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AZ CORP COMMISSION
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Transcript Exhibit(s)

Docket #(s): W-02500A-10-0382

Exhibit #: A1-A6

Arizona Corporation Commission

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To: Docket Control

Date: November 17, 2011

Re: Goodman Water Company / Rates
W-02500A-10-0382
Volumes I through V, Concluded
July 26 through November 1, 2011

STATUS OF ORIGINAL EXHIBITS

EXHIBITS FILED WITH DOCKET CONTROL

Goodman Water Company (A Exhibits)

1 through 23

James Schoemperlen (JS Exhibits)

8, 9, 21, 41 through 44, 51, 52

Lawrence Wawrzyniak (LW Exhibits)

1 through 6, 8, 9

Staff (S Exhibits)

1 through 4, 7 through 15

Residential Utility Consumer Office (RUCO Exhibits)

1 through 3, 5 through 14

EXHIBITS RETURNED TO PARTIES

James Schoemperlen (JS Exhibits)

1-2	Not utilized
3-4	Not offered [by design or oversight]
4a	Not utilized
4b	Not offered [by design or oversight]
5	Not offered [by design or oversight]
5a	Not utilized
6	Not utilized
7	Not offered [by design or oversight]
10	Not offered [by design or oversight]
12-14	Not offered [by design or oversight]
15	Not utilized
16	Not offered [by design or oversight]
17	Not utilized
20	Not utilized
20b	Not utilized
22-23	Not utilized
25-38	Not utilized
38a	Not utilized
39a-c	Not utilized
40	Not utilized
46a	Not offered [by design or oversight]

Lawrence Wawrzyniak (LW Exhibits)

7 Not utilized

Residential Utility Consumer Office (RUCO Exhibits)

4 Withdrawn

EXHIBITS TO BE PROVIDED

Staff (S Exhibits)

- 5 Marlin Scott's Calculation of the 1,800 customers; to be provided by Staff (see page 600 of transcript)
- 6 Third step of Marlin Scott's calculation from MSJ-1; to be provided by Staff (see page 600 of transcript)

EXHIBITS NOT UTILIZED
Not given to court reporter

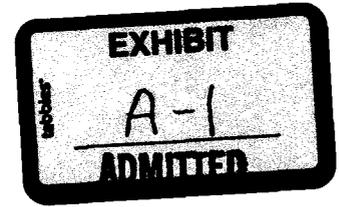
James Schoemperlen (JS Exhibits)

11, 18, 19, 20a, 24, 45, 47-50

Copy to:

Ms. Jane L. Rodda, Administrative Law Judge
Mr. Robert J. Metli, Goodman Water Co.
Ms. Bridget A. Humphrey, Staff
Mr. Daniel Pozefsky, RUCO
Mr. Lawrence Wawrzyniak, Intervenor
Mr. James Schoemperlen, Intervenor

Exhibit A-1



**September 17, 2010
Application**

**July 26-28, 2011 ACC Hearing
Goodman Water Company
Docket No. W-02500A-10-0382**

NEW APPLICATION
ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED

SEP 17 2010

DOCKETED BY nr

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

2010 SEP 17 P 2:47

RECEIVED

IN THE MATTER OF THE
APPLICATION OF GOODMAN
WATER COMPANY, AN ARIZONA
CORPORATION, FOR (i) A
DETERMINATION OF THE FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND (ii) AN INCREASE
IN ITS WATER RATES AND
CHARGES FOR UTILITY SERVICE
BASED THEREON.

DOCKET NO. W-02500A-10-_____

W-02500A-10-0382

APPLICATION

Goodman Water Company ("GWC" or the "Company"), by and through the undersigned counsel, hereby applies for an order (i) determining the fair value of its plant and property used for the provision of public water utility service; and, (ii) based on such finding, approving permanent rates and charges for such utility service designed to produce a fair return thereon. In support of this Application the Company states as follows:

1. GWC is a corporation duly organized and existing under the law of the State of Arizona. Its principal place of business is 6340 N. Campbell, Suite 278, Tucson, Arizona, 85718 and its telephone number is 520-529-8217.

2. GWC is a public service corporation primarily engaged in the business of providing water utility services in its certificated area in portions of Pinal County, Arizona. During the test year, GWC served approximately 600 utility service connections.

3. The persons responsible for overseeing and directing the conduct of this rate application are Jackie Ziliox and the Company's rate consultant, Mr. Thomas J. Bourassa.

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ATTORNEY AT LAW
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Tucson, Arizona 85646
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3 Ms. Ziliox's mailing address is 6340 N. Campbell, Suite 278, Tucson, Arizona, 85718, her
4 telephone number is 520-529-8217, extension 101, her telecopier number is 520-829-
5 5012, and her email address is jackie@searsfinancial.net. Mr. Bourassa's mailing address
6 is 139 W. Wood Drive, Phoenix, Arizona, his telephone number is 602-246-7150, his
7 telecopier number is 602-246-1040, and his email address is tjb114@cox.net. All
8 **discovery requests for information concerning the Application should be directed to**
9 **Ms. Ziliox, including copies by email, and to Mr. Bourassa, with an additional copy**
10 **to undersigned counsel for the Company, including by email to**
11 **tubaclawyer@aol.com**.

12 4. The Company is presently providing services under the rates and charges
13 authorized by the Commission in Decision No. 69404, dated April 16, 2007, using a test
14 year of December 31, 2005.

15 5. GWC maintains the revenues from its utility operations are presently
16 inadequate to provide the Company a fair rate of return on the fair value of its utility plant
17 and property devoted to public water utility service. The Company has made significant
18 plant investment since the last test year. Operating expenses have also increased. These
19 changes since the test year in the prior proceeding have caused revenues produced by the
20 current rates and charges to become inadequate to meet operating expenses and to provide
21 a reasonable rate of return. Therefore, the Company requests that certain adjustments to
22 its rates and charges for utility service be approved by the Commission so that the
23 Company may recover its operating expenses and be given an opportunity to earn a just
24 and reasonable rate of return on the fair value of its property. The Company agrees to use
25 its original cost rate base as its fair value rate base in this proceeding in order to minimize
26 disputes and to reduce rate case expense.

27 6. Filed concurrently herewith are the schedules required pursuant to A.A.C.
28 R14-2-103 for rate applications by Class 'C' utilities. The test year utilized by the

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Company in connection with the preparation of such schedules is the 12-month period that ended December 31, 2009. GWC requests the Commission utilize such test year in connection with this Application, with appropriate adjustments to obtain a normal and more realistic relationship between revenues, expenses, and rate base during the period in which established rates in this proceeding are in effect.

7. During the test year, the Company's adjusted gross revenues were \$572,751 from water utility service. The adjusted income (loss) was \$73,568, leading to an operating deficiency of \$179,120. The adjusted fair value rate base was \$2,397,419. Thus, the rate of return on the Company's water operations during the test year was 3.07 percent.

8. The Company submits that the overall return to the Company is too low to allow it to pay reasonable dividends, maintain a sound credit rating, and/or enable GWC to attract additional capital on reasonable and acceptable terms in order to continue the investment in utility plant necessary to adequately serve customers.

9. The Company is requesting an increase in revenues equal to \$291,083, an increase of 50.82 percent. The adjustments to the Company's rates and charges that are proposed herein, when fully implemented, will produce a rate of return on the fair value rate base of 10.54 percent.

10. Filed concurrently in support of this Application is the Direct testimony of Thomas J. Bourassa, in two separate volumes that collectively provide (i) an overview of the Company's rate filing, (ii) discussion of the revenue requirement, including the "A" through "F" schedules, (iii) development of the rate base and income statement adjustments, (iv) cost of equity capital and related issues, (v) proposed rates, including the "H" schedules, and (vi) a discussion of the proposed rates on customers' bills. The Company's "D" schedules, which concern the cost of capital, are attached the volume of Mr. Bourassa's testimony addressing cost of capital.

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WHEREFORE, GWC requests the following relief:

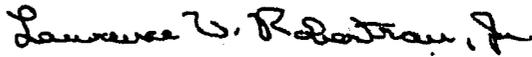
A. That the Commission, upon proper notice and at the earliest possible time, conduct a hearing in accordance with A.R.S. §40-251 and determine the fair value of GWC's utility plant and property devoted to providing water utility service.

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

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

RESPECTFULLY SUBMITTED this 17th day of September, 2010.

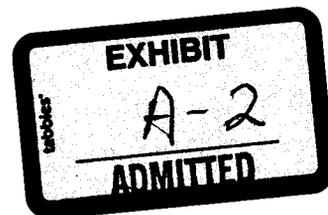
Lawrence V. Roberston Jr., Esq.



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ORIGINAL and thirteen (13) copies of the foregoing will be filed the 17th day of September, 2010 with Docket Control.

Exhibit A-2



**September 17, 2010
Direct Testimony
Thomas J. Bourassa
Rate Base, Income Statement
and Rate Design**

**July 26-28, 2011 ACC Hearing
Goodman Water Company
Docket No. W-02500A-10-0382**

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE
APPLICATION OF GOODMAN WATER
COMPANY, AN ARIZONA
CORPORATION, FOR (i) A
DETERMINATION OF THE FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND (ii) AN INCREASE IN
ITS WATER RATES AND CHARGES
FOR UTILITY SERVICE BASED
THEREON.

DOCKET NO: W-02500A -09-_____

DIRECT TESTIMONY OF

THOMAS J. BOURASSA

(RATE BASE, INCOME STATEMENT AND RATE DESIGN)

September 17, 2009

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 B. Rate Base (B Schedules). 6

 C. Income Statement (C Schedules). 8

 D. Rate Design (H Schedules). 12

1 **I. INTRODUCTION, QUALIFICATIONS AND PURPOSE**

2 **Q1. PLEASE STATE YOUR NAME AND ADDRESS.**

3 A1. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive,
4 Phoenix, Arizona 85029.

5 **Q2. WHAT IS YOUR PROFESSION AND BACKGROUND?**

6 A2. I am a Certified Public Accountant and am self-employed, providing consulting
7 services to utility companies as well as general accounting services. I have a B.S.
8 in Chemistry and Accounting from Northern Arizona University (1980) and an
9 M.B.A. with an emphasis in Finance from the University of Phoenix (1991).

10 **Q3. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND
11 REGULATORY EXPERIENCE?**

12 A3. Yes. Prior to becoming a private consultant, I was employed by High-Tech
13 Institute, Inc., and served as controller and chief financial officer. Prior to working
14 for High-Tech Institute, I worked as a division controller for the Apollo Group, Inc.
15 Before joining the Apollo Group, I was employed at Kozoman & Kermode, CPAs.
16 In that position, I prepared compilations and other write-up work for water and
17 wastewater utilities, as well as tax returns.

18 In my private practice, I have prepared and/or assisted in the preparation of
19 numerous water and wastewater utility rate applications before the Arizona
20 Corporation Commission ("Commission"). Attached is a summary of my
21 regulatory work experience.

22 **Q4. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

23 A4. I am testifying in this proceeding on behalf of the applicant, Goodman Water
24 Company Water Company ("GWC" or the "Company"). GWC is seeking changes
25 in its rates and charges for water utility service in its certificated service area,
26 which area is located in Pinal County, Arizona.

1 **Q5. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

2 A5. I will testify in support of GWC's proposed adjustments to its rates and charges for
3 water utility service. I am sponsoring the direct schedules, which are filed
4 concurrently herewith in support of GWC's application. I was responsible for the
5 preparation of these schedules based on my investigation and review of GWC's
6 relevant books and records.

7 For convenience, my direct testimony has been divided into two separate
8 volumes, each with the relevant schedules attached, which are being filed
9 separately in this case. In this volume of my direct testimony, I address the
10 subjects of rate base, income statement (revenue and operating expenses), required
11 increase in revenue, rate design and proposed rates and charges for water service.
12 In that regard, Schedules A through C, E-F and H are attached to this portion of my
13 direct testimony. GWC has not prepared a cost of service study. Consequently the
14 G schedules are omitted.

15 In the second volume of my direct testimony, to which the D schedules are
16 attached, I address cost of capital. GWC is requesting a return on common equity
17 of 11.0 percent. As shown on Schedule D-1, GWC's capital structure for
18 ratemaking purposes consists of 81.7 percent equity and 18.3 percent debt. The
19 weighted cost of capital is 10.54 percent.

20 **II. OVERVIEW OF GWC'S REQUEST FOR RATE RELIEF**

21 **Q6. PLEASE SUMMARIZE GWC'S APPLICATION.**

22 A6. The test year used by GWC is the 12-month period ending December 31, 2009.
23 GWC is requesting a 10.54 percent return on its fair value rate base ("FVRB").
24 GWC has also proposed certain pro forma adjustments to take into account known
25 and measurable changes to rate base, expenses and revenues. These pro forma
26 adjustments are consistent with normal ratemaking and are contemplated by the

1 Commission's rules and regulations governing rate applications. See R14-2-103.
2 These adjustments are necessary to obtain a normal or realistic relationship
3 between revenues, expenses and rate base on a going-forward basis.

4 GWC's proposed fair value rate base is \$2,397,419. The increase in
5 revenues to provide for recovery of operating expenses and a 10.54 percent return
6 on rate base is approximately \$291,083, an increase of approximately 50.82 percent
7 over the adjusted and annualized test year revenues.

8 **Q7. WHY IS GWC FILING FOR NEW RATES AT THIS TIME?**

9 A7. GWC is not earning a fair return on the fair value of its water plant devoted to
10 service. Adjusted operating expenses (excluding income taxes) have increased by
11 nearly \$154,000 since the last test year (over 48 percent higher), which was based
12 on the 12 months ended September 30, 2005. On the other hand, revenues have
13 increased by approximately \$74,000, or about 14.8 percent over the revenue
14 requirement authorized in the last rate case. So, expenses have significantly
15 outpaced revenues and GWC's current rate of return, based on the adjusted test
16 year data, is approximately 3.1 percent, well below the rate of return approved in
17 its last rate case.

18 **Q8. WHAT EXPENSES HAVE INCREASED THE MOST SINCE THE LAST**
19 **TEST YEAR?**

20 A8. The Company's proposed purchased power expense in the instant case is nearly
21 \$17,000 higher than the level included in operating expenses in the last rate case.
22 The Company's proposed contractual services expense in the instant case is nearly
23 \$31,000 higher than the level included in operating expenses in the last rate case.
24 The Company's proposed depreciation expense is nearly \$99,000 greater in the
25 instant case compared to the last rate case.¹

26 ¹ Since the last test year, GWC has made substantial investment in plant (nearly \$3.1 million)

1 Q9. WHEN WERE GWC'S CURRENT RATE APPROVED?

2 A9. The Company's current water rates were approved in 2007 in Decision 69404
3 (April 16, 2007).

4 **III. SUMMARY OF SCHEDULES**

5 **A. Summary of A, E and F Schedules.**

6 Q10. MR. BOURASSA, LET'S TURN TO GWC'S SCHEDULES. PLEASE
7 DESCRIBE THE SCHEDULES LABELED AS A, E, AND F.

8 A10. The A-1 Schedule is a summary of the rate base, operating income, current
9 operating margin, required operating margin, operating income deficiency, and the
10 required increase in gross revenues. A 10.54 percent return on FVRB is requested.
11 The increase in the revenue requirement is \$291,083. Revenues at present and
12 proposed and customer classifications are also shown on this schedule.

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

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

17 Schedule A-4 contains plant construction, and plant-in-service for the test
18 year and prior years. The projected plant additions (none) are also shown on this
19 schedule.

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

23 The E Schedules are based on GWC's actual operating results, as reported
24 by GWC in annual reports filed with the Commission. The E-1 Schedule contains

25

26 necessary to serve water customers.

1 the comparative balance sheet data for the years 2007, 2008, and 2009 ending on
2 September 30.

3 Schedule E-2, page 1, contains the income statement for the years 2007,
4 2008, and 2009 ending on September 30.

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

7 Schedule E-4 provides the changes in stockholder equity.

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

10 Schedule E-7 contains operating statistics for the years ended 2007, 2008,
11 and 2009 ending on September 30.

12 Schedule E-8 contains the taxes charged to operations.

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

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

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

22 Schedule F-3 shows GWC's projected construction requirements (none) for
23 2010.

24 Schedule F-4 contains the assumptions used in developing the adjustments
25 and projections contained in the rate filing.
26

1 **B. Rate Base (B Schedules).**

2 **Q11. WOULD YOU EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE**
3 **LABELED AS THE B SCHEDULES?**

4 A11. Yes. I will start with Schedule B-5, which is the working capital allowance. I used
5 the "formula method" of computing the working capital allowance to reduce costs.
6 However, GWC is not requesting a working capital allowance.

7 **Q12. THANK YOU. PLEASE CONTINUE.**

8 A12. GWC did not file Schedules B-3 and B-4. To limit issues in dispute and further
9 reduce rate case expense, GWC is requesting that its original cost rate base
10 ("OCRB") be used as its FVRB.

11 **Q13. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO**
12 **GWC'S ORIGINAL COST RATE BASE?**

13 A13. Yes. Schedule B-2 shows adjustments to the OCRB cost rate base proposed by
14 GWC. Schedule B-2, pages 2 through 5, provides the supporting information.
15 These adjustments are, in summary:

16 B-2 adjustment number 1, as shown on Schedule B-2, page 2, adjusts plant-
17 in-service. There is one plant-in-service adjustment included in Adjustment 1. The
18 detail of this adjustment is shown on Schedule B-2, page 3, and is labeled as
19 adjustment "A".

20 Adjustment A of B-2 adjustment number 1 increases plant-in-service for
21 capitalized plant from the last rate case which the Company inadvertently did not
22 record.

23 **Q14. PLEASE CONTINUE.**

24 A14. Adjustment 2 shown on Schedule B-2, page 2, adjusts accumulated depreciation to
25 the re-computed balance. The details of the accumulated depreciation adjustment
26

1 are shown on Schedule B-2, page 4. There is one adjustment shown on this
2 schedule and it is labeled as adjustment "A".

3 Adjustment A of B-2 adjustment 2 reflects the re-computed amounts per
4 GWC's B-2 plant schedule.

5 **Q15. DO THE PLANT AND ACCUMULATED DEPRECIATION SHOWN ON**
6 **B-2 REFLECT THE LAST COMMISSION RATE ORDER?**

7 A15. Yes. A reconciliation of the starting balances for plant-in-service in the instant
8 case is shown on Schedule B-2, page 3.7.

9 For accumulated depreciation, a reconciliation of the starting balances for
10 accumulated depreciation in the instant case is shown on Schedule B-2, page 3.8.

11 The plant shown on Schedule B-2 started with the plant-in-service balances
12 approved in Decision No. 69404 (April 16, 2007) which established the starting
13 values of plant-in-service. Plant additions and retirements have been added to and
14 deducted from total plant shown on Schedule B-2, pages 3.1 to 3.6. Pages 3.1 to
15 3.6 of the schedule also show the details for the accumulated depreciation through
16 the end of the test year using the half-year convention for depreciation.

17 **Q16. WHAT DEPRECIATION RATES DID YOU EMPLOY?**

18 A16. The same rates used in the last rate case decision.² These are based on Staff's
19 typical and customary depreciation rates.

20 **Q17. THANK YOU. PLEASE CONTINUE.**

21 A17. B-2 adjustment number 3, adjusts accumulated deferred income taxes ("ADIT") to
22 reflect the temporary timing differences between the book and tax income taxes
23 through the end of the test year. The detail of GWC's proposed ADIT adjustments
24 can be found on Schedule B-2, page 5.

25
26 ² See Decision 67455 at 11.

1 **Q18. HOW WAS THE PROPOSED "FAIR VALUE" RATE BASE SHOWN ON**
2 **A-1 DETERMINED?**

3 A18. As previously stated in my response to Question 12 for the reason there indicated,
4 the FVRB shown on Schedule A-1 is based on OCRB, with no adjustment for the
5 current values of GWC's plant and property.

6 **C. Income Statement (C Schedules).**

7 **Q19. PLEASE EXPLAIN THE ADJUSTMENTS YOU ARE PROPOSING TO**
8 **THE INCOME STATEMENT AS SHOWN ON SCHEDULES C-1 AND C-2.**

9 A19. The following is a summary of adjustments shown on Schedule C-1:

10 Adjustment 1 annualizes depreciation expense. The proposed depreciation
11 rate for each component of utility plant is shown on Schedule C-2, page 2. The
12 depreciation rates approved in GWC's last rate case were account specific rates.
13 GWC proposes to continue to use these rates.

14 Adjustment 2 increases the property taxes based on proposed revenues.
15 GWC has recognized the reduction in the assessment ratio contained in A.R.S.
16 § 42-15001, entitled "Assessed Valuation of Class One Property". By law, the
17 assessment ratio will be reduced through tax year 2011 to 20 percent. GWC has
18 proposed a two-year reduction in the assessment ratio or a reduction from the 22
19 percent employed for the 2009 property tax year to 20 percent for 2011 property
20 tax year.

21 **Q20. HOW DID YOU COMPUTE THE PROPERTY TAXES AT PROPOSED**
22 **RATES?**

23 A20. To determine full cash value, I used the method employed by the Arizona
24 Department of Revenue - Centrally Valued Properties ("ADOR" or "the
25 Department"). This method determines full cash value by using twice the average
26 of three years of revenue, plus an addition for CWIP and a deduction for the book

1 value of transportation equipment. In the instant case, I used two times the
2 adjusted revenues for the year ending September 30, 2009, and one year of
3 revenues at proposed rates. The assessed value (20 percent of full cash value) was
4 then multiplied by the property tax rate to determine adjusted property tax expense.

5 **Q21. IS THIS CONSISTENT WITH PRIOR COMMISSION DECISIONS?**

6 A21. Yes. See *Chaparral City Water Company*, Decision No. 68176 (September 30,
7 2005) at 13, *Rio Rico Utilities Inc.*, Decision No. 67279 (October 5, 2004), *Bella*
8 *Vista Water Co., Inc.*, Decision No. 65350 (November 2, 2001).

9 **Q22. IS THIS SYNCHRONIZATION OF PROPERTY TAX EXPENSE WITH**
10 **REVENUES PROPER RATE MAKING?**

11 A22. Yes. Like income taxes, property taxes must be adjusted to ensure that the new
12 rates are sufficient to produce the revenue requirement. For this reason, the
13 Commission has repeatedly approved the use of proposed revenues to determine an
14 appropriate level of property tax expense to be recovered through rates.

15 **Q23. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE INCOME**
16 **STATEMENT ADJUSTMENTS.**

17 A23. Adjustment 3 shows estimated rate case expense of \$80,000 amortized over 4
18 years, or \$20,000 annually.

19 **Q24. HOW DID YOU ARRIVE AT THESE AMOUNTS?**

20 A24. I estimated \$80,000 for a GWC rate case based on my experience with rate cases
21 before the Commission, and that of GWC's current rate case counsel.

22 **Q25. PLEASE EXPLAIN WHY YOU REFER TO THESE AMOUNTS AS**
23 **"ESTIMATES"?**

24 A25. Because I can't precisely see the future, I can only make some estimates based on
25 my experience. The specifics of who may intervene, what unique issues may come
26 into dispute, what kind of procedural problems we will encounter, and what else

1 will occur during the proceeding, I cannot predict. I know rate cases are lengthy
2 and expensive, but I still have to start with an estimate. If things turn out more
3 complicated than currently anticipated, GWC will modify its request to account for
4 that increased expense. Conversely, if the case proceeds and rate case expense is
5 lower than expected, we would make an appropriate adjustment downward.

6 **Q26. WHAT AMORTIZATION PERIOD ARE YOU RECOMMENDING?**

7 A26. GWC proposes that rate case expense be recovered over four years because it
8 believes a four-year cycle for future rate cases is reasonable for GWC given this
9 utility's circumstances. The current rates for GWC were established approximately
10 3 years ago and GWC intends to continue to file cases on a regular basis moving
11 forward.

12 **Q27. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE INCOME**
13 **STATEMENT ADJUSTMENTS?**

14 A27. Adjustment 4 annualizes revenues to the year-end number of customers. The
15 annualization of revenues is based on the number of customers at the end of the test
16 year, compared to the actual number of customers during each month of the test
17 year. Average revenues by month were computed for the test year. The average
18 revenues were then multiplied by the increase (or decrease) in number of customers
19 for each month of the test year.

20 Adjustment 5 removes sales tax expense recorded to expense during the test
21 year. Sales tax expense is a flow-through to customers and should not be reflected
22 in operating expenses.

23 Adjustment 6 removes other non-utility income and expense to eliminate
24 their impact on income taxes.

25
26

1 Adjustment 7 increases purchased power expenses to reflect increases in
2 purchased power as a result of a rate increase granted to Trico Electric Co-
3 Operative in August 2009.

4 Adjustment 8 annualizes purchased power expense based on the additional
5 gallons sold from annualizing revenues to the year-end number of customers in
6 Adjustment 4, above. This adjustment also reflects the increase in purchased
7 power from Adjustment 7, above. This adjustment is intended to match the
8 additional expense associated with the revenue annualization.

9 Adjustment 9 removes the costs for CHW2, Inc. (Chris Hill) from
10 contractual services because of a change made to contracted operations during the
11 test year. Smyth Industries currently provides the services previously provided by
12 CHW2.

13 Adjustment 10 removes the cost of YL Technology and replaces the cost
14 with the annualized cost of Smyth Industries because of a change made to
15 contracted operations during the test year. Smyth Industries currently provides the
16 services previously provided by YL technology.

17 Adjustment 11 increases salaries and wages for known and measurable
18 changes to this expense.

19 Adjustment 12 increases contractual services for known and measurable
20 changes to this expense.

21 Adjustment 13 increases office expense for known and measurable changes
22 to credit card processing fees.

23 Adjustment 14 synchronizes interest expense with rate base.

24 Adjustment 15 reflects income taxes on taxable income based on the tax rate
25 under proposed revenues.
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D. Rate Design (H Schedules).

Q28. WHAT ARE GWC'S PRESENT RATES FOR WATER SERVICE?

A28. GWC's present rates are:

MONTHLY SERVICE CHARGES

5/8" x 3/4" meters	\$42.20
3/4" Meters	\$63.30
1" Meters	\$105.50
1 1/2" Meters	\$211.50
2" Meters	\$339.68
3" Meter	\$675.20
4" Meters	\$1055.00
6" Meter	\$2110.00
Standpipe	\$0.00

COMMODITY RATES

5/8" x 3/4" meters	0 to 4,000 gals	\$ 3.95
	4,001 to 9,000 gals	\$ 5.91
	Over 9,000 gals	\$ 7.11
3/4" meters	0 to 4,000 gals	\$ 3.95
	4,001 to 9,000 gals	\$ 5.91
	Over 9,000 gals	\$ 7.11
1" meters	0 to 22,500 gals	\$ 5.91
	Over 22,500 gals	\$ 7.11
1-1/2" meters	0 to 34,000 gals	\$ 5.91
	Over 34,000 gals	\$ 7.11
2" meters	0 to 45,000 gals	\$ 5.91
	Over 45,000 gals	\$ 7.11

1	3" meters	0 to 68,000 gals	\$ 5.91
2		Over 68,000 gals	\$ 7.11
3	4" meters	0 to 90,000 gals	\$ 5.91
4		Over 90,000 gals	\$ 7.11
5	6" meters	0 to 135,000 gals	\$ 5.91
6		Over 135,000 gals	\$ 7.11
7	Standpipe	All gallons	\$ 7.11

8 **Q29. WHAT ARE GWC'S PROPOSED RATES FOR WATER SERVICE?**

9 A29. GWC's proposed rates are:

10 **MONTHLY SERVICE CHARGES**

11	5/8" x 3/4" meters		\$56.97
12	3/4" Meters		\$85.46
13	1" Meters		\$142.43
14	1 1/2" Meters		\$284.85
15	2" Meters		\$455.76
16	3" Meter		\$911.52
17	4" Meters		\$1424.25
18	6" Meter		\$2848.50
19	Standpipe		\$0.00

20 **COMMODITY RATES**

21	5/8" x 3/4" meters	0 to 4,000 gals	\$ 6.80
22		4,001 to 9,000 gals	\$10.92
23		Over 9,000 gals	\$13.13
24	3/4" meters	0 to 4,000 gals	\$ 6.80
25		4,001 to 9,000 gals	\$10.92
26		Over 9,000 gals	\$13.13

1	1" meters	0 to 22,500 gals	\$10.92
2		Over 22,500 gals	\$13.13
3	1-1/2" meters	0 to 34,000 gals	\$10.92
4		Over 34,000 gals	\$13.13
5	2" meters	0 to 45,000 gals	\$10.92
6		Over 45,000 gals	\$13.13
7	3" meters	0 to 68,000 gals	\$10.92
8		Over 68,000 gals	\$13.13
9	4" meters	0 to 90,000 gals	\$10.92
10		Over 90,000 gals	\$13.13
11	6" meters	0 to 135,000 gals	\$10.92
12		Over 135,000 gals	\$13.13
13	Standpipe	All gallons	\$13.13

14
15 **Q30. WHAT METER SIZE ARE THE MAJORITY OF CUSTOMERS ON AND**
16 **WHAT WAS THE AVERAGE MONTHLY BILL DURING THE TEST**
17 **YEAR ?**

18 A30. The largest customer class is the 5/8x3/4 inch residential class comprising over 86
19 percent of the customer base and providing over 76.5 percent of revenues. As
20 shown on Schedule H-2, page 1, the average monthly bill under present rates for a
21 5/8x3/4 inch residential customer using an average 5,477 gallons is \$66.73.

22 **Q31. WHAT WILL BE THE AVERAGE 5/8X3/4 INCH CUSTOMER AVERAGE**
23 **MONTHLY BILL UNDER THE NEW RATES?**

24 A31. As shown on Schedule H-2, page 2, the average monthly bill under proposed rates
25 for a 5/8x3/4 inch customer using an average 5,477 gallons is \$102.19 – a \$35.46
26 increase over the present monthly bill or a 53.14 percent increase.

1 **Q32. IS GWC'S RATE DESIGN A CONSERVATION ORIENTED RATE**
2 **DESIGN?**

3 A32. Yes. Inverted tier rate designs are conservation oriented. The smaller meters
4 (5/8x3/4" and 3/4") are on an inverted three-tier rate design and all other meter
5 sizes and classes are on an inverted two-tier design.

6 **Q33. IS GWC PROPOSING ANY CHANGES TO ITS METER AND SERVICE**
7 **LINE INSTALLATION CHARGES?**

8 A33. Yes. As shown on Schedule H-3, page 4, GWC is proposing meter and service line
9 installation charges be based on typical costs as set forth in a Staff Engineering
10 memo dated February 21, 2008.

11 **Q34. IS GWC PROPOSING ANY CHANGES TO MISCELLANEOUS SERVICE**
12 **CHARGES?**

13 A34. Yes. The Company is proposing a tariff for moving a customer meter at the
14 customer's request. In addition, the Company so proposing a charge for the
15 turning on and off water service at a customer's request. There are no other
16 proposed changes.

17 **Q35. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

18 A35. Yes.
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**Goodman Water Company
Docket No. W-02500A-09-___**

September 17, 2010

Bourassa Work Summary

Exhibit A
RESUME OF THOMAS J. BOURASSA, CPA

EDUCATIONAL BACKGROUND

B.S. Northern Arizona University Chemistry/Accounting (1980)
M.B.A. University of Phoenix with Emphasis in Finance (1991)
C.P.A. State of Arizona (1995)
Continuing Professional Education – In areas of tax, accounting, management, economics, finance, ethics (80 hrs every two years)

MEMBERSHIPS

Arizona Society of CPAs
Water Utilities Association of Arizona
American Water Works Association
Society of Regulatory Financial Analysts

EMPLOYMENT EXPERIENCE

1995 – Present	CPA - Self Employed Consultant to utilities on regulatory matters including all aspects of rate applications (rate base, income statement, cost of capital, cost of service, and rate design), rate reviews, certificates of convenience and necessity (CC&N), CC&N extensions, financing applications, accounting order applications, and off-site facilities hook-up fee applications. Provide expert testimony as required. Consult on various aspects of business, financial and accounting matters including best business practices, generally accepted accounting principles, project analysis, cash flow analysis, regulatory treatment of certain expenditures and investments, business valuations, and rate reviews. Litigation support services.
1992-1995	Employed by High-Tech Institute, Phoenix, Arizona as Controller and C.F.O.
1989-1992	Employed by Alta Technical School, a division of University of Phoenix as Division Controller.
1985-1989	Employed by M.L.R. Builders, Tampa and Pensacola, Florida as Operations/Accounting Manager
1982-1985	Employed by and part owner in Area Sand and Clay Company, Pensacola, Florida.

1981-1982

Employed by Purdue University, West Lafayette, Indiana as
Teaching Assistant.

**SUMMARY OF REGULATORY WORK EXPERIENCE AS SELF EMPLOYED
CONSULTANT**

COMPANY/CLIENT

Las Quintas Serenas Water Company
Docket W-01583A-09-0589

FUNCTION

Permanent Rate Application – Water.
Prepared schedules and testified on Rate
Base, Plant, Income Statement, Revenue
Requirement, Rate Design, and Cost of
Capital.

Coronado Utilities
Docket SW-04305A-09-0291

Permanent Rate Application –
Wastewater. Prepared schedules and
testified on Rate Base, Plant, Income
Statement, Revenue Requirement, Rate
Design, and Cost of Capital.

Little Park Water Company
Docket W-02192A-09-0531

Permanent Rate Application. Prepared
schedules on Plant, Income Statement,
Revenue Requirement, and Rate Design.

Sahuarita Water Company
Docket W-03718A-09-0359

Permanent Rate Application – Water.
Prepared schedules and testified on Rate
Base, Plant, Income Statement, Revenue
Requirement, Rate Design, Cost of
Service, and Cost of Capital.

Bella Vista Water Company
Southern Sunrise Water Company
Northern Sunrise Water Company
Docket W-02465A-09-0414
W-02453A-09-0414
W-02454A-09-0414

Permanent Rate Application – Water.
Prepared schedules and testified on Rate
Base, Plant, Income Statement, Revenue
Requirement, Rate Design, Cost of
Service, and Cost of Capital.

Rio Rico Utilities, Inc
Docket WS-02676A-09-0257

Permanent Rate Application – Water and
Sewer. Prepared schedules and testified
on Rate Base, Plant, Income Statement,
Revenue Requirement, Rate Design, and
Cost of Capital.

Litchfield park Service Company
Docket SW-01428A-09-0103
W-01428A-09-0104

Permanent Rate Application – Water and
Sewer. Prepared schedules and testified
on Rate Base, Plant, Income Statement,
Revenue Requirement, Rate Design, Cost
of Service, and Cost of Capital.

COMPANY/CLIENT

Valencia Water Company
Before the California Public Utility
Commission 09-05-002

Valley Utilities
Docket W-01412A-08-0586

Black Mountain Sewer Company
Docket SW-02361A-08-0609

Far West Water and Sewer Company
Docket WS-03478A-08-0608

Farmers Water Company
Docket W-01654A-08-0502

Far West Water and Sewer Company
Docket WS-03478A-08-0454

Far West Water and Sewer Company
Docket WS-03478A-07-0442

Ridgeline Water Company, LLC
Docket W-20589A-08-173

Sacramento Utilities, Inc.
Docket SW-20576A-08-0067

Johnson Utilities
Docket WS-02987A-08-0180

FUNCTION

Cost of Capital

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Interim Rate Application (Emergency Rates)

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Permanent Rate Application. Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design and Cost of Capital.

Financing Application. Prepare schedules to support application.

Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.

Certificate of Convenience and Necessity – Wastewater. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.

Permanent Rate Application. Water and Sewer. Prepared schedules and testified

COMPANY/CLIENT

FUNCTION

Orange Grove Water Company
Docket W-02237A-08-0455

on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design and Cost of Capital.

Permanent Rate Application. Prepared schedules on Plant, Income Statement, Revenue Requirement, and Rate Design.

Oak Creek Water No.1
Docket W-01392A-07-0679

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

ICR Water Users Association
Docket W-02824-07-0388

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

H2O, Inc
Docket W-02234A-07-0550

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Chaparral City Water Company
Docket W-02113A-07-0551

Permanent Rate Application. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Valley Utilities
Docket W-01412A-07-0561

Financing Application. Prepare schedules to support application.

Valley Utilities
Docket W-01412A-07-280

Emergency Rate Application. Prepare schedules to support application.

Valley Utilities
Docket W-01412A-07-0278

Accounting Order. Assist in preparing definition and scope of costs for deferral for future regulatory consideration and treatment.

Litchfield Park Service Company
Docket W-01427A-06-0807

Accounting Order. Assist in preparing definition and scope of costs for deferral for future regulatory consideration and

COMPANY/CLIENT

FUNCTION

Golden Shores Water Company
Docket W-01815A-07-0117

treatment.
Permanent Rate Application. Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Diablo Village Water Company
Docket W-02309A-07-0140

Off-site facilities hook-up fee application. Prepare schedules to support application.

