadjusted Cost per 2009 Tax Deprec Report	4,938,108
Reconciling Items not on tax report	
Net Structures and Improvement to Land not on tax, used in rates	162,306
Adjusted land costs not on tax, on books (Staff adjusted Land Value)	21,638
Net Unadjusted Cost Tax Basis	5,122,053

Basis Reductions/Additions:

Basis reduction 2009 and prior years	(14,706)
Advance or Contr plant with no deprec basis listed on 2009 Tax Deprec Report	(2,707,816)
Accumulated Depreciation 2008 and prior (2009 Tax Deprec Report)	(339,352)
Upsizing Adjustment - Tank	(72,350)
Tax Depreciation related to Tank Upsizing	4,341
Excess Capacity - Mains	128,600
Tax Depreciation related to Excess Capacity - Mains (2008) (AIAC no depr)	-
2009 Current Year Tax Depreciation	(101,491)
Net Basis Reduction 2007 and Prior years	(3,102,774)
Net tax value of PIS at Dec. 31, 2008	2,019,279

CIAC (including impact of change to probability of realization)

Gross CIAC (Schedule B-2)	-
Less: Pre-1996 CIAC	-
A.A.	-
A.A. on Pre-1996	-
A.A. on Post 1996 CIAC	-
Net CIAC before unrealized AIAC	-

Unrealized AIAC Component:

Adjusted Net AIAC	1,973,305
AIAC funding Mains	-
Sub-total	1,973,305
Unrealized AIAC Component % (1-Realized AIAC Component)	70%
	1,381,314
Total Realizable CIAC	1,381,314

AIAC (including impact of change to probability of realization)

AIAC (Schedule B-2)	1,973,305
Less: Pre-1996 AIAC included for book and tax purposes	-
Net AIAC before unrealized portion	1,973,305
Less: Unrealized AIAC from above	(1,381,314)
Net Realizable AIAC	591,992

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<u>OPERATING REVENUES:</u>					
2	Metered Water Revenues	\$ 559,013	\$ 21,708	\$ 580,721	\$ 138,000	\$ 718,721
3	Unmetered Water Revenues	-	-	-	-	-
4	Other Water Revenues	13,738	-	13,738	-	13,738
5	Total Operating Revenues	\$ 572,751	\$ 21,708	\$ 594,459	\$ 138,000	\$ 732,459
6						
7	<u>OPERATING EXPENSES:</u>					
8	Salaries and Wages	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ 40,000
9	Employee Pensions & Benefits	-	-	-	-	-
10	Purchased Water	-	-	-	-	-
11	Purchased Power	27,066	577	27,643	-	27,643
12	Chemicals	-	-	-	-	-
13	Repairs and Maintenance	7,746	-	7,746	-	7,746
14	Office Supplies and Expense	14,855	-	14,855	-	14,855
15	Outside Services	102,925	-	102,925	-	102,925
16	Water Testing	1,215	1,568	2,783	-	2,783
17	Rents	-	-	-	-	-
18	Transportation Expenses	-	-	-	-	-
19	Insurance - General Liability	9,669	-	9,669	-	9,669
20	Insurance - Health and Life	-	-	-	-	-
21	Advertising	-	-	-	-	-
22	Regulatory Comm Expense - Rate Case	20,000	20,000	40,000	-	40,000
23	Regulatory Comm Expense - Other	378	-	378	-	378
24	Bad Debt Expense	-	-	-	-	-
25	Miscellaneous Expense	-	-	-	-	-
26	Depreciation and Amortization	227,855	17,249	245,104	-	245,104
27	Interest on Security Deposits	-	-	-	-	-
28	Taxes other than Income	2,988	-	2,988	-	2,988
29	Property Taxes	21,299	(2,250)	19,049	1,372	20,421
30	Income Tax	22,873	(12,813)	10,060	53,078	63,139
31	Total Operating Expenses	\$ 498,869	\$ 24,331	\$ 523,200	\$ 54,450	\$ 577,650
32						
33	Operating Income	\$ 73,882	\$ (2,623)	\$ 71,259	\$ 83,550	\$ 154,809

References:
Column [A]: Company Schedule C-1
Column [B]: Schedule GLF-12
Column [C]: Column [A] + Column [B]
Column [D]: Schedules GLF-1 and GLF-2
Column [E]: Column [C] + Column [D]