Diablo Village Water Company
Docket W-02309A-07-0399

Permanent Rate Application (Class C). Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Sahuarita Water Company
(Rancho Sahuarita Water Co.)
Docket W-03718A-07-0687

Extension Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.

Utility Source, L.L.C.
Docket WS-04235A-06-0303

Permanent Rate Application- Water and Wastewater. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Goodman Water Company
Docket W-02500A-06-0281

Permanent Rate Application (Class C). Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, and Cost of Capital.

Links at Coyote Wash Utilities
Docket SW-04210A-06-0220

Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

New River Utilities
Docket W-0173A-06-0171

Extension Certificate of Convenience and Necessity – Water. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, and financing.

COMPANY/CLIENT

Johnson Utilities
Docket WS-02987A-04-0501
Docket WS-02987A-04-0177

Bachmann Springs Utility
Docket WS-03953A-07-0073

Avra Water Cooperative
Docket W-02126A-06-0234

Gold Canyon Sewer Company
Docket SW-025191A-06-0015

Far West Water and Sewer Company
Docket WS-03478A-05-0801

Black Mountain Sewer Company
Docket SW-02361A-05-0657

Balterra Sewer Company
Docket SW-02304A-05-0586

Community Water Company of Green
Valley
Docket W-02304A-05-0830

FUNCTION

Extension of Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Permanent Rate Application – Sewer. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, Rate Design, and Cost of Capital.

Certificate of Convenience and Necessity – Sewer. Prepared pro-forma balance sheets, income statements, plant schedules, rate base, financing, and initial rate design.

Permanent Rate Application – Water. Prepared schedules and testified on Rate Base, Plant, Income Statement, Revenue Requirement, and Rate Design.

COMPANY/CLIENT

McClain Water Systems
Northern Sunrise Water
Southern Sunrise Water
Docket W-020453A-06-0251

Valley Utilities Water Company
Docket W-01412A-04-0376

Valley Utilities Water Company
Docket W-01412A-04-0376

Beardsley Water Company
Docket W-02074A-04-0358

Pine Water Company, Inc.
Docket W-03512A-03-0279

Chaparral City Water Company
Docket W-02113A-04-0616

Tierra Linda Home Owners Association
Docket W-0423A-04-0075

Diamond Ventures - Red Rock Utilities
Docket WS-04245A-04-0184

FUNCTION

Certificate of Convenience and Necessity
– Water. Prepared pro-forma balance
sheets, income statements, plant
schedules, rate base, financing, and initial
rate design.

Off-site facilities hook-up fee application.
Prepare schedules to support application.

Permanent Rate Application – Water.
Prepared schedules and testified on Rate
Base, Plant, Income Statement, and
Revenue Requirement. Assisted in
preparation of Rate Design.

Permanent Rate Application – Water.
Prepared short-form schedules for Rate
Base, Income Statement, Plant, Bill
Counts, and Rate Design.

Interim and Permanent Rate Application,
Financing Application - Water. Prepared
schedules and testified on Rate Base,
Plant, Income Statement, Cost of Capital,
and Rate Design.

Permanent Rate Application. Prepared
schedules and testified on Rate Base,
Plant, and Income Statement. Assisted in
preparation Rate Design.

Certificate of Convenience and Necessity
– Water. Prepared pro-forma balance
sheets, income statements, plant
schedules, rate base, financing, and initial
rate design.

Certificate of Convenience and Necessity
– Water and Sewer. Prepared pro-forma
balance sheets, income statements, plant
schedules, rate base, financing, and initial
rate design.

COMPANY/CLIENT

FUNCTION

Arizona-American Water Company, Inc.
Docket WS-01303A-02-0867
Docket WS-01303A-02-0868
Docket WS-01303A-02-0869
Docket WS-01303A-02-0870
Docket WS-01303A-02-0908

Permanent Rate Application Water and Sewer (10 divisions). Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Rate Design.

Bella Vista Water Company, Inc.
Docket W-02465A-01-0776

Permanent Rate Application - Water. Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Cost of Capital and Rate Design.

Green Valley Water Company
Docket (2000 Not Filed)

Permanent Rate Application. Prepared schedules and testimony on Rate Base, Plant, Income Statement, and Revenue Requirement. Assisted in preparation of Cost of Capital and Rate Design.

Gold Canyon Sewer Company
Docket SW-02519A-00-0638

Permanent Rate Application - Sewer. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.

Rio Verde Utilities, Inc.
Docket WS-02156A-00-0321

Permanent Rate Application – Water and Sewer. Prepared schedules and testimony on Rate Base, Plant, Revenue Requirement, and Income Statement. Assisted in preparation of Cost of Capital and Rate Design.

Livco Water Company
Livco Sewer Company
Docket SW-02563A-05-0820

Permanent Rate Application – Water. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

Livco Water Company
Docket SW-02563A-07-0506

Permanent Rate Application – Water and Sewer. Prepared short-form schedules for Rate Base, Income Statement, Plant, Bill Counts, and Rate Design.

COMPANY/CLIENT

Cave Creek Sewer Company

Avra Water Cooperative
Docket W-02126A-00-0269

Town of Oro Valley

Far West Water Company
Docket WS-03478A-99-0144

MHC Operating Limited Partnership
Sedona Venture Wastewater
Docket W-

Vail Water Company
Docket W-01651B-99-0406

E&T Water Company
Docket W-01409A-95-0440

New River Utility
Docket W-01737A-99-0633

Golden Shores Water
Docket W-01815A-98-0645

Ponderosa Utility Company
Docket W-01717A-99-0572

FUNCTION

Revenue Requirement, Rate Adjustment
and Rate Design - Sewer.

Permanent Rate Application – Water.
Assisted in preparation of Rate Base, Plant,
Income Statement, Revenue Requirement,
and Rate Design.

Revenue Requirements, Water Rate
Adjustments and Rate Design.

Permanent Rate Application – Water.
Assisted in preparation of schedules for
Rate Base, Income Statement, Revenue
Requirement, Lead-Lag Study, Cost of
Capital, and Rate Design.

Permanent Rate Application – Sewer.
Assisted in preparation of schedules for
Rate Base, Plant, Income Statement, and
Rate Design.

Permanent Rate Application. Assisted in
preparation of schedules for Rate Base,
Plant, Income Statement, and Rate Design.

Permanent Rate Application - Water.
Assisted in preparation of schedules for
Rate Base, Plant, Income Statement, and
Rate Design.

Permanent Rate Application - Water.
Assisted in preparation of schedules for
Rate Base, Plant, Income Statement, and
Rate Design.

Permanent Rate Application – Water.
Assisted in preparation of schedules for
Rate Base, Plant, Income Statement, and
Rate Design.

Permanent Rate Application – Water.
Assisted in preparation of schedules for
Rate Base, Plant, Income Statement, and
Rate Design.

COMPANY/CLIENT

Chaparral City Water Company
Docket (1999 Not Filed)

FUNCTION

Permanent Rate Application - Water.
Prepared schedules and testimony on Rate
Base, Plant, Revenue Requirement, and
Income Statement. Assisted in preparation
of Cost of Capital and Rate Design.

Goodman Water Company
Docket No. W-02500A-09-___

September 17, 2010

WATER USE DATA
PLANT INVENTORY

WATER USE DATA SHEET

NAME OF COMPANY	Goodman Water Company
ADEQ Public Water System Number:	111130

MONTH/YEAR 2 Months of Test Year	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	Gallons Purchased (Thousands)
Jan-09	610	3,057	3,927	-
Feb-09	613	2,973	3,508	-
Mar-09	619	3,413	3,804	-
Apr-09	619	3,579	4,012	-
May-09	622	4,186	4,948	-
Jun-09	617	4,081	3,707	-
Jul-09	609	4,181	4,343	-
Aug-09	612	4,133	4,186	-
Sep-09	609	3,582	3,683	-
Oct-09	610	4,350	4,919	-
Nov-09	636	4,005	5,156	-
Dec-09	621	2,503	2,470	-
Total		44,043	48,663	-

What is the level of arsenic for each well in your system? <0.001 mg/l

If system has fire hydrants, what is the fire flow requirement?
1,000-1,500 GPM for 2 Hours

If system has chlorination treatment, does this system chlorinate continuously?

YES NO

Is the Water Utility located in an Active Management Area ("AMA")?

YES NO

Does the Company have a Gallons Per Capita Day ("GPCD") requirement?

YES NO

If Yes, please provide the GPCD amount: N/A

Note: If you are filling for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.

COMPANY NAME	Goodman Water Company
Name of System:	ADEQ Public Water System Number: 11130

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-610541	75	440	700	12	8	1982
55-595228	100	800	618	16	8	2004

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

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

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
5HP	2	67	
10HP	1		
20HP	3		
30HP	2		
40HP	2		
50HP	2		
75HP	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
400,000	1	5,000	5
530,000	1		

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

COMPANY NAME Goodman Water Company
Name of System: ADEQ Public Water System Number: 111130

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2		
3	PVC	950
4		
5		
6	PVC	4,012
8	PVC	19,108
10		
12	PVC	17,627
12	DIP	208

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	543
3/4	92
1	6
1 1/2	1
2	5
Comp. 3	
Turbo 3	1
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

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

TREATMENT EQUIPMENT:

<u>Continuous Chlorinators</u>

STRUCTURES:

<u>Shed and Enclosures for chlorinators</u>

OTHER:

<u>Telemetry System, SCADA System</u>

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

Goodman Water Company
Docket No. W-02500A -09-_____

THOMAS J. BOURASSA
DIRECT TESTIMONY
(RATE BASE, INCOME STATEMENT, AND RATE DESIGN)
September 17, 2010

SCHEDULES

Goodman Water Company
Test Year Ended December 31, 2009
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Schedule A-1
Page 1
Witness: Bourassa

Line
No.

1	Fair Value Rate Base	\$ 2,397,419
2		
3	Adjusted Operating Income	73,568
4		
5	Current Rate of Return	3.07%
6		
7	Required Operating Income	\$ 252,688
8		
9	Required Rate of Return on Fair Value Rate Base	10.54%
10		
11	Operating Income Deficiency	\$ 179,120
12		
13	Gross Revenue Conversion Factor	1.6251
14		
15	Increase in Gross Revenue Requirement	\$ 291,083
16		
17		
18	Adjusted Test Year Revenues	\$ 572,751
19	Increase in Gross Revenue Revenue Requirement	\$ 291,083
20	Proposed Revenue Requirement	\$ 863,834
21	% Increase	50.82%
22		

Customer Classification (Residential Commercial, Irrigation)	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
26 5/8x3/4 Inch Residential	\$ 438,217	\$ 665,007	\$ 226,790	51.75%
27 3/4 Inch Residential	88,623	133,504	44,881	50.64%
28 1 Inch Residential	6,812	10,223	3,410	50.06%
29				
30 1 Inch Commercial	\$ 13,599	\$ 23,754	10,155	74.67%
31 1 1/2 Inch Commercial	458	635	177	38.55%
32 2 Inch Commercial	14,440	23,409	8,969	62.12%
33				
34 Construction/Standpipe	\$ 3,456	\$ 6,382	2,927	84.70%
35				
36 Revenue Annualization	\$ (7,359)	\$ (12,778)	(5,420)	73.65%
37				
38 Subtotal	\$ 558,246	\$ 850,136	\$ 291,890	52.29%
39				
40 Other Water Revenues	13,738	13,738	-	0.00%
41 Reconciling Amount	767	(40)	(807)	-105.22%
42			-	0.00%
43 Total of Water Revenues	\$ 572,751	\$ 863,834	\$ 291,083	50.82%
44				

45
46 SUPPORTING SCHEDULES:
47 B-1
48 C-1
49 C-3
50 H-1

Goodman Water Company
Test Year Ended December 31, 2009
Summary of Results of Operations

Exhibit
Schedule A-2
Page 1
Witness: Bourassa

Line No.	Description	Prior Years Ended		Test Year		Projected Year	
		12/31/2007	12/31/2008	Actual 12/31/2009	Adjusted 12/31/2009	Present Rates 12/31/2010	Proposed Rates 12/31/2010
1	Gross Revenues	\$ 505,418	\$ 562,822	\$ 580,110	\$ 572,751	\$ 572,751	\$ 863,834
2							
3	Revenue Deductions and	384,001	524,837	532,638	499,184	499,184	611,146
4	Operating Expenses						
5							
6	Operating Income	\$ 121,417	\$ 37,985	\$ 47,472	\$ 73,568	\$ 73,568	\$ 252,688
7							
8	Other Income and	6,323	6,034	1,438	-	-	-
9	Deductions						
10							
11	Interest Expense	(152)	(41,877)	(46,091)	(37,341)	(37,341)	(37,341)
12							
13	Net Income	\$ 127,588	\$ 2,142	\$ 2,819	\$ 36,227	\$ 36,227	\$ 215,347
14							
15	Earned Per Average						
16	Common Share	0.28	0.00	0.01	0.08	0.08	0.47
17							
18	Dividends Per						
19	Common Share	-	-	-	0.20	0.31	0.31
20							
21	Payout Ratio	-	-	-	2.48	3.99	0.67
22							
23	Return on Average						
24	Invested Capital	4.05%	0.05%	0.06%	0.69%	0.71%	4.25%
25							
26	Return on Year End						
27	Capital	3.38%	0.04%	0.06%	0.69%	0.74%	4.41%
28							
29	Return on Average						
30	Common Equity	8.00%	0.11%	0.13%	1.58%	1.65%	9.41%
31							
32	Return on Year End						
33	Common Equity	7.45%	0.09%	0.13%	1.57%	1.63%	8.99%
34							
35	Times Bond Interest Earned						
36	Before Income Taxes	928.67	2.76	2.65	2.58	2.58	10.37
37							
38	Times Total Interest and						
39	Preferred Dividends Earned						
40	After Income Taxes	811.03	0.91	1.03	1.31	1.31	6.77
41							
42							
43	<u>SUPPORTING SCHEDULES</u>						
44	C-1						
45	E-2						
46	F-1						

Goodman Water Company
Test Year Ended December 31, 2009
Summary of Capital Structure

Exhibit
Schedule A-3
Page 1
Witness: Bourassa

Line No.	Description:	Prior Years Ended		Test Year	Projected Year
		12/31/2007	12/31/2008	12/31/2009	12/31/2010
1					
2					
3	Short-Term Debt	-	-	-	-
4	Long-Term Debt	-	592,954	507,451	495,102
5					
6	Total Debt	\$ -	\$ 592,954	\$ 507,451	\$ 495,102
7					
8					
9	Preferred Stock	-	-	-	-
10					
11	Common Equity	1,712,464	2,267,615	2,180,436	2,395,783
12					
13					
14	Total Capital & Debt	\$ 1,712,464	\$ 2,860,569	\$ 2,687,887	\$ 2,890,886
15					
16					
17	Capitalization Ratios:				
18					
19	Long-Term Debt	0.00%	20.73%	18.88%	17.13%
20					
21	Total Debt	0.00%	20.73%	18.88%	17.13%
22					
23					
24	Preferred Stock	-	-	-	-
25					
26	Common Equity	100.00%	79.27%	81.12%	82.87%
27					
28					
29	Total Capital	100.00%	100.00%	100.00%	100.00%
30					
31					
32	Weighted Cost of				
33	Senior Capital	0.00%	1.76%	1.60%	1.46%
34					
35					
36					
37					
38					
39					
40	<u>SUPPORTING SCHEDULES:</u>				
41	E-1				
42	D-1				

Goodman Water Company
Test Year Ended December 31, 2009
Construction Expenditures
and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Bourassa

Line No.		<u>Construction Expenditures</u>	<u>Net Plant Placed in Service</u>	<u>Gross Utility Plant in Service</u>
1				
2				
3				
4	Prior Year Ended 12/31/2007	-	(6,580)	3,665,491
5				
6	Prior Year Ended 12/31/2008	1,737,362	1,737,362	5,402,853
7				
8	Test Year Ended 12/31/2009	29,427	29,427	5,432,281
9				
10	Projected Year Ended 12/31/2010	-	-	5,432,281
11				
12				
13				
14				
15	<u>SUPPORTING SCHEDULES:</u>			
16	B-2			
17	E-5			
18	F-3			
19				
20				

Goodman Water Company
 Test Year Ended December 31, 2009
 Summary Statements of Cash Flows

Exhibit
 Schedule A-5
 Page 1
 Witness: Bourassa

Line No.	Prior Year Ended 12/31/2007	Prior Year Ended 12/31/2008	Test Year Ended 12/31/2009	Projected Year Present Rates 12/31/2010	Projected Year Proposed Rates 12/31/2010
5	Cash Flows from Operating Activities				
6	\$ 127,588	\$ 2,142	\$ 2,819	\$ 36,227	\$ 215,347
7	Adjustments to reconcile net income to net cash provided by operating activities:				
9	136,134	215,903	228,578	228,403	228,403
10	-	-	-	-	-
11	(875)	4	-	-	-
12	Changes in Certain Assets and Liabilities:				
13	(36,541)	653	(4,557)	-	-
14	-	-	-	-	-
15	-	-	-	-	-
16	(23,233)	23,233	(3,149)	-	-
17	-	-	-	-	-
18	73,273	(63,129)	(8,285)	-	-
19	-	74,238	(74,238)	-	-
20	14,851	263	10,175	-	-
21	400	47,534	(27,591)	-	-
22	(65,324)	(87,629)	96,938	-	-
23					
24	\$ 226,273	\$ 213,212	\$ 220,690	\$ 264,630	\$ 443,750
25	Cash Flow From Investing Activities:				
26	(977,249)	(1,737,370)	(29,399)	-	-
27	-	-	-	-	-
28	-	-	-	-	-
29	\$ (977,249)	\$ (1,737,370)	\$ (29,399)	\$ -	\$ -
30	Cash Flow From Financing Activities				
31	-	-	-	-	-
32	-	518,715	-	-	-
33	849,647	264,172	(45,589)	(45,589)	(45,589)
34	-	-	-	-	-
35	-	-	(11,264)	(12,349)	(12,349)
36	-	-	(90,000)	(90,000)	(90,000)
37	-	-	-	-	-
38	-	534,193	-	-	-
39	\$ 849,647	\$ 1,317,080	\$ (146,853)	\$ (147,938)	\$ (147,938)
40	98,671	(207,078)	44,438	116,692	295,813
41	181,605	280,276	73,198	117,637	117,637
42	\$ 280,276	\$ 73,198	\$ 117,637	\$ 234,329	\$ 413,449
43	<u>SUPPORTING SCHEDULES:</u>				
44	E-3				
45	F-2				

Goodman Water Company
Test Year Ended December 31, 2009
Summary of Rate Base

Exhibit
Schedule B-1
Page 1
Witness: Bourassa

Line No.		<u>Original Cost</u> <u>Rate base</u>	<u>Fair Value</u> <u>Rate Base</u>
1			
2	Gross Utility Plant in Service	\$ 5,460,341	\$ 5,460,341
3	Less: Accumulated Depreciation	<u>745,663</u>	<u>745,663</u>
4			
5	Net Utility Plant in Service	\$ 4,714,678	\$ 4,714,678
6			
7	<u>Less:</u>		
8	Advances in Aid of		
9	Construction	2,101,905	2,101,905
10	Contributions in Aid of		
11	Construction - Net of amortization	-	-
12	Customer Meter Deposits	83,087	83,087
13	Deferred Income Taxes & Credits	132,267	132,267
14	Investment tax Credits	-	-
15			
16			
17	<u>Plus:</u>		
18	Unamortized Finance		
19	Charges	-	-
20	Deferred Tax Assets	-	-
21	Allowance for Working Capital	-	-
22			
23			
24	Total Rate Base	<u>\$ 2,397,419</u>	<u>\$ 2,397,419</u>
25			
26			
27			
28	<u>SUPPORTING SCHEDULES:</u>		
29	B-2		
30	B-3		
31	B-5		
32	E-1		
33			

Goodman Water Company
Test Year Ended December 31, 2009
Original Cost Rate Base Proforma Adjustments

Exhibit
Schedule B-2
Page 1
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustme Amount	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 5,432,261	28,080	\$ 5,460,341
3				
4	Less:			
5	Accumulated			
6	Depreciation	799,034	(53,371)	745,663
7				
8				
9	Net Utility Plant			
10	in Service	\$ 4,633,227		\$ 4,714,678
11				
12	Less:			
13	Advances in Aid of			
14	Construction	2,101,905	-	2,101,905
15				
16	Contributions in Aid of			
17	Construction - Net	-	-	-
18				
19	Service Line and Meter Installation Chgs	83,087		83,087
20	Accumulated Deferred Income Tax	-	132,267	132,267
21				-
22				-
23				
24	Plus:			
25	Unamortized Finance			
26	Charges	-		-
27	Prepayments	-		-
28	Materials and Supplies	-		-
29	Working capital	-	-	-
30				-
31				
32	Total	\$ 2,448,235		\$ 2,397,419

SUPPORTING SCHEDULES:

B-2, pages 2

E-1

RECAP SCHEDULES:

B-1

33
34
35
36
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39
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43
44
45

Goodman Water Company
 Test Year Ended December 31, 2009
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Schedule B-2
 Page 2
 Witness: Bourassa

Line No.	Actual at End of Test Year	1 Plant-in-Service	2 Accumulated Depreciation	3 Accumulated Deferred Income Taxes	4 Intentionally Left Blank	Adjusted at end of Test Year
1	\$ 5,432,261	28,080				\$ 5,460,341
2						
3						
4						
5			(53,371)			745,663
6						
7						
8						
9						
10	\$ 4,633,227	\$ 28,080	\$ 53,371	\$ -	\$ -	\$ 4,714,678
11						
12						
13						
14	2,101,905					2,101,905
15						
16						
17	-					-
18	-					-
19						
20						
21	83,087					83,087
22	-			132,267		132,267
23						
24						
25						
26						
27	-					-
28	-					-
29	-					-
30	-					-
31						
32	\$ 2,448,235	\$ 28,080	\$ 53,371	\$ (132,267)	\$ -	\$ 2,397,419
33						
34						
35						
36						
37						
38						

SUPPORTING SCHEDULES:
 B-2, pages 3-5
 E-1

Goodman Water Company
Test Year Ended December 31, 2009
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1

Line No.	Plant-in-Service	Acct. No.	Description	Actual Original Cost	Adjustments				Adjusted Original Cost
					A	B	C	D	
				Adjustments to Reconcile To Prior Rate Case	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank		
1		301	Organization Cost	127,103	-	-	-	127,103	
2		302	Franchise Cost	-	-	-	-	-	
3		303	Land and Land Rights	494,159	-	-	-	494,159	
4		304	Structures and Improvements	182,570	-	-	-	182,570	
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	Electric Pumping Equipment	968,652	-	-	-	968,652	
12		312	Water Treatment Equipment	15,947	-	-	-	15,947	
13		313	Water Treatment Plant	-	-	-	-	-	
14		314	Chemical Solution Feeders	-	-	-	-	-	
15		315	Dist. Reservoirs & Standpipe	836,890	-	-	-	836,890	
16		316	Storage tanks	-	-	-	-	-	
17		317	Pressure Tanks	-	-	-	-	-	
18		318	Trans. and Dist. Mains	1,593,985	17,325	-	-	1,611,321	
19		319	Services	386,947	-	-	-	386,947	
20		320	Meters	90,088	10,755	-	-	100,842	
21		321	Hydrants	161,737	-	-	-	161,737	
22		322	Backflow Prevention Devices	-	-	-	-	-	
23		323	Other Plant and Misc. Equip.	187,582	-	-	-	187,582	
24		324	Office Furniture and Fixtures	-	-	-	-	-	
25		325	Computers and Software	-	-	-	-	-	
26		326	Transportation Equipment	-	-	-	-	-	
27		327	Stores Equipment	-	-	-	-	-	
28		328	Tools and Work Equipment	-	-	-	-	-	
29		329	Laboratory Equipment	-	-	-	-	-	
30		330	Power Operated Equipment	-	-	-	-	-	
31		331	Communications Equipment	-	-	-	-	-	
32		332	Miscellaneous Equipment	-	-	-	-	-	
33		333	Other Tangible Plant	-	-	-	-	-	
34		334		-	-	-	-	-	
35		335		-	-	-	-	-	
36		336		-	-	-	-	-	
37		337		-	-	-	-	-	
38		338		-	-	-	-	-	
39		339		-	-	-	-	-	
40		340		-	-	-	-	-	
41		341		-	-	-	-	-	
42		342		-	-	-	-	-	
43		343		-	-	-	-	-	
44		344		-	-	-	-	-	
45		345		-	-	-	-	-	
46		346		-	-	-	-	-	
47		347		-	-	-	-	-	
48		348		-	-	-	-	-	
			TOTALS	\$ 5,432,261	\$ 28,080	\$ -	\$ -	\$ 5,460,341	
			Plant-in-Service per Books					\$ 5,432,261	
			Increase (decrease) in Plant-in-Service					\$ 28,080	
			Adjustment to Plant-in-Service					\$ 28,080	

Account No.	Description	Deprec. Rate	Deprec. After 4/16/2007 Rate	Decision 69404 9/30/2005	Accum. Depr.	Oct-Dec 2005 Plant Additions	Oct-Dec 2005 Plant Adjustments	Oct-Dec 2005 Adjusted Plant Additions	Oct-Dec 2005 Plant Retirements	Dec 2005 Plant Balance	Oct-Dec 2005 Depr.
301	Organization Cost	0.00%	0.00%	104,528	-	1,500	-	1,500	-	108,028	-
302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-
303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-
304	Structures and Improvements	2.50%	3.33%	9,788	306	1,276	-	1,276	-	11,064	65
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-	-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-	-	-	-	-	-
307	Wells and Springs	2.50%	3.33%	388,591	17,925	-	-	-	-	388,591	2,416
308	Infiltration Galleries and Tunnels	2.50%	6.67%	-	-	-	-	-	-	-	-
309	Supply Mains	2.50%	2.00%	-	-	-	-	-	-	-	-
310	Power Generation Equipment	2.50%	5.00%	-	-	-	-	-	-	-	-
311	Electric Pumping Equipment	2.50%	12.50%	686,993	35,041	-	-	-	-	686,993	4,294
320	Water Treatment Equipment	2.50%	3.33%	11,054	345	-	-	-	-	11,054	69
320.1	Water Treatment Plant	2.50%	3.33%	-	-	-	-	-	-	-	-
320.2	Chemical Solution Feeders	2.50%	20.00%	-	-	-	-	-	-	-	-
330	Dist. Reservoirs & Standpipe	2.50%	2.22%	294,460	15,489	-	-	-	-	294,460	1,840
330.1	Storage tanks	2.50%	2.22%	-	-	-	-	-	-	-	-
330.2	Pressure Tanks	2.50%	5.00%	-	-	-	-	-	-	-	-
331	Trans. and Dist. Mains	2.50%	2.00%	628,673	29,324	122,779	-	122,779	-	751,451	4,313
333	Services	2.50%	3.33%	129,274	5,679	17,266	-	17,266	-	148,540	882
334	Meters	2.50%	8.33%	67,497	2,310	270	-	270	-	67,767	423
335	Hydrants	2.50%	2.00%	46,955	2,090	36,220	-	36,220	-	83,174	407
336	Backflow Prevention Devices	2.50%	6.67%	-	-	-	-	-	-	-	-
339	Other Plant and Misc. Equip.	2.50%	6.67%	-	-	152,473	-	152,473	-	152,473	476
340	Office Furniture and Fixtures	2.50%	2.50%	-	-	-	-	-	-	-	-
340.1	Computers and Software	2.50%	20.00%	-	-	-	-	-	-	-	-
341	Transportation Equipment	2.50%	20.00%	-	-	-	-	-	-	-	-
342	Stores Equipment	2.50%	4.00%	-	-	-	-	-	-	-	-
343	Tools and Work Equipment	2.50%	5.00%	-	-	-	-	-	-	-	-
344	Laboratory Equipment	2.50%	10.00%	-	-	-	-	-	-	-	-
345	Power Operated Equipment	2.50%	5.00%	-	-	-	-	-	-	-	-
346	Communications Equipment	2.50%	10.00%	-	-	-	-	-	-	-	-
347	Miscellaneous Equipment	2.50%	10.00%	-	-	-	-	-	-	-	-
348	Other Tangible Plant	2.50%	10.00%	-	-	-	-	-	-	-	-
	Rounding										
				2							

TOTAL WATER PLANT	2,365,813	108,509	331,783	-	331,783	-	2,697,594	15,165
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Goodman Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.2
Witness: Bourassa

Account No.	Description	Deprec. Rate	Deprec. After 4/16/2007 Rate	2006 Plant Additions	2006 Plant Adjustments	2006 Adjusted Plant Additions	2006 Plant Retirements	2006 Plant Balance	2008 Deprec.
301	Organization Cost	0.00%	0.00%	4,920	-	4,920	-	110,948	-
302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-
304	Structures and Improvements	3.33%	2.50%	-	-	-	-	11,064	277
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-	-	-	-
307	Wells and Springs	3.33%	2.50%	-	-	-	-	386,591	9,665
308	Infiltration Galleries and Tunnels	2.50%	2.50%	-	-	-	-	-	-
309	Supply Mains	2.50%	2.50%	-	-	-	-	-	-
310	Power Generation Equipment	5.00%	5.00%	-	-	-	-	688,993	17,175
311	Electric Pumping Equipment	12.50%	12.50%	-	-	-	-	11,319	280
320	Water Treatment Equipment	3.33%	2.50%	266	-	266	-	-	-
320.1	Water Treatment Plant	3.33%	2.50%	-	-	-	-	-	-
320.2	Chemical Solution Feeders	20.00%	2.50%	-	-	-	-	294,460	7,361
330	Dist. Reservoirs & Standpipe	2.50%	2.50%	-	-	-	-	-	-
330.1	Storage tanks	2.50%	2.50%	-	-	-	-	-	-
330.2	Pressure Tanks	2.22%	2.22%	-	-	-	-	-	-
331	Trans. and Dist. Mains	5.00%	5.00%	-	-	-	-	751,451	18,786
333	Services	2.00%	2.00%	3	-	3	-	146,543	3,664
334	Meters	3.33%	3.33%	270	-	270	-	68,037	1,698
335	Hydrants	2.50%	2.50%	5	-	5	-	83,160	2,079
336	Backflow Prevention Devices	2.50%	2.50%	-	-	-	-	-	-
339	Other Plant and Misc. Equip.	6.67%	6.67%	13,245	-	13,245	-	165,718	3,977
340	Office Furniture and Fixtures	6.67%	6.67%	-	-	-	-	-	-
340.1	Computers and Software	20.00%	2.50%	-	-	-	-	-	-
341	Transportation Equipment	2.50%	2.50%	-	-	-	-	-	-
342	Stores Equipment	2.50%	2.50%	-	-	-	-	-	-
343	Tools and Work Equipment	4.00%	4.00%	-	-	-	-	-	-
344	Laboratory Equipment	5.00%	5.00%	-	-	-	-	-	-
345	Power Operated Equipment	10.00%	10.00%	-	-	-	-	-	-
346	Communications Equipment	5.00%	5.00%	-	-	-	-	-	-
347	Miscellaneous Equipment	2.50%	2.50%	-	-	-	-	-	-
348	Other Tangible Plant	10.00%	10.00%	-	-	-	-	-	-
	Rounding	2.50%	2.50%	-	-	-	-	-	-
	TOTAL WATER PLANT			18,709	-	18,709	-	2,716,303	64,962

Goodman Water Company
Plant Additions and Retirements

Account No.	Description	Deprec. Rate	Deprec. Rate After 4/16/2007	2007 Plant Additions	2007 Plant Adjustments	2007 Adjusted Plant Additions	2007 Plant Retirements	2007 Plant Balance	2007 Deprec.
301	Organization Cost	0.00%	0.00%	6,539	-	6,539	-	117,487	-
302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-
303	Land and Land Rights	0.00%	0.00%	-	-	-	-	11,064	334
304	Structures and Improvements	2.50%	2.50%	-	-	-	-	-	-
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-	-	386,591	11,670
307	Wells and Springs	2.50%	2.50%	-	-	-	-	-	-
308	Infiltration Galleries and Tunnels	2.50%	2.50%	-	-	-	-	-	-
309	Supply Mains	2.50%	2.00%	-	-	-	-	-	-
310	Power Generation Equipment	2.50%	5.00%	2,963	-	2,963	-	689,955	60,241
311	Electric Pumping Equipment	2.50%	12.50%	4,628	-	4,628	-	15,947	412
320	Water Treatment Equipment	2.50%	3.33%	-	-	-	-	-	-
320.1	Water Treatment Plant	2.50%	3.33%	-	-	-	-	-	-
320.2	Chemical Solution Feeders	2.50%	20.00%	72,350	-	72,350	-	366,810	7,687
330	Dist. Reservoirs & Standpipe	2.50%	2.22%	-	-	-	-	-	-
330.1	Storage tanks	2.50%	2.22%	-	-	-	-	-	-
330.2	Pressure Tanks	2.50%	5.00%	-	-	-	-	1,436,546	23,931
331	Trans. and Dist. Mains	2.50%	2.00%	685,094	-	685,094	-	289,895	6,587
333	Services	2.50%	3.33%	143,352	-	143,352	6,580	86,396	4,744
334	Meters	2.50%	8.33%	11,779	-	11,779	-	126,384	2,292
335	Hydrants	2.50%	2.00%	43,205	-	43,205	-	-	-
336	Backflow Prevention Devices	2.50%	6.67%	759	-	759	-	166,477	8,481
339	Other Plant and Misc. Equip.	2.50%	6.67%	-	-	-	-	-	-
340	Office Furniture and Fixtures	2.50%	6.67%	-	-	-	-	-	-
340.1	Computers and Software	2.50%	20.00%	-	-	-	-	-	-
341	Transportation Equipment	2.50%	20.00%	-	-	-	-	-	-
342	Stores Equipment	2.50%	4.00%	-	-	-	-	-	-
343	Tools and Work Equipment	2.50%	5.00%	-	-	-	-	-	-
344	Laboratory Equipment	2.50%	10.00%	-	-	-	-	-	-
345	Power Operated Equipment	2.50%	5.00%	-	-	-	-	-	-
346	Communications Equipment	2.50%	10.00%	-	-	-	-	-	-
347	Miscellaneous Equipment	2.50%	10.00%	-	-	-	-	-	-
348	Other Tangible Plant	2.50%	10.00%	-	-	-	-	-	-
	Rounding								
	TOTAL WATER PLANT			970,669	-	970,669	6,580	3,693,552	126,381

Goodman Water Company
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.4
Witness: Bourassa

Account No.	Description	Deprec. Rate	Deprec. After 4/16/2007 Rate	2008 Plant Additions	2008 Plant Adjustments	2008 Adjusted Plant Additions	2008 Plant Retirements	2008 Plant Balance	2008 Deprec.
301	Organization Cost	0.00%	0.00%	9,616	-	9,616	-	127,103	-
302	Franchise Cost	0.00%	0.00%	494,159	-	494,159	-	494,159	-
303	Land and Land Rights	0.00%	0.00%	171,506	-	171,506	-	182,570	3,224
304	Structures and Improvements	2.50%	2.50%	-	-	-	-	-	-
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-	-	386,591	12,873
307	Wells and Springs	2.50%	2.50%	-	-	-	-	-	-
308	Infiltration Galleries and Tunnels	2.50%	2.50%	-	-	-	-	-	-
309	Supply Mains	2.50%	2.50%	-	-	-	-	-	-
310	Power Generation Equipment	2.50%	2.50%	-	-	-	-	-	-
311	Electric Pumping Equipment	2.50%	12.50%	275,541	-	275,541	-	965,495	103,466
320	Water Treatment Equipment	2.50%	3.33%	-	-	-	-	15,947	531
320.1	Water Treatment Plant	2.50%	3.33%	-	-	-	-	-	-
320.2	Chemical Solution Feeders	2.50%	20.00%	-	-	-	-	-	-
330	Dist. Reservoirs & Standpipe	2.50%	2.22%	470,081	-	470,081	-	836,890	13,361
330.1	Storage tanks	2.50%	2.22%	-	-	-	-	-	-
330.2	Pressure Tanks	2.50%	2.50%	-	-	-	-	-	-
331	Trans. and Dist. Mains	2.50%	2.00%	174,757	-	174,757	-	1,811,302	30,478
333	Services	2.50%	3.33%	97,051	-	97,051	-	386,947	11,269
334	Meters	2.50%	8.33%	9,299	-	9,299	-	95,695	7,584
335	Hydrants	2.50%	2.00%	35,352	-	35,352	-	161,737	2,881
336	Backflow Prevention Devices	2.50%	6.67%	-	-	-	-	-	-
339	Other Plant and Misc. Equip.	2.50%	6.67%	-	-	-	-	166,477	11,104
340	Office Furniture and Fixtures	2.50%	6.67%	-	-	-	-	-	-
340.1	Computers and Software	2.50%	20.00%	-	-	-	-	-	-
341	Transportation Equipment	2.50%	20.00%	-	-	-	-	-	-
342	Stores Equipment	2.50%	4.00%	-	-	-	-	-	-
343	Tools and Work Equipment	2.50%	5.00%	-	-	-	-	-	-
344	Laboratory Equipment	2.50%	10.00%	-	-	-	-	-	-
345	Power Operated Equipment	2.50%	5.00%	-	-	-	-	-	-
346	Communications Equipment	2.50%	10.00%	-	-	-	-	-	-
347	Miscellaneous Equipment	2.50%	10.00%	-	-	-	-	-	-
348	Other Tangible Plant	2.50%	10.00%	-	-	-	-	-	-
	Rounding								
				1,737,362	-	1,737,362	-	5,430,914	186,772
TOTAL WATER PLANT									