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SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) GLF-13 Revenue Annualization ADJ #1	(C) GLF-14 Rate Case Exp ADJ #2	(D) GLF-15 Water Testing ADJ #3	(E) GLF-16 Depreciation Exp ADJ #4	(F) GLF-17 Property Taxes ADJ #5	(G) GLF-18 Income Taxes ADJ #6	(H) GLF-18.1 An Pur Pwr ADJ #7	(I) STAFF ADJUSTED
1	<u>Operating Revenues:</u>									
2	Metered Water Revenues	\$ 559,013	\$ 21,708							\$ 580,721
3	Unmetered Water Revenues	-	-							
4	Other Water Revenues	13,738								13,738
5	Total Operating Revenues	\$ 572,751	\$ 21,708							\$ 594,459
6	<u>Operating Expenses:</u>									
7	Salaries and Wages	\$ 40,000								40,000
8	Employee Pensions & Benefits	-								
9	Purchased Water	-								
10	Purchased Power	27,066							577	27,643
11	Chemicals	-								
12	Repairs and Maintenance	7,746								7,746
13	Office Supplies and Expense	14,855								14,855
14	Outside Services	102,925								102,925
15	Water Testing	1,215			1,568					2,783
16	Rents	-								
17	Transportation Expenses	-								
18	Insurance - General Liability	9,669								9,669
19	Insurance - Health and Life	-								
20	Advertising	-								
21	Regulatory Comm Expense - Rate Case	20,000		20,000						40,000
22	Regulatory Comm Expense - Other	378								378
23	Bad Debt Expense	-								
24	Miscellaneous Expense	227,855				17,249				245,104
25	Depreciation and Amortization	-								
26	Interest on Security Deposits	2,988								2,988
27	Taxes other than Income	21,299								19,049
28	Property Taxes	22,873					(2,250)			10,080
29	Income Tax	-						(12,813)		-
30	Total Operating Expenses	\$ 498,869	\$ -	\$ 20,000	\$ 1,568	\$ 17,249	\$ (2,250)	\$ (12,813)	\$ 577	\$ 523,200
31	Operating Income	\$ 73,882	\$ 21,708	\$ (20,000)	\$ (1,568)	\$ (17,249)	\$ 2,250	\$ 12,813	\$ (577)	\$ 71,259

References:
Column [A]: Company Schedule C-1
Column [B] - [G]: Schedule GTM-13 through GTM-17
Column [C]: Add Column [A] - Column [F]

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Schedule GLF-13
Phase 3

OPERATING INCOME ADJUSTMENT # 1 - REVENUE ANNUALIZATION

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1		Metered Water Revenues	<u>\$ 559,013</u>	<u>\$ 21,708</u>	<u>\$ 580,721</u>

References:

Col [A]: Company Schedule B-1

Col [B]: GLF Testimony

Col [C]: Col. [A] + Col. [B]

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Schedule GLF-14
Phase 3

OPERATING INCOME ADJUSTMENT # 2 - RATE CASE EXPENSE

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	Regulatory Commission Expense - Rate Case	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 40,000</u>

References:
Column [A]: Company Schedule C-1
Column [B]: GLF Testimony
Col [C]: Col. [A] + Col. [B]

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Schedule GLF-15
Phase 3

OPERATING INCOME ADJUSTMENT # 3 - WATER TESTING EXPENSE

<u>LINE NO.</u>	<u>Account Number</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1		Water Testing	<u>\$ 1,215</u>	<u>\$ 1,568</u>	<u>\$ 2,783</u>

References:

Col [A]: Company Schedule B-1

Col [B]: GLF Testimony

Col [C]: Col. [A] + Col. [B]

OPERATING INCOME ADJUSTMENT # 4 - DEPRECIATION EXPENSE

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Depreciation and Amortization	\$ 227,855	\$ 17,249	\$ 245,104