Goodman Water Company
Plant Additions and Refinements

Exhibit
Schedule B-2
Page 3.5
Witness: Bourassa

Account No.	Description	Deprec. Rate After 4/16/2007	2009 Plant Additions	2009 Plant Adjustments	2009 Adjusted Plant	2009 Plant Refinements	2009 Plant Balance	2009 Deprec.
		Rate						
301	Organization Cost	0.00%	-	-	-	-	127,103	-
302	Franchise Cost	0.00%	-	-	-	-	-	-
303	Land and Land Rights	0.00%	-	-	-	-	494,169	-
304	Structures and Improvements	2.50%	-	-	-	-	182,570	6,080
305	Collecting and Impounding Res.	2.50%	-	-	-	-	-	-
306	Lake River and Other Intakes	2.50%	-	-	-	-	-	-
307	Wells and Springs	2.50%	-	-	-	-	386,591	12,873
308	Infiltration Galleries and Tunnels	2.50%	-	-	-	-	-	-
309	Supply Mains	2.50%	-	-	-	-	-	-
310	Power Generation Equipment	5.00%	-	-	-	-	-	-
311	Electric Pumping Equipment	12.50%	3,155	-	3,155	-	968,652	120,884
320	Water Treatment Equipment	2.50%	-	-	-	-	15,947	531
320.1	Water Treatment Plant	2.50%	-	-	-	-	-	-
320.2	Chemical Solution Feeders	2.50%	-	-	-	-	-	-
330	Dist. Reservoirs & Standpipe	2.50%	-	-	-	-	836,890	18,579
330.1	Storage tanks	2.50%	-	-	-	-	-	-
330.2	Pressure Tanks	2.50%	-	-	-	-	-	-
331	Trans. and Dist. Mains	2.50%	18	-	18	-	1,611,321	32,228
333	Services	2.50%	-	-	-	-	386,947	12,885
334	Meters	2.50%	5,148	-	5,148	-	100,842	8,186
335	Hydrants	2.50%	-	-	-	-	161,737	3,235
336	Backflow Prevention Devices	2.50%	-	-	-	-	-	-
339	Other Plant and Misc. Equip.	2.50%	-	-	-	-	-	-
340	Office Furniture and Fixtures	2.50%	-	-	-	-	-	-
340.1	Computers and Software	2.50%	21,105	-	21,105	-	187,582	11,808
341	Transportation Equipment	2.50%	-	-	-	-	-	-
342	Stores Equipment	4.00%	-	-	-	-	-	-
343	Tools and Work Equipment	5.00%	-	-	-	-	-	-
344	Laboratory Equipment	10.00%	-	-	-	-	-	-
345	Power Operated Equipment	2.50%	-	-	-	-	-	-
346	Communications Equipment	10.00%	-	-	-	-	-	-
347	Miscellaneous Equipment	2.50%	-	-	-	-	-	-
348	Other Tangible Plant	10.00%	-	-	-	-	-	-
	Rounding							
	TOTAL WATER PLANT		29,426	-	29,426	-	5,460,341	227,287

Account No.	Description	Deprec. Rate	After 4/16/2007	Year End Accumulated Depreciation by Account				Dec. 2008	Dec. 2009
				Rate	Sept 30 2005	Dec. 2005	Dec. 2006		
301	Organization Cost	0.00%	-	-	-	-	-	-	
302	Franchise Cost	0.00%	-	-	-	-	-	-	
303	Land and Land Rights	0.00%	-	-	-	-	-	-	
304	Structures and Improvements	3.33%	306	371	648	982	4,206	10,285	
305	Collecting and Impounding Res.	2.50%	-	-	-	-	-	-	
306	Lake River and Other Intakes	2.50%	-	-	-	-	-	-	
307	Wells and Springs	3.33%	17,925	20,341	30,006	41,676	54,550	67,423	
308	Infiltration Galleries and Tunnels	2.50%	-	-	-	-	-	-	
309	Supply Mains	2.00%	-	-	-	-	-	-	
310	Power Generation Equipment	5.00%	-	-	-	-	-	-	
311	Electric Pumping Equipment	12.50%	35,041	39,335	56,510	116,751	220,217	341,101	
320	Water Treatment Equipment	3.33%	345	414	694	1,105	1,636	2,167	
320.1	Water Treatment Plant	3.33%	-	-	-	-	-	-	
320.2	Chemical Solution Feeders	20.00%	-	-	-	-	-	-	
330	Dist. Reservoirs & Standpipe	2.50%	15,489	17,329	24,691	32,378	45,739	64,318	
330.1	Storage tanks	2.50%	-	-	-	-	-	-	
330.2	Pressure Tanks	2.50%	-	-	-	-	-	-	
331	Trans. and Dist. Mains	5.00%	-	-	-	-	-	-	
333	Services	2.50%	29,324	33,637	52,423	76,354	106,833	139,059	
334	Meters	2.50%	5,679	6,541	10,204	16,792	28,061	40,947	
335	Hydrants	2.50%	2,310	2,733	4,430	15,754	23,338	31,524	
336	Backflow Prevention Devices	2.00%	2,090	2,497	4,576	6,868	9,749	12,984	
339	Other Plant and Misc. Equip.	6.67%	-	476	4,454	12,935	24,039	35,847	
340	Office Furniture and Fixtures	6.67%	-	-	-	-	-	-	
340.1	Computers and Software	20.00%	-	-	-	-	-	-	
341	Transportation Equipment	20.00%	-	-	-	-	-	-	
342	Stores Equipment	2.50%	-	-	-	-	-	-	
343	Tools and Work Equipment	4.00%	-	-	-	-	-	-	
344	Laboratory Equipment	5.00%	-	-	-	-	-	-	
345	Power Operated Equipment	10.00%	-	-	-	-	-	-	
346	Communications Equipment	5.00%	-	-	-	-	-	-	
347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	
348	Other Tangible Plant	10.00%	-	-	-	-	-	-	
	Rounding	2.50%	-	-	-	-	-	-	
TOTAL WATER PLANT			108,509	123,674	188,636	321,596	518,368	745,656	

Goodman Water Company
Plant Reconciliation to Prior Rate Case

Line No.	Account No.	Description	Balance Per Company Per 2005 Filing Before Adj.	Company Rate Case Adjustments ¹	Staff Rate Case Adjustments ²	Intentionally Left Blank	Per Decision 69404 Prior Case Adjusted Plant
5			104,528				104,528
6	301	Organization Cost					
7	302	Franchise Cost					
8	303	Land and Land Rights					
9	304	Structures and Improvements	9,788				9,788
10	305	Collecting and Impounding Res.					
11	306	Lake River and Other Intakes					
12	307	Wells and Springs	386,591				386,591
13	308	Infiltration Galleries and Tunnels					
14	309	Supply Mains					
15	310	Power Generation Equipment					
16	311	Electric Pumping Equipment	686,993				686,993
17	320	Water Treatment Equipment	11,054				11,054
18	320.1	Water Treatment Plants					
19	320.2	Chemical Solution Feeders					
20	330	Distribution Reservoirs & Standpipe	294,460				294,460
21	330.1	Storage tanks					
22	330.2	Pressure Tanks			17,325		
23	331	Transmission and Distribution Mains	611,348				628,673
24	333	Services	129,274				129,274
25	334	Meters	56,742	10,755			67,497
26	335	Hydrants	46,955				46,955
27	336	Backflow Prevention Devices					
28	339	Other Plant and Miscellaneous Equipment					
29	340	Office Furniture and Fixtures					
30	340.1	Computers and Software					
31	341	Transportation Equipment					
32	342	Stores Equipment					
33	343	Tools and Work Equipment					
34	344	Laboratory Equipment					
35	345	Power Operated Equipment					
36	346	Communications Equipment					
37	347	Miscellaneous Equipment					
38	348	Other Tangible Plant					
39		Rounding					
40		TOTAL	2,337,731	10,755	17,325		2,365,813

¹ Company proposed reclassified outside services expense to capital.

² Staff proposed reclassified outside services expense to capital.

Goodman Water Company
A/D Reconciliation to Prior Rate Case

Line No.	Account No.	Description	Balance Per Company Per 2005 Filing Before Adj.	Intentionally Left Blank	Intentionally Left Blank	Per Decision 69404 Prior Case Adjusted A/D	Intentionally Left Blank	Initial Balance
5	301	Organization Cost						
6	302	Franchise Cost						
7	303	Land and Land Rights						
8	304	Structures and Improvements	306			306		306
9	305	Collecting and Impounding Res.						
10	306	Lake River and Other Intakes						
11	307	Wells and Springs	17,925			17,925		17,925
12	308	Infiltration Galleries and Tunnels						
13	309	Supply Mains						
14	310	Power Generation Equipment						
15	311	Electric Pumping Equipment	35,041			35,041		35,041
16	320	Water Treatment Equipment	345			345		345
17	320.1	Water Treatment Plants						
18	320.2	Chemical Solution Feeders						
19	330	Distribution Reservoirs & Standpipe						
20	330.1	Storage tanks	15,489			15,489		15,489
21	330.2	Pressure Tanks						
22	331	Transmission and Distribution Mains						
23	333	Services	29,324			29,324		29,324
24	334	Meters	5,679			5,679		5,679
25	335	Hydrants	2,310			2,310		2,310
26	336	Backflow Prevention Devices	2,090			2,090		2,090
27	339	Other Plant and Misc. Equip.						
28	340	Office Furniture and Fixtures						
29	340.1	Computers and Software						
30	341	Transportation Equipment						
31	342	Stores Equipment						
32	343	Tools and Work Equipment						
33	344	Laboratory Equipment						
34	345	Power Operated Equipment						
35	346	Communications Equipment						
36	347	Miscellaneous Equipment						
37	348	Other Tangible Plant						
38		Rounding		2		2		2
39								
40		TOTAL	108,511	-	-	108,511	-	108,511

Goodman Water Company
Test Year Ended December 31, 2009
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Line No.	Deferred Income Tax as of December 31, 2009		Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Tax Rate ⁵	Future Tax Asset Current	Future Tax Asset Non-Current	Future Tax Liability Current	Future Tax Liability Non-Current
1	Plant-in-Service	Adjusted Book Value	\$ 5,460,341 ¹							
2	Accum. Deprec.		(745,663) ¹							
3	CIAC		(1,471,334) ³							
4	Fixed Assets		3,243,344	100.0%	\$ (974,442)	38.5%				(374,811)
5	AIAC			30.0%	\$ 630,572 ⁴	38.5%	\$ 242,544			
6	Tax Benefits from O.L. Carry Forward.			100.0%	\$ -	38.5%				
7							\$ -	\$ 242,544	\$ -	\$ (374,811)
8							\$ -	\$ 242,544	\$ -	\$ (374,811)
9							\$ -	\$ 242,544	\$ -	\$ (374,811)
10							\$ -	\$ 242,544	\$ -	\$ (374,811)
11							\$ -	\$ 242,544	\$ -	\$ (374,811)
12							\$ -	\$ 242,544	\$ -	\$ (374,811)
13							\$ -	\$ 242,544	\$ -	\$ (374,811)
14							\$ -	\$ 242,544	\$ -	\$ (374,811)
15							\$ -	\$ 242,544	\$ -	\$ (374,811)
16							\$ -	\$ 242,544	\$ -	\$ (374,811)
17							\$ -	\$ 242,544	\$ -	\$ (374,811)
18							\$ -	\$ 242,544	\$ -	\$ (374,811)
19							\$ -	\$ 242,544	\$ -	\$ (374,811)
20							\$ -	\$ 242,544	\$ -	\$ (374,811)
21							\$ -	\$ 242,544	\$ -	\$ (374,811)
22							\$ -	\$ 242,544	\$ -	\$ (374,811)
23							\$ -	\$ 242,544	\$ -	\$ (374,811)
24							\$ -	\$ 242,544	\$ -	\$ (374,811)
25							\$ -	\$ 242,544	\$ -	\$ (374,811)
26							\$ -	\$ 242,544	\$ -	\$ (374,811)
27							\$ -	\$ 242,544	\$ -	\$ (374,811)
28							\$ -	\$ 242,544	\$ -	\$ (374,811)
29							\$ -	\$ 242,544	\$ -	\$ (374,811)
30							\$ -	\$ 242,544	\$ -	\$ (374,811)
31							\$ -	\$ 242,544	\$ -	\$ (374,811)
32							\$ -	\$ 242,544	\$ -	\$ (374,811)
33							\$ -	\$ 242,544	\$ -	\$ (374,811)
34							\$ -	\$ 242,544	\$ -	\$ (374,811)
35							\$ -	\$ 242,544	\$ -	\$ (374,811)
36							\$ -	\$ 242,544	\$ -	\$ (374,811)
37							\$ -	\$ 242,544	\$ -	\$ (374,811)
38							\$ -	\$ 242,544	\$ -	\$ (374,811)
39							\$ -	\$ 242,544	\$ -	\$ (374,811)

Footnotes - See page 5.1

Goodman Water Company
 Test Year Ended December 31, 2009
 Original Cost Rate Base Proforma Adjustments
 Adjustment 3

Line No.				
1	¹ Adjusted per B-2, page 2			
2	² Computation of Net Tax Value at December 31, 2009			
3	Based on 2009 Tax Depreciation report (December 31, 2009)			
4	Unadjusted Cost per 2009 Tax Depr. Report	\$ 4,938,108		
5	Reconciling Items not on tax report:			
6	Land costs not on tax, on books	494,159		
7	Net Unadjusted Cost tax Basis		\$ 5,432,267	
8				
9	<u>Basis Reduction</u>			
10	Basis Reduction 2009 and Prior Years (from 2009 Tax Depr. Report)	\$ (14,706)		
11	Advanced or contributed plant with no depreciable basis listed on 2009 Tax Depr. Report	(2,707,816)		
12	Accumulated Depreciation 2008 and prior (2009 Tax Depr Report)	(339,352)		
13	2009 Current Year Tax Depreciation	(101,491)		
14	Net Basis Reduction 2007 and Prior Years			
15	Net tax value of plant-in-service at December 31, 2008			(3,163,365)
16				<u>\$ 2,268,902</u>
17	³ CIAC (including impact of change to probability of realization)			
18				
19	Gross CIAC per B-2	\$ -		
20	Less: Pre-1996 CIAC	-		
21	A.A. per B-2			
22	A.A. on Pre-1996 CIAC			
23	A.A. on Post 1996 CIAC			
24	Net CIAC before unrealized AIAC			
25				
26	Unrealized AIAC Component			
27	Adjusted Net AIAC (see footnote 5 below)	\$ 2,101,905		
28	Unrealized AIAC Component % (1-Realized AIAC Component)	70.0%		
29				
30	Total realizable CIAC			<u>\$ 1,471,334</u>
31				<u>\$ 1,471,334</u>
32	⁴ AIAC (including impact of change in probability of realization)			
33	AIAC per B-2			
34	Less: Pre-1996 AIAC included for book and tax purposes	\$ 2,101,905		
35	Net AIAC before unrealized portion			
36	Less: Unrealized AIAC (from Note 4, above)	\$ (1,471,334)		
37	Net realizable AIAC			<u>\$ 630,572</u>
38				
39	⁵ Effective tax rates Per C-3 schedule			

Goodman Water Company
Test Year Ended December 31, 2009
Computation of Working Capital

Exhibit
Schedule B-5
Page 1
Witness: Bourassa

Line
No.

1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	\$	24,972
3	Pumping Power (1/24 of Pumping Power)		1,128
4	Purchased Water (1/24 of Purchased Water)		-
5			
6			
7			
8			
9	Total Working Capital Allowance	<u>\$</u>	<u>26,100</u>
10			
11			
12	Working Capital Requested	<u>\$</u>	<u>-</u>
13			

14
15 SUPPORTING SCHEDULES:
16 E-1

RECAP SCHEDULES:
B-1

17
18
19
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23
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29
30

Goodman Water Company
 Test Year Ended December 31, 2009
 Income Statement

Exhibit
 Schedule C-1
 Page 1
 Witness: Bourassa

Line No.		Test Year Book Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	Revenues					
2	Metered Water Revenues	\$ 566,372	\$ (7,359)	\$ 559,013	\$ 291,083	\$ 850,096
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	13,738	-	13,738		13,738
5		<u>\$ 580,110</u>	<u>\$ (7,359)</u>	<u>\$ 572,751</u>	<u>\$ 291,083</u>	<u>\$ 863,834</u>
6	Operating Expenses					
7	Salaries and Wages	\$ 32,000	8,000	\$ 40,000		\$ 40,000
8	Purchased Water	-	-	-		-
9	Purchased Power	26,703	363	27,066		27,066
10	Chemicals	-	-	-		-
11	Repairs and Maintenance	7,746	-	7,746		7,746
12	Office Supplies and Expense	12,557	2,298	14,855		14,855
13	Outside Services	116,780	(13,855)	102,925		102,925
14	Water Testing	1,215	-	1,215		1,215
15	Rents	-	-	-		-
16	Transportation Expenses	-	-	-		-
17	Insurance - General Liability	9,669	-	9,669		9,669
18	Insurance - Health and Life	-	-	-		-
19	Regulatory Commission Expense - Rate Case	1,824	18,376	20,000		20,000
20	Miscellaneous Expense	378	-	378		378
21	Depreciation Expense	228,578	(175)	228,403		228,403
22	Taxes Other Than Income	12,185	(9,197)	2,988		2,988
23	Property Taxes	8,576	12,719	21,295		21,295
24	Income Tax	74,627	(51,983)	22,644	111,963	134,607
25		-	-	-		-
26	Total Operating Expenses	<u>\$ 532,638</u>	<u>\$ (33,454)</u>	<u>\$ 499,184</u>	<u>\$ 111,963</u>	<u>\$ 611,146</u>
27	Operating Income	<u>\$ 47,472</u>	<u>\$ 26,096</u>	<u>\$ 73,568</u>	<u>\$ 179,120</u>	<u>\$ 252,688</u>
28	Other Income (Expense)					
29	Interest Income	1,438	(1,438)	-		-
30	Other income	-	-	-		-
31	Interest Expense	(46,091)	8,750	(37,341)		(37,341)
32	Other Expense	-	-	-		-
33		-	-	-		-
34	Total Other Income (Expense)	<u>\$ (44,653)</u>	<u>\$ 7,312</u>	<u>\$ (37,341)</u>	<u>\$ -</u>	<u>\$ (37,341)</u>
35	Net Profit (Loss)	<u>\$ 2,819</u>	<u>\$ 33,408</u>	<u>\$ 36,227</u>	<u>\$ 179,120</u>	<u>\$ 215,347</u>

36
 37 SUPPORTING SCHEDULES:
 38 C-1, page 2.1 and 2.2
 39 E-2
 40

RECAP SCHEDULES:
 A-1

Goodman Water Company
 Test Year Ended December 31, 2009
 Income Statement

Exhibit
 Schedule C-1
 Page 2.1
 Witness: Bourassa
 (Continued on page 2.2)

Line No.	1	2	3	4	5	6	7	8	9
	Depreciation	Property Taxes	Rate Case Expense	Revenue Annualization	Sales Tax Expense	Other Income/Expense	Purchased Power	Annualize Purchased Power	CHW2 Contractual Services
1	Revenues								
2	Metered Water Revenues			\$ (7,359)					
3	Unmetered Water Revenues								
4	Other Water Revenues								
5									
6	Operating Expenses								
7	Salaries and Wages								
8	Purchased Water						363		(0)
9	Purchased Power								
10	Chemicals								
11	Repairs and Maintenance								
12	Office Supplies and Expense								
13	Contractual Services								(18,260)
14	Water Testing								
15	Rents								
16	Transportation Expenses								
17	Insurance - General Liability								
18	Insurance - Health and Life								
19	Reg. Comm. Exp. - Rate Case		18,376						
20	Miscellaneous Expense								
21	Depreciation Expense	(175)			(9,737)				
22	Taxes Other Than Income		12,719						
23	Property Taxes								
24	Income Tax								
25									
26	Total Operating Expenses	(175)	12,719	18,376	(9,737)		363	(0)	(18,260)
27	Operating Income	175	(12,719)	(18,376)	9,737		(363)	0	18,260
28	Other Income (Expense)					(1,438)			
29	Interest Income								
30	Other income								
31	Interest Expense								
32	Other Expense								
33									
34	Total Other Income (Expense)					(1,438)			
35	Net Profit (Loss)	175	(12,719)	(18,376)	9,737	(1,438)	(363)	0	18,260

SUPPORTING SCHEDULES:
 C-2
 E-2

Goodman Water Company
Test Year Ended December 31, 2009
Income Statement

Line No.	10	11	12	13	14	15	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	Revenues						\$ 559,013	\$ 291,083	\$ 850,096
2	Metered Water Revenues								
3	Unmetered Water Revenues						13,738		13,738
4	Other Water Revenues						572,751	291,083	863,834
5									
6	Operating Expenses								
7	Salaries and Wages	8,000					40,000		40,000
8	Purchased Water								
9	Purchased Power						27,066		27,066
10	Chemicals								
11	Repairs and Maintenance						7,746		7,746
12	Office Supplies and Expense						14,855		14,855
13	Contractual Services	405	4,000	2,298			102,925		102,925
14	Water Testing						1,215		1,215
15	Rents								
16	Transportation Expenses								
17	Insurance - General Liability						9,669		9,669
18	Insurance - Health and Life								
19	Reg. Comm. Exp. - Rate Case						20,000		20,000
20	Miscellaneous Expense						378		378
21	Depreciation Expense						228,403		228,403
22	Taxes Other Than Income	540					2,988		2,988
23	Property Taxes						21,295		21,295
24	Income Tax					(51,983)	22,644	111,963	134,607
25									
26	Total Operating Expenses	405	4,000	2,298		(51,983)	499,184	111,963	611,146
27	Operating Income	(405)	(4,000)	(2,298)		51,983	73,568	179,120	252,688
28	Other Income (Expense)								
29	Interest Income								
30	Other Income								
31	Interest Expense				8,750				
32	Other Expense								
33									
34	Total Other Income (Expense)				8,750		(37,341)		(37,341)
35	Net Profit (Loss)	(405)	(4,000)	(2,298)	8,750	51,983	36,227	179,120	216,347
36									

RECAP SCHEDULES:
C-1, page 1

SUPPORTING SCHEDULES:
C-2
E-2

Goodman Water Company
 Test Year Ended December 31, 2008
 Adjustments to Revenues and Expenses

Exhibit
 Schedule C-2
 Page 1
 Witness: Bourassa

Line No.	Adjustments to Revenues and Expenses						Subtotal
	1 Depreciation Expense	2 Property Taxes	3 Rate Case Expense	4 Revenue Annualization	5 Sales Tax Expense	6 Other Inc. Oth. Expense	
3				(7,359)			(7,359)
4							
5	(175)	12,719	18,376		(9,737)		21,182
6							
7							
8	175	(12,719)	(18,376)	(7,359)	9,737	-	(28,541)
9							
10							
11							
12							
13						(1,438)	(1,438)
14							
15							
16	175	(12,719)	(18,376)	(7,359)	9,737	(1,438)	(29,979)
17							
18							
19							
20							
21							
22							
23							(7,359)
24							
25	363	(0)	(18,260)	405	8,540	4,000	16,230
26							
27							
28	(363)	0	18,260	(405)	(8,540)	(4,000)	(23,588)
29							
30							
31							
32							
33							(1,438)
34							
35							
36	(363)	0	18,260	(405)	(8,540)	(4,000)	(25,027)
37							
38							
39							
40							
41							
42							
43							(7,359)
44							
45	2,298		(51,983)				(33,454)
46							
47	(2,298)	-	51,983	-	-	-	26,096
48							
49							
50							
51		8,750					8,750
52							
53							(1,438)
54							
55							
56	(2,298)	8,750	51,983	-	-	-	33,408

Goodman Water Company
Test Year Ended December 31, 2009
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Schedule C-2
Page 2
Witness: Bourassa

Line No.	Acct.	Description	Adjusted Original Cost	Proposed Rates	Depreciation Expense
1		<u>Depreciation Expense</u>			
2					
3					
4	<u>No.</u>	<u>Description</u>			
5	301	Organization Cost	127,103	0.00%	-
6	302	Franchise Cost	-	0.00%	-
7	303	Land and Land Rights	494,159	0.00%	-
8	304	Structures and Improvements	182,570	3.33%	6,080
9	305	Collecting and Impounding Res.	-	2.50%	-
10	306	Lake River and Other Intakes	-	2.50%	-
11	307	Wells and Springs	386,591	3.33%	12,873
12	308	Infiltration Galleries and Tunnels	-	6.67%	-
13	309	Supply Mains	-	2.00%	-
14	310	Power Generation Equipment	-	5.00%	-
15	311	Electric Pumping Equipment	968,652	12.50%	121,081
16	320	Water Treatment Equipment	15,947	3.33%	531
17	320.1	Water Treatment Plant	-	3.33%	-
18	320.2	Chemical Solution Feeders	-	20.00%	-
19	330	Dist. Reservoirs & Standpipe	836,890	2.22%	18,579
20	330.1	Storage tanks	-	2.22%	-
21	330.2	Pressure Tanks	-	5.00%	-
22	331	Trans. and Dist. Mains	1,611,321	2.00%	32,226
23	333	Services	386,947	3.33%	12,885
24	334	Meters	100,842	8.33%	8,400
25	335	Hydrants	161,737	2.00%	3,235
26	336	Backflow Prevention Devices	-	6.67%	-
27	339	Other Plant and Misc. Equip.	187,582	6.67%	12,512
28	340	Office Furniture and Fixtures	-	6.67%	-
29	340.1	Computers and Software	-	20.00%	-
30	341	Transportation Equipment	-	20.00%	-
31	342	Stores Equipment	-	4.00%	-
32	343	Tools and Work Equipment	-	5.00%	-
33	344	Laboratory Equipment	-	10.00%	-
34	345	Power Operated Equipment	-	5.00%	-
35	346	Communications Equipment	-	10.00%	-
36	347	Miscellaneous Equipment	-	10.00%	-
37	348	Other Tangible Plant	-	10.00%	-
38					
39		TOTALS	\$ 5,460,341		\$ 228,403
40					
41					
42		Less: Amortization of Contributions	\$ -	4.1829%	\$ -
43					
44					
45					
46		Total Depreciation Expense			\$ 228,403
47					
48		Adjusted Test Year Depreciation Expense			228,578
49					
50		Increase (decrease) in Depreciation Expense			(175)
51					
52		Adjustment to Revenues and/or Expenses			\$ (175)
53					
54		<u>SUPPORTING SCHEDULE</u>			
55		B-2, page 3			
56					

* Fully Depreciated

Goodman Water Company
 Test Year Ended December 31, 2009
 Adjustment to Revenues and Expenses
 Adjustment Number 2

Exhibit
 Schedule C-2
 Page 3
 Witness: Bourassa

Line No.		
1	<u>Adjust Property Taxes to Reflect Proposed Revenues:</u>	
2		
3	Adjusted Revenues in year ended 09/31/05	\$ 572,751
4	Adjusted Revenues in year ended 09/31/05	572,751
5	Proposed Revenues	<u>863,834</u>
6	Average of three year's of revenue	\$ 669,779
7	Average of three year's of revenue, times 2	\$ 1,339,557
8	Add:	
9	Construction Work in Progress at 10%	\$ -
10	Deduct:	
11	Book Value of Transportation Equipment	<u>-</u>
12		
13	Full Cash Value	\$ 1,339,557
14	Assessment Ratio	<u>20.00%</u>
15	Assessed Value	267,911
16	Property Tax Rate	7.4558%
17		
18	Property Tax	19,975
19	Tax on Parcels	1,320
20		
21	Total Property Tax at Proposed Rates	<u>\$ 21,295</u>
22	Property Taxes in the test year	8,576
23	Change in Property Taxes	<u>\$ 12,719</u>
24		
25		
26	Adjustment to Revenues and/or Expenses	<u>\$ 12,719</u>
27		
28		

Goodman Water Company
Test Year Ended December 31, 2009
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 3

Exhibit
Schedule C-2
Page 4
Witness: Bourassa

Line No.			
1	<u>Rate Case Expense</u>		
2			
3	Estimated Rate Case Expense	\$	80,000
4			
5	Estimated Amortization Period in Years		4
6			
7	Annual Rate Case Expense	\$	<u>20,000</u>
8			
9	Test Year Rate Case Expense	\$	1,624
10			
11	Increase(decrease) Rate Case Expense	\$	<u>18,376</u>
12			
13	Adjustment to Revenue and/or Expense	\$	<u>18,376</u>
14			
15			
16			
17			
18			
19			
20			

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Schedule C-2
Page 5
Witness: Bourassa

Line
No.

1 Revenue Annualization

2

3

4 Revenue Annualization

\$ (7,359)

5

6

7

8 Total Revenue from Annualization

\$ (7,359)

9

10

11 Adjustment to Revenue and/or Expense

\$ (7,359)

12

13 SUPPORTING SCHEDULES

14 C-2 pages 5.1 to 5.6

15 H-1

16

17

18

19

20

Goodman Water Company
 Residential 5/8x3/4 Inch Meter
 Revenue Annualization to Year End Customers:
 Test Year Ended December 31, 2009

Exhibit
 Schedule
 Page 5.1
 Witness: Bourassa

Line No.	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	529	529	529	529	529	529	529
2	534	534	537	534	538	535	528
3	(5)	(5)	(8)	(5)	(9)	(6)	1
4	\$ 61.08	\$ 60.83	\$ 63.19	\$ 65.85	\$ 70.41	\$ 70.77	\$ 70.88
5	\$ (305)	\$ (304)	\$ (506)	\$ (329)	\$ (634)	\$ (425)	\$ 71
6							
7	(5)	(5)	(8)	(5)	(9)	(6)	1
8	\$ 89.84	\$ 89.37	\$ 93.74	\$ 98.65	\$ 107.06	\$ 107.73	\$ 107.93
9	\$ (449)	\$ (447)	\$ (750)	\$ (493)	\$ (964)	\$ (646)	\$ 108
10	\$ (2,670)	\$ (2,670)	\$ (4,296)	\$ (2,670)	\$ (4,842)	\$ (3,210)	\$ 528
11							
12							
13							
14							
15	529	529	529	529	529	529	529
16	527	528	527	522	521	521	521
17	2	7	8	(11)	-	-	(31)
18	\$ 70.99	\$ 66.19	\$ 74.25	\$ 69.47	\$ 57.31	\$ -	\$ -
19	\$ 142	\$ 463	\$ 594	\$ (764)	\$ -	\$ -	\$ -
20							
21	2	7	8	(11)	-	-	-
22	\$ 108.15	\$ 99.28	\$ 114.17	\$ 105.34	\$ 82.97	\$ -	\$ -
23	\$ 142	\$ 463	\$ 594	\$ (764)	\$ -	\$ -	\$ -
24	1,054	3,654	4,168	(5,940)	-	-	(16,894)

Total
 Year

\$ (1,997)

\$ (2,975)

\$ (16,894)

Goodman Water Company
 Revenue Annualization to Year End Customers:
 Test Year Ended December 31, 2009

Commercial 1 Inch Meter
 Exhibit Schedule
 Page 5.4
 Witness: Bourassa

Line No.	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	2	2	2	2	2	2	2
2	1	1	1	1	1	1	1
3	1	1	1	1	1	1	1
4	\$ 700.63	\$ 529.99	\$ 785.95	\$ 785.95	\$ 546.58	\$ 479.03	\$ 533.54
5	\$ 701	\$ 530	\$ 786	\$ 786	\$ (547)	\$ (479)	\$ (534)
6							
7	1	1	1	1	1	1	1
8	\$ 1,241.63	\$ 926.46	\$ 1,399.21	\$ 1,399.21	\$ 957.10	\$ 832.34	\$ 933.02
9	\$ 1,242	\$ 926	\$ 1,399	\$ 1,399	\$ (957)	\$ (832)	\$ (933)
10	\$ 87,501	\$ 63,501	\$ 99,501	\$ 99,501	\$ (65,834)	\$ (58,334)	\$ (64,000)

Line No.	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	2	2	2	2	2	
16	3	3	3	3	3	
17	(1)	(1)	(1)	(1)	(1)	(2)
18	\$ 564.35	\$ 438.74	\$ 500.36	\$ 394.90	\$ 348.68	
19	\$ (564)	\$ (439)	\$ (500)	\$ -	\$ -	\$ (260)
20						
21	(1)	(1)	(1)	(1)	(1)	
22	\$ 989.93	\$ 757.92	\$ 871.74	\$ 676.94	\$ 591.59	
23	\$ (984)	\$ (753)	\$ (867)	\$ (672)	\$ (587)	\$ (376)
24	\$ (68,334)	\$ (50,667)	\$ (59,334)	\$ -	\$ -	\$ (14,500)

Goodman Water Company
Revenue Annualization to Year End Customers:
 Test Year Ended December 31, 2009

Commencal 2 Inch Meter
 Exhibit Schedule
 Page 5.6
 Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Total Year
1	Year End Number of Customers	3	2	3	2	2	2	2	
2	Actual Customers	(3)	(2)	(3)	(2)	(2)	(2)	(2)	(2)
3	Increase in Number of Customers/Bills	\$ 744.28	\$ 680.29	\$ 830.78	\$ 690.95	\$ 733.61	\$ 593.72	\$ 680.29	\$ 1,084.86
4	Average Revenue / Present Rates	\$ (2,233)	\$ (1,351)	\$ (2,492)	\$ (1,352)	\$ (1,467)	\$ (1,199)	\$ (1,361)	\$ (11,001)
5	Revenue Annualization / Present Rates								
6									
7	Increase in Number of Customers	(3)	(2)	(3)	(2)	(2)	(2)	(2)	(2)
8	Average Revenue / Proposed Rates	\$ 1,203.05	\$ 1,084.86	\$ 1,362.83	\$ 1,104.56	\$ 1,183.36	\$ 936.06	\$ 1,084.86	\$ 1,084.86
9	Revenue Annualization / Proposed Rates	\$ (3,609)	\$ (2,170)	\$ (4,088)	\$ (2,209)	\$ (2,367)	\$ (1,872)	\$ (2,170)	\$ (11,001)
10	Additional Gallons to be Produced	(193,502)	(111,001)	(230,001)	(114,001)	(126,001)	(88,001)	(111,001)	(111,001)
11									
12									
13									
14									
15	Year End Number of Customers	1	2	1	1	1	1	1	
16	Actual Customers	(1)	(1)	-	(1)	-	-	-	(19)
17	Increase in Number of Customers/Bills	\$ 1,046.45	\$ 772.72	\$ 339.68	\$ 1,003.79	\$ 339.68			\$ (14,318)
18	Average Revenue / Present Rates	\$ (1,046)	\$ (773)	\$ -	\$ (1,004)	\$ -			\$ (23,184)
19	Revenue Annualization / Present Rates								\$ (1,250,008)
20									
21	Increase in Number of Customers	(1)	(1)	-	(1)	-	-	-	
22	Average Revenue / Proposed Rates	\$ 1,761.16	\$ 1,255.58	\$ 455.76	\$ 1,682.37	\$ 455.76			
23	Revenue Annualization / Proposed Rates	\$ (1,046)	\$ (773)	\$ -	\$ (1,004)	\$ -			
24	Additional Gallons to be Produced	(107,000)	(68,501)	-	(101,000)	-			

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Schedule C-2
Page 6
Witness: Bourassa

Line			
<u>No.</u>			
1	<u>Remove Sales Tax Expense</u>		
2			
3			
4	Sales Tax Expense recorded during test year	\$	(9,737)
5			
6			
7			
8	Total	<u>\$</u>	<u>(9,737)</u>
9			
10			
11	Adjustment to Revenue and/or Expense	<u>\$</u>	<u>(9,737)</u>
12			
13			
14			
15			
16			
17			
18			
19			
20			

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Schedule C-2
Page 7
Witness: Bourassa

Line
No.
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

<u>Remove Other Income and Expenses to Eliminate Effects on Income Taxes</u>		
Test Year Interest Income	\$	(1,438)
Total	<u>\$</u>	<u>(1,438)</u>
Adjustment to Revenue and/or Expense	<u>\$</u>	<u>(1,438)</u>

Goodman Water Company
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Schedule C-2
Page 8
Witness: Bourassa

Line No.			
1	<u>Annualize Trico Electric Rate Increase (effective August 9, 2009)</u>		
2			
3			
4			
5	Trico Electric bills - Acct 3697801 (Jan to August new rates)	\$ 1,711	
6	Trico Electric bills - Acct 5089301 (Jan to August new rates)	<u>787</u>	
7			\$ 2,497.56
8			
9	Trico Electric bills - Acct 3697801 (Jan to August old rates)	\$ 1,448	
10	Trico Electric bills - Acct 5089301 (Jan to August old rates)	<u>687</u>	
11			\$ 2,134.71
12			
13	Additional Expense		<u>\$ 363</u>
14			
15			
16			
17	Adjustment to Revenue and/or Expense		<u>\$ 363</u>
18			
19			
20			
21			
22			

Goodman Water Company
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Schedule C-2
Page 9
Witness: Bourassa

Line
No.

1	<u>Annualize power cost for additional gallons from annualization of revenues.</u>		
2			
3			
4	Test Year Power Costs	\$ 26,703	
5	Increase in purchased power cost (from adjustment 7)	<u>\$ 363</u>	
6	Adjusted Test Year Power Costs		\$ 27,066
7			
8	Gallons sold in Test Year (1,000's)		\$ 44,043
9	Cost per 1,000 gallons		\$ 0.6145
10	Additional gallons from annualization (in 1,000's)		(0)
11			
12	Additional Expense		<u>\$ (0)</u>
13			
14			
15	Adjustment to Revenue and/or Expense		<u>\$ (0)</u>
16			
17			
18			
19			
20			
21			

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Schedule C-2
Page 10
Witness: Bourassa

Line				
No.				
1	<u>Remove Costs of Chris Hill (CHW2 Services)</u>			
2				
3				
4	Costs of CHW2 Services recorded during test year			
5	1	Jan	\$	(1,813)
6	2	Feb		(1,688)
7	3	Mar		(1,778)
8	4	Apr		(1,697)
9	5	May		(1,527)
10	6	June		(1,865)
11	7	July		(1,905)
12	8	Aug		(2,010)
13	9	Sept		(2,100)
14	10	Oct		<u>(1,879)</u>
15				
16	Increase (decrease) in Outside Services			\$ (18,260)
17				
18				
19				
20				
21	Adjustment to Revenue and/or Expense			<u>\$ (18,260)</u>
22				
23				
24				
25				

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

Line				
<u>No.</u>				
1	<u>Annualize Contractual Services</u>			
2				
3	Remove monthly costs for YL Technology			
4	1	Jan	\$ (5,008)	
5	2	Feb	(5,037)	
6	3	Mar	(4,956)	
7	4	Apr	(5,025)	
8	5	May	(4,996)	
9	6	June	(5,059)	
10	7	July	(4,950)	
11	8	Aug	(4,939)	
12	9	Sept	(4,962)	
13	10	Oct	<u>(5,002)</u>	
14				\$ (49,935)
15				
16	Add monthly costs for Smyth Industries (600 times \$8.25 plus 21 times \$4 times			\$ 50,340
17				
18				
19	Increase (decrease) in Contractual Services			\$ 405
20				
21	Adjustment to Contractual Services			<u>\$ 405</u>
22				
23				
24	Adjustment to Revenue and/or Expense			<u>\$ 405</u>
25				

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
 Schedule C-2
 Page 12
 Witness: Bourassa

Line No.				<u>Label</u>
1	<u>Adjust Salaries and Wages to Reflect Correct Annual Amount</u>			
2				
3				
4	Correct Annual Salary of President/Manager	\$	40,000	
5	Amount Recorded in Test Year		<u>32,000</u>	
6	Increase (decrease) in Salaries and Wages		8,000	
7				
8				
9	Adjustment to Revenue and/or Expense	<u>\$</u>	<u>8,000</u>	11a
10				
11				
12	<u>Adjust Payroll Taxes to reflect correct Salaries and Wages</u>			
13				
14	FICA 6.02%	\$	2,408	
15	Medicare 1.45%		580	
16	FUTA 0.80% (first \$7,000 of wages)		56	
17	SUTA 2.70% (first \$7,000 of wages)		<u>189</u>	
18	Total Payroll Taxes	\$	3,233	
19				
20	Payroll Taxes Recorded in Test Year		<u>2,693</u>	
21				
22	Increase (decrease) in Payroll Taxes	\$	540	
23				
24				
25	Adjustment to Revenue and/or Expense	<u>\$</u>	<u>540</u>	11b
26				
27				
28				
29	Total Adjustment to Expenses	<u>\$</u>	<u>8,540</u>	
30				
31				
32				
33				

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Schedule C-2
Page 13
Witness: Bourassa

Line
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Contractual Services - Jim Shiner

Contractual Services 2010	\$	20,000
Contractual Services recorded during test year		<u>16,000</u>
Increase (decrease) in Contractual Services	\$	4,000
Adjustment to Revenue and/or Expense	\$	<u>4,000</u>

Goodman Water Company
 Test Year Ended December 31, 2009
 Adjustment to Revenues and Expenses
 Adjustment Number 13

Exhibit
 Schedule C-2
 Page 14
 Witness: Bourassa

Line				
<u>No.</u>				
1	<u>Credit Card Processing Fees</u>			
2				
3	Projected Merchant Fees			
4	Merchant Fees			
5	Jan 2010 Actual	\$	232	
6	Feb. 2010 Actual		318	
7	Mar. 2010 Actual		245	
8	Apr. 2010 Actual		281	
9	May 2010 Actual		290	
10	Jun. 2010 Actual		254	
11	Jul. 2010 Estimate		270	
12	Aug. 2010 Estimate		270	
13	Sep. 2010 Estimate		270	
14	Oct. 2010 Estimate		270	
15	Nov. 2010 Estimate		270	
16	Dec. 2010 Estimate		<u>270</u>	
17				\$ 3,240
18	Merchant Fees Recorded During Test Year			
19	Aug. 2009	\$	173	
20	Sep. 2009		222	
21	Oct. 2009		168	
22	Nov. 2009		134	
23	Dec. 2009		<u>245</u>	
24				<u>\$ 941</u>
25				
26	Increase (decrease) in expense			<u>\$ 2,298</u>
27				
28	Adjustment to Revenue and/or Expense			<u>\$ 2,298</u>
29				
30				

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 14

Exhibit
Schedule C-2
Page 15
Witness: Bourassa

Line
No.

1	<u>Interest Synchronization</u>			
2				
3				
4	Fair Value Rate Base	\$	2,397,419	
5	Weighted Cost of Debt		1.56%	
6	Interest Expense	\$	37,341	
7				
8	Test Year Interest Expense	\$	<u>46,091</u>	
9				
10	Increase (decrease) in Interest Expense		(8,750)	
11				
12				
13				
14	Adjustment to Revenue and/or Expense	\$	<u>8,750</u>	

15					
16					
17	<u>Weighted Cost of Debt Computation</u>				
18					
19		<u>Amount</u>	<u>Percent</u>	<u>Cost</u>	<u>Weighted Cost</u>
20	Debt	\$ 507,451	18.32%	8.50%	1.56%
21	Equity	\$ 2,261,887	81.68%	11.00%	8.98%
22	Total	\$ 2,769,338	100.00%		<u>10.54%</u>

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Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and/or Expenses
Adjustment Number 15

Exhibit
Schedule C-2
Page 16
Witness: Bourassa

Line No.		<u>Test Year Book Results</u>	<u>Test Year Adjusted Results</u>	<u>Adjusted with Rate Increase</u>	
1	<u>Income Tax Computation</u>				
2					
3					
4					
5					
6					
7	Taxable Income	\$ 77,446	\$ 58,871	\$ 349,954	
8					
9	Taxable Income	<u>\$ 77,446</u>	<u>\$ 58,871</u>	<u>\$ 349,954</u>	
10					
11					
12					
13	Income Before Taxes			<u>\$ 349,954</u>	
14					
15	Arizona Income Before Taxes			\$ 349,954	
16					
17	Less Arizona Income Tax			<u>\$ 24,385</u>	
18	Rate =	6.97%			
19	Arizona Taxable Income			\$ 325,569	
20					
21	Arizona Income Taxes			\$ 24,385	
22					
23	Federal Income Before Taxes			\$ 349,954	
24					
25	Less Arizona Income Taxes			<u>\$ 24,385</u>	
26					
27	Federal Taxable Income			<u>\$ 325,569</u>	
28					
29					
30					
31	FEDERAL INCOME TAXES:				
32	15% BRACKET			\$ 7,500	
33	25% BRACKET			\$ 6,250	
34	34% BRACKET			\$ 8,500	Federal
35	39% BRACKET			\$ 87,972	Effective
36	34% BRACKET			\$ -	Tax
37					Rate
38	Federal Income Taxes			<u>\$ 110,222</u>	31.50%
39					
40					
41	Total Income Tax			<u>\$ 134,607</u>	
42					
43	Overall Tax Rate			<u>38.46%</u>	
44					
45	Income Tax at Proposed Rates Effective Rate		\$ 22,644		
46	Test Year Income tax Expense		74,627		
47	Adjustment to Income Tax Expense		<u>\$ (51,983)</u>		

Test Year Ended December 31, 2009
Computation of Gross Revenue Conversion Factor

Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	31.50%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	38.46%
9		
10	Operating Income % = 100% - Tax Percentage	61.54%
11		
12		
13		
14		
15	$\frac{1}{\text{Operating Income \%}}$ = Gross Revenue Conversion Factor	
16		1.6251
17		
18	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
19		A-1
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Goodman Water Company
Test Year Ended December 31, 2009
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2009	Year Ended 12/31/2008	Year Ended 12/31/2007
1	<u>ASSETS</u>			
2	Plant In Service	\$ 5,432,261	\$ 5,402,861	\$ 3,665,491
3				
4	Non-Utility Plant	-	-	-
5	Construction Work in Progress	-	-	-
6	Less: Accumulated Depreciation	<u>(799,027)</u>	<u>(570,449)</u>	<u>(373,358)</u>
7	Net Plant	<u>\$ 4,633,234</u>	<u>\$ 4,832,412</u>	<u>\$ 3,292,133</u>
8				
9	Debt Reserve Fund	\$ -	\$ -	\$ -
10				
11		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
12				
13	CURRENT ASSETS			
14	Cash and Equivalents	\$ 117,635	\$ 73,198	\$ 280,276
15	Restricted Cash	-	-	-
16	Accounts Receivable, Net	60,349	55,792	56,445
17	Unbilled Revenues	-	-	-
18	Materials and Supplies	-	-	-
19	Prepayments	3,149	-	23,233
20	Other Current Assets	<u>114,197</u>	<u>211,135</u>	<u>123,506</u>
21	Total Current Assets	<u>\$ 295,331</u>	<u>\$ 340,125</u>	<u>\$ 483,460</u>
22				
23	Deferred Debits	\$ -	\$ -	\$ -
24				
25	Other Investments & Special Funds	\$ -	\$ -	\$ -
26				
27	TOTAL ASSETS	<u>\$ 4,928,565</u>	<u>\$ 5,172,537</u>	<u>\$ 3,775,593</u>
28				
29				
30	<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
31				
32	Common Equity	<u>\$ 2,180,436</u>	<u>\$ 2,267,615</u>	<u>\$ 1,712,464</u>
33				
34	Long-Term Debt	<u>\$ 507,451</u>	<u>\$ 518,715</u>	<u>\$ -</u>
35				
36	CURRENT LIABILITIES			
37	Accounts Payable	\$ 7,515	\$ 15,800	\$ 78,929
38	Current Portion of Long-Term Debt	-	74,238	-
39	Payables to Associated Companies	-	-	-
40	Security Deposits	25,800	19,945	11,979
41	Customer Meter Deposits, Current	83,087	78,767	86,470
42	Accrued Taxes	22,371	49,963	2,428
43	Accrued Interest	-	-	-
44	Other Current Liabilities	-	-	-
45	Total Current Liabilities	<u>\$ 138,772</u>	<u>\$ 238,713</u>	<u>\$ 179,807</u>
46	DEFERRED CREDITS			
47	Customer Meter Deposits, less current	\$ -	\$ -	\$ -
48	Advances in Aid of Construction	2,101,905	2,147,494	1,883,322
49	Accumulated Deferred Income Taxes	-	-	-
50	Contributions in Aid of Construction	-	-	-
51	Accumulated Amortization	-	-	-
52	Total Deferred Credits	<u>\$ 2,101,905</u>	<u>\$ 2,147,494</u>	<u>\$ 1,883,322</u>
53				
54	Total Liabilities & Common Equity	<u>\$ 4,928,564</u>	<u>\$ 5,172,537</u>	<u>\$ 3,775,593</u>

* Adjusted for prior rate case adjustments

SUPPORTING SCHEDULES:
E-5

RECAP SCHEDULES:
A-3

Goodman Water Company
Test Year Ended December 31, 2009
Comparative Income Statements

Exhibit
Schedule E-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended <u>12/31/2009</u>	Prior Year Ended <u>12/31/2008</u>	Prior Year Ended <u>12/31/2007</u>
1	Revenues			
2	Metered Water Revenues	\$ 566,372	\$ 548,016	\$ 484,158
3	Unmetered Water Revenues		-	-
4	Other Water Revenues	13,738	14,806	21,260
5	Total Revenues	<u>\$ 580,110</u>	<u>\$ 562,822</u>	<u>\$ 505,418</u>
6	Operating Expenses			
7	Salaries and Wages	\$ 32,000	\$ 32,000	\$ 32,000
8	Purchased Water	-	-	-
9	Purchased Power	26,703	24,114	30,601
10	Chemicals	-	-	-
11	Repairs and Maintenance	7,746	13,158	5,336
12	Office Supplies and Expense	12,557	6,232	5,187
13	Contractual Services	116,780	119,841	131,259
14	Water Testing	1,215	2,803	1,794
15	Rents	-	-	-
16	Transportation Expenses	-	-	-
17	Insurance - General Liability	9,669	9,960	7,476
18	Insurance - Health and Life	-	-	-
19	Regulatory Commission Expense - Rate Case	1,624	1,054	-
20	Miscellaneous Expense	378	7,540	1,400
21	Depreciation Expense	228,578	215,903	136,134
22	Taxes Other Than Income	12,185	2,604	2,893
23	Property Taxes	8,576	12,021	10,181
24	Income Tax	74,627	77,607	19,740
25				
26	Total Operating Expenses	<u>\$ 532,638</u>	<u>\$ 524,837</u>	<u>\$ 384,001</u>
27	Operating Income	<u>\$ 47,472</u>	<u>\$ 37,985</u>	<u>\$ 121,417</u>
28	Other Income (Expense)			
29	Interest Income	1,438	6,034	4,463
30	Other Income	-	-	1,860
31	Interest Expense	(46,091)	(41,877)	(152)
32	Other Expense	-	-	-
33				
34	Total Other Income (Expense)	<u>\$ (44,653)</u>	<u>\$ (35,843)</u>	<u>\$ 6,171</u>
35	Net Profit (Loss)	<u>\$ 2,819</u>	<u>\$ 2,142</u>	<u>\$ 127,588</u>

39 SUPPORTING SCHEDULES:

RECAP SCHEDULES:

A-2

Goodman Water Company
Test Year Ended December 31, 2009
Comparative Statements of Cash Flows

Exhibit
Schedule E-3
Page 1
Witness: Bourassa

Line No.	Test Year Ended <u>12/31/2009</u>	Prior Year Ended <u>12/31/2008</u>	Prior Year Ended <u>12/31/2007</u>
3	Cash Flows from Operating Activities		
4	\$ 2,819	\$ 2,142	\$ 127,588
5	Adjustments to reconcile net income to net cash		
6	provided by operating activities:		
7	228,578	215,903	136,134
8	-	-	-
9	-	4	(875)
10	Changes in Certain Assets and Liabilities:		
11	(4,557)	653	(36,541)
12	-	-	-
13	-	-	-
14	(3,149)	23,233	(23,233)
15	-	-	-
16	(8,285)	(63,129)	73,273
17	(74,238)	74,238	-
18	10,175	263	14,851
19	(27,591)	47,534	400
20	96,938	(87,629)	(65,324)
21			
22	<u>\$ 220,690</u>	<u>\$ 213,212</u>	<u>\$ 226,273</u>
23	Cash Flow From Investing Activities:		
24	(29,399)	(1,737,370)	(977,249)
25	-	-	-
26	-	-	-
27	<u>\$ (29,399)</u>	<u>\$ (1,737,370)</u>	<u>\$ (977,249)</u>
28	Cash Flow From Financing Activities		
29	-	-	-
30	-	518,715	-
31	(45,589)	264,172	849,647
32	-	-	-
33	(11,264)	-	-
34	(90,000)	-	-
35	-	-	-
36	-	534,193	-
37	<u>\$ (146,853)</u>	<u>\$ 1,317,080</u>	<u>\$ 849,647</u>
38	44,438	(207,078)	98,671
39	73,198	280,276	181,605
40	<u>\$ 117,637</u>	<u>\$ 73,198</u>	<u>\$ 280,276</u>

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SUPPORTING SCHEDULES:

RECAP SCHEDULES:
A-5

Goodman Water Company
Test Year Ended December 31, 2009
Statement of Changes in Stockholder's Equity

Exhibit
Schedule E-4
Page 1
Witness: Bourassa

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	<u>Common</u> <u>Stock</u>	<u>Additional</u> <u>Paid-In-Capital</u>	<u>Retained</u> <u>Earnings</u>	<u>Total</u>
Balance, December 31, 2006	\$ 107	\$ 1,749,984	\$ (273,050)	\$ 1,477,041
Addnl Paid In Capital Adjustment				-
Dividends				-
Prior Period Adjustments			107,835	107,835
Net Income			127,588	127,588
<hr/>				
Balance, December 31, 2007	\$ 107	\$ 1,749,984	\$ (37,627)	\$ 1,712,464
Addnl Paid In Capital	\$ 2	534,190		534,192
Dividends				-
Prior Period Adjustments			18,816	18,816
Net Income			2,142	2,142
<hr/>				
Balance, December 31, 2008	\$ 109	\$ 2,284,174	\$ (16,668)	\$ 2,267,615
Addnl Paid In Capital	\$ 3			3
Dividends			(90,000)	(90,000)
Prior Period Adjustments			(1)	(1)
Net Income			2,819	2,819
<hr/>				
Balance, December 31, 2009	<u>\$ 112</u>	<u>\$ 2,284,174</u>	<u>\$ (103,850)</u>	<u>\$ 2,180,436</u>

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

E-1

Goodman Water Company
 Test Year Ended December 31, 2009
 Detail of Plant in Service

Exhibit
 Schedule E-5
 Page 1
 Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 12/31/2008	Plant Additions, Reclass- ifications or or Retirements	Plant Balance at 12/31/2009
1					
2	301	Organization Cost	\$ 127,103	\$ -	\$ 127,103
3	302	Franchise Cost	-	-	-
4	303	Land and Land Rights	494,159	-	494,159
5	304	Structures and Improvements	182,570	-	182,570
6	305	Collecting and Impounding Res.	-	-	-
7	306	Lake River and Other Intakes	-	-	-
8	307	Wells and Springs	386,591	-	386,591
9	308	Infiltration Galleries and Tunnels	-	-	-
10	309	Supply Mains	-	-	-
11	310	Power Generation Equipment	-	-	-
12	311	Electric Pumping Equipment	965,499	3,153	968,652
13	320	Water Treatment Equipment	15,947	-	15,947
14	320	Water Treatment Equipment	-	-	-
15	320.1	Water Treatment Plant	-	-	-
16	320.2	Chemical Solution Feeders	836,894	(4)	836,890
17	330	Dist. Reservoirs & Standpipe	-	-	-
18	330.1	Storage tanks	-	-	-
19	330.2	Pressure Tanks	1,593,998	(3)	1,593,995
20	333	Services	386,947	-	386,947
21	334	Meters	84,939	5,149	90,088
22	335	Hydrants	161,737	-	161,737
23	336	Backflow Prevention Devices	-	-	-
24	339	Other Plant and Miscellaneous Equipment	166,477	21,105	187,582
25	340	Office Furniture and Fixtures	-	-	-
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		Plant Held for Future Use	-	-	-
35		Rounding	-	-	1
36		TOTAL WATER PLANT	<u>\$ 5,402,861</u>	<u>\$ 29,400</u>	<u>\$ 5,432,261</u>

SUPPORTING SCHEDULES

RECAP SCHEDULES:

A-4

E-1

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Goodman Water Company
Test Year Ended December 31, 2009
Operating Statistics

Exhibit
Schedule E-7
Page 1
Witness: Bouras

Line No.		Test Year Ended <u>12/31/2009</u>	Prior Year Ended <u>12/31/2008</u>	Prior Year Ended <u>12/31/2007</u>
1	<u>WATER STATISTICS:</u>			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	44,043	43,533	55,090
6				
7				
8				
9	Water Revenues from Customers:	\$ 566,372	\$ 548,016	\$ 484,158
10				
11				
12				
13				
14	Year End Number of Customers	621	612	579
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	71	71	95
19				
20				
21				
22	Annual Revenue per Year End Customer	\$ 912.03	\$ 895.45	\$ 836.20
23				
24	Pumping Cost Per 1,000 Gallons	\$ 0.6063	\$ 0.5539	\$ 0.5555
25	Purchased Water Cost per 1,000 Gallons	\$ -	\$ -	\$ -

Goodman Water Company
Test Year Ended December 31, 2009
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Bourassa

Line No.	Description	Test Year Ended <u>12/31/2009</u>	Prior Year Ended <u>12/31/2008</u>	Prior Year Ended <u>12/31/2007</u>
1	<u>Description</u>			
2				
3	Federal Income Taxes	\$ 59,291	\$ 62,410	\$ 6,648
4	State Income Taxes*	15,336	15,197	13,092
5	Payroll Taxes	2,448	2,448	2,848
6	Property Taxes	8,576	12,021	10,181
7				
8	Totals	<u>\$ 85,651</u>	<u>\$ 92,076</u>	<u>\$ 32,769</u>
9				
10				
11				
12				
13	*Estimated			
14				
15				
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Goodman Water Company
Test Year Ended December 31, 2009
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa

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The Company does conduct independent audits

Goodman Water Company
Test Year Ended December 31, 2009
Projected Income Statements - Present & Proposed Rates

Exhibit
Schedule F-1
Page 1
Witness: Bourassa

Line No.	Test Year Actual Results	At Present Rates Year Ended 12/31/2010	At Proposed Rates Year Ended 12/31/2010
1	Revenues		
2	\$ 566,372	\$ 559,013	\$ 850,096
3	-	-	-
4	13,738	13,738	13,738
5	<u>\$ 580,110</u>	<u>\$ 572,751</u>	<u>\$ 863,834</u>
6	Operating Expenses		
7	\$ 32,000	\$ 40,000	\$ 40,000
8	-	-	-
9	26,703	27,066	27,066
10	-	-	-
11	7,746	7,746	7,746
12	12,557	14,855	14,855
13	116,780	102,925	102,925
14	1,215	1,215	1,215
15	-	-	-
16	-	-	-
17	9,669	9,669	9,669
18	-	-	-
19	1,624	20,000	20,000
20	378	378	378
21	228,578	228,403	228,403
22	12,185	2,988	2,988
23	8,576	21,295	21,295
24	74,627	22,644	134,607
25			
26	<u>\$ 532,638</u>	<u>\$ 499,184</u>	<u>\$ 611,146</u>
27	<u>\$ 47,472</u>	<u>\$ 73,568</u>	<u>\$ 252,688</u>
28	Other Income (Expense)		
29	1,438	-	-
30	-	-	-
31	(46,091)	(37,341)	(37,341)
32	-	-	-
33	-	-	-
34	<u>\$ (44,653)</u>	<u>\$ (37,341)</u>	<u>\$ (37,341)</u>
35	<u>\$ 2,819</u>	<u>\$ 36,227</u>	<u>\$ 215,347</u>
36			

Goodman Water Company
Test Year Ending September 30, 2009
Projected Statement of Financial Position
 Proposed Operating Plan

Exhibit
Schedule F-2
 of the
Water Rates Study Report

Line
No.

	Test Year		At Present		At Proposed	
	2009	2010	2009	2010	2009	2010
Cash Flows from Operating Activities						
Net Income	\$ 19,000	\$ 27,000	\$ 19,000	\$ 27,000	\$ 19,000	\$ 27,000
Adjustments to reconcile net income to net cash						
Depreciation	200,000	200,000	200,000	200,000	200,000	200,000
Change in Capital Assets and Liabilities	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Change in Accounts Payable	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Change in Accounts Receivable	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Change in Inventory	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Change in Prepaid Expenses	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Change in Other Assets	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Net Cash Provided by Operating Activities	<u>190,000</u>	<u>222,000</u>	<u>190,000</u>	<u>222,000</u>	<u>190,000</u>	<u>222,000</u>
Capital Expenditures						
Purchase of Property, Plant and Equipment	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
Purchase of Intangible Assets	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Net Cash Used in Investing Activities	<u>(21,000)</u>	<u>(21,000)</u>	<u>(21,000)</u>	<u>(21,000)</u>	<u>(21,000)</u>	<u>(21,000)</u>
Change in Restricted Cash						
Increase in Restricted Cash for parent and affiliates	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)	(45,000)
Increase in Restricted Cash for other entities	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Decrease in Restricted Cash	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Net Cash Provided by Financing Activities	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Change in Cash and Cash Equivalents	<u>169,000</u>	<u>191,000</u>	<u>169,000</u>	<u>191,000</u>	<u>169,000</u>	<u>191,000</u>
Unrestricted Cash and Cash Equivalents - Beginning	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Unrestricted Cash and Cash Equivalents - Ending	<u>269,000</u>	<u>291,000</u>	<u>269,000</u>	<u>291,000</u>	<u>269,000</u>	<u>291,000</u>

Goodman Water Company
Test Year Ended December 31, 2009
Projected Construction Requirements

Exhibit
 Schedule F-3
 Page 1
 Witness: Bourassa

Line No.	Account	Plant Asset:	Test Year	2010
	Number		\$	\$
1				
2				
3				
4	301	Organization Cost	-	-
5	302	Franchise Cost	-	-
6	303	Land and Land Rights	-	-
7	304	Structures and Improvements	-	-
8	306	Lake, River and Other Intakes	-	-
9	307	Wells and Springs	-	-
10	310	Power Generation Equipment	-	-
11	311	Electric Pumping Equipment	-	-
12	320	Water Treatment Equipment	-	-
13	330	Distribution Reservoirs & Standpipe	-	-
14	331	Transmission and Distribution Mains	3,153	-
15	333	Services	-	-
16	334	Meters	(4)	-
17	335	Hydrants	(3)	-
18	339	Plant Structures and Improvements	-	-
19	340	Office Furniture and Fixtures	5,149	-
20	341	Transportation Equipment	-	-
21	343	Tools and Work Equipment	-	-
22	344	Power Operated Equipment	21,105	-
23	345	Communications Equipment	-	-
24	346	Miscellaneous Equipment	-	-
25	348	Other Tangible Plant	-	-
26			-	-
27	Total		<u>\$ 29,400</u>	<u>\$ -</u>
28				
29				
30				

Goodman Water Company
Test Year Ended December 31, 2009
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line
No.

- 1 Property Taxes were computed using the method used by the Arizona Department
- 2 of Revenue
- 3
- 4 Projected construction expenditures are shown on Schedule A-4.
- 5
- 6 Expense adjustments are shown on Schedule C2, and are explained in the testimony.
- 7
- 8 Income taxes were computed using statutory state and federal income tax rates.
- 9
- 10
- 11
- 12
- 13
- 14
- 15

Goodman Water Company
Revenue Summary
Test Year Ended December 31, 2009

Exhibit
Schedule H-1
Page 1
Witness: Bourassa

Line No.	Meter Size	Classification	Total Revenues at Present Rates	Total Revenues at Proposed Rates	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues	Additional Bills	Additional Gallons
1	5/8x3/4 Inch	Residential	\$ 436,217	\$ 665,007	\$ 226,790	51.75%	76.51%	76.98%		
2	3/4 Inch	Residential	88,623	133,504	44,881	50.64%	15.47%	15.45%		
3	1 Inch	Residential	6,312	10,223	3,410	50.06%	1.19%	1.18%		
4										
5	1 Inch	Commercial	13,599	23,754	10,155	74.67%	2.37%	2.75%		
6	1 1/2 Inch	Commercial	458	635	177	38.55%	0.08%	0.07%		
7	1 1/2 Inch	Commercial	14,440	23,409	8,969	62.12%	2.52%	2.71%		
8	2 Inch	Commercial								
9	Construction/Standpipe		3,456	6,382	2,927	84.70%	0.60%	0.74%		
10										
11										
12		Subtotals of Revenues	\$ 565,605	\$ 862,914	\$ 297,310	52.56%	98.75%	99.89%		
13		Revenue Annualizations:								
14	5/8x3/4 Inch	Residential	(1,997)	(2,975)	(979)	49.03%	-0.35%	-0.34%	(31)	(16,894)
15	3/4 Inch	Residential	11,057	16,474	5,417	48.99%	1.93%	1.91%	118	763,542
16	1 Inch	Residential	(1,362)	(2,081)	(699)	50.56%	-0.24%	-0.24%	(9)	(22,282)
17										
18										
19	1 Inch	Commercial	(260)	(376)	(115)	44.38%	-0.05%	-0.04%	(2)	(14,500)
20	1 1/2 Inch	Commercial	(458)	(635)	(177)	38.55%	-0.08%	-0.07%	(2)	(2)
21	2 Inch	Commercial	(14,318)	(23,184)	(8,866)	61.92%	-2.50%	-2.86%	(19)	(1,250,008)
22										
23		Subtotal Revenue Annualization	(7,359)	(12,778)	(5,420)	73.65%	-1.28%	-2.23%	55	(540,144)
24										
25		Total Revenues w/ Annualization	\$ 558,246	\$ 850,136	\$ 291,890	52.29%	97.47%	98.41%		
26		Misc Revenues	13,738	13,738	-	0.00%	2.40%	1.59%		
27		Reconciling Amount	767	(40)	(807)	-105.22%	0.13%	0.00%		
28		Total Revenues	\$ 572,751	\$ 863,834	\$ 291,083	50.82%	100.00%	100.00%		
29										
30										
31		Reconciliation to GL Revenues								
32		Metered Revenues Per GL	\$ 566,372							
33		Adjustments								
34		Adjusted Metered Revenues	\$ 566,372							
35										
36		Bill Count Rev. before Annualization	\$ 565,605							
37		Difference	767							
38		% Difference	0.14%							
39		Tolerance (+/- 0.5%)	2,832							
40		Acceptable	Yes							

Goodman Water Company
Analysis of Revenue by Detailed Class
Test Year Ended December 31, 2009

Exhibit
 Schedule H-2
 Page 1
 Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2009	Average Bill		Proposed Rates	Proposed Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
			Present Rates	Proposed Rates				
1	5/8x3/4 Inch Residential	532	\$ 66.73	\$ 100.27	\$ 33.55	50.27%	86.24%	
2	3/4 Inch Residential	76	93.57	139.37	45.80	48.94%	12.36%	
3	1 Inch Residential	4	151.14	226.72	75.58	50.01%	0.61%	
4								
5								
6	1 Inch Commercial	2	518.37	904.99	\$ 386.62	74.58%	0.35%	
7	1 1/2 Inch Commercial	0	229.23	317.60	88.37	38.55%	0.03%	
8	2 Inch Commercial	2	753.45	1,219.99	466.54	61.92%	0.26%	
9								
10	Construction/Standpipe	1	287.96	531.86	243.90	84.70%	0.16%	
11								
12								
13								
14								
15	Totals	<u>616</u>					<u>100.00%</u>	
16								
17	Actual Year End Number							
18	of Customers:	<u>621</u>						
19								
20								
21								
22								

Goodman Water Company
 Analysis of Revenue by Detailed Class
 Test Year Ended December 31, 2009

Exhibit
 Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2009	Median Bill		Proposed Increase		Percent of Customers
			Present Rates	Proposed Rates	Dollar Amount	Percent Amount	
1	5/8x3/4 Inch Residential	532	60.96 \$	89.61 \$	28.66 \$	47.01%	86.24%
2	3/4 Inch Residential	76	82.06	118.10	36.04	43.92%	12.36%
3	1 Inch Residential	4	149.83	224.29	74.47	49.70%	0.61%
4							
5							
6	1 Inch Commercial	2	533.54 \$	933.01 \$	399.47 \$	74.87%	0.35%
7	1 1/2 Inch Commercial	0	229.23	317.60	88.37	38.55%	0.03%
8	2 Inch Commercial	2	779.83	1,268.71	488.88	62.69%	0.26%
9							
10	Construction/Standpipe	1	287.96 \$	531.87 \$	243.90 \$	84.70%	0.16%
11							
12							
13							
14	Totals	616					100.00%
15							
16	Actual Year End Number of Customers:	621					
17							
18							
19							
20							
21							

Line No.	Monthly Usage Charge for: Meter Size (All Classes):	Present Rates	Proposed Rates	Change	Percent Change
1	5/8 Inch	\$ 42.20	\$ 56.97	\$ 14.77	35.00%
2	3/4 Inch	63.30	85.46	22.16	35.00%
3	1 Inch	105.50	142.43	36.93	35.00%
4	1 1/2 Inch	211.50	284.85	73.35	34.68%
5	2 Inch	339.68	455.76	116.08	34.17%
6	3 Inch	675.20	911.52	236.32	35.00%
7	4 Inch	1,055.00	1,424.25	369.25	35.00%
8	6 Inch	2,110.00	2,848.50	738.50	35.00%

Gallons In Minimum (All Classes)

Line No.	Commodity Rates (All Classes)	Block	Present Rate	Proposed Rate
17	5/8 Inch	0 gallons to 4,000 gallons	\$ 3.95	\$ 6.80
18		4,001 gallons to 9,000 gallons	\$ 5.91	\$ 10.92
19		over 9,000 gallons	\$ 7.11	\$ 13.13
22	3/4 Inch Meter	0 gallons to 4,000 gallons	\$ 3.95	\$ 6.80
23		4,001 gallons to 9,000 gallons	\$ 5.91	\$ 10.92
24		over 9,000 gallons	\$ 7.11	\$ 13.13

NT = No Tariff

31

Goodman Water Company
Test Year Ended December 31, 2009
Present and Proposed Rates

Line No.	Commodity Rates (All Classes)	(Per 1,000 gallons)	
		Present Rate	Proposed Rate
1			
2			
3			
4	<u>Block</u> 0 gallons to 22,500 gallons	\$ 3.95	\$ 10.92
5	1 Inch Meter over 22,500 gallons	\$ 7.11	\$ 13.13
6			
7			
8	1.5 Inch Meter 0 gallons to 34,000 gallons	\$ 3.95	\$ 10.92
9	over 34,000 gallons	\$ 7.11	\$ 13.13
10			
11			
12	2 Inch Meter 0 gallons to 45,000 gallons	\$ 5.91	\$ 10.92
13	over 45,000 gallons	\$ 7.11	\$ 13.13
14			
15			
16	3 Inch Meter 0 gallons to 68,000 gallons	\$ 5.91	\$ 10.92
17	over 68,000 gallons	\$ 7.11	\$ 13.13
18			
19			
20	4 Inch Meter 0 gallons to 90,000 gallons	\$ 5.91	\$ 10.92
21	over 90,000 gallons	\$ 7.11	\$ 13.13
22			
23			
24	6 Inch Meter 0 gallons to 135,000 gallons	\$ 5.91	\$ 10.92
25	over 135,000 gallons	\$ 7.11	\$ 13.13
26			
27			
28			
29	Construction/Standpipe All gallons	\$ 7.11	\$ 13.13
30			
31			
32			
33			
34			
35			
36			
37			
38			
39	NT = No Tariff		

Goodman Water Company
Present and Proposed Rates
Test Year Ended December 31, 2009

Line No.	Meter and Service Line Charges ¹	Present Service Line Charge	Present Meter Installation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Installation Charge	Total Proposed Charge
7	5/8 x 3/4 Inch			\$ 225.00	\$ 385.00	\$ 135.00	\$ 520.00
8	3/4 Inch			270.00	415.00	205.00	620.00
9	1 Inch			300.00	465.00	265.00	730.00
10	1 1/2 Inch			425.00	520.00	475.00	995.00
11	2 Inch Turbo			550.00	800.00	995.00	1,795.00
12	2 Inch, Compound			550.00	800.00	1,840.00	2,640.00
13	3 Inch Turbo			750.00	1,015.00	1,620.00	2,635.00
14	3 Inch, compound			750.00	1,135.00	2,495.00	3,630.00
15	4 Inch Turbo			1,375.00	1,430.00	2,570.00	4,000.00
16	4 Inch, compound			1,375.00	1,610.00	3,545.00	5,155.00
17	6 Inch Turbo			2,800.00	2,150.00	4,925.00	7,075.00
18	6 Inch, compound			2,800.00	2,270.00	6,820.00	9,090.00

¹ Based on ACC Staff Engineering Memo dated February 21, 2008

Other Charges:

Establishment	\$ 50.00
Establishment (After Hours)	\$ 75.00
Reconnection (Delinquent)	\$ 75.00
Reconnection (After hours)	\$ 50.00
Meter Test	\$ 20.00
Deposit	PER RULE
Deposit Interest	PER RULE
Re-establishment (Within 12 months)	PER RULE
NSF Check	\$ 15.00
Deferred Payment, per month	1.5%
Meter Re-read	\$ 20.00
Late Charge	1.5%
Customer requested Meter Test	\$ 20.00
After hours service charge	\$ 10.00
Turn-on/off (at customer request)	NT
Moving Customer Meter (at customer request)	NT

	\$ 50.00
	\$ 75.00
	\$ 75.00
	\$ 50.00
	\$ 20.00
	PER RULE
	PER RULE
	PER RULE
	\$ 15.00
	1.5%
	\$ 20.00
	1.5%
	\$ 20.00
	\$ 10.00
	\$ 75.00
	Cost

Establishment (R14-2-403.D.1)
Establishment (After Hours) (R14-2-403.D.2)
Meter Test (R14-2-408.F)
Deposit (R14-2-403.B)
Deposit Interest (R14-2-403.B.3)
Re-establishment (R14-2-403.D.1)
NSF Check (R14-2-409.F.1)
Deferred Payment (R14-2-409.G.6)
Meter Re-read (R14-2-408.C.2)
Moving Meter (R14-2-405.B)

(a) \$ 5.00 minimum or 1.5% of unpaid balance whichever is greater.