Line No.	ACCT NO.	DESCRIPTION	[A] Company Proposed PLANT IN SERVICE BALANCE	[B] STAFF DEPR. PLANT BALANCE	[C] STAFF RECOMMENDED RATE	[D] STAFF RECOMMENDED EXPENSE
Plant In Service						
2	301	Organization Cost	\$ 127,103	127,103	0.00%	\$ -
3	302	Franchise Cost	-	-	0.00%	-
4	303	Land and Land Rights	494,159	21,638	0.00%	-
5	304	Structures and Improvements	182,570	368,799	3.33%	12,281
6	305	Collecting and Impounding Res.	-	-	2.50%	-
7	306	Lake River and other Intakes	-	-	2.50%	-
8	307	Wells and Springs	386,591	386,591	3.33%	12,873
9	308	Infiltration Galleries and Tunnels	-	-	6.67%	-
10	309	Supply Mains	-	-	2.00%	-
11	310	Power Generation Equipment	-	-	5.00%	-
12	311	Electrical Pumping Equipment	968,652	968,652	12.50%	121,082
13	320.0	Water Treatment Equipment	15,947	-	-	-
14	320.1	Water Treatment Plant	-	-	3.33%	-
15	320.2	Chemical Solution Feeders	-	15,947	20.00%	3,189
16	330	Distribution Reservoirs & Standpipe	836,890	-	-	-
17	330	Storage Tanks	-	312,477	2.22%	6,937
18	330	Pressure Tanks	-	452,063	5.00%	22,603
19	331	Transmission and Distribution Mains	1,611,320	1,482,720	2.00%	29,654
20	333	Services	386,947	386,947	3.33%	12,885
21	334	Meters	94,263	94,263	8.33%	7,852
22	335	Hydrants	161,737	161,737	2.00%	3,235
23	336	Backflow Prevention Devices	-	-	6.67%	-
24	339	Other Plant & Miscellaneous Equipment	187,582	187,582	6.67%	12,512
25	340	Office Furniture & Fixtures	-	-	6.67%	-
26	340	Computers & Software	-	-	20.00%	-
27	341	Transportation Equipment	-	-	20.00%	-
28	342	Stores Equipment	-	-	4.00%	-
29	343	Tools and Work Equipment	-	-	5.00%	-
30	344	Laboratory Equipment	-	-	10.00%	-
31	345	Power Operated Equipment	-	-	5.00%	-
32	346	Communications Equipment	-	-	10.00%	-
33	347	Miscellaneous Equipment	-	-	10.00%	-
34	348	Other Tangible Plant	-	-	3.33%	-
35	-	Rounding Amount	-	-	67.00%	-
36		Subtotal General	\$ 5,453,761	\$ 4,966,519		\$ 245,104
37		Less: Non- depreciable Account(s)	621,262	148,741		
38		Depreciable Plant (L29-L30)	\$ 4,832,499	\$ 4,817,778		
39		Contributions-in-Aid-of-Construction (CIAC)			\$ -	
40		Weighted Average Depreciation/Amortization Rate			5.0875%	
41		Less: Amortization of CIAC (L32 x L33)				\$ -
42		Depreciation Expense - STAFF [Col. (C), L36 - L41]				\$ 245,104

OPERATING INCOME ADJUSTMENT # 5 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2009	\$ 594,459	\$ 594,459
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 1,188,918	\$ 1,188,918
4a	Staff Adjusted Test Year Revenues - 2006	594,459	
4b	Staff Recommended Revenue, Per Schedule GLF-1		732,459
5	Subtotal (Line 4 + Line 5)	\$ 1,783,377	\$ 1,921,377
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 594,459	\$ 640,459
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 1,188,918	\$ 1,280,918
10	Plus: 10% of CWIP -		-
11	Less: Net Book Value of Licensed Vehicles		-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 1,188,918	\$ 1,280,918
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	237,784	\$ 256,184
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16)	7.4558%	7.4558%
16	Property Tax Expense - Excludes Parcels (Line 14 * Line 15)	\$ 17,729	\$ 19,101
17	Tax of Parcels	\$ 1,320	\$ 1,320
18	Staff Recommended Test Year Property Tax (Line 16 + Line 17)	\$ 19,049	
19	Company Proposed Property Tax	21,299	
20	Staff Test Year Adjustment (Line 18-Line 19)	\$ (2,250)	
21	Property Tax - Staff Recommended Revenue (Line 16 + Line 17)		\$ 20,421
22	Staff Test Year Adjusted Property Tax Expense (Line 18)		\$ 19,049
23	Increase/(Decrease) to Property Tax Expense Line 21 - Line 22)		\$ 1,372
24	Increase to Property Tax Expense		\$ 1,372
25	Increase in Revenue Requirement		138,000
26	Increase to Property Tax per Dollar Increase in Revenue (Line 24/Line 25)		0.994107%

References:

Col [A]: Company Schedule C-1 Page 3
Col [B]: GLF Testimony

GOODMAN WATER COMPANY
Docket No. W-02500A-10-0382
Test Year ended December 31, 2009

Schedule GLF-18
Phase 3

OPERATING INCOME ADJUSTMENT # 6 - INCOME TAXES

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	Income Tax	<u>\$ 22,873</u>	<u>\$ (12,813)</u>	<u>\$ 10,060</u>

References:

Col [A]: Company Schedule C-1 Page 3
Col [B]: Column [C] - Column [A]
Col [C]: Schedule GLF-2