Goodman Water Company
 Bill Comparison of Present and Proposed Rates
 Residential 5/8x3/4 Inch Meter
 Customer Classification
 Test Year Ended December 31, 2009
 (Excludes all Revenue Related Taxes)

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 42.20	\$ 56.97	\$ 14.77	35.00%
1,000	46.15	63.77	17.62	38.17%
2,000	50.10	70.56	20.46	40.84%
3,000	54.05	77.36	23.31	43.12%
4,000	58.00	84.15	26.15	45.09%
5,000	63.91	95.07	31.16	48.75%
6,000	69.82	105.98	36.16	51.80%
7,000	75.73	116.90	41.17	54.36%
8,000	81.64	127.82	46.18	56.56%
9,000	87.55	138.73	51.18	58.46%
10,000	94.66	151.86	57.20	60.43%
12,000	108.88	178.13	69.25	63.60%
14,000	123.10	204.39	81.29	66.04%
16,000	137.32	230.66	93.34	67.97%
18,000	151.54	256.92	105.38	69.54%
20,000	165.76	283.19	117.43	70.84%
25,000	201.31	348.85	147.54	73.29%
30,000	236.86	414.51	177.65	75.00%
35,000	272.41	480.17	207.76	76.27%
40,000	307.96	545.83	237.87	77.24%
45,000	343.51	611.49	267.98	78.01%
50,000	379.06	677.15	298.09	78.64%
60,000	450.16	808.47	358.31	79.60%
70,000	521.26	939.79	418.53	80.29%
80,000	592.36	1,071.12	478.76	80.82%
90,000	663.46	1,202.44	538.98	81.24%
100,000	734.56	1,333.76	599.20	81.57%
Average Usage	5,477	\$ 100.27	\$ 33.55	50.27%
Median Usage	4,500	\$ 89.61	\$ 28.66	47.01%

Present Rates:
 Monthly Minimum:
 Gallons in Minimum
 Charge Per 1,000 Gallons
 Up to 4,000 \$ 42.20
 Over 9,000 \$ -
 Over 9,000 \$ 3.95
 Over 9,000 \$ 5.91
 Over 9,000 \$ 7.11

Proposed Rates:
 Monthly Minimum:
 Gallons in Minimum
 Charge Per 1,000 Gallons
 Up to 4,000 \$ 56.97
 Over 9,000 \$ -
 Over 9,000 \$ 6.80
 Over 9,000 \$ 10.92
 Over 9,000 \$ 13.13

Goodman Water Company
Exhibit
Schedule H-4
Page 2
Witness: Bourassa

Bill Comparison of Present and Proposed Rates
Residential 3/4 Inch Meter
Test Year Ended December 31, 2009
(Excludes all Revenue Related Taxes)

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	Present Rates: Monthly Minimum: Gallons in Minimum	Charge Per 1,000 Gallons
1,000	\$ 63.30	\$ 85.46	\$ 22.16	35.00%	63.30	
2,000	67.25	92.25	25.00	37.18%	-	
3,000	71.20	99.05	27.85	39.11%		
4,000	75.15	105.84	30.69	40.84%		
5,000	79.10	112.64	33.54	42.40%		
6,000	85.01	123.55	38.54	45.34%		
7,000	90.92	134.47	43.55	47.90%		
8,000	96.83	145.38	48.55	50.14%		
9,000	102.74	156.30	53.56	52.13%		
10,000	108.65	167.22	58.57	53.90%		
12,000	115.76	180.35	64.59	55.80%		
14,000	129.98	206.61	76.63	58.96%		
16,000	144.20	232.88	88.68	61.50%		
18,000	158.42	259.14	100.72	63.58%		
20,000	172.64	285.41	112.77	65.32%		
25,000	186.86	311.67	124.81	66.79%		
30,000	222.41	377.33	154.92	69.66%		
35,000	257.96	442.99	185.03	71.73%		
40,000	293.51	508.65	215.14	73.30%		
45,000	329.06	574.31	245.25	74.53%		
50,000	364.61	639.97	275.36	75.52%		
60,000	400.16	705.64	305.48	76.34%		
70,000	471.26	836.96	365.70	77.60%		
80,000	542.36	968.28	425.92	78.53%		
90,000	613.46	1,099.60	486.14	79.25%		
100,000	684.56	1,230.92	546.36	79.81%		
	755.66	1,362.24	606.58	80.27%		
Average Usage						
6,449	\$ 93.57	\$ 139.37	\$ 45.80	48.94%		
Median Usage						
4,500	\$ 82.06	\$ 118.10	\$ 36.04	43.92%		

Usage	Present Rate	Proposed Rate
Up to 4,000 Gallons	\$ 3.95	\$ 6.80
Over 4,000 Gallons	\$ 5.91	\$ 10.92
Over 9,000 Gallons	\$ 7.11	\$ 13.13

Usage	Present Rate	Proposed Rate
Up to 4,000 Gallons	\$ 85.46	\$ 85.46
Over 4,000 Gallons	\$ 6.80	\$ 6.80
Over 9,000 Gallons	\$ 10.92	\$ 10.92
Over 9,000 Gallons	\$ 13.13	\$ 13.13

Goodman Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 1 Inch Meter
Test Year Ended December 31, 2009
(Excludes all Revenue Related Taxes)

Exhibit
 Schedule H-4
 Page 3
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	
-	\$ 105.50	\$ 142.43	\$ 36.93	35.00%	
1,000	111.41	153.34	\$ 41.93	37.64%	
2,000	117.32	164.26	\$ 46.94	40.01%	
3,000	123.23	175.17	\$ 51.94	42.15%	
4,000	129.14	186.09	\$ 56.95	44.10%	
5,000	135.05	197.00	\$ 61.95	45.87%	
6,000	140.96	207.92	\$ 66.96	47.50%	
7,000	146.87	218.84	\$ 71.97	49.00%	
8,000	152.78	229.75	\$ 76.97	50.38%	
9,000	158.69	240.67	\$ 81.98	51.66%	
10,000	164.60	251.58	\$ 86.98	52.84%	
12,000	176.42	273.41	\$ 96.99	54.98%	
14,000	188.24	295.25	\$ 107.01	56.85%	
16,000	200.06	317.08	\$ 117.02	58.49%	
18,000	211.88	338.91	\$ 127.03	59.95%	
20,000	223.70	360.74	\$ 137.04	61.26%	
25,000	256.25	420.86	\$ 164.61	64.24%	
30,000	291.80	486.52	\$ 194.72	66.73%	
35,000	327.35	552.18	\$ 224.83	68.68%	
40,000	362.90	617.84	\$ 254.94	70.25%	
45,000	398.45	683.50	\$ 285.05	71.54%	
50,000	434.00	749.16	\$ 315.16	72.62%	
60,000	505.10	880.49	\$ 375.39	74.32%	
70,000	576.20	1,011.81	\$ 435.61	75.60%	
80,000	647.30	1,143.13	\$ 495.83	76.60%	
90,000	718.40	1,274.45	\$ 556.05	77.40%	
100,000	789.50	1,405.77	\$ 616.27	78.06%	
Average Usage	7,723	\$ 151.14	\$ 226.72	\$ 75.58	50.01%
Median Usage	7,500	\$ 149.83	\$ 224.29	\$ 74.47	49.70%

Present Rates:
 Monthly Minimum: \$ 105.50
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 22,500 \$ 5.91
 Over 22,500 \$ 7.11

Proposed Rates:
 Monthly Minimum: \$ 142.43
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 22,500 \$ 10.92
 Over 22,500 \$ 13.13

Goodman Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1 Inch Meter
Test Year Ended December 31, 2009

Exhibit
Schedule H-4
Page 4
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 105.50	\$ 142.43	\$ 36.93	35.00%
1,000	111.41	153.34	\$ 41.93	37.64%
2,000	117.32	164.26	\$ 46.94	40.01%
3,000	123.23	175.17	\$ 51.94	42.15%
4,000	129.14	186.09	\$ 56.95	44.10%
5,000	135.05	197.00	\$ 61.95	45.87%
6,000	140.96	207.92	\$ 66.96	47.50%
7,000	146.87	218.84	\$ 71.97	49.00%
8,000	152.78	229.75	\$ 76.97	50.38%
9,000	158.69	240.67	\$ 81.98	51.66%
10,000	164.60	251.58	\$ 86.98	52.84%
12,000	176.42	273.41	\$ 96.99	54.98%
14,000	188.24	295.25	\$ 107.01	56.85%
16,000	200.06	317.08	\$ 117.02	58.49%
18,000	211.88	338.91	\$ 127.03	59.95%
20,000	223.70	360.74	\$ 137.04	61.26%
25,000	256.25	420.86	\$ 164.61	64.24%
30,000	291.80	486.52	\$ 194.72	66.73%
35,000	327.35	552.18	\$ 224.83	68.68%
40,000	362.90	617.84	\$ 254.94	70.25%
45,000	398.45	683.50	\$ 285.05	71.54%
50,000	434.00	749.16	\$ 315.16	72.62%
60,000	505.10	880.49	\$ 375.39	74.32%
70,000	576.20	1,011.81	\$ 435.61	75.60%
80,000	647.30	1,143.13	\$ 495.83	76.60%
90,000	718.40	1,274.45	\$ 556.05	77.40%
100,000	789.50	1,405.77	\$ 616.27	78.06%

Average Usage
 61,866 \$ 518.37 \$ 904.99 \$ 386.62 74.58%
Median Usage
 64,000 \$ 533.54 \$ 933.01 \$ 399.47 74.87%

Present Rates:
 Monthly Minimum: \$ 105.50
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 22,500 \$ 5.91
 Over 22,500 \$ 7.11

Proposed Rates:
 Monthly Minimum: \$ 142.43
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 22,500 \$ 10.92
 Over 22,500 \$ 13.13

Goodman Water Company
Exhibit
Schedule H-4
Bill Comparison of Present and Proposed Rates
Commercial 1.5 Inch Meter Page 5
Customer Classification
Test Year Ended December 31, 2009
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 211.50	\$ 284.85	\$ 73.35	34.68%
1,000	217.41	295.77	78.36	36.04%
2,000	223.32	306.68	83.36	37.33%
3,000	229.23	317.60	88.37	38.55%
4,000	235.14	328.51	93.37	39.71%
5,000	241.05	339.43	98.38	40.81%
6,000	246.96	350.34	103.38	41.86%
7,000	252.87	361.26	108.39	42.86%
8,000	258.78	372.18	113.40	43.82%
9,000	264.69	383.09	118.40	44.73%
10,000	270.60	394.01	123.41	45.61%
12,000	282.42	415.84	133.42	47.24%
14,000	294.24	437.67	143.43	48.75%
16,000	306.06	459.50	153.44	50.13%
18,000	317.88	481.33	163.45	51.42%
20,000	329.70	503.17	173.47	52.61%
25,000	359.25	557.74	198.49	55.25%
30,000	388.80	612.32	223.52	57.49%
35,000	419.55	669.12	249.57	59.48%
40,000	455.10	734.78	279.68	61.45%
45,000	490.65	800.44	309.79	63.14%
50,000	526.20	866.10	339.90	64.60%
60,000	597.30	997.42	400.12	66.99%
70,000	668.40	1,128.74	460.34	68.87%
80,000	739.50	1,260.07	520.57	70.39%
90,000	810.60	1,391.39	580.79	71.65%
100,000	881.70	1,522.71	641.01	72.70%
Average Usage				
3,001 \$	229.23	\$ 317.60	\$ 88.37	38.55%
Median Usage				
3,000 \$	229.23	\$ 317.60	\$ 88.37	38.55%

Present Rates:
Monthly Minimum: \$ 211.50
Gallons in Minimum: -
Charge Per 1,000 Gallons
Up to 34,000 \$ 5.91
Over 34,000 \$ 7.11

Proposed Rates:
Monthly Minimum: \$ 284.85
Gallons in Minimum: -
Charge Per 1,000 Gallons
Up to 34,000 \$ 10.92
Over 34,000 \$ 13.13

Goodman Water Company
Exhibit
Schedule H-4
Page 6
Witness: Bourassa

Bill Comparison of Present and Proposed Rates
Customer Classification
Commerical 2 Inch Meter
Test Year Ended December 31, 2009

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	Present Rates:
-	\$ 339.68	\$ 455.76	\$ 116.08	34.17%	Monthly Minimum: \$ 339.68
1,000	345.59	466.68	\$ 121.09	35.04%	Gallons in Minimum Charge Per 1,000 Gallons
2,000	351.50	477.59	\$ 126.09	35.87%	Up to 45,000 \$ 5.91
3,000	357.41	488.51	\$ 131.10	36.68%	Over 45,000 \$ 7.11
4,000	363.32	499.42	\$ 136.10	37.46%	
5,000	369.23	510.34	\$ 141.11	38.22%	
6,000	375.14	521.25	\$ 146.11	38.95%	
7,000	381.05	532.17	\$ 151.12	39.66%	
8,000	386.96	543.09	\$ 156.13	40.35%	
9,000	392.87	554.00	\$ 161.13	41.01%	
10,000	398.78	564.92	\$ 166.14	41.68%	
12,000	410.60	586.75	\$ 176.15	42.90%	
14,000	422.42	608.58	\$ 186.16	44.07%	Proposed Rates: \$ 455.76
16,000	434.24	630.41	\$ 196.17	45.18%	Monthly Minimum: -
18,000	446.06	652.24	\$ 206.18	46.22%	Gallons in Minimum Charge Per 1,000 Gallons
20,000	457.88	674.08	\$ 216.20	47.22%	Up to 45,000 \$ 10.92
25,000	487.43	728.65	\$ 241.22	49.49%	Over 45,000 \$ 13.13
30,000	516.98	783.23	\$ 266.25	51.50%	
35,000	546.53	837.81	\$ 291.28	53.30%	
40,000	576.08	892.39	\$ 316.31	54.91%	
45,000	605.63	946.97	\$ 341.34	56.36%	
50,000	641.18	1,012.63	\$ 371.45	57.93%	
60,000	712.28	1,143.95	\$ 431.67	60.60%	
70,000	783.38	1,275.27	\$ 491.89	62.79%	
80,000	854.48	1,406.60	\$ 552.12	64.61%	
90,000	925.58	1,537.92	\$ 612.34	66.16%	
100,000	996.68	1,669.24	\$ 672.56	67.48%	

Average Usage	65,790	\$ 753.45	\$ 1,219.99	\$ 466.54	61.92%
Median Usage	69,500	\$ 779.83	\$ 1,268.71	\$ 488.88	62.69%

Exhibit
Schedule H-4
Page 7
Witness: Bourassa

Goodman Water Company
Bill Comparison of Present and Proposed Rates
Construction Water
Customer Classification
Test Year Ended December 31, 2009
(Excludes all Revenue Related Taxes)

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1,000	7.11	13.13	6.02	84.70%
2,000	14.22	26.26	12.04	84.70%
3,000	21.33	39.40	18.07	84.70%
4,000	28.44	52.53	24.09	84.70%
5,000	35.55	65.66	30.11	84.70%
6,000	42.66	78.79	36.13	84.70%
7,000	49.77	91.93	42.16	84.70%
8,000	56.88	105.06	48.18	84.70%
9,000	63.99	118.19	54.20	84.70%
10,000	71.10	131.32	60.22	84.70%
12,000	85.32	157.59	72.27	84.70%
14,000	99.54	183.85	84.31	84.70%
16,000	113.76	210.11	96.35	84.70%
18,000	127.98	236.38	108.40	84.70%
20,000	142.20	262.64	120.44	84.70%
25,000	177.75	328.30	150.55	84.70%
30,000	213.30	393.97	180.67	84.70%
35,000	248.85	459.63	210.78	84.70%
40,000	284.40	525.29	240.89	84.70%
45,000	319.95	590.95	271.00	84.70%
50,000	355.50	656.61	301.11	84.70%
60,000	426.60	787.93	361.33	84.70%
70,000	497.70	919.25	421.55	84.70%
80,000	568.80	1,050.57	481.77	84.70%
90,000	639.90	1,181.90	542.00	84.70%
100,000	711.00	1,313.22	602.22	84.70%

Average Usage
40,501 \$ 287.96 \$ 531.86 \$ 243.90 84.70%

Median Usage
40,501 \$ 287.96 \$ 531.87 \$ 243.90 84.70%

Present Rates:
Monthly Minimum:
Gallons in Minimum
Charge Per 1,000 Gallons \$ 7.11
All Gallons

Proposed Rates:
Monthly Minimum:
Gallons in Minimum
Charge Per 1,000 Gallons \$ 13.13
All Gallons

Goodman Water Company
 Test Year Ended December 31, 2009
 Residential 5/8x3/4 Inch Meter

Exhibit
 Schedule H-5
 Page 1
 Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Sales (\$1,000s)
0	1,000	43	41	33	37	26	34	30	25	35	42	428	426	428	426	213
1,001	2,000	48	48	43	32	38	35	47	36	31	64	494	920	494	920	954
2,001	3,000	70	84	77	64	51	51	64	35	50	109	758	1,678	758	1,678	2,850
3,001	4,000	103	99	88	88	67	71	72	57	71	104	947	2,625	947	2,625	6,165
4,001	5,000	82	74	68	64	63	60	57	51	59	82	786	3,411	786	3,411	9,702
5,001	6,000	63	72	73	58	64	46	62	60	63	56	734	4,145	734	4,145	13,740
6,001	7,000	40	38	54	51	47	48	57	57	64	31	591	4,736	591	4,736	17,581
7,001	8,000	28	22	34	49	40	42	45	42	42	15	436	5,172	436	5,172	20,852
8,001	9,000	21	15	17	26	29	45	26	42	37	11	328	5,498	328	5,498	23,623
9,001	10,000	12	14	21	16	18	23	18	22	22	6	223	5,721	223	5,721	25,741
10,001	11,000	7	9	16	19	20	14	14	11	14	2	139	6,027	139	6,027	29,084
11,001	12,000	9	5	7	14	13	8	9	15	6	-	84	6,111	84	6,111	30,144
12,001	13,000	1	5	1	7	10	9	3	9	6	1	59	6,170	59	6,170	30,940
13,001	14,000	1	3	3	3	8	9	2	2	7	-	41	6,211	41	6,211	31,535
14,001	15,000	2	-	-	-	3	2	4	4	8	-	35	6,246	35	6,246	32,077
15,001	16,000	-	-	1	1	4	3	4	4	7	-	25	6,271	25	6,271	32,480
16,001	17,000	3	1	3	3	4	3	4	2	1	-	23	6,294	23	6,294	32,892
17,001	18,000	-	1	-	-	4	2	4	4	2	-	15	6,309	15	6,309	33,170
18,001	19,000	-	-	2	2	2	3	2	3	-	-	7	6,316	7	6,316	33,306
19,001	20,000	-	1	1	1	2	1	1	2	-	-	9	6,325	9	6,325	33,491
20,001	21,000	-	-	-	-	2	1	2	2	-	-	7	6,332	7	6,332	33,641
21,001	22,000	-	-	1	1	1	2	2	2	-	-	9	6,341	9	6,341	33,844
22,001	23,000	-	-	1	-	3	1	1	2	-	-	8	6,349	8	6,349	34,032
23,001	24,000	-	-	2	2	1	2	-	1	-	-	4	6,353	4	6,353	34,130
24,001	25,000	-	1	-	-	-	1	-	-	1	-	6	6,359	6	6,359	34,283
25,001	26,000	1	-	2	2	-	-	1	-	-	-	2	6,361	2	6,361	34,336
26,001	27,000	-	-	-	-	1	2	-	-	-	-	3	6,364	3	6,364	34,418
27,001	28,000	-	-	-	-	-	1	-	-	-	-	2	6,368	2	6,368	34,475
28,001	29,000	-	-	-	-	-	-	-	-	-	-	2	6,368	2	6,368	34,534
29,001	30,000	-	-	-	-	-	-	-	-	-	-	1	6,368	1	6,368	34,584
30,001	31,000	-	-	-	-	1	-	-	-	-	-	1	6,369	1	6,369	34,566
31,001	32,000	-	-	-	-	-	-	1	-	-	-	1	6,370	1	6,370	34,598
32,001	33,000	-	-	-	-	-	-	-	1	-	-	2	6,372	2	6,372	34,685
33,001	34,000	-	-	-	1	1	-	9	1	-	-	1	6,373	1	6,373	34,700
34,001	35,000	-	-	-	-	-	-	-	-	-	-	2	6,375	2	6,375	34,771
35,001	36,000	-	-	-	-	-	-	-	-	-	1	1	6,376	1	6,376	34,807
36,001	37,000	-	-	-	-	-	1	-	-	-	-	1	6,376	1	6,376	34,807
37,001	38,000	-	-	-	-	-	-	-	-	-	-	1	6,377	1	6,377	34,846
38,001	39,000	-	-	-	-	-	-	-	-	-	-	1	6,377	1	6,377	34,846
39,001	40,000	-	-	-	-	-	-	-	-	-	-	1	6,378	1	6,378	34,887
40,001	41,000	-	-	-	-	-	-	-	-	-	-	1	6,378	1	6,378	34,887
41,001	42,000	-	-	-	-	-	-	-	-	-	-	1	6,378	1	6,378	34,887
42,001	43,000	-	-	-	-	-	-	-	-	-	-	1	6,378	1	6,378	34,887
43,001	44,000	-	-	-	-	-	-	-	-	-	-	1	6,378	1	6,378	34,887
44,001	45,000	-	-	-	-	-	-	-	-	-	-	1	6,378	1	6,378	34,887
45,001	46,000	-	-	-	-	-	-	-	-	-	-	1	6,378	1	6,378	34,887
46,001	47,000	-	-	-	-	-	-	-	-	-	-	1	6,378	1	6,378	34,887
47,001	48,000	-	-	-	-	-	-	-	-	-	-	1	6,378	1	6,378	34,887
48,001	49,000	-	-	-	-	-	-	-	-	-	-	1	6,378	1	6,378	34,887

Goodman Water Company
Test Year Ended December 31, 2009
Residential 5/8x3/4 Inch Meter

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Sales (\$1,000s)
49,001	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
50,001	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
51,001	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
52,001	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
53,001	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
54,001	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
55,001	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
56,001	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
57,001	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
58,001	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
59,001	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
60,001	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
61,001	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
62,001	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
63,001	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
64,001	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
65,001	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
66,001	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
67,001	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
68,001	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
69,001	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
70,001	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
71,001	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
72,001	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
73,001	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
74,001	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
75,001	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
76,001	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
77,001	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
78,001	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
79,001	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
80,001	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
81,001	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
82,001	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
83,001	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
84,001	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
85,001	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
86,001	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
87,001	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
88,001	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
89,001	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
90,001	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
91,001	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
92,001	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
93,001	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
94,001	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
95,001	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
96,001	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
97,001	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
98,001	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937

Goodman Water Company
 Test Year Ended December 31, 2009
 Residential 5/8x3/4 Inch Meter

Exhibit
 Schedule H-5
 Page 1
 Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Sales (1,000s)
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
		-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937
		-	-	-	-	-	-	-	-	-	-	-	-	-	6,379	34,937

Totals	534	534	537	534	538	535	528	527	522	521	540	528	6,379
													5,477
													4,500
													532

Average Usage
 Median Usage
 Average # Customers

Goodman Water Company
 Test Year Ended December 31, 2009
 Residential 3/4 Inch Meter

Exhibit
 Schedule H-5
 Page 2
 Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
1	1,000	13	13	9	11	12	10	10	10	7	6	12	10	123	123	82
1,001	2,000	5	6	8	8	6	4	8	8	5	8	7	17	87	210	182
2,001	3,000	4	4	4	5	2	3	6	10	12	4	4	11	69	279	385
3,001	4,000	6	8	6	8	7	8	6	6	7	10	11	14	98	377	708
4,001	5,000	9	11	9	9	7	5	4	4	7	5	7	8	87	484	1,099
5,001	6,000	8	7	9	9	6	6	3	3	7	8	5	6	73	537	1,501
6,001	7,000	4	4	4	9	3	6	5	5	3	7	10	6	65	602	1,923
7,001	8,000	7	3	2	2	4	5	5	5	6	3	8	3	54	656	2,328
8,001	9,000	3	8	3	4	2	2	3	10	10	4	6	3	58	714	2,821
9,001	10,000	4	3	4	4	4	3	1	6	4	8	5	4	50	764	3,286
10,001	11,000	-	1	3	3	2	2	2	2	1	5	3	1	28	790	3,568
11,001	12,000	-	-	1	1	2	5	2	2	2	-	2	1	18	806	3,753
12,001	13,000	1	-	1	2	3	3	2	1	2	3	1	-	19	825	3,981
13,001	14,000	-	1	-	1	1	-	1	2	-	-	1	-	7	832	4,085
14,001	15,000	1	-	-	-	2	-	1	1	2	1	-	-	9	841	4,216
15,001	16,000	-	-	1	1	3	3	1	1	-	1	3	-	13	854	4,417
16,001	17,000	1	-	1	1	-	1	1	1	2	1	1	1	11	865	4,599
17,001	18,000	1	1	-	1	-	3	2	2	1	1	1	-	11	876	4,791
18,001	19,000	-	-	-	-	1	2	1	1	-	2	-	-	7	883	4,921
19,001	20,000	-	-	1	-	-	1	2	1	-	1	-	-	5	888	5,018
20,001	21,000	-	-	-	-	2	1	-	-	-	2	-	-	5	893	5,121
21,001	22,000	-	-	-	-	-	-	1	-	1	-	-	-	1	894	5,142
22,001	23,000	-	-	-	-	-	1	-	-	-	-	-	-	5	899	5,255
23,001	24,000	-	-	-	-	-	-	-	-	-	-	-	-	2	899	5,255
24,001	25,000	-	-	-	-	1	-	-	-	-	-	-	-	2	901	5,304
25,001	26,000	-	-	-	-	-	-	-	-	-	-	1	-	-	901	5,304
26,001	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	901	5,304
27,001	28,000	-	-	-	-	1	-	-	-	-	-	-	-	2	903	5,359
28,001	29,000	-	-	-	-	-	1	-	-	-	-	-	-	-	903	5,359
29,001	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
30,001	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
31,001	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
32,001	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
33,001	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
34,001	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
35,001	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
36,001	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
37,001	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
38,001	39,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
39,001	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	903	5,359
40,001	41,000	-	-	-	-	-	-	1	-	-	-	-	-	1	904	5,389
41,001	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	904	5,389
42,001	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	904	5,389
43,001	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	904	5,389
44,001	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	904	5,389
45,001	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	904	5,389
46,001	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	904	5,389
47,001	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	904	5,389
48,001	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	904	5,389

Goodman Water Company
Test Year Ended December 31, 2009
Residential 3/4 Inch Meter

Customer Classification

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
49,001	50,000	1	1	1	1	1	1	1	1	1	1	1	1	10	914	5,894
50,001	51,000														914	5,894
51,001	52,000														914	5,894
52,001	53,000														914	5,894
53,001	54,000														914	5,894
54,001	55,000														914	5,894
55,001	56,000														914	5,894
56,001	57,000														914	5,894
57,001	58,000														914	5,894
58,001	59,000														914	5,894
59,001	60,000														914	5,894
60,001	61,000														914	5,894
61,001	62,000														914	5,894
62,001	63,000														914	5,894
63,001	64,000														914	5,894
64,001	65,000														914	5,894
65,001	66,000														914	5,894
66,001	67,000														914	5,894
67,001	68,000														914	5,894
68,001	69,000														914	5,894
69,001	70,000														914	5,894
70,001	71,000														914	5,894
71,001	72,000														914	5,894
72,001	73,000														914	5,894
73,001	74,000														914	5,894
74,001	75,000														914	5,894
75,001	76,000														914	5,894
76,001	77,000														914	5,894
77,001	78,000														914	5,894
78,001	79,000														914	5,894
79,001	80,000														914	5,894
80,001	81,000														914	5,894
81,001	82,000														914	5,894
82,001	83,000														914	5,894
83,001	84,000														914	5,894
84,001	85,000														914	5,894
85,001	86,000														914	5,894
86,001	87,000														914	5,894
87,001	88,000														914	5,894
88,001	89,000														914	5,894
89,001	90,000														914	5,894
90,001	91,000														914	5,894
91,001	92,000														914	5,894
92,001	93,000														914	5,894
93,001	94,000														914	5,894
94,001	95,000														914	5,894
95,001	96,000														914	5,894
96,001	97,000														914	5,894
97,001	98,000														914	5,894
98,001	99,000														914	5,894

Goodman Water Company
 Test Year Ended December 31, 2009
 Customer Classification Residential 3/4 Inch Meter

Exhibit
 Schedule H-5
 Page 2
 Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Sales (\$1,000s)
99,001	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	914	5,884
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	914	5,884
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	914	5,884
Totals														914	6,449	
														6,449	4,500	
														76	76	

Average Usage
 Median Usage
 Average # Customers

Goodman Water Company
 Test Year Ended December 31, 2009
 Customer Classification Residential 1 Inch Meter

Exhibit
 Schedule H-5
 Page 3
 Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
1	1,000				1	1	1							3	3	2
1,001	2,000													-	3	2
2,001	3,000				1	1	1							1	4	4
3,001	4,000							1						2	6	11
4,001	5,000	1	1	1	1	1	1	1						6	12	38
5,001	6,000	1	1	1	1	1	1	1						5	17	96
6,001	7,000				1	1	1	1						5	22	98
7,001	8,000				1	1	1	1	2					7	29	151
8,001	9,000	1	1	1										2	31	168
9,001	10,000	1	1	1	1	1	1							4	35	206
10,001	11,000	1	1	1	1	1	1							5	40	258
11,001	12,000													-	40	258
12,001	13,000				1	1	1							1	41	271
13,001	14,000													2	43	298
14,001	15,000													-	43	298
15,001	16,000													-	43	298
16,001	17,000													-	43	298
17,001	18,000													-	43	298
18,001	19,000													-	43	298
19,001	20,000				1	1	1							1	44	316
20,001	21,000													-	44	316
21,001	22,000													-	44	316
22,001	23,000													-	44	316
23,001	24,000													-	44	316
24,001	25,000													-	44	316
25,001	26,000													-	44	316
26,001	27,000													-	44	316
27,001	28,000													-	44	316
28,001	29,000													-	44	316
29,001	30,000													-	44	316
30,001	31,000													-	44	316
31,001	32,000							1						1	45	348
32,001	33,000													-	45	348
33,001	34,000													-	45	348
34,001	35,000													-	45	348
35,001	36,000													-	45	348
36,001	37,000													-	45	348
37,001	38,000													-	45	348
38,001	39,000													-	45	348
39,001	40,000													-	45	348
40,001	41,000													-	45	348
41,001	42,000													-	45	348
42,001	43,000													-	45	348
43,001	44,000													-	45	348
44,001	45,000													-	45	348
45,001	46,000													-	45	348
46,001	47,000													-	45	348

Goodman Water Company
Test Year Ended December 31, 2008
Residential 1 inch Meter

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
95,001	96,000	4	4	4	4	4	4	4	3	3	3	3	3	45	45	348
96,001	97,000													-	45	348
97,001	98,000													-	45	348
98,001	99,000													-	45	348
99,001	100,000													-	45	348
Totals																
														Average Usage	7,723	
														Median Usage	7,500	
														Average # Customers	4	

Goodman Water Company
 Test Year Ended December 31, 2009
 Commercial 1 Inch Meter

Exhibit
 Schedule H-5
 Page 4
 Witness: Bourassa

Customer Classification

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
50,001	51,000														10	166
51,001	52,000													1	11	217
52,001	53,000														11	217
53,001	54,000														11	217
54,001	55,000														11	217
55,001	56,000														11	217
56,001	57,000														11	217
57,001	58,000						1							1	12	274
58,001	59,000														12	274
59,001	60,000													1	13	334
60,001	61,000														13	334
61,001	62,000														13	334
62,001	63,000														13	334
63,001	64,000														14	397
64,001	65,000														14	397
65,001	66,000														14	397
66,001	67,000														14	397
67,001	68,000														14	397
68,001	69,000														15	468
69,001	70,000												1		15	468
70,001	71,000														15	468
71,001	72,000														15	468
72,001	73,000														15	468
73,001	74,000														15	468
74,001	75,000														15	468
75,001	76,000														15	468
76,001	77,000														15	468
77,001	78,000														15	468
78,001	79,000														15	468
79,001	80,000														16	545
80,001	81,000											1			16	545
81,001	82,000														16	545
82,001	83,000														16	545
83,001	84,000														16	545
84,001	85,000														16	545
85,001	86,000														16	545
86,001	87,000														16	545
87,001	88,000														17	633
88,001	89,000														17	633
89,001	90,000														17	633
90,001	91,000														17	633
91,001	92,000														17	633
92,001	93,000														18	723
93,001	94,000														18	723
94,001	95,000														18	723
95,001	96,000														18	723
96,001	97,000														18	723
97,001	98,000														19	819
98,001	99,000														19	819
99,001	100,000														19	819
100,001	112,000														21	1,018
															22	1,130

Goodman Water Company
Test Year Ended December 31, 2009
Commercial 1.5 inch Meter

Customer Classification

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Sales (\$1,000s)
1	1,000													1	1	3
1,001	2,000					1								1	2	6
2,001	3,000													2	2	6
3,001	4,000													2	2	6
4,001	5,000													2	2	6
5,001	6,000													2	2	6
6,001	7,000													2	2	6
7,001	8,000													2	2	6
8,001	9,000													2	2	6
9,001	10,000													2	2	6
10,001	11,000													2	2	6
11,001	12,000													2	2	6
12,001	13,000													2	2	6
13,001	14,000													2	2	6
14,001	15,000													2	2	6
15,001	16,000													2	2	6
16,001	17,000													2	2	6
17,001	18,000													2	2	6
18,001	19,000													2	2	6
19,001	20,000													2	2	6
20,001	21,000													2	2	6
21,001	22,000													2	2	6
22,001	23,000													2	2	6
23,001	24,000													2	2	6
24,001	25,000													2	2	6
25,001	26,000													2	2	6
26,001	27,000													2	2	6
27,001	28,000													2	2	6
28,001	29,000													2	2	6
29,001	30,000													2	2	6
30,001	31,000													2	2	6
31,001	32,000													2	2	6
32,001	33,000													2	2	6
33,001	34,000													2	2	6
34,001	35,000													2	2	6
35,001	36,000													2	2	6
36,001	37,000													2	2	6
37,001	38,000													2	2	6
38,001	39,000													2	2	6
39,001	40,000													2	2	6
40,001	41,000													2	2	6
41,001	42,000													2	2	6
42,001	43,000													2	2	6
43,001	44,000													2	2	6
44,001	45,000													2	2	6
45,001	46,000													2	2	6
46,001	47,000													2	2	6
47,001	48,000													2	2	6
48,001	49,000													2	2	6

Goodman Water Company
 Test Year Ended December 31, 2009
 Commercial 1.5 Inch Meter
 Customer Classification

Exhibit
 Schedule H-5
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 Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Sales (\$1,000s)
49,001	50,000													-	2	6
50,001	51,000													-	2	6
51,001	52,000													-	2	6
52,001	53,000													-	2	6
53,001	54,000													-	2	6
54,001	55,000													-	2	6
55,001	56,000													-	2	6
56,001	57,000													-	2	6
57,001	58,000													-	2	6
58,001	59,000													-	2	6
59,001	60,000													-	2	6
60,001	61,000													-	2	6
61,001	62,000													-	2	6
62,001	63,000													-	2	6
63,001	64,000													-	2	6
64,001	65,000													-	2	6
65,001	66,000													-	2	6
66,001	67,000													-	2	6
67,001	68,000													-	2	6
68,001	69,000													-	2	6
69,001	70,000													-	2	6
70,001	71,000													-	2	6
71,001	72,000													-	2	6
72,001	73,000													-	2	6
73,001	74,000													-	2	6
74,001	75,000													-	2	6
75,001	76,000													-	2	6
76,001	77,000													-	2	6
77,001	78,000													-	2	6
78,001	79,000													-	2	6
79,001	80,000													-	2	6
80,001	81,000													-	2	6
81,001	82,000													-	2	6
82,001	83,000													-	2	6
83,001	84,000													-	2	6
84,001	85,000													-	2	6
85,001	86,000													-	2	6
86,001	87,000													-	2	6
87,001	88,000													-	2	6
88,001	89,000													-	2	6
89,001	90,000													-	2	6
90,001	91,000													-	2	6
91,001	92,000													-	2	6
92,001	93,000													-	2	6
93,001	94,000													-	2	6
94,001	95,000													-	2	6
95,001	96,000													-	2	6
96,001	97,000													-	2	6
97,001	98,000													-	2	6
98,001	99,000													-	2	6

Goodman Water Company
 Test Year Ended December 31, 2009
 Commercial 1.5 Inch Meter
 Customer Classification

Exhibit
 Schedule H-5
 Page 5
 Witness: Bourassa

Usage From:	Usage To:	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total Year	Cumul- ative Billing	Cumul- ative Sales (1,000s)
99,001	100,000													-	2	6
														-	2	6
														-	2	6

Totals	1	1	1	1	1	1	1	1	1	1	1	1	1	2	3,001	3,000
Average Usage														3,001		
Median Usage														3,000		
Average # Customers														0		

Goodman Water Company
 Test Year Ended December 31, 2009
 Commertical 2 Inch Meter
 Customer Classification

Exhibit
 Schedule H-5
 Page 6
 Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Tests (1,000s)
1	1,000													1	1	28
1,001	2,000													1	2	52
2,001	3,000													1	2	52
3,001	4,000													2	4	109
4,001	5,000													2	4	109
5,001	6,000													2	4	109
6,001	7,000													2	6	176
7,001	8,000													1	7	212
8,001	9,000													1	7	212
9,001	10,000													1	7	212
10,001	11,000													1	7	212
11,001	12,000													1	7	212
12,001	13,000													1	7	212
13,001	14,000													1	7	212
14,001	15,000													1	7	212
15,001	16,000													1	7	212
16,001	17,000													1	7	212
17,001	18,000													1	7	212
18,001	19,000													1	7	212
19,001	20,000													1	7	212
20,001	21,000													1	7	212
21,001	22,000													1	7	212
22,001	23,000													1	7	212
23,001	24,000													1	7	212
24,001	25,000													1	7	212
25,001	26,000													1	7	212
26,001	27,000													1	7	212
27,001	28,000													1	7	212
28,001	29,000													1	7	212
29,001	30,000													1	7	212
30,001	31,000													1	7	212
31,001	32,000													1	7	212
32,001	33,000													1	7	212
33,001	34,000													1	7	212
34,001	35,000													1	7	212
35,001	36,000													1	7	212
36,001	37,000													1	7	212
37,001	38,000													1	7	212
38,001	39,000													1	7	212
39,001	40,000													1	7	212
40,001	41,000													1	7	212
41,001	42,000													1	7	212
42,001	43,000													1	7	212
43,001	44,000													1	7	212
44,001	45,000													1	7	212
45,001	46,000													1	7	212
46,001	47,000													1	7	212
47,001	48,000													1	7	212
48,001	49,000													1	7	212
49,001	50,000													1	7	212

Goodman Water Company
 Test Year Ended December 31, 2009
 Customer Classification Commercial 2 Inch Meter

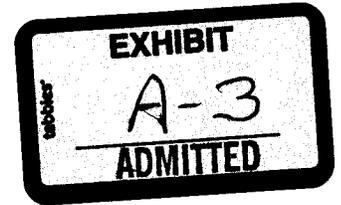
Exhibit
 Schedule H-5
 Page 6
 Witness: Bourassa

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Sales (\$1,000)										
107000	107,000													1	18	1,149										
101000	101,000											1		1	19	1,250										
														-	19	1,250										
														-	19	1,250										
Totals															3	2	3	2	2	2	2	1	1	1	19	65,780
															Average Usage		69,500									
															Median Usage		69,500									
															Average # Customers		2									

Usage From:	Usage To:	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year	Cumulative Billing	Cumulative Gals (1,000s)
95,001	96,000													-	12	486
96,001	97,000													-	12	486
97,001	98,000													-	12	486
98,001	99,000													-	12	486
99,001	100,000													-	12	486
-	-													-	12	486
Totals																

1	1	1	1	1	1	1	1	1	1	1	1	1	1	12	Average Usage	40,501
														Median Usage	40,501	
														Average # Customers	1	

Exhibit A-3



**September 17, 2010
Direct Testimony
Thomas J. Bourassa
Cost of Capital**

**July 26-28, 2011 ACC Hearing
Goodman Water Company
Docket No. W-02500A-10-0382**

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE
APPLICATION OF GOODMAN WATER
COMPANY, AN ARIZONA
CORPORATION, FOR (i) A
DETERMINATION OF THE FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND (ii) AN INCREASE IN
ITS WATER RATES AND CHARGES
FOR UTILITY SERVICE BASED
THEREON.

DOCKET NO: W-02500A -09-_____

DIRECT TESTIMONY OF

THOMAS J. BOURASSA

(COST OF CAPITAL)

September 17, 2010

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I. INTRODUCTION AND QUALIFICATIONS

Q1. PLEASE STATE YOUR NAME AND ADDRESS.

A1. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive, Phoenix, Arizona 85029.

Q2. ARE YOU THE SAME THOMAS J. BOURASSA THAT CONCURRENTLY FILED DIRECT TESTIMONY ON RATE BASE, INCOME STATEMENT, REVENUE REQUIREMENT AND RATE DESIGN IN THIS DOCKET?

A2. Yes, and all of my background information and testimony regarding my qualifications is contained in that portion of my direct testimony.

I. SUMMARY OF TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY

Q3. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR DIRECT TESTIMONY?

A3. This portion of my direct testimony will focus on cost of capital issues. I will testify in support of Goodman Water Company's ("GWC" or "the Company") proposed rate of return on its fair value rate base ("FVRB"). I am sponsoring the Company's D Schedules, which are attached to this testimony. As noted above, I am also sponsoring direct testimony that addresses the Company's rate base, income statement (revenue and operating expenses), required increase in revenue, and its rate design and proposed rates and charges for service. For the convenience of the Commission and the parties, that testimony and my related schedules are prepared in separate volumes.

Q4. HAVE YOU PREPARED ANY SCHEDULES AND ATTACHMENTS TO ACCOMPANY YOUR COST OF CAPITAL TESTIMONY?

1 A4. Yes. I have prepared 20 schedules that support my testimony and 1 attachment.

2 **Q5. PLEASE SUMMARIZE YOUR COST OF CAPITAL TESTIMONY.**

3 A5. I have determined that the Company's cost of equity falls in the range of 10.2
4 percent to 13.6 percent with the midpoint of the range at 11.9 percent. Even
5 though my analysis justifies an 11.9 percent return on equity ("ROE"), I am
6 recommending a ROE of only 11.0 percent, primarily due to the Company's desire
7 to help mitigate the impact of the necessary rate increase on rate payers.

8 My recommendation is based on consideration of (i) cost of equity estimates
9 using constant growth and multi-stage growth discounted cash flow ("DCF")
10 models and the capital asset pricing model ("CAPM") for the sample group of
11 publicly traded utilities, (ii) my review of the economic conditions expected to
12 prevail during the period in which new rates will be in effect, (iii) my judgments
13 about the risks associated with small utilities like GWC not captured by the market
14 data for publicly-traded water utilities used in my study, (iv) the financial risk
15 associated with the level of debt in GWC's capital structure, and (v) additional
16 specific business and operational risks faced by GWC.

17 **Q6. PLEASE SUMMARIZE THE APPROACH YOU USED TO ESTIMATE**
18 **THE COST OF EQUITY FOR THE COMPANY.**

19 A6. The cost of equity for GWC cannot be estimated directly because GWC's equity is
20 not in the form of a publicly-traded security and thus there is no market data for
21 GWC. Consequently, I applied the DCF and CAPM models using data from a
22 sample of water utilities selected from the Value Line Investment Survey. There
23 are six water utilities in my sample: American States Water, Aqua America,
24 California Water, Connecticut Water, Middlesex Water, and SJW Corp. As
25 explained later in my testimony, these companies aren't really comparable to
26 GWC, but they are water utilities for which market data are available and because

1 the Commission's Utilities Division Staff has relied on data for these water utilities
2 in a number of recent water and sewer utility rate cases.

3 My DCF analyses indicate return(s) on equity ("ROE") in the range of 9.7
4 percent to 11.3 percent with a midpoint of 10.5 percent. The CAPM analysis,
5 again using the same sample group, indicates ROE's in the range of 10.6 percent to
6 15.7 percent is appropriate with a midpoint of 13.1 percent. Both the DCF and
7 CAPM ranges are before consideration of company-specific risks.

8 My ROE estimates after consideration of company-specific risks are in the
9 range of 10.2 percent to 13.6 percent with a midpoint of 11.9 percent. Given
10 GWC's relatively small size compared to the larger publicly-traded utilities used in
11 my sample, the regulatory methods and policies used in this jurisdiction, and other
12 company-specific factors, it is my opinion that at the present time, a cost of equity
13 of 11.9 percent is warranted.

14 However, my recommendation of a 11.0 percent ROE balances my
15 judgment about the degree of financial and business risk associated with an
16 investment in GWC as well as consideration of the current economic environment
17 and the Company's desire to help reduce the impact on rate payers. A summary of
18 my cost of equity analysis result is shown on Schedule D-4.1.

19 **II. OVERVIEW OF THE RELATIONSHIP BETWEEN RISK AND THE**
20 **EXPECTED RETURN ON AN INVESTMENT**

21 **Q7. HOW IS THE COST OF EQUITY TYPICALLY ANALYZED?**

22 **A7.** The cost of equity is the rate of return that equity investors expect to receive on
23 their investment. Investors can choose to invest in many types of assets, not simply
24 publicly traded stock. Each investment will have varying degrees of risk, ranging
25 from relatively low risk assets such as Treasury securities to somewhat higher risk
26 corporate bonds to even higher risk common stocks. As the level of risk increases,

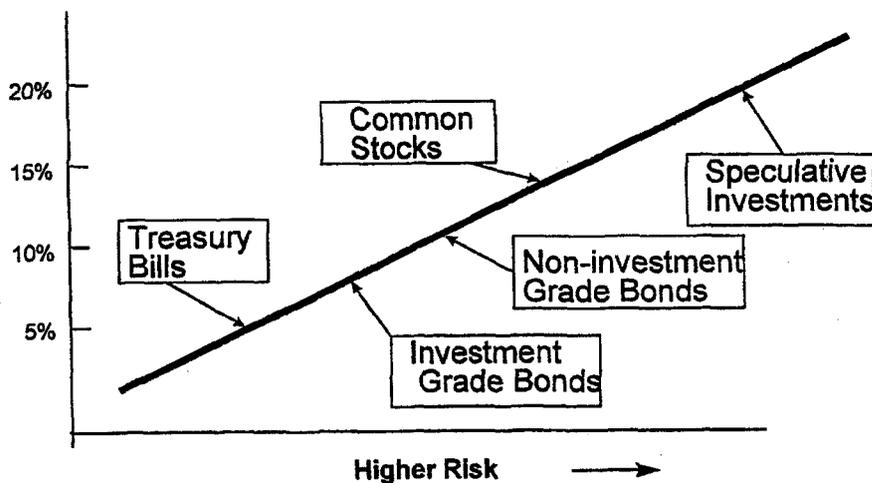
1 investors require higher returns on their investment. Finance models that are used
2 to estimate the cost of equity often rely on this basic concept.

3 **Q8. CAN YOU ILLUSTRATE THE CAPITAL MARKET RISK-RETURN**
4 **CONCEPT?**

5 **A8.** Yes. The following graph depicts the risk-return relationship that has become
6 widely known as the Capital Market Line ("CML"). The CML illustrates in a
7 general way the risk-return relationship.

9 The Capital Market Line (CML)

10
11 **Expected Rate of Return**



22 The CML can be viewed as a continuum of the available investment opportunities
23 for investors. Investment risk increases move upward and to the right along the
24 CML. Again, the return required by investors increases with the risk.

25 **Q9. HOW DOES THE RISK-RETURN TRADE-OFF CONCEPT WORK IN**
26 **THE CAPITAL MARKET?**

1 A9. As indicated by the CML, the allocation of capital in a free market economy is
2 based upon the relative risk of, and expected return from, an investment. In
3 general, investors rank investment opportunities in the order of their relative risks.
4 Investment alternatives in which the expected return is commensurate with the
5 perceived risk become viable investment options. If all other factors remain equal,
6 the greater the risk, the higher the rate of return investors will require to
7 compensate them for the possibility of loss of either the principal amount invested
8 or the expected annual income from such investment.

9 Short-term Treasury bills provide a high degree of certainty and in nominal
10 terms (after considering inflation) are considered virtually risk free. Long-term
11 bonds and preferred stocks, having priority claims to assets and fixed income
12 payments, are relatively low risk, but are not risk free. The market values of long-
13 term bonds often fluctuate when government policies or other factors cause interest
14 rates to change. Common stocks are higher and to the right on the CML continuum
15 because they are exposed to more risk. Common stock risk includes the nature of
16 the underlying business and financial strength of the issuing corporation as well as
17 market-wide factors, such as general changes in capital costs.

18 The capital markets reflect investor expectations and requirements each day
19 through market prices. Prices for stocks and bonds change to reflect investor
20 expectations and the relative attractiveness of one investment versus another.
21 While the example provided above seems straightforward, returns on common
22 stocks are not directly observable in advance, in contrast to debt or preferred stocks
23 with fixed payment terms. This means that these returns must be estimated from
24 market data. Estimating the cost of equity capital is a matter of informed judgment
25 about the relative risk of the company in question and the expected rate of return
26 characteristics of other alternative investments.

1 **Q10. HOW IS THE COST OF EQUITY FOR A PARTICULAR UTILITY**
2 **DETERMINED?**

3 A10. The estimation of a utility's cost of equity is complex. It requires an analysis of the
4 factors influencing the cost of various types of capital, such as interest on long-
5 term debt, dividends on preferred stock, and earnings on common equity. The data
6 for such an analysis comes from highly competitive capital markets, where the firm
7 raises funds by issuing common stock, selling bonds, and by borrowing (both long-
8 and short-term) from banks and other financial institutions. In the capital markets,
9 the cost of capital, whether the capital is in the form of debt or equity, is
10 determined by two important factors:

- 11 1) The pure or real rate of interest, often called the risk-free rate of
12 interest; and,
- 13 2) The uncertainty or risk premium (the compensation the investor
14 requires over and above the real or pure rate of interest for subjecting
15 his capital to additional risk).

16 **Q11. PLEASE DISCUSS THESE FACTORS IN GREATER DETAIL.**

17 A11. The pure rate of interest essentially reflects both the time preference for and the
18 productivity of capital. From the standpoint of the individual, it is the rate of
19 interest required to induce the individual to forgo present consumption and offer
20 the funds thus saved to others for a specified length of time. Moreover, the pure
21 rate of interest concept is based on the assumption that no uncertainty affects the
22 investment undertaken by the individual, i.e., there is no doubt that the periodic
23 interest payments will be made and the principal returned at the end of the time
24 period. In reality, investments without any risk do not exist. Every commitment of
25 funds involves some degree of uncertainty.

26 Turning to the second factor affecting the cost of capital, it is generally

1 accepted that the higher the degree of uncertainty, the higher the cost of capital.
2 Investors are regarded as risk adverse and require that the rate of return increase as
3 the risk(s) (uncertainty) associated with an investment increase(s).

4 **Q12. CAN YOU PROVIDE SOME PERSPECTIVE ON YOUR PREVIOUS**
5 **DISCUSSION WITH RESPECT TO RETURNS ON COMMON STOCKS?**

6 A12. Yes. Conceptually,

7 [1] Required Return for Common Stocks = Return on a risk-free asset + Risk Premium

8 where the risk premium investors require for common stocks will be higher than
9 the risk premium they require for investment grade bonds. This relationship is
10 depicted in the graph of the CML above. As I will discuss later in this testimony,
11 this concept is the basis of risk premium methods, such as the CAPM, that are used
12 to estimate the cost of equity.

13 **Q13. WHAT HAS BEEN THE RECENT EXPERIENCE IN THE U.S. CAPITAL**
14 **MARKETS?**

15 A13. In the past 10 years, inflation and capital market costs have generally declined.
16 Interest rates have been lower than in previous decades. Past inflation, as
17 measured by the Consumer Price Index, has been at relatively low levels in the past
18 10 years.

19 The roughly 6 year span of economic expansion after the 2001 recession
20 began to wane in 2007. Year-over-year Gross Domestic Product ("GDP") growth¹
21 for 2004, 2005, and 2006 was 3.6 percent, 2.9 percent, and 2.8 percent,
22 respectively. GDP growth was, in part, spurred on by low interest rates during this
23 period. The Federal Reserve, having lowered the target Federal Funds rate to 1.0
24 percent by the end of 2003, began raising interest rates in 2004 to help keep the
25

26 ¹ GDP percentage change based on current dollars (1930-2008).

1 economy from overheating and to help keep inflation in check. By mid-2006, the
2 target Federal Funds rate had been raised to 5.25 percent.

3 The economic expansion was broad, taking in the major consumer and
4 industrial sectors for much of its span. However, the economic expansion also
5 brought excesses, particularly in the areas of housing, lending practices, and the
6 financial markets.

7 Economic growth slowed in 2007. For 2007, the year-over-year GDP
8 growth had dropped to 2.0 percent with the last quarter of 2007 at a negative 0.2
9 percent. The slow economic growth, combined with the excesses during the
10 economic expansion of the previous 6 years, created turmoil in the credit, financial,
11 and housing markets. This turmoil continues to have a significant drag on the
12 economy. Federal Reserve Chairman Ben Bernanke noted in Congressional
13 testimony in late 2008 that financial markets were currently under considerable
14 stress and that broader retrenchment in the willingness of investors to bear risk,
15 troubles in the credit markets and a weaker outlook of economic growth have each
16 added to the stresses on economic growth.

17 In order to address the weakening economy, the Federal Reserve, starting in
18 September 2007, has undertaken a series of Federal Funds rate cut actions (500 to
19 525 total basis points). The reductions in interest rates by the Federal Open Market
20 Committee ("FOMC") were taken in order to promote economic growth and to
21 mitigate risks to economic activity. The target Federal Funds rate currently stands
22 at zero to .25 percent.

23 The recession which some argue began in late 2007 continued through 2008
24 and for most of 2009. The year-over-year GDP growth for 2008 was 0.0 percent.
25 The year-over-year GDP growth for 2009 was -2.6 percent. But, during the last
26 quarter of 2009 the economy grew at a fairly robust 5.0 percent. Most economists

1 believe the recession ended in the third quarter of 2009. However, the recovery has
2 been slow and tepid particularly due to the continued high unemployment and a
3 lingering slump in housing and construction as well as and continued weakness in
4 business and consumer spending. GDP growth for the first quarter of 2010 was 3.7
5 percent. However, while the second quarter appeared to start out strong, the GDP
6 growth was a mere 1.6 percent. Economists note that the odds of a double-dip
7 recession are increasing, but never-the-less remain optimistic that the economic
8 recovery will continue but be very moderate in scope.

9 **Q14. WHAT ABOUT INTEREST RATES AND THE STATUS OF THE STOCK**
10 **MARKET?**

11 A14. After the significant drop on the U.S. stock markets in 2008 and the surge in 2009,
12 the stock market now seems stuck in a range bounded by those optimistic investors
13 on one side pointing to low interest rates, modest valuations, and surging earnings,
14 and those concerned investors pointing to continued Global uncertainty, slowing
15 GDP growth, and the risks of deflation. So, there remains uncertainty over the
16 potential for future economic growth and the potential of a double-dip recession.

17 With respect to interest rates, the Federal Reserve lowered the Federal
18 Funds target rate to near zero during the depths of the 2007 to 2009 recession. The
19 target Federal Funds rate continues to stand at zero to .25 percent. While the
20 move to lower interest rates may have been necessary at the time, the Federal
21 Reserve is left with little latitude to affect new monetary moves going forward.
22 This reality is cause for investor concern.

23 In short, the current capital markets continue to reflect the uncertainty and
24 low confidence of investors in the financial markets and in the future prospects of
25 economic growth over the next several years. Naturally, despite relatively low
26 U.S. Treasury yields over the past several years, the premiums required for

1 investors to hold and buy private securities is much higher than in the recent past
2 due to this ongoing uncertainty.

3 **Q15. IS THERE A RELATIONSHIP BETWEEN THE COST OF EQUITY AND**
4 **INTEREST RATES?**

5 A15. Yes. All things being equal, the cost of equity moves in the same direction as
6 interest rates. Lower interest rates on U.S Treasuries ("risk-free" rate) imply lower
7 equity returns and visa versa. However, as indicated by Equation [1] above, the
8 risk premium required to compensate investors also impacts the cost of equity.
9 Higher risk premiums required by investors imply higher equity costs and vice
10 versa. Risk premiums are impacted by uncertainty in future interest rates, business
11 and economic conditions, expected inflation (or deflation), and other risk factors
12 including business risk, regulatory risk, financial risk, construction risk, and
13 liquidity risk.

14 **Q16. IS GWC AFFECTED BY THESE SAME MARKET UNCERTAINTIES AND**
15 **CONCERNS?**

16 A16. Yes, in general, all investors are impacted by economic uncertainty including the
17 Company's investors. Capital costs have risen significantly over the past few years
18 because of this uncertainty. And, smaller utilities like GWC generally feel the
19 impact worse because of their size, with a small customer base and a related
20 limited or inability to attract capital.

21 **Q17. WHAT ARE RECENT DEVELOPMENTS IN THE WATER UTILITY**
22 **INDUSTRY AFFECTING UTILITY INVESTMENTS AND THE MARKET?**

23 A17. On the whole, the water and wastewater utility industry is expected to continue to
24 confront increasing infrastructure upgrades or additions demand. *Value Line*
25 *Investment Survey* continues to stress that many utilities have facilities that are
26 decades old and in need of significant maintenance and, in some cases, massive

1 renovation and replacement. Furthermore, the EPA and state and local regulators
2 continue to impose more stringent environmental quality and operational standards.
3 Additional operational requirements have also been imposed to address the threat
4 of bio-terrorism on U.S. water systems. As infrastructure costs continue to climb,
5 many smaller companies are at a serious disadvantage. Without sufficient
6 resources to fund improvements to meet new and more stringent requirements,
7 many smaller companies are being forced to sell to larger utilities, which have
8 greater operational flexibility and resources, as well as access to capital.

9 **Q18. PLEASE DISCUSS IN MORE DETAIL THE IMPACT OF RISK ON**
10 **CAPITAL COSTS.**

11 **A18.** With reference to specific utilities, risk is often discussed as consisting of two
12 separate types of risk: business risk and financial risk.

13 Business risk, the basic risk associated with any business undertaking, is the
14 uncertainty associated with the enterprise's day-to-day operations. In essence, it is
15 a function of the normal day-to-day business environment, both locally and
16 nationally. Business risks include the condition of the economy and capital
17 markets, the state of labor markets, regional stability, government regulation,
18 technological obsolescence, and other similar factors that may impact demand for
19 the business product and its cost of production. For utilities, business risk also
20 includes the volatility of revenues due to abnormal weather conditions, degree of
21 operational leverage, regulation, and regulatory climate. Regulation, for example,
22 can compound the business risk if it is unpredictable in reacting to cost increases
23 both in terms of the time lag and magnitude for recovery of such increases.
24 Regulatory lag makes it difficult to earn a reasonable return, particularly in an
25 inflationary environment and/or when there is significant lag between the timing of
26 investment in capital projects and its recognition in rates. Put simply, the greater

1 the degree of uncertainty regarding the various factors affecting a company's
2 business, the greater the risk of an investment in that company and the greater the
3 compensation required by the investor.

4 Financial risk, on the other hand, concerns the distribution of business risk
5 to the various capital investors in the utility. As I discussed earlier, permanent
6 capital is normally divided into three categories: long-term debt, preferred stock,
7 and common equity. Because common equity owners have only a residual claim
8 on earnings after debt and preferred stockholders are paid, financial risk tends to be
9 concentrated in that element of the firm's capital. Thus, a decision by management
10 to raise additional capital by issuing additional debt concentrates even more of the
11 financial risk of the utility in the common equity owners.

12 An important component of financial risk is construction risk. Construction
13 risk refers to the magnitude of a company's capital budget. If a company has a
14 large construction budget relative to internally generated cash flows it will require
15 external financing. It is important that companies have access to capital funds on
16 reasonable terms and conditions. Utilities are more susceptible to construction risk
17 for two reasons. First, utilities generally have high capital requirements to build
18 plant to serve customers. Second, utilities have a mandated obligation to serve
19 leaving less flexibility both in the timing and discretion of scheduling capital
20 projects. This is compounded by the limited ability to wait for more favorable
21 market conditions to raise the capital necessary to fund the capital projects.

22 Although often discussed separately, the two types of risks (business and
23 financial) are interrelated. Specifically, a common equity investor may seek to
24 offset exposure to high financial risk by investing in a firm perceived to have a low
25 degree of business risk. In other words, the total risk to an investor would be high
26 if the enterprise was characterized as a high business risk with a large portion of its

1 permanent capital financed with senior debt. To attract capital under these
2 circumstances, the firm would have to offer higher rates of return to its common
3 equity investors.

4 **III. THE MEANING OF "JUST AND REASONABLE" RATE OF RETURN**

5 **Q19. HAVE THE COURTS SET FORTH ANY CRITERIA THAT GOVERN THE**
6 **RATE OF RETURN THAT A UTILITY'S RATES SHOULD PRODUCE?**

7 A19. Yes. In 1923, the U.S. Supreme Court set forth the following criteria for
8 determining whether a rate of return is reasonable in *Bluefield Water Works and*
9 *Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679,
10 692-93 (1923):

11 A public utility is entitled to such rates as will permit it to earn a
12 return on the value of the property which it employs for the
13 convenience of the public equal to that generally being made at the
14 same time and in the same general part of the country on investments
15 on other business undertakings which are attended by corresponding
16 risks and uncertainties The return should be reasonably sufficient
17 to assure confidence in the financial soundness of the utility and
18 should be adequate, under efficient and economical management, to
19 maintain and support its credit and enable it to raise money necessary
20 for the proper discharge of its public duties. A rate of return may be
21 reasonable at one time and become too high or too low by changes
22 affecting opportunities for investment, the money market, and
23 business conditions generally.

24 In summary, under *Bluefield Water Works*:

- 25 (1) The rate of return should be similar to the return in businesses with
26 similar or comparable risks;
- (2) The return should be sufficient to ensure the confidence in the
financial integrity of the utility; and
- (3) The return should be sufficient to maintain and support the utility's

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credit.

Q20. HOW HAVE THESE CRITERIA BEEN APPLIED IN REGULATORY PROCEEDINGS?

A20. Yes, but the application of the “reasonableness” criteria laid down by the Supreme Court has resulted in controversy. The typical method of computing the overall cost of capital is quite straightforward: it is the composite, weighted cost of the various classes of capital (debt, preferred stock, and common equity) used by the utility. The weighting is done by calculating the proportion that each class of capital bears to total capital. However, there is no consensus regarding the best method of estimating the cost of equity capital. The increasing regulatory emphasis on objectivity in determining the rate of return has resulted in a proliferation of market-based finance models that are used in equity return determination. As will be discussed more fully below, however, none of these models are universally accepted as the “correct” means of estimating the ROE.

IV. THE ESTIMATED COST OF EQUITY FOR GWC

A. The Publicly Traded Utilities That Comprise the Sample Group Used to Estimate the Company’s Cost of Equity.

Q21. PLEASE BRIEFLY DESCRIBE THE APPROACH YOU FOLLOWED IN YOUR COST OF CAPITAL ANALYSIS FOR GWC.

A21. As I have stated, estimating the cost of equity is a matter of informed judgment. The development of an appropriate rate of return for a regulated enterprise involves a determination of the level of risk associated with that enterprise and the determination of an appropriate return for that risk level. Practitioners employ various techniques that provide a link to actual capital market data and assist in defining the various relationships that underlie the equity cost estimation process.

Since GWC is not publicly traded, the information required to directly estimate its cost of equity is not available. Accordingly, as previously noted, I used

1 a sample group of water utilities as a starting point to develop an appropriate cost
2 of equity for GWC. There are six water utilities included in the sample group:
3 American States Water, Aqua America, California Water, Connecticut Water,
4 Middlesex Water, and SJW Corp. All these companies are followed by the *Value*
5 *Line Investment Survey*.

6 **Q22. ARE THE WATER UTILITIES IN YOUR SAMPLE DIRECTLY**
7 **COMPARABLE TO GWC?**

8 A22. No, but they are utilities for which market data is available. All of them are
9 regulated, they primarily provide water service, although some provide both water
10 and wastewater services, and their primary source of revenues is from regulated
11 services. Therefore, they provide a useful starting point for developing a cost of
12 equity for the Company. I emphasized "starting point" because GWC is not
13 publicly traded. Additionally, there is no market data available for smaller utilities,
14 like GWC, that can be used to directly develop cost of equity estimates.

15 **Q23. DOES THE MARKET DATA PROVIDED BY THE WATER UTILITY**
16 **SAMPLE CAPTURE ALL OF THE MARKET RISKS THAT GWC MIGHT**
17 **FACE IF IT WERE PUBLICLY TRADED?**

18 A23. In my opinion, no. As I stated, there is no comparable market data for utility
19 companies the size of GWC. The average revenue of the water utility sample
20 companies is over 546 times that of GWC, and the average net plant of the water
21 utility sample companies is over 205 times that of GWC. Even the smallest
22 company in the sample group, Connecticut Water, has over 58 times the net plant
23 of GWC, and over 118 times the revenues.

24 **Q24. PLEASE PROVIDE A GENERAL DESCRIPTION OF THE WATER**
25 **UTILITIES IN YOUR SAMPLE.**

26 A24. Schedule D-4.2 lists the current operating revenues and net plant for the six water

1 utilities as reported by AUS Utility Reports (formerly C.A. Turner Utility Reports)
2 and GWC, respectively. The six (6) sample companies may be generally described
3 as follows:

4 (1) American States Water (AWR) primarily serves the California
5 market through Golden State Water Company, which provides water
6 services to over 254,000 customers within 75 communities in 10
7 counties in the State of California, primarily in Los Angeles, San
8 Bernardino, and Orange counties. It has one subsidiary serving the
9 Arizona market with approximately 13,000 customers in Fountain
10 Hills and Scottsdale. AWR also owns an electric utility service
11 provider with over 23,000 customers, but approximately 91 percent
12 of its revenues were derived from commercial and residential water
13 customers. Revenues for AWR were nearly \$361 million in 2009
14 and net plant was over \$823 million at the end of 2009.

15 (2) Aqua America (WTR) owns regulated utilities in Pennsylvania,
16 Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana,
17 Virginia, Maine, Missouri, New York, and South Carolina, serving
18 over 953,000 customers at the end of 2009. WTR's utility base is
19 diversified among residential water, commercial water, fire
20 protection, industrial water, other water, and wastewater customers.
21 Total revenues for WTR were over \$670 million in 2009 and net
22 plant was nearly \$3.23 billion at the end of 2009.

23 (3) California Water Service Group (CWT) owns subsidiaries in
24 California, New Mexico, Washington, and Hawaii serving over
25 494,000 customers. The California operations account for over 94
26 percent of customers and over 95 percent of operating revenues.

1 Revenues for CWT were over \$449 million in 2009 and net plant
2 nearly \$1.2 billion at the end of 2009.

3 (4) Connecticut Water Services (CTWS) owns subsidiaries in
4 Connecticut and Massachusetts serving over 86,000 customers.
5 Revenues for CTWS were over \$59 million in 2009 and net plant
6 over \$325 million at the end of 2009.

7 (5) Middlesex Water (MSEX) owns subsidiaries in New Jersey,
8 Delaware and Pennsylvania serving over 138,000 customers and
9 provides water service under contract to municipalities in central
10 New Jersey serving a population of over 267,000. Revenues for
11 MSEX were over \$91 million in 2009 and net plant was over \$376
12 million at the end of 2009.

13 (6) SJW Corp. (SJW) owns San Jose Water, which provides water
14 service in a 138 square mile area in San Jose, California, and
15 surrounding communities serving nearly 235,000 customers.
16 Revenues for SJW were over \$216 million in 2009 and net plant was
17 over \$645 million at the end of 2009.

18 **Q25. HOW DOES GWC COMPARE TO THE SAMPLE WATER UTILITIES?**

19 A25. It is much smaller. At the end of the test year, GWC had approximately 620
20 customers. Its revenues totaled approximately \$580,000, and net plant-in-service
21 was approximately \$2.4 million. GWC is located in Pinal County, Arizona, and
22 has a relatively small service territory compared to the sample water companies.

23 **Q26. ARE THERE ANY OTHER CHARACTERISTICS WHICH DISTINGUISH**
24 **GWC FROM THE SAMPLE WATER UTILITIES?**

25 A26. Yes. GWC has less debt in its capital structure than the sample water utilities. At
26 the end of the test year, GWC had approximately 18.3 percent debt and 81.7

1 percent equity in its capital structure. The sample publicly traded water utilities
2 current level of debt is about 50 percent; implying a lower level of financial risk for
3 GWC.

4 **Q27. ARE THERE OTHER CHARACTERISTICS OF SMALLER UTILITIES,**
5 **LIKE GWC, WHICH INCREASE RISK?**

6 A27. Yes. Because smaller utilities, like GWC, are not publicly traded they have less
7 financial flexibility which in turn increases risk. The Company does not have
8 access to the public equity markets and this lack of financial flexibility increases
9 risk because it has no choice but to rely on retained earnings, short-term debt,
10 privately-placed debt and, to a limited extent, WIFA loans, in order to provide
11 capital for plant improvements and additions necessary to ensure safe and reliable
12 water service to its customers. Further, the Company does not have a market to
13 issue common stock to the public to raise capital.

14 Water utilities are capital intensive and typically have large construction
15 budgets. Since the last rate case, the Company has added nearly \$3.1 million of
16 new plant. As I have previously discussed in this testimony, firms with large
17 capital budgets face construction risk (a form of financial risk). The size of a
18 utility's capital budget relative to the size of the utility itself often increases
19 construction risk. Larger utilities may be able to fund large capital budgets from
20 earnings and short-term borrowings. For smaller utilities, like GWC, the ability to
21 fund relatively large capital budgets from earnings and short-term debt is difficult
22 and requires that additional capital be raised. However, the ability to raise
23 additional capital is in and of itself challenging and compounded by a limited
24 ability to access capital, an obligation to serve, and a limited ability wait for more
25 favorable market conditions to raise the capital to fund necessary capital projects.

26 **Q28. WHAT OTHER RISK FACTORS DISTINGUISH GWC FROM THE**

1 **LARGER SAMPLE WATER UTILITIES?**

2 A28. There are a number of state specific factors that increase the risk to Arizona water
3 (and wastewater) utilities.

4 First, the regulatory environment in which the Company operates is much
5 different than that of the sample water utilities. Arizona water (and wastewater)
6 utilities face legal constraints that limit their ability to obtain rate relief outside of a
7 general rate case in which the "fair value" of the utility's property is determined
8 and used to set rates. The Commission limits the ability of Arizona utilities to
9 utilize automatic adjustment mechanisms, advice letter filings and other
10 streamlined procedures to obtain recovery of costs outside a general rate case, in
11 contrast to many other jurisdictions.

12 Second, the Commission requires the use of an historic test year with
13 limitations on the amount of out-of-period adjustments. This process creates
14 another state-specific factor that increases risk and thus the required ROEs for
15 utilities in Arizona. In fact, three out of the six sample water companies operate
16 primarily in California – AWR, CWT and SJW. California uses future test years to
17 help better match plant investment and revenues and expenses going forward - the
18 period in which rates will be in effect. California also allows the use of balancing
19 accounts on major operating expenses like purchased power and purchased water,
20 which help utilities to timely recover expenses that are beyond their control.

21 A fourth utility in the sample group, WTR, has regulatory mechanisms
22 available to it to help lessen risk. In six states in which WTR operates water
23 utilities, and two states in which WTR operates wastewater utilities, regulatory
24 bodies permit it to add a surcharge to water or wastewater bills to offset the
25 additional depreciation and capital costs associated with certain capital
26 expenditures related to replacing and rehabilitating infrastructure systems. WTR

1 also operates in jurisdictions in which it may bill utility customers in accordance
2 with a rate filing that is pending before the respective regulatory commission, as
3 well as jurisdictions that authorize the use of expense deferrals and amortization in
4 order to provide for recognition in its operating income of an amount that
5 approximates the requested amount in a rate request. In addition, certain states in
6 which WTR operates use a surcharge or credit on bills to reflect changes in certain
7 costs, such as changes in state tax rates, other taxes and purchased water, until such
8 time as the costs are incorporated into base rates.