GOODMAN WATER COMPANY
Docket No. W-02500A-10-0382
Test Year ended December 31, 2009

Schedule GLF-18.1
Phase 3

OPERATING INCOME ADJUSTMENT # 7 - ANNUALIZE PURCHASED POWER

LINE NO.	Account Number	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Purchased Power	<u>\$ 27,066</u>	<u>\$ 577</u>	<u>\$ 27,643</u>

References:

Col [A]: Company Schedule B-1
Col [B]: GLF Testimony
Col [C]: Col. [A] + Col. [B]

RATE DESIGN

Monthly Usage Charge (all classes)	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8" Meter - All Classes	\$ 42.20	\$ 56.97	\$ 47.00
3/4" Meter - All Classes	\$ 63.30	\$ 85.46	\$ 71.00
1" Meter - All Classes	\$ 105.50	\$ 142.43	\$ 118.00
1½" Meter - All Classes	\$ 211.50	\$ 284.85	\$ 235.00
2" Meter - All Classes	\$ 339.68	\$ 455.76	\$ 376.00
3" Meter - All Classes	\$ 675.20	\$ 911.52	\$ 752.00
4" Meter - All Classes	\$ 1,055.00	\$ 1,424.25	\$ 1,175.00
6" Meter - All Classes	\$ 2,110.00	\$ 2,848.50	\$ 2,350.00
Construction/Stand pipe	N/A	N/A	N/A
Commodity Rates (all classes)			
5/8" Meter			
From 1 to 3,000 Gallons	\$ 3.95	\$ 6.80	\$ 4.70
From 3,001 to 9,000 Gallons	\$ 5.91	\$ 10.92	\$ 9.50
Over 9,000 Gallons	\$ 7.11	\$ 13.13	\$ 11.50
3/4" Meter			
From 1 to 3,000 Gallons	\$ 3.95	\$ 6.80	\$ 4.70
From 3,001 to 9,000 Gallons	\$ 5.91	\$ 10.92	\$ 9.50
Over 10,000 Gallons	\$ 7.11	\$ 13.13	\$ 11.50
1" Meter			
From 1 to 22,500 Gallons	\$ 5.91	\$ 10.92	\$ 9.50
Over 22,500 Gallons	\$ 7.11	\$ 13.13	\$ 11.50
1½" Meter			
From 1 to 34,000 Gallons	\$ 5.91	\$ 10.92	\$ 9.50
Over 34,000 Gallons	\$ 7.11	\$ 13.13	\$ 11.50
2" Meter			
From 1 to 45,000 Gallons	\$ 5.91	\$ 10.92	\$ 9.50
Over 45,000 Gallons	\$ 7.11	\$ 13.13	\$ 11.50
3" Meter			
From 1 to 68,000 Gallons	\$ 5.91	\$ 10.92	\$ 9.50
Over 68,000 Gallons	\$ 7.11	\$ 13.13	\$ 11.50
4" Meter			
From 1 to 90,000 Gallons	\$ 5.91	\$ 10.92	\$ 9.50
Over 90,000 Gallons	\$ 7.11	\$ 13.13	\$ 11.50
6" Meter (Res., Comm.)			
From 1 to 135,000 Gallons	\$ 5.91	\$ 10.92	\$ 9.50
Over 135,000 Gallons	\$ 7.11	\$ 13.13	\$ 11.50
Construction/Stand pipe (Res., Comm.)			
All Gallons	\$ 7.11	\$ 13.13	\$ 11.50