9 **Q29. IT DOESN'T APPEAR THAT GWC IS ACTUALLY COMPARABLE TO**
10 **THE SAMPLE WATER UTILITIES.**

11 **A29.** It really isn't, for the reasons I have stated. Besides the obvious difference in size
12 as well as difference in regulatory environments, constraints on the rate making
13 process in Arizona make it difficult to obtain approval of rates that allow Arizona
14 water and wastewater utilities to recover the costs of service they will actually
15 incur during the period when new rates are put in place, which can be several years
16 beyond the test year. In the interim, actual operating costs continue to increase.
17 Risks are thus higher for GWC and the required return on equity should be above
18 the level required by water and wastewater utilities that operate in states that do not
19 have such limitations, whether imposed by law or by agency policy, on the rate-
20 setting system. Unfortunately, as I have testified, the approaches commonly used
21 to estimate a utility's cost of equity require market data, which is not available for
22 smaller companies and utilities operating exclusively in Arizona, like GWC. As a
23 result, much larger, public companies must be used as proxies.

24 But the emphasis on proxy is very important. The criteria established by the
25 Supreme Court in decisions such as *Bluefield Water Works* require the use of
26 comparable companies, i.e., companies that would be viewed by investors as

1 having similar risks. A rational investor would not regard GWC as having the
2 same level of risk as WTR or even CTWS- even with GWC's lower financial risk-
3 because of the previously mentioned regulatory constraints in Arizona.
4 Consequently, the results produced by the DCF and CAPM methodologies,
5 utilizing data for the sample utilities, often understate the appropriate return on
6 equity for a regulated water and wastewater utility provider such as GWC.

7 **Q30. YOU PREVIOUSLY DISCUSSED FINANCIAL RISK, WHICH IS**
8 **RELATED TO A FIRM'S CAPITAL STRUCTURE. HOW DO THE**
9 **CAPITAL STRUCTURES OF THE SAMPLE WATER UTILITIES**
10 **COMPARE TO GWC?**

11 A30. Schedule D-4.3 shows that the capital structure of GWC at December 31, 2008
12 contains 81.7 percent equity and 18.3 percent debt, compared to the average of the
13 water utility sample of 49.8 percent debt and 50.2 percent equity.

14 **Q31. IS THERE A RELATIONSHIP BETWEEN A UTILITY'S CAPITAL**
15 **STRUCTURE AND ITS COST OF CAPITAL?**

16 A31. Yes. Generally speaking, when a firm engages in debt financing, it exposes itself
17 to greater risk. Once debt becomes significant relative to the total capital structure,
18 the risk increases in a geometric fashion compared to the linear percentage increase
19 in the debt ratio itself. This risk is illustrated by considering the effect of leverage
20 on net earnings. For example, as leverage increases, the equity ratio falls. This
21 creates two adverse effects. First, equity earnings decline rapidly and may even
22 disappear. Second, the "cushion" of equity protection for debt falls. A decline in
23 the protection afforded debt holders, or the possibility of a serious decline in debt
24 protection, will act to increase the cost of debt financing. Therefore, one may
25 conclude that each new financing, whether through debt or equity, impacts the
26 marginal cost of future financing by any alternative method. For a firm already

1 perceived as being over-leveraged, this additional borrowing would cause the
2 marginal cost of both equity and debt to increase. On the other hand, if the same
3 firm instead successfully employed equity funding, this could actually reduce the
4 real marginal cost of additional borrowing, even if the particular equity issuance
5 occurred at a higher unit cost than an equivalent amount of debt.

6 Having significantly less debt in its capital structure implies that GWC has
7 less financial risk than the sample water utilities. However, smaller utilities cannot
8 support the same level of debt as larger utilities and smaller utilities face higher
9 business and operational risk, as compared to larger utilities, which magnify the
10 financial risk of higher debt levels in their capital structures.

11 **B. Overview of the DCF and CAPM Methodologies**

12 **Q32. PLEASE EXPLAIN THE GENERAL APPROACHES TO ESTIMATING**
13 **THE COST OF CAPITAL.**

14 A32. These two broad approaches:

- 15 1) identify comparable-risk sample companies and estimate the cost of
16 capital directly, or,
- 17 2) find the location of the CML and estimate the relative risk of the
18 company, which jointly determines the cost of capital.

19 The DCF model is an example of a method falling into the first general
20 approach. It is a direct method, but uses only a subset of the total capital market
21 evidence. The DCF model rests on the premise that the fundamental value of an
22 asset (stock) is its ability to generate future cash flows to the owner of that asset
23 (stock). I will explain the DCF model in detail in a moment, but for now, the DCF
24 is simply the sum of a stock's expected dividend yield and the expected long-term
25 growth rate. Dividend yields are readily available, but long-term growth estimates
26 are not.

1 The CAPM is an example of a method falling into the second general
2 approach. It uses information on all securities rather than a small subset. I will
3 explain the CAPM in more detail later. For now, the CAPM is a risk-return
4 relationship, often depicted graphically as the CML. The CAPM is the sum of a
5 risk-free return and a risk premium.

6 The Build-up Risk Premium method ("Build-up Method") is another
7 example of a method falling into the second general approach. I will explain the
8 Build-up Method in more detail later. For now, the Build-up method, like the
9 CAPM, is a risk-return relationship. The Build-up Method is the sum of a risk-free
10 return and a risk premium. However, rather than a single risk premium as is used
11 in the CAPM, the risk premium in the Build-up method is made up of one or more
12 risk premia. Each risk premium represents the reward an investor receives for
13 taking on a specific risk.

14 Each of these three methods has its own way of measuring investor
15 expectations. In the final analysis, ROE estimates are subjective and should be
16 based on sound, informed judgment rationally articulated and supported by
17 competent evidence. I have applied several versions of the DCF, and two versions
18 of the CAPM to "bracket" the fair cost of equity capital for GWC, but without
19 taking into account the additional risks that GWC possesses. I also use the Build-
20 up Method which serves as a check on the results of my DCF and CAPM.

21 **C. Explanation of the DCF Model and Its Inputs**

22 **Q33. PLEASE EXPLAIN IN DETAIL THE DCF METHOD OF ESTIMATING**
23 **THE COST OF EQUITY.**

24 **A33.** The DCF model is based on the concept that the current price of a share of stock is
25 equal to the present value of future cash flows from the purchase of the stock. In
26 other words, the DCF model is an attempt to replicate the market valuation process

1 that sets the price investors are willing to pay for a share of a company's stock. It
2 rests on the assumption that investors rely on the expected returns (i.e., cash flow
3 they expect to receive) to set the price of a security. The DCF model in its most
4 general form is:

$$5 \quad [2] \quad P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \dots + CF_n/(1+k)^n$$

6 where k is the cost of equity; n is a very large number; P_0 is the current stock price;
7 and, CF_1, CF_2, \dots, CF_n are all the expected future cash flows expected to be received
8 in periods 1, 2, ... n .

9 Equation (2) can be written to show that the current price (P_0) is also equal
10 to

$$11 \quad [3] \quad P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \dots + P_t/(1+k)^t$$

12 where P_t is the price expected to be received at the end of the period t . If the future
13 price (P_t) included a premium (an expected increase in the stock price or capital
14 gain), the price the investor would pay today (in anticipation of receiving that
15 premium) would increase. In other words, by estimating the cash flows from the
16 purchase of a stock in the form of dividends and capital gains, we can calculate the
17 investor's required rate of return, i.e., the rate of return an investor presumptively
18 used in bidding the current price to the stock (P_0) to its current level.

19 Equation [3] is a Market Price version of the DCF model. As with the
20 general form of the DCF model in equation [2], in the Market Price approach the
21 current stock price (P_0) is the present value of the expected cash inflows. The cash
22 flows are comprised of dividends and the final selling price of the stock. The
23 estimated cost of equity (k) is the rate of return investors expect if they bought the
24 stock at today's price, held the stock and received dividends through the transition
25 period, and then sold it for price (P_t).

26 **Q34. CAN YOU PROVIDE AN EXAMPLE TO ILLUSTRATE THE MARKET**

1 **PRICE VERSION OF THE DCF MODEL?**

2 A34. Yes. Assume an investor buys a share of common stock for \$40. If the expected
3 dividend during the coming year is \$2.00, then the expected dividend yield is 5
4 percent ($\$2.00/\$40 = 5.0$ percent). If the stock price is also expected to increase to
5 \$43.00 after one year, this \$3.00 expected gain adds an additional 7.5 percent to the
6 expected total rate of return ($\$3.00/\$40 = 7.5$ percent). Thus, the investor buying
7 the stock at \$40 per share, expects a total return of 12.5 percent (5 percent dividend
8 yield plus 7.5 percent price appreciation). The total return of 12.5 percent is the
9 appropriate measure of the cost of capital because this is the rate of return that
10 caused the investor to commit \$40 of his capital by purchasing the stock.

11 **Q35. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE DCF**
12 **MODEL.**

13 A35. Under the assumption that future cash flows are expected to grow at a constant rate
14 ("g"), equation [2] can be solved for k and rearranged into the simple form:

15 [4] $k = CF_1/P_0 + g$

16 where CF_1/P_0 is the expected dividend yield and g is the expected long term
17 dividend (price) growth rate ("g"). The expected dividend yield is computed as the
18 ratio of next period's expected dividend (" CF_1 ") divided by the current stock price
19 (" P_0 "). This form of the DCF model is known as the constant growth DCF model
20 and recognizes that investors expect to receive a portion of their total return in the
21 form of current dividends and the remainder through future dividends and capital
22 (price) appreciation. A key assumption of this form of the model is that investors
23 expect that same rate of return (k) every year and that market price grows at the
24 same rate as dividends. This has not been historically true for the water utility
25 sample, as shown by the data in Schedule D-4.4 and Schedule D.4.5. As a result,
26 estimates of long-term growth rates (g) should take this into account.

1 **Q36. ARE THERE ANY GENERAL CONCERNS ABOUT APPLYING THE DCF**
2 **MODEL TO UTILITY STOCKS?**

3 A36. There are a number of reasons why caution must be used when applying the DCF
4 model to utility stocks. First, the stock price and dividend yield components may
5 be unduly influenced by structural changes in the industry, such as mergers and
6 acquisitions, which influence investor expectations. Second, the DCF model is
7 based on a number of assumptions which may not be realistic given the current
8 capital market environment. The traditional DCF model assumes that the stock
9 price, book value, dividends, and earnings all grow at the same rate. This has not
10 been historically true for the sample water utility companies. Third, the application
11 of the DCF model produces estimates of the cost of equity that are consistent with
12 investor expectations only when the market price of a stock and the stock's book
13 value are approximately the same. The DCF model will understate the cost of
14 equity when the market-to-book ratio exceeds 1.0 and conversely will overstate the
15 cost of equity when the market-to-book ratio is less than 1.0. The reason for this is
16 that the market-derived return produced by the DCF is often applied to book value
17 rate base by regulators. Fourth, the assumption of a constant growth rate may be
18 unrealistic, and there may be difficulty in finding an adequate proxy for the growth
19 rate. Historical growth rates can be downward biased as a result of the impact of
20 anemic historical growth rates in earnings, mergers and acquisitions, restructuring,
21 unfavorable regulatory decisions, and even abnormal weather patterns. Further, by
22 placing too much emphasis on the past, the estimation of future growth becomes
23 circular.

24 **Q37. LET'S TURN TO THE SPECIFIC INPUTS USED IN YOUR DCF MODELS.**
25 **WHAT DATA HAVE YOU USED TO COMPUTE THE EXPECTED**
26 **DIVIDEND YIELD (CF_1/P_0) IN YOUR MODELS?**

1 A37. First, I computed a current dividend yield (CF_0/P_0). The expected dividend yield
2 (CF_1/P_0) is the current dividend yield (CF_0/P_0) times one plus the growth rate (g). I
3 used the spot price for each of the stocks of the water utilities in the sample group
4 on as reported by the Value Line Investment Analyzer for August 13, 2010 for P_0 .
5 The current dividend (CF_0) is the dividend for the next year as reported by Value
6 Line. In my schedules, the current dividend yield is denoted as (D_0/P_0), where D_0
7 is the current dividend and P_0 is the spot stock price. (D_1/P_0) is used to denote the
8 expected dividend yield in the schedules.

9 **Q38. WHAT MEASURES OF GROWTH (“g”) HAVE YOU USED?**

10 A38. For my primary DCF growth estimate, I have used analyst growth forecasts, where
11 available, from four different, widely-followed sources: *Zack’s Investment*
12 *Research*, *Morningstar*, *Yahoo Finance*², and *Value Line Investment Survey*.
13 Schedule D-4.6 reflects the analyst estimates of growth. The currently available
14 estimates from these four sources provide at least two estimates for each of the
15 sample water utility companies with the exception of Connecticut Water
16 (“CTWS”). CTWS’s single estimate of 15 percent from Yahoo Finance was
17 excluded leaving no estimates for CTWS. When there is no estimate of forward-
18 looking growth for a utility in the water utilities sample, as in the case of CTWS, I
19 have assumed investors expect the growth for that utility to equal the average of
20 growth rates for the other water utilities in the sample.

21 **Q39. WHY DID YOU USE FORECASTED GROWTH RATES AS YOUR**
22 **PRIMARY ESTIMATE OF GROWTH?**

23 A39. The DCF model requires estimates of growth that investors expect in the future and
24 not past estimates of growth that have already occurred. Accordingly, I use as a
25

26 ² Yahoo Finance analyst estimates provided by Thompson Financial.

1 primary estimate of growth analysts' forecasts of growth. Logically, in estimating
2 future growth, financial institutions and analysts have taken into account all
3 relevant historical information on a company as well as other more recent
4 information.³ To the extent that past results provide useful indications of future
5 growth prospects, analysts' forecasts would already incorporate that information.
6 In addition, a stock's current price reflects known historic information on that
7 company, including its past earnings history. Any further recognition of the past
8 will double count what has already occurred. Therefore, forward-looking growth
9 rates should be used.

10 **Q40. WHAT OTHER ESTIMATES OF GROWTH DID YOU USE?**

11 A40. I use the 5-year historical average growth rates in the stock price, book value per
12 share ("BVPS"), earnings per share ("EPS") and dividends per share ("DPS")
13 along with the average of analyst expectations. Using the historical average of
14 growth in price, BVPS, EPS, and DPS is reasonable because investors know that,
15 in equilibrium, common stock prices, BVPS, EPS and DPS will all grow at the
16 same rate and would take information about changes in stock prices and growth in
17 BVPS into account when they price utilities' stocks. As I stated earlier, a basic
18 assumption of the DCF model is that the stock price, BVPS, EPS and DPS all grow
19 at the same rate. While I believe this growth rate gives added recognition to the
20 past that is already incorporated into analyst estimates of growth, I have been
21 criticized by the Commission's Staff in the past for not giving direct consideration
22

23 ³ David A. Gordon, Myron J. Gordon and Lawrence I. Gould, "Choice Among Methods of
24 Estimating Share Yield," *Journal of Portfolio Management* (Spring 1989) 50-55. Gordon,
25 Gordon and Gould found that a consensus of analysts' forecasts of earnings per share growth for
26 the next five years provides a more accurate estimate of growth required in the DCF model than
three different historical measures of growth (historical EPS, historical DPS, and historical
retention growth). They explain that this result makes sense because analysts would take into
account such past growth as indicators of future growth as well as any new information.

1 to past growth rates in my estimate of growth. So, I have endeavored to remove
2 any basis for the criticism in this case.

3 **Q41. HAVE YOU USED ANALYST ESTIMATES OF DPS GROWTH?**

4 A41. No. While I did not use analyst estimates of DPS growth, the average projected
5 DPS growth rate of 3.67 percent is higher than the historical DPS growth rate of
6 3.33 percent. Putting this aside, I did not use analyst estimates of dividend growth
7 for two reasons. First, there are analyst estimates for dividend growth for only
8 three of the six sample companies. Further, only one source (Value Line) provides
9 DPS growth estimates. The wide availability of earnings growth estimates
10 compared to dividend growth estimates indicates a greater reliance by investors on
11 earnings rather than dividends for their investment decisions. Second, as with the
12 historical DPS growth which produces a DCF result of 7.0 percent, the DCF results
13 using analyst estimates of DPS growth is 7.4 percent – at or below the projected
14 cost of investment grade bonds for the 2011 to 2013 time frame.

15 Putting aside the potential distortions to the result produced by the DCF
16 model caused by structural changes to the industry and abnormal weather
17 conditions, it does not make sense to employ growth rates that result in indicated
18 equity returns less than the cost of debt, especially when those results fly in the
19 face of a large body of empirical evidence. Investors would not bid up the price of
20 a utility stock if the expected return is only equivalent to or less than returns on
21 bonds and other debt investments. As the CML depicted previously illustrates,
22 common stocks are higher and to the right of investment grade bonds on the CML
23 continuum because they are riskier investments. Again, the empirical evidence
24 supports this conclusion.

25 **D. Explanation of the CAPM and Its Inputs**

26 **Q42. PLEASE EXPLAIN THE CAPM METHODOLOGY FOR ESTIMATING**

1 **THE COST OF EQUITY.**

2 A42. As I already indicated, the CAPM is a type of risk premium methodology that is
3 often depicted graphically in a form identical to the CML. Put simply, the CAPM
4 formula is the sum of a risk-free rate plus a risk premium. It quantifies the
5 additional return required by investors for bearing incremental risk. The risk-free
6 rate is the reward for postponing consumption by investing in the market. The risk
7 premium is the additional return compensation for assuming risk.

8 The CAPM formula provides a formal risk-return relationship premised on
9 the idea that only market risk matters, as measure by beta. The CAPM formula is:

10 (7) $k = R_f + \beta(R_m - R_f)$

11 where k is the expected return, R_f is the risk-free rate, R_m is the market return, $(R_f -$
12 $R_m)$ is the market risk premium, and β is beta.

13 The difficulty with the CAPM is that it is a prospective or forward-looking
14 model while most of the capital market data required to match the input variables
15 above is historical.

16 **Q43. WHAT IS THE RISK-FREE RATE?**

17 A43. It is the return on an investment with no risk. The U.S. Treasury rate serves as the
18 basis for the risk-free rate because the yields are directly observable in the market
19 and are backed by the U.S. government. Practically speaking, short-term rates are
20 volatile, fluctuate widely and are subject to more random disturbances than long-
21 term rates. In short, long-term Treasury rates are preferred for these reasons and
22 because long-term rates are more appropriately matched to securities with an
23 indefinite life or long-term investment horizon.

24 **Q44. WHAT IS BETA AND WHAT DOES IT MEASURE?**

25 A44. Beta is a measure of the relative risk of a security in relation to the market. In
26 other words, it is a measure of the sensitivity of a security to the market as a whole.

1 This sensitivity is also known as systematic risk. It is estimated by regressing a
2 security's excess returns against a market portfolio's excess returns. The slope of
3 the regression line is the beta.

4 Beta for the market is 1.0. A security with a beta greater than 1.0 is
5 considered riskier than the market. A security with a beta less than 1.0 is
6 considered less risky than the market.

7 There are computational problems surrounding beta. It depends on the
8 return data, the time period used, its duration, the choice of the market index, and
9 whether annual, monthly, or weekly return figures are used. Betas are estimated
10 with error. Based on empirical evidence, high betas will tend to have a positive
11 error (risk is overestimated) and low betas will have a negative error (risk is
12 underestimated).⁴

13 **Q45. WHAT DID YOU USE AS THE PROXY OF THE BETA FOR GWC?**

14 A45. I used the average beta of the sample water utility companies. Betas were obtained
15 from *Value Line Investment Analyzer* (August 13, 2010). *Value Line* is the source
16 for estimated betas that I regularly employ, along with the Commission's Staff, and
17 it is widely-accepted by financial analysts. The average beta as shown on Schedule
18 D-4.9 is 0.78. I should note that because GWC is not publicly traded, GWC has no
19 beta. I believe that GWC, if it were publicly traded, would have a higher beta than
20 the sample water utility companies.

21 **Q46. WHY?**

22 A46. As previously indicated, smaller companies are more risky than larger companies.
23 In Chapter 7 of Morningstar's *Ibbotson SBBI 2010 Valuation Yearbook*, for
24 example, Ibbotson reports that when betas (a measure of market risk) are properly

25 ⁴ Eugene F. Fama and Kenneth R. French, "The Capital Asset Pricing Model: Theory and
26 Evidence," *Journal of Economic Perspectives* (Summer 2004) 25-46.

1 estimated, betas are larger for small companies than for larger companies. As I
2 will explain later, Ibbotson also finds that even after accounting for differences in
3 beta risk, small firms require an additional risk premium over and above the added
4 risk premium indicated by differences in beta risk.

5 **Q47. PLEASE EXPLAIN THE MARKET RISK PREMIUM.**

6 A47. The market-risk premium ($R_m - R_f$) is the return an investor expects to receive as
7 compensation for market risk. It is the expected market return minus the risk-free
8 rate. Approaches for estimating the market risk premium can be historical or
9 prospective.

10 Since expected returns are not directly observable, historical realized returns
11 are often used as a proxy for expected returns on the basis that the historical market
12 risk premium follows what is known in statistics as a "random walk." If the
13 historical risk premium does follow the random walk, then one should expect the
14 risk premium to remain at its historical mean. Based on this argument, the best
15 estimate of the future market risk premium is the historical mean. Morningstar's
16 *SBBI Valuation Edition 2010 Yearbook* provides historical market returns for
17 various asset classes from 1926 to 2009. This publication also provides market risk
18 premiums over U.S. Treasury bonds, which make it an excellent source for
19 historical market risk premiums.

20 Prospective market risk premium estimation approaches necessarily require
21 examining the returns expected from common equities and bonds. One method
22 employs applying the DCF model to a representative market index such as the
23 Value Line 1700 stocks (the *Value Line* Composite Index). The expected return
24 from the DCF is measured for a number of periods of time, and then subtracted
25 from the prevailing risk-free rate for each period to arrive at market risk premium
26 for each period. The market risk premium subsequently employed in the CAPM is

1 the average market risk premium of the overall period.

2 **Q48. HOW MANY MARKET RISK PREMIUM ESTIMATES DID YOU**
3 **PREPARE IN CONNECTION WITH YOUR ASSIGNMENT FOR GWC?**

4 A48. I prepared two market risk premium estimates: An historical market risk premium
5 and a current market risk premium.

6 **Q49. HOW DID YOU ESTIMATE THE HISTORICAL MARKET RISK**
7 **PREMIUM?**

8 A49. I used the Morningstar's *Ibbotson SBBI 2010 Valuation Yearbook* measure of the
9 average premium of the market over long-term treasury securities from 1926
10 through 2009. The average historical market risk premium over long-term treasury
11 securities is 6.7 percent.

12 **Q50. HOW DID YOU ESTIMATE THE CURRENT MARKET RISK PREMIUM?**

13 A50. I derived a market risk premium by, first, using the DCF model to compute an
14 expected market return for each of the past 6 months using *Value Line's*
15 projections of the average dividend yield and average 3-5 year price appreciation
16 (growth) on the *Value Line* 1700 Composite Index. I then subtracted the average
17 30-year Treasury yield for each month from the expected market returns to arrive
18 at the expected market risk premiums. Finally, I averaged the computed market
19 risk premiums to determine the current market risk premium. The data and
20 computations are shown on Schedule D-4.11. The average current market risk
21 premium is 13.25 percent. Estimates of the current market risk premium have
22 ranged from 9.55 percent to 17.37 percent over the past 12 months averaging 12.94
23 percent. The most recent 3-month average is 15.29 percent. My 6-month average
24 estimate at 13.25 percent is in the lower end of the 12 month range and is
25 somewhat more conservative than the recent 3-month average.

26 **Q51. HAS THE COMMISSION'S STAFF EMPLOYED A CURRENT MARKET**

1 **RISK PREMIUM IN THE PAST?**

2 A51. Yes. However, their estimation of the current market risk premium was somewhat
3 different. The Commission's Staff uses a DCF model to compute the current
4 market risk premium as I do. However, it uses the median annualized projected 3-
5 5 year price appreciation on the *Value Line* 1700 stocks in conjunction the median
6 dividend yield on the *Value Line* 1700 stocks.

7 **Q52. WHY DO YOU BELIEVE THAT YOUR APPROACH IS MORE**
8 **APPROPRIATE?**

9 A52. Staff typically computes a market risk premium based on a single point in time,
10 which makes estimates extremely volatile, so much so that the expected market
11 risk premium estimate can change by as much as 300 basis points (or more) each
12 time it is estimated. The accuracy of the expected risk premium is greatly
13 enhanced by increasing the number of periods used to estimate it. It is analogous
14 to flipping a coin. One cannot predict with any degree of accuracy the result of a
15 single flip of a balanced coin, or even a few. But the more coin flips, the greater
16 degree of confidence one has in predicting the outcome.

17 **Q53. WHAT DO YOU ADOPT AS THE RETURN FOR THE RISK-FREE RATE?**

18 A53. I use long-term expected Treasury bond rates as the measure of the risk-free return
19 for use with both CAPM cost of equity estimates from two sources: the Blue Chip
20 Financial Forecast and Value Line. Morningstar's *Ibbotson SBBI 2010 Valuation*
21 *Yearbook* explains on page 55 that the appropriate choice for the risk-free rate is
22 the expected return for long-term Treasury securities. Thus, when determining an
23 estimate of the risk-free rate, it is appropriate to adopt a return that is no less than
24 the expected return on the long-term Treasury bond rate. Both of my CAPM
25 estimates are based on a projected estimate of the long-term treasury rates for
26 2012-2013 of 5.4 percent as shown on Schedule D-4.10. The 2012-2013

1 timeframe is the period when new rates will be in effect for the Company.

2 **E. Explanation of the Build-Up Method and Its Inputs**

3 **Q54. PLEASE EXPLAIN THE BUILD-UP RISK PREMIUM METHODOLOGY**
4 **FOR ESTIMATING THE COST OF EQUITY.**

5 A54. As I already indicated, like the CAPM, the Build-up method is a type of risk
6 premium methodology. This is a common and effective method used by appraisers
7 and valuation experts.⁵ The Build-up Method is an additive model in which the
8 return on a security is the sum of a risk-free rate and one or more risk premia.
9 Each premium represents the reward an investor receives for taking on a specific
10 risk. The elegance of the Build-up Method is that it does not require an estimate of
11 market beta which is problematic for non-publicly traded companies such as GWC.
12 The Build-up Method can be stated as follows:

13 [1] $k = R_f + RP_m + RP_s +/- RP_u$

14 where k = the expected return

15 R_f = risk-free rate

16 RP_m = equity risk premium for the market

17 RP_s = equity risk premium for size

18 RP_u = risk premium attributed to the specific company or to the industry
19 (often call the company specific risk premium)

20 Or alternatively as:

21 [2] $k = R_f + RP_{ms} +/- RP_u$

22 where k = the expected return

23 R_f = risk-free rate

24 RP_{m+s} = equity risk premium for the market and size

25
26 ⁵ Morningstar Ibbotson *SBBI 2010 Valuation Yearbook*. Chapter 3.

1 RP_u = risk premium attributed to the specific company or to the industry
2 (often call the company specific risk premium)

3 The data for the equity risk premium for the market (RP_m), the equity risk
4 premium for size (RP_s), and the company specific or industry risk premium (RP_u)
5 can be readily obtained from *Morningstar* and/or other size premium studies such
6 as the *Duff & Phelps* study.⁶ *Morningstar* quantifies the size premium separate
7 from the market risk premium by market capitalization as a measure of size
8 whereas *Duff & Phelps* study quantifies the risk premium (RP_{m+s}) (market premium
9 (RP_m) plus the size premium (RP_s)) by book value of common equity, 5 year
10 average net income, market value of invested capital, total assets (as reported on
11 balance sheet), 5-year average of earnings before interest, income taxes,
12 depreciation and amortization (EBITDA), sales, and number of employees in
13 addition to market capitalization – all of which have been shown to be highly
14 correlated with market returns. I should note that the authors of the *Duff & Phelps*
15 study conclude that, by whatever measures of size are used, the results are clear
16 that there is an inverse relationship between size and historical equity returns –
17 small companies have higher returns than larger companies.⁷ They also explain, as
18 I have previously, in the context of the CAPM, the greater betas of smaller
19 companies explain some, but not all of the higher average returns in their size-
20 ranked portfolios.⁸

21 **Q55. ARE THERE ADVANTAGES TO THE USE OF THE BUILD-UP RISK**
22 **PREMIUM METHODOLOGY OVER THE CAPM FOR ESTIMATING**
23 **THE COST OF EQUITY?**

24 ⁶ Duff & Phelps LLC, *Risk Premium Report 2010*.

25 ⁷ Duff & Phelps at 10.

26 ⁸ *Id.*

1 A55. Yes. First, as I mentioned earlier, the Build-up method does not require a market
2 beta estimate which is not available for non-public firms. As I already discussed, I
3 am using the average beta of the large publicly traded water utilities as a proxy for
4 the beta of GWC. However, as I also discussed, there are computation problems
5 surrounding beta and empirical financial data show that beta does not account for
6 all of the risks associated with smaller firms. Second, each of the risk premia used
7 in the Build-up Method can be quantified using data from the equity markets.
8 Third, the various measures of size including fundamental accounting measures
9 have a practical benefit of eliminating the need to make a “guesstimate” of size for
10 comparative purposes where market data for determining market value measures of
11 size is not available, particularly for non-public firms.

12 **F. Financial Risk Adjustment**

13 **Q56. PLEASE EXPLAIN YOUR FINANCIAL RISK ADJUSTMENT TO**
14 **REFLECT THE COMPANY'S LOWER LEVEL OF DEBT IN ITS**
15 **CAPITAL STRUCTURE AS COMPARED TO THE SAMPLE WATER**
16 **UTILITIES.**

17 A56. My financial risk estimation is based upon the methodology developed by
18 Professor Hamada of the University of Chicago, which incorporates the beta of a
19 levered firm to that of its unlevered counterpart. The equation is

$$\beta_L = \beta_U[1 + (1 - T)\phi]$$

20
21 where β_L and β_U are the levered and unlevered betas, respectively, T is the tax rate,
22 and ϕ the leverage, defined as the ratio of debt and equity of the firm. In simple
23 terms, I unlever the average beta of the six publicly-traded water utilities in my
24 sample using a ratio of the market value of debt and the market value of equity.
25 While I can compute the market value of equity of the sample water utilities based
26 on the current number of shares outstanding and the current stock price, estimating

1 the market value of debt is much more difficult. For purposes of my analysis, I
2 assume the market value of debt is the book value. This is a customary and
3 realistic assumption.⁹ Once the unlevered beta is determined, I relever the beta
4 using the capital structure of GWC. For the market value of equity I multiplied
5 GWC's book value of equity times the average market-to-book ratio of the sample
6 water utilities. For GWC's debt, I assume the market value of debt is equal to the
7 book value.

8 The re-levered beta is then used in my CAPM models, and the new CAPM
9 results are compared to my original CAPM results. The computed difference is the
10 basis of my financial risk adjustment. My computation of the financial risk
11 adjustment can be found in tables D-4.17, D-4.18, and D-4.19.

12 **Q57. WHAT IS THE COMPUTED FINANCIAL RISK ADJUSTMENT?**

13 A57. A downward adjustment of no more than 90 basis points. Again, however, in my
14 opinion, the beta for GWC would be higher than that of the sample water utilities
15 which would have resulted in a lower downward financial risk adjustment. But I
16 have to make some assumptions to work with, an approach used by Staff and the
17 Commission in past cases.

18 **G. Company Specific Risk Premium**

19 **Q58. PLEASE DISCUSS YOUR COMPANY-SPECIFIC RISK PREMIUM.**

20 A58. As I testified earlier, GWC is not directly comparable to the sample water utilities
21 because of its small size and the regulatory environment in Arizona. The
22 characteristics associated with small size such as the lack of diversification, limited
23 revenue and cash flow, small customer base, lack of liquidity, as well as the
24 magnitudes of regulatory and construction risk which are common to smaller water
25

26 ⁹ Roger A. Morin. *New Regulatory Finance* (2006) 224.

1 and wastewater utilities regardless of the regulatory jurisdiction. These
2 characteristics and magnitudes of risk are unique only in the sense that the large
3 publicly-traded water utilities (including the companies in the proxy group) do not
4 possess these same characteristics and magnitudes of risk. With respect to Arizona
5 regulation, the use of an historical test year, with limited out-of-period adjustments,
6 and the lack of automatic adjuster mechanism(s) increases the risk of GWC as an
7 investment.

8 **Q59. PLEASE DISCUSS SIZE RISK FOR SMALL UTILITY COMPANIES.**

9 A59. Investment risk increases as the firm size decreases, all else remaining constant.
10 There is a great deal of empirical evidence that the firm size phenomenon exists.
11 Morningstar's *Ibbotson SBBI 2010 Valuation Yearbook* (Chapter 7) reports that
12 smaller companies have experienced higher returns that are not fully explainable
13 by their higher betas and that beta is inversely related to company size. In other
14 words, smaller companies not only have higher betas but higher returns than larger
15 ones. Even after accounting for differences in beta risk, small companies require
16 an additional risk premium over and above the added risk premium indicated by
17 differences in beta risk. Dr. Zepp also reported evidence that the stocks of small
18 water or wastewater utilities, like GWC, are more risky than the stocks of larger
19 water utilities, such as those in the water utilities sample.¹⁰ Even the California
20 PUC conducted a study that showed smaller water utilities are more risky than
21 larger ones.¹¹ Based on the evidence, it is clear that investors require higher returns
22 on small company stocks than on large company stocks.

23 I have included in Schedule D-4.16 the results of an *Ibbotson* study using

24 ¹⁰ Thomas M. Zepp, "Utility Stocks and the Size Effect – Revisited", *The Quarterly Review*
25 *Economics and Finance*, Vol. 43, Issue 3, Autumn 2003, 578-582.

26 ¹¹ Staff Report on Issues Related to Small Water Utilities, June 10, 1991 and CPUC Decision 92-03-093.

1 annual data reporting the size premium based upon firm size and return data (i)
2 provided in Morningstar's *Ibbotson SBBI 2010 Valuation Yearbook* and
3 information, and (ii) contained in Dr. Thomas M. Zepp's 2003 article in *The*
4 *Quarterly Review Economic and Finance*. I have estimated that a small company
5 risk premium in the range of 99 to 246 basis points is appropriate.

6 **Q60. WHAT COMPANY SPECIFIC-RISK PREMIUM DO YOU RECOMMEND**
7 **FOR GWC?**

8 A60. To be conservative, and with GWC's desire to mitigate the impact of the required
9 rate increase in mind, I conclude that a company specific risk premium of no less
10 than 100 basis points is warranted for GWC to account for its smaller size and
11 regulatory risk.

12 **H. Summary and Conclusions**

13 **Q61. HAVE YOU PREPARED A SCHEDULE WHICH SUMMARIZES YOUR**
14 **EQUITY COST ESTIMATES AND PRESENTS YOUR**
15 **RECOMMENDATIONS?**

16 A61. Yes. The equity cost estimates and my recommendations are summarized in
17 Schedule D-4.1.

18 In the first part of my analysis, I applied two versions of the constant growth
19 DCF model. One uses analyst estimates of growth and the other uses historical
20 growth and analyst expectations. See Schedules D-4.8. The DCF models produce
21 an indicated equity cost in the range of 9.7 percent to 11.3 percent, with a midpoint
22 of 10.5 percent.

23 In the second part of my analysis, I applied two versions of the CAPM – a
24 historical risk premium CAPM and a current market risk premium CAPM. The
25 CAPM analyses appear in Schedule D-4.12 and produce an indicated cost of equity
26 in the range of 10.6 percent to 15.7 percent, with a midpoint of 13.1 percent.

1 In the third part of my analysis, I compute a financial risk adjustment to
2 account for the lower level of debt in GWC's capital structure compared to the
3 sample water utilities. My recommendation is that a downward financial risk
4 adjustment of no more than 90 basis points be applied to GWC's cost of equity. My
5 financial risk adjustment analysis is shown in schedules D-4.13, D-4.14, and D-
6 4.15.

7 In the fourth part of my analysis, I reviewed the financial literature on the
8 small firm size effect and determined that an appropriate small company size
9 premium for small utilities like GWC is the range of 99 to 246 basis points. See
10 Schedule D-4.16. I also considered the risks for GWC from Arizona regulation.
11 My recommendation is that an upward adjustment for company-specific risk of no
12 less than 100 basis points be applied to GWC's cost of equity.

13 The range of results of both my DCF and CAPM analyses and other risk
14 adjustments is 10.2 percent to 13.6 percent, with a mid-point of 11.9 percent. See
15 Schedule D-4.1.

16 **Q62. WHAT EQUITY RETURN DO YOU RECOMMEND?**

17 A62. My recommended return on equity based on GWC's capital structure is 11.0
18 percent. It is lower than the mid-point of the range of my over-all results and
19 reflects the desire by the Company to help mitigate the impact on rate payers.

20 **Q63. HAVE YOU PREPARED AN ESTIMATE OF THE COST OF EQUITY**
21 **USING THE BUILD-UP METHOD FOR GWC USING DATA FROM**
22 **MORNINGSTAR?**

23 A63. Yes. Using the Build-up Method, I estimate the cost of equity for GWC to be
24 13.18 percent. This is based upon the data from *Morningstar* as contained Table C-
25 1 (the risk-rate would be 4.6 percent¹², the equity risk premium would be 6.7

26 ¹² Long-term (20 year) U.S. Treasury Bond Yield

1 percent¹³, the small company risk premium of 6.28 percent¹⁴) and data contained in
 2 Table 3-5 -- Industry Premia Estimates (negative 4.40 for the water supply industry
 3 SIC code 494). The calculation is shown as follows:

4 [1] $k = R_f + RP_m + RP_s +/- RP_u$

5 [2] $k = 4.6\% + 6.7\% + 6.28\% - 4.4\%$

6 [3] $k = 13.18\%$

7 **Q64. HAVE YOU PREPARED A COST OF EQUITY ESTIMATE FOR GWC**
 8 **USING THE DUFF&PHELPS STUDY DATA?**

9 A64. Yes. Please see **Exhibit TJB-COC-DT1**. I have included cost of equity estimates
 10 for the water sample companies. These estimates have been adjusted for leverage
 11 (financial risk) differences between the companies in the size portfolios contained
 12 in the study and the water sample companies and GWC. Further, like the Build-up
 13 Method cost of equity estimate using the *Morningstar* data, the cost of equity
 14 estimates includes a water industry risk premium adjustment.¹⁵ Based on various
 15 measures of size the results are as follows¹⁶:

16	17	18	19	20	21	22
	<u>Stock</u>	<u>Company</u>				<u>Cost of</u>
	<u>Symbol</u>					<u>Equity</u>
	AWR	American States Water Co.				12.11%
	WTR	Aqua America				10.62%
	CWT	California Water Services Group				11.87%
	CTWS	Connecticut Water Services				11.55%
	MSEX	Middlesex Water Company				13.02%

23 ¹³ Long-horizon historical equity risk premium

24 ¹⁴ Decile 10 – smallest, market capitalization of 1 million to 214 million.

25 ¹⁵ Note that the risk premium for the water utility industry is negative indicating that water
 26 utilities are less risky than the market as a whole.

¹⁶ See Exhibit TJB-COC-DT1, Table 7.

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SJW	SJW Corp.	12.88%
	Average	12.01%
	Goodman Water Company	12.92%

Q65. WHAT CONCLUSIONS CAN BE MADE FROM A COMPARISON OF THE BUILD-UP METHOD RESULTS TO YOUR RECOMMENDATIONS FOR THE COST OF EQUITY FOR GOODMAN?

A65. I conclude my cost of equity estimates based on the DCF and CAPM of 11.9 percent and my recommendation of 11.0 percent for GWC are very conservative given its size. It also shows that my size premium used in my cost of capital analysis of 100 basis points is likely far too low and should be much higher. Even accounting for financial risk differences, the indicated cost of equity for GWC based on the *Duff & Phelps* study is over 90 basis points higher than the sample water companies.

Q66. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY ON COST OF CAPITAL?

A66. Yes.

Goodman Water Company
Docket No. W-02500A-09-___

THOMAS J. BOURASSA
DIRECT TESTIMONY
(COST OF CAPITAL)
September 17, 2010

EXHIBIT TJB-COC-DT1

Goodman Water Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD

TABLE 1

Company	Measures of size (Millions)					
	MV Equity ¹	Book Equity ¹	MVIC ¹	Total Assets ²	5 Yr. Avg. EBITDA ³	
1. American States	\$ 567	\$ 338	\$ 873	\$ 1,113	\$ 92	
2. Aqua America	\$ 2,597	\$ 1,101	\$ 3,984	\$ 3,763	\$ 304	
3. California Water	\$ 719	\$ 419	\$ 1,093	\$ 1,526	\$ 100	
4. Connecticut Water	\$ 180	\$ 108	\$ 292	\$ 415	\$ 20	
5. Middlesex	\$ 215	\$ 138	\$ 340	\$ 458	\$ 29	
6. SJW Corp.	\$ 417	\$ 249	\$ 664	\$ 878	\$ 73	
Goodman Water Company	\$ 4.0	\$ 2	\$ 4.5	\$ 17.6	\$ 1.5	
	(Estimate)		(Estimate)			

¹ From Value Line data (12/31/2009)

² From Zacks Investment Research. From E-1 for subject utility.

³ Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA). From Zacks Investment Research and Company ACC reports

EBITDA Data Company	Average				
	2009	2008	2007	2006	2005
American States	\$ 103.8	\$ 92.5	\$ 92.0	\$ 96.9	\$ 73.6
Aqua America	\$ 352.4	\$ 320.1	\$ 304.0	\$ 280.6	\$ 262.0
California Water	\$ 125.5	\$ 122.1	\$ 95.6	\$ 88.9	\$ 88.6
Connecticut Water	\$ 20.3	\$ 21.1	\$ 23.7	\$ 14.9	\$ 17.8
Middlesex	\$ 29.4	\$ 32.6	\$ 30.9	\$ 29.1	\$ 24.4
SJW Corp.	\$ 83.2	\$ 86.5	\$ 65.2	\$ 68.2	\$ 63.4
Goodman Water Company	\$ 1.3	\$ 1.3	\$ 1.5	\$ 1.6	\$ 1.7
					\$ 1.5

EBITDA data for publicly traded water utilities from Zacks Investment Research

EBITDA data for subject utility from E-1 and/or ACC reports

Goodman Water Company
 COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD

TABLE 2

MRP_{ms} Estimates Using Duff & Phelps Study (Levered)

	MV Equity (Table A-1)	Book Equity (Table A-2)	MVIC (Table A-4)	Total Assets (Table A-5)	5 Yr Avg. EBITDA (Table A-9)
	17.357%	15.190%	17.375%	15.804%	13.723%
	-2.924%	-2.286%	-2.154%	-2.230%	-2.141%

Data Smoothing with Regression Analysis
 Smoothed Premium = Constant + X Coefficients * Log(Relevant Metric)

Constant
 X Coefficient(s)

Company	MRP _{ms} Estimates (Levered)					Average
	MV Equity	Book Equity	MVIC	Total Assets	5 Yr Avg. EBITDA	
1. American States	9.30%	9.39%	11.04%	9.01%	9.52%	9.65%
2. Aqua America	7.37%	8.21%	9.62%	7.83%	8.41%	8.29%
3. California Water	9.00%	9.17%	10.83%	8.70%	9.44%	9.43%
4. Connecticut Water	10.76%	10.52%	12.07%	9.97%	10.96%	10.86%
5. Middlesex	10.54%	10.27%	11.92%	9.87%	10.58%	10.64%
6. SJW Corp.	9.70%	9.69%	11.30%	9.24%	9.73%	9.93%
Average (Unlevered)	9.45%	9.54%	11.13%	9.10%	9.77%	9.80%
Goodman Water Company	15.59%	14.38%	15.96%	13.03%	13.36%	14.46%

Symbol
 AWR
 WTR
 CWT
 CTWS
 MSEX
 SJW

Goodman Water Company
 COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD

TABLE 3

Average Debt to Market Value of Equity for MRP_{MR} for Portfolios used in Duff & Phelps RP Study
 (from Duff & Phelps RP Study (W_g/W_e) for use in un-levering MRP_{MR}. See Table 4)

1. 2. 3. 4. 5. 6.	Company	Symbol	W _g /W _e					
			(Table C-1)	(Table C-2)	(Table C-4)	(Table C-5)	(Table C-6)	Average
	American States	AWR	34.10%	32.60%	36.10%	37.10%	35.50%	35.08%
	Aqua America	WTR	30.90%	33.30%	36.70%	41.50%	34.40%	35.36%
	California Water	CWT	32.40%	33.40%	34.90%	35.90%	36.50%	34.42%
	Connecticut Water	CTWS	36.60%	32.90%	35.30%	31.60%	30.70%	33.42%
	Middlesex	MSEX	35.70%	32.90%	34.80%	32.10%	34.40%	33.98%
	SJW Corp.	SJW	35.00%	34.60%	35.60%	35.60%	34.50%	35.06%
	Average		34.12%	33.28%	35.57%	35.63%	34.17%	34.55%

Goodman Water Company
 COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD

MRP Estimates Using Duff & Phelps Study (Relevered)
 (using W_d/W_e data from Table 4)

TABLE 6

	Company	Symbol	W_d/W_e	MRP _{MRP} (Relevered)			5 Yr Avg. EBITDA	Average
				MV Equity	Book Equity	Total Assets		
1.	American States	AWR	58.2%	10.94%	11.16%	12.80%	11.08%	11.27%
2.	Aqua America	WTR	60.4%	8.99%	9.84%	11.25%	8.85%	9.79%
3.	California Water	CWT	57.7%	10.69%	10.80%	12.63%	10.07%	11.03%
4.	Connecticut Water	CTWS	31.8%	10.38%	10.42%	11.74%	9.96%	10.71%
5.	Middlesex	MSEX	53.9%	11.92%	11.86%	13.58%	11.46%	12.18%
6.	SJW Corp.	SJW	64.3%	11.76%	11.70%	13.65%	11.15%	12.04%
	Average MRP (Relevered)		54.35%	10.78%	10.98%	12.61%	10.31%	11.17%
	Goodman Water Company		12.61%	13.07%	12.12%	13.23%	10.79%	12.08%

Goodman Water Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD

TABLE 6

Equity Risk Premium Adjustment and Other metrics used in Build-up Method

[1] Estimate of Current Market Risk Premium	4.25%
[2] Risk Premium Assumed in Duff & Phelps Study (1963-2009)	4.25%
[3] Equity Risk Premium Adjustment (1) - [2]	0.00%
[4] Average MRP (levered) for publicly traded water companies (from Table 5)	11.17%
[5] MRP (levered) for publicly traded water companies (R _{WWS}) ([3] + [4])	11.17%
[6] Equity Risk Premium Adjustment ([3])	0.00%
[7] Average MRP (levered) for subject utility company (from Table 5)	12.08%
[8] MRP (levered) for subject utility company (R _{WWS}) ([6] + [7])	12.08%
[9] Industry Risk Premium (From Ibbotson for SIC 494 Water Supply Industry Table 3-5)	-4.40%
[10] Adjustment Factor to Industry Risk Premium ([2] / 6.7% ¹)	0.6343
[11] Adjusted Industry Risk Premium (R _I) ([9] x [10])	-2.79%
[12] Risk Free Rate (Ibbotson LT U.S. Treasury Yield) (R _f) ²	3.63%

¹ From Ibbotson S&P 500 Valuation Edition Yearbook . Long-Horizon Equity Risk Premium (1926-2009)

² 20 year U.S. Treasury Bond Yield at August 13, 2010. Federal Reserve.

Goodman Water Company
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD

Cost of Equity (COE) Estimate using Build-up Method

TABLE 7

$$E(R_i) = R_f + RP_{m+s} + R_i + R_{ci}$$

Where:

$E(R_i)$ = Expected rate of return

R_f = Risk-free rate of return. See Table 6.

RP_{m+s} = Market risk premium including size premium. See Table 5

R_i = Industry risk premium (adjusted) See Table 6

R_{ci} = Company-specific risk premium

Sample Publicly Traded Water Utilities	Goodman Water	3.63%	3.63%
		See Table 5	See Table 5
		-2.79%	-2.79%
		0.00%	0.00%

Company	Symbol	Indicated COE					
		MV Equity	Book Equity	MVC	Total Assets	5 Yr Avg. EBITDA	Average
1. American States	AWR	11.78%	12.00%	13.64%	11.20%	11.92%	12.11%
2. Aqua America	WTR	9.83%	10.67%	12.09%	9.69%	10.84%	10.62%
3. California Water	CWT	11.53%	11.64%	13.47%	10.91%	11.80%	11.87%
4. Connecticut Water	CTWS	11.22%	11.26%	12.58%	10.80%	11.87%	11.55%
5. Middlesex	MSEX	12.76%	12.70%	14.42%	12.30%	12.93%	13.02%
6. SJW Corp.	SJW	12.60%	12.82%	14.49%	11.99%	12.68%	12.88%
Average COE estimate		11.62%	11.82%	13.45%	11.15%	12.01%	12.01%
Goodman Water Company		13.90%	12.96%	14.07%	11.63%	12.03%	12.92%

Goodman Water Company
Docket No. W-02500A -09-_____

THOMAS J. BOURASSA
DIRECT TESTIMONY
(COST OF CAPITAL)
September 17, 2010

SCHEDULES

Goodman Water Company
Test Year Ended December 31, 2009
Summary of Cost of Capital

Exhibit
 Schedule D-1
 Page 1
 Witness: Bourassa

Line No.	Item of Capital	End of Test Year			End of Projected Year		
		Dollar Amount	Percent of Total	(e) Cost Rate	Dollar Amount	Percent of Total	(e) Cost Rate
1	Long-Term Debt	507,451	18.32%	8.50%	495,102	16.66%	8.50%
2							
3	Stockholder's Equity (1) (2)	2,261,887	81.68%	11.00%	2,477,235	83.34%	11.00%
4							
5	Totals	2,769,338	100.00%		2,972,337	100.00%	
6							10.58%
7							
8	(1) Increase Equity for Plant adjustment 1, B-2, page 1	\$	28,080				
9	(2) Increase Equity for A/D adjustment 2, B-2, page 4	\$	53,371				
10							

SUPPORTING SCHEDULES:

RECAP SCHEDULES:
 A-3

Line No. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

Goodman Water Company
Test Year Ended December 31, 2009
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Bourassa

Line
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	<u>End of Test Year</u>			<u>End of Projected Year</u>		
Description of Issue	Shares Outstanding	Amount	Dividend Requirement	Shares Outstanding	Amount	Dividend Requirement
NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						

SUPPORTING SCHEDULES:
E-1

RECAP SCHEDULES:
D-1

Goodman Water Company
Test Year Ended December 31, 2009
Cost of Common Equity

Exhibit
Schedule D-4
Page 1
Witness: Bourassa

Line
No.

1
2 The Company is proposing a cost of common equity of 11.00% .
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17 SUPPORTING SCHEDULES:
18 E-1
19 D-4.1 to D-4.16
20

RECAP SCHEDULES:
D-1

**Goodman Water Company
Summary of Results**

**Exhibit
Schedule D-4.1**

Line
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<u>Method</u>	<u>Low</u>	<u>High</u>	<u>Midpoint</u>
Range DCF Constant Growth Estimates ¹	9.7%	11.3%	10.5%
Range of CAPM Estimates ²	10.6%	15.7%	13.1%
Average of DCF and CAPM midpoint estimates	10.1%	13.5%	11.8%
Financial Risk Adjustment ³	-0.9%	-0.9%	-0.9%
Small Company Risk Premium ⁴	1.0%	1.0%	1.0%
Indicated Cost of Equity	10.2%	13.6%	11.9%
Recommended Cost of Equity			11.0%

¹ See Schedule D-4-8

² See Schedule D-4.12

³ See Schedule D-4.16

⁴ See testimony.

Exhibit
Schedule D-4.2

Goodman Water Company
Selected Characteristics of Sample Group of Water Utilities

Line No.	Company ¹	% Water Revenues	Operating Revenues (millions)	Net Plant (millions)	S&P Bond Rating	Moody's Bond Rating
1	American States	74%	\$ 371.6	\$ 769.0	A	A2
2	Aqua America	97%	\$ 676.6	\$ 2,813.6	AA-	NR
3	California Water	98%	\$ 453.0	\$ 1,095.8	AA-	NR
4	Connecticut Water	90%	\$ 68.0	\$ 274.7	A	NR
5	Middlesex	88%	\$ 92.3	\$ 332.7	A	NR
6	SJW Corp.	96%	\$ 216.5	\$ 536.5	NR	NR
10	Average	91%	\$ 313.0	\$ 970.4		
13	Goodman Water Company (as of December 31, 2009)	100%	\$ 0.6	\$ 4.7	NR	NR

¹AUS Utility Reports (August 2010).

Goodman Water Company
Capital Structures

Exhibit
Schedule D-4.3

No.	Company	Book Value ¹		Market Value ¹	
		Long-Term Debt	Common Equity	Long-Term Debt	Common Equity
1	1. American States	47.7%	52.3%	35.0%	65.0%
2	2. Aqua America	55.7%	44.3%	34.8%	65.2%
3	3. California Water	47.2%	52.8%	34.2%	65.8%
4	4. Connecticut Water	51.0%	49.0%	38.4%	61.6%
5	5. Middlesex	47.4%	52.6%	36.7%	63.3%
6	6. SJW Corp.	49.8%	50.2%	37.2%	62.8%
10	Average	49.8%	50.2%	36.1%	63.9%
13	Goodman Water Company ²	18.3%	81.7%	N/A	N/A
14	(Adjusted as of December 31, 2009)				

¹ Value Line Analyzer Data (August 13, 2010)

² Adjusted Per Schedule D-1

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Exhibit
Schedule D-4.7

Goodman Water Company
Current Dividend Yields for Water Utility Sample Group

Line No.	Company	Current Stock Price (P ₀) ¹	Current Dividend (D ₀) ¹	Current Dividend Yield (D ₀ /P ₀) ¹	Average Annual Dividend Yield (D ₀ /P ₀) ^{1,2}
1	1. American States	\$ 32.80	\$ 1.04	3.17%	2.94%
2	2. Aqua America	\$ 19.18	\$ 0.59	3.08%	3.09%
3	3. California Water	\$ 34.72	\$ 1.19	3.43%	3.07%
4	4. Connecticut Water	\$ 21.15	\$ 0.91	4.31%	4.11%
5	5. Middlesex	\$ 16.06	\$ 0.72	4.49%	4.71%
6	6. SJW Corp.	\$ 22.90	\$ 0.70	3.04%	2.84%
13	Average			3.59%	3.46%
14	Median			3.30%	3.08%

¹ Value Line Analyzer Data. Stock prices as of August 13, 2010.

² Average Annual Dividend is dividends declared per share for a year divided by the average annual price of the stock in the same year, expressed as a percentage. For comparison purposes only.

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Exhibit
Schedule D-4.8

Goodman Water Company
Discounted Cash Flow Analysis
DCF Constant Growth

Line No.	[1] Average Spot Dividend Yield (D_0/P_0) ¹	[2] Expected Dividend Yield (D_1/P_0) ²	[3] Growth (g)	[4] Indicated Cost of Equity $k = \text{Div Yield} + g$ (Cols 2+3)
7	3.59%	3.80%	5.87% ³	9.7%
8	3.59%	3.85%	7.44% ⁴	11.3%
9	3.59%	3.82%	6.65%	10.5%
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¹ Spot Dividend Yield = D_0/P_0 . See Schedule D-4.7.

² Expected Dividend Yield = $D_1/P_0 = D_0/P_0 * (1+g)$.

³ Growth rate (g). Average of Past and Future Growth. See Schedule D-4.4, column 7

⁴ Growth rate (g). Average of Analyst Estimates Future Growth. See Schedule D-4.6.

Goodman Water Company
Market Betas

Exhibit
Schedule D-4.9

Line No.	Company	Beta (β) ¹
1	American States	0.80
2	Aqua America	0.65
3	California Water	0.75
4	Connecticut Water	0.80
5	Middlesex	0.75
6	SJW Corp.	0.95
9	Average	0.78

¹ Value Line Investment Analyzer data (August 13, 2010)

Note: Beta is a relative measure of the historical sensitivity of a stock's price to overall fluctuations in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise (or fall) 50% more than the New York Stock Exchange Composite Index. The "Beta coefficient" is derived from a regression analysis of the relationship between weekly percent-age changes in the price of a stock and weekly percentage changes in the NYSE Index over a period of five years. In the case of shorter price histories, a smaller time period is used, but two years is the minimum. The Betas are adjusted for their long-term tendency to converge toward 1.00.

**Exhibit
Schedule D-4.10**

**Goodman Water Company
Forecasts of Long-Term Interest Rates
2011-2012**

Line No.	Description	<u>2012</u>	<u>2013</u>	<u>Average</u>
1				
2				
3				
4				
5				
6	Blue Chip Consensus Forecasts ¹	5.3%	5.7%	5.5%
7				
8	Value Line ²	5.0%	5.3%	5.2%
9				
10	Average			5.4%
11				
12				
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¹ June 2010 Blue Chip Financial Forecasts consensus forecast of 30 Year U.S. Treasury

² Value Line Quarterly forecast, dated August 27, 2010, Long-term Treasury

Goodman Water Company
Computation of Current Market Risk Premium

Line No.	Month	Dividend Yield (D _t /P _t) ¹	Expected Dividend Yield (D _t /P _t) ²	Growth (g) ³	Expected Market Return (k)	Monthly Average 30 Year Treasury Rate ⁴	Market Risk Premium (MRP)
1	Jan 2009	4.86%	6.32%	+ 30.02%	= 36.34%	= 3.13%	= 33.21%
2	Feb	5.50%	7.43%	+ 35.13%	= 42.56%	= 3.59%	= 38.97%
3	Mar	4.21%	5.36%	+ 27.33%	= 32.69%	= 3.64%	= 29.05%
4	Apr	3.66%	4.47%	+ 22.05%	= 26.52%	= 3.76%	= 22.76%
5	May	3.46%	4.14%	+ 19.67%	= 23.81%	= 4.23%	= 19.58%
6	Jun	3.25%	3.87%	+ 19.16%	= 23.03%	= 4.52%	= 18.51%
7	Jul	2.90%	3.37%	+ 16.31%	= 19.68%	= 4.41%	= 15.27%
8	Aug	2.82%	3.22%	+ 14.21%	= 17.43%	= 4.37%	= 13.06%
9	Sept	2.80%	3.20%	+ 14.32%	= 17.52%	= 4.19%	= 13.33%
10	Oct	2.75%	3.15%	+ 14.49%	= 17.64%	= 4.19%	= 13.45%
11	Nov	2.68%	3.05%	+ 13.88%	= 16.93%	= 4.31%	= 12.62%
12	Dec 2009	2.56%	2.88%	+ 12.58%	= 15.46%	= 4.35%	= 11.11%
13	Jan 2010	2.64%	3.00%	+ 13.71%	= 16.71%	= 4.48%	= 12.23%
14	Feb	2.59%	2.97%	+ 14.65%	= 17.62%	= 4.48%	= 13.14%
15	Mar	2.44%	2.75%	+ 12.69%	= 15.44%	= 4.48%	= 10.96%
16	Apr	2.36%	2.63%	+ 11.61%	= 14.24%	= 4.69%	= 9.55%
17	May	2.61%	3.00%	+ 14.80%	= 17.80%	= 4.29%	= 13.51%
18	June	2.79%	3.30%	+ 18.20%	= 21.50%	= 4.13%	= 17.37%
19	July	2.61%	3.03%	+ 15.95%	= 18.98%	= 3.99%	= 14.99%
20	Recommended	2.57%	2.95%	+ 14.65%	= 17.60%	= 4.34%	= 13.25%
21	Short-term Trends						
22	Recent Twelve Months Avg	2.64%	3.01%	+ 14.26%	= 17.27%	= 4.33%	= 12.94%
23	Recent Nine Months Avg	2.59%	2.96%	+ 14.23%	= 17.19%	= 4.36%	= 12.83%
24	Recent Six Months Avg	2.57%	2.95%	+ 14.65%	= 17.60%	= 4.34%	= 13.25%
25	Recent Three Months Avg	2.67%	3.11%	+ 16.32%	= 19.42%	= 4.14%	= 15.29%

¹ Average Current Dividend Yield (D_t/P_t) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

² Expected Dividend Yield (D_t/P_t) equals average current dividend yield (D₀/P₀) times one plus growth rate(g).

³ Average 3-5 year price appreciation (annualized). Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

⁴ Monthly average 30 year U.S. Treasury. Federal Reserve.

**Exhibit
Schedule D-4.13**

**Goodman Water Company
Financial Risk Computation**

Line No.									
1	<u>CAPM</u>								
2		Rf	+	β	x	(Rp)	=	k	
3	Historical Market Risk Premium	5.4%	1	0.78	2	6.7%	3	10.6%	
4	Current Market Risk Premium	5.4%	1	0.78	2	13.3%	4	15.7%	
5									
6	Average							13.2%	
7									
8									
9	<u>CAPM Relevered Beta</u>								
10		Rf	+	β	x	(Rp)	=	k	
11	Historical Market Risk Premium	5.4%	1	0.69	5	6.7%	3	10.0%	
12	Current Market Risk Premium	5.4%	1	0.69	5	13.3%	4	14.5%	
13									
14	Average							12.3%	
15									
16	Financial Risk Adjustment							<u>-0.9%</u>	
17									

¹ Forecast of long-term treasury yields. See Schedule D-4.10
² Value Line Investment Analyzer data. See Schedule D-4.9
³ Historical Market Risk Premium from (Rp) MorningStar SBB1 2010 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2009
⁴ Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.11
⁵ Relevered beta found on Schedule D-4.15

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Exhibit
Schedule D-4.14

Goodman Water Company
Financial Risk Computation
Unlevered Beta

Line No.	Company	VL Beta β_L^1	Raw Beta $\frac{\text{Raw } \beta_L^2}{\text{Raw } \beta_L^2}$	Tax Rate t^3	MV Debt D^4	MV Equity E^4	Unlevered Raw Beta β_{UL}^5
1	American States	0.80	0.70	37.8%	35.0%	65.0%	0.52
2	Aqua America	0.65	0.48	39.4%	34.8%	65.2%	0.36
3	California Water	0.75	0.63	38.0%	34.2%	65.8%	0.48
4	Connecticut Water	0.80	0.70	19.5%	38.4%	61.6%	0.47
5	Middlesex	0.75	0.63	34.1%	36.7%	63.3%	0.46
6	SJW Corp.	0.95	0.93	40.4%	37.2%	62.8%	0.69
11							
12							
13	Sample Water Utilities:	0.78	0.68	34.8%	36.1%	63.9%	0.50
14							
15							
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19							
20							
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¹ Value Line Investment Analyzer data. See Schedule D-4.13
 Value Line uses the historical data of the stock, but assumes that a security's beta moves toward the market average over time. The formula is as follows:
 Adjusted beta = .33 + (.67) * Raw beta
² Raw Beta = (VL beta - .33) / (.67)
³ Effective tax rates for year ended December 31, 2009.
⁴ See Schedule D-4.3
⁵ Raw $\beta_{UL} = \text{Raw } \beta_L / (1 + (1-t)D/E)$

Exhibit
Schedule D-4.15

Goodman Water Company
Financial Risk Computation
Relevered Beta

Line No.	Unlevered Raw Beta β_{UL}^1	MV Book Debt BD^2	MV Equity Capital EC^2	Tax Rate t^3	Relevered Raw Beta $\beta_{RL} = \beta_U (1 + (1-t)BD/EC)$	VL Adjusted Relevered Beta β_{RL}
1	0.50	11.2%	88.8%	38.60%	0.54	0.69
2						
3						
4						
5						
6						
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13						
14						
15						

¹ Unlevered Beta from Schedule D-4.14.

² Capital Structure of Company (Projected).

	BV	MV	%
	(in Thousands)	(in Thousands)	
16	\$ 507.45	\$ 507	11.20%
17	-	-	0.0%
18	2,261.89	4,020	88.8%
19	2,769.34	4,528	100.0%
20			
21			

(a) Current market-to-book ratio of sample water utilities. See work papers.

³ Current Tax rate based on test year ending 3/31/2009. See Schedule D-1.

Line No. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26

Exhibit
Schedule D-4.16

Goodman Water Company
Size Premium¹

Line No.	Beta(β)	Size Premium	Risk Premium for Small Water Utilities ⁷
1			
2			
3			
4			
5			
6	1.13	1.00%	
7	1.26	1.64%	
8			
9	1.51	3.00%	
10			
11	1.64	4.74%	2.46%
12			
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Estimated Risk Premium for small water utilities⁶

0.99%

¹ Data from Table 7-11 of Morningstar, *Ibbotson S&P 500 2010 Valuation Yearbook*.

² Mid-Cap companies includes companies with market capitalization between \$1,602 million and \$5,936 million.

³ Low-Cap companies includes companies with market capitalization between \$432 million and \$1,600 million.

⁴ Micro-Cap companies includes companies with market capitalization less than \$431 million.

⁵ Decile 10 includes companies with market capitalization between \$1.0 million and \$214 million.

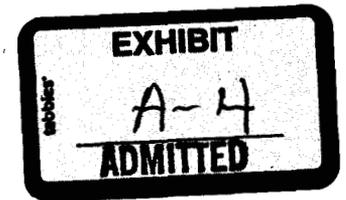
⁶ From Table 2, Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited," *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.

⁷ Computed as the weighted differences between the Decile 10 risk premium and the indicated risk premiums for the sample water utilities as shown below. Excludes risk due to differences in beta.

Market Cap. (Millions)	Class	Size Premium	Difference to Decile 10	Weight	Weighted Size Premium
\$ 587	Low-Cap	1.64%	3.10%	0.1666667	0.52%
\$ 2,587	Mid-Cap	1.00%	3.74%	0.1666667	0.62%
\$ 719	Low-Cap	1.64%	3.10%	0.1666667	0.52%
\$ 180	Decile 10	4.74%	0.00%	0.1666667	0.00%
\$ 215	Micro-Cap	3.00%	1.74%	0.1666667	0.29%
\$ 417	Low-Cap	1.64%	3.10%	0.1666667	0.52%
					2.46%

Weighted Size Premium for Small Companies

Exhibit A-4



May 2, 2011 Rebuttal Testimony James A. Shiner

**July 26-28, 2011 ACC Hearing
Goodman Water Company
Docket No. W-02500A-10-0382**

1 LAWRENCE V. ROBERTSON, JR.
Attorney At Law
2 P.O. Box 1448
Tubac, Arizona 85646
3 (520) 398-0411
4 Attorney for Applicant

5
6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

7
8 IN THE MATTER OF THE APPLICATION OF GOODMAN WATER COMPANY, AN ARIZONA CORPORATION, FOR (i) A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND (ii) AN INCREASE IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON. DOCKET NO. W-02500A-10-0382

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19 **REBUTTAL TESTIMONY OF**

20 **JAMES A. SHINER**

21 **ON BEHALF OF GOODMAN WATER COMPANY**

22 **May 2, 2011**

1 **Q.1 Please state your name, business address and relationship with Goodman**
2 **Water Company ("Company").**

3 A.1 James A. Shiner. My business address is 6340 N. Campbell Avenue, Suite 278, Tucson,
4 Arizona 85718. I am both President of and a shareholder in the Company.

5
6 **Q.2 Have you prepared a summary of your educational background and your**
7 **professional and business experience?**

8 A.2 Yes. I have attached that summary as Appendix "A" to my Rebuttal Testimony.

9
10 **Q.3 What is the purpose of your Rebuttal Testimony in this proceeding?**

11 A.3 There are several purposes. *First, I am appearing as the Company's policy witness;*
12 *and, in that capacity, I will be available to address any policy questions which*
13 *might arise in connection with the Company's currently pending rate increase*
14 *request. Second, I will be providing certain background information as to the*
15 *development history of the Eagle Crest Ranch Subdivision ("Eagle Crest"), and the*
16 *construction of the Company's water utility system. Third, I will be testifying on*
17 *certain issues which have been raised by the Commission's Staff, RUCO and the*
18 *Individual Intervenors to the extent that other Company witnesses do not address*
19 *those issues.*

20
21 **Q.4 Who are the other witnesses that will be testifying on behalf of the Company**
22 **in this proceeding?**

23 A.4 As of this point in time, they are as follows: Thomas J. Bourassa, C.P.A.; John
24 Ferenchak, M.A.I.; Michael J. Naifeh, M.A.I., C.R.E. and Mark Taylor, P.E. Their
25 respective prepared Rebuttal Testimony will be filed with the Commission and
26 distributed to the parties concurrent with the filing and distribution of my prepared

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Rebuttal Testimony.

In addition, depending upon the Surrebuttal Testimony that is due to be filed by the other parties to this case on May 31, 2011, it is possible that the Company may add one (1) or more additional witnesses as a part of the prepared Rejoinder Testimony it files on June 10, 2011.

Q.5 Let's begin with the history of the development of Eagle Crest. Who were the entities or persons involved in the decision(s) to create such a community, and how and when did they proceed to create what is now known as Eagle Crest?

A.5 The acreage of which Eagle Crest is comprised previously was a ranch used to raise and train quarter-horse race horses. Alexander Sears and I formed a group of investors known as Goodman Ranch Associations ("GRA") which purchased the property in May 1985. At that time, the property contained a ranch well and small storage tanks, located at what is now referred to as the Company's Water Plant No. 1. Mark Taylor of WestLand Resources, Inc. ("WestLand") discusses the subsequent development of the Company's water facilities at that location in his prepared Rebuttal Testimony.

During the May 1985-2001 time period, GRA devoted its efforts towards obtaining those entitlements necessary to allow development of the acquired acreage as a multiple-phase subdivision. Those included (i) an area plan, (ii) appropriate zoning, (iii) platting for Phase 1 and (iv) improvement plans for Phase 1. In addition, GRA made arrangements for future water, sewer, natural gas and electric utility service to and within Eagle Crest.

Beginning in 2002 and continuing to the present, the development activities relating to Eagle Crest have involved a number of entities. Those have included (i) GRA; (ii) E.C. Development, which was formed to provide finished lots along with

1 D.R. Horton to the homebuilders; (iii) the homebuilders, which included D.R.
2 Horton, Richmond American Homes, and Sombra; and (iv) the various providers
3 of utility services, including the Company.
4

5 **Q.6 What was the nature of Alexander Sears and your involvement with these**
6 **entities?**

7 **A.6 Mr. Sears and I were among the investors in GRA.**

8 In addition, we formed E.C. Development after we learned that the
9 homebuilding firms preferred to buy finished lots, rather than raw land they would
10 have to entitle plat and build lots on. In that regard, E.C. Development coordinates
11 the provision of those services necessary to convert undeveloped land into finished
12 lots suitable for use by the homebuilding firms in Eagle Crest; and, in this capacity,
13 E.C. Development also acts as a master developer. E.C. Development provided
14 Mr. Sears and me the opportunity to achieve our vision for Eagle Crest Ranch. We
15 did this by utilizing E.C. Development's right of supervision and approval. With
16 those tools we were able to secure improvement upgrades that included enhanced
17 landscaping, a landscaped median on Eagle Crest Ranch Blvd. and decorative
18 fencing. In addition, an expensive and elaborate entry feature sets the tone for the
19 community. Further, when the school site became available, we were able to
20 develop a park with D.R. Horton providing improvements and E.C. Development
21 donating the land. The community also enjoys extensive open space. Our goal
22 was a top end production/semi-custom community utilizing exceptional foothills
23 topography. Generally, the homebuilder will focus on the expedient. By setting
24 Eagle Crest apart, even in today's market, it is a top selling community which
25 never dropped below an average of 3 sales per month and is now averaging 3.8
26 new homes per month. In summary, E.C. Development was critical in developing

1 our quality vision and maintaining high standards. This approach is also consistent
2 with our other communities, in the Metropolitan Tucson area which include
3 Cobblestone, Wilderness Estates II & III at La Reserve, River Heights and Copper
4 Creek.

5 Finally, we each have an ownership interest in the Company.
6

7 **Q.7 Which entity owned the acreage which became the finished lots upon which**
8 **homes were ultimately constructed?**

9 A.7 The ownership of that acreage changed with the passage of time. Initially, GRA
10 sold an increment of acreage to D.R. Horton in connection with the development of
11 Phase 1 at Eagle Crest; and, D.R. Horton oversaw the conversion of that
12 undeveloped land into finished lots upon which it could build homes. However, as
13 previously mentioned, Mr. Sears and I became aware that the homebuilder(s)
14 preferred to not be involved in that stage of development activity which converted
15 raw acreage into finished lots. Thus, we formed E.C. Development to perform that
16 role. In addition, an arrangement was entered into between GRA and E.C.
17 Development under which E.C. Development purchased the remaining
18 undeveloped acreage in Eagle Crest from GRA. Thus, from that point forward,
19 E.C. Development owned the acreage which would ultimately become finished
20 lots; and, it was E.C. Development which sold those finished lots at various points
21 in time to the homebuilders I previously identified.
22

23 **Q.8 You previously indicated that Eagle Crest was developed as a "phased"**
24 **subdivision. Why was the development "phased"?**

25 A.8 Phasing allows for a development plan which incorporates the most logical and
26 cost effective extension of roads and utilities for the land area which is to be

1 developed. In so doing