Service Line and Meter Installation Charges	Present	Co. Proposed			Staff Recommended		
	Total	Line	Meter	Total	Line	Meter	Total
5/8" Meter	\$ 225	\$ 385	\$ 135	\$ 520	\$ 385	\$ 135	\$ 520
3/4" Meter	270	415	205	620	415	205	620
1" Meter	300	465	265	730	465	265	730
1½" Meter	425	520	475	995	520	475	995
2" Turbine Meter	550	800	995	1,795	800	995	1,795
2" Compound Meter	550	800	1,840	2,640	800	1,840	2,640
3" Turbine Meter	750	1,015	1,620	2,635	1,015	1,620	2,635
3" Compound Meter	750	1,135	2,495	3,630	1,135	2,495	3,630
4" Turbine Meter	1,375	1,430	2,570	4,000	1,430	2,570	4,000
4" Compound Meter	1,375	1,610	3,545	5,155	1,610	3,545	5,155
6" Turbine Meter	2,800	2,150	4,925	7,075	2,150	4,925	7,075
6" Compound Meter	2,800	2,270	6,820	9,090	2,270	6,820	9,090
8"	Cost	Cost	Cost	Cost	Cost	Cost	Cost
10"	Cost	Cost	Cost	Cost	Cost	Cost	Cost
12"	Cost	Cost	Cost	Cost	Cost	Cost	Cost
Service Charges							
Establishment	\$ 50.00			\$ 50.00			\$ 50.00
Establishment (After Hours)	75.00			75.00			NT
Reconnection (delinquent)	75.00			75.00			75.00
Reconnection (after hours)	50.00			50.00			NT
Meter Test	20.00			20.00			20.00
Deposit Requirement (Residential)	(a)			(a)			(a)
Deposit Requirement (None Residential Meter)	(a)			(a)			(a)
Deposit Interest	6.00%			6.00%			6.00%
Re-Establishment (With-in 12 Months)	(b)			(b)			(b)
NSF Check	15.00			15.00			15.00
Deferred Payment, Per Month	1.5%			1.50%			1.50%
Meter Re-Read	20.00			20.00			20.00
Late Charge per month	1.5%			1.5%			1.5%
Customer Requested Meter Test	20.00			20.00			20.00
After Hours Service Charge	10.00			10.00			50.00
Turn-on/off (at customer request)	NT			75.00			NT
Moving Customer Meter (at customer request)	NT			cost			cost
NT = No Tariff							
Monthly Service Charge for Fire Sprinkler							
All Meter Sizes							Greater of \$10 or 2 percent of the general service rate for a similar size meter.

Per Commission Rules (R14-2-403.B)

- (a) Residential - two times the average bill. Non-residential - two and one-half times the average bill.
- (b) Minimum charge times number of months disconnected.

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per Commission Rule (14-2-409.D.5). All advances and/or contributions are to include labor, materials, overheads and all applicable taxes, Cost to include labor, materials and parts, overheads and all applicable taxes.

Typical Bill Analysis
Residential 5/8 Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,477	\$ 66.73	\$ 100.30	\$ 33.57	50.31%
Median Usage	4,500	60.96	89.63	\$ 28.68	47.04%
Staff Recommended					
Average Usage	5,477	\$ 66.73	\$ 84.63	\$ 17.90	26.83%
Median Usage	4,500	60.96	75.35	\$ 14.40	23.62%

Present & Proposed Rates (Without Taxes)
Residential 5/8 Inch Meter

Consumption	Rates	Rates	Increase	Rates	Increase
-	\$ 42.20	\$ 56.97	35.00%	\$ 47.00	11.37%
1,000	46.15	63.77	38.18%	51.70	12.03%
2,000	50.10	70.57	40.86%	56.40	12.57%
3,000	54.05	77.37	43.15%	61.10	13.04%
4,000	58.00	84.17	45.12%	70.60	21.72%
4,500	60.96	89.63	47.04%	75.35	23.62%
5,000	63.91	95.09	48.79%	80.10	25.33%
5,477	66.73	100.30	50.31%	84.63	26.83%
6,000	69.82	106.01	51.83%	89.60	28.33%
7,000	75.73	116.93	54.40%	99.10	30.86%
8,000	81.64	127.85	56.60%	108.60	33.02%
9,000	87.55	138.77	58.50%	118.10	34.89%
10,000	94.66	151.90	60.47%	129.60	36.91%
11,000	101.77	165.03	62.16%	141.10	38.65%
12,000	108.88	178.16	63.63%	152.60	40.15%
13,000	115.99	191.29	64.92%	164.10	41.48%
14,000	123.10	204.42	66.06%	175.60	42.65%
15,000	130.21	217.55	67.08%	187.10	43.69%
16,000	137.32	230.68	67.99%	198.60	44.63%
17,000	144.43	243.81	68.81%	210.10	45.47%
18,000	151.54	256.94	69.55%	221.60	46.23%
19,000	158.65	270.07	70.23%	233.10	46.93%
20,000	165.76	283.20	70.85%	244.60	47.56%
25,000	201.31	348.85	73.29%	302.10	50.07%
30,000	236.86	414.50	75.00%	359.60	51.82%
35,000	272.41	480.15	76.26%	417.10	53.11%
40,000	307.96	545.80	77.23%	474.60	54.11%
45,000	343.51	611.45	78.00%	532.10	54.90%
50,000	379.06	677.10	78.63%	589.60	55.54%
75,000	556.81	1,005.35	80.56%	877.10	57.52%
100,000	734.56	1,333.60	81.55%	1,164.60	58.54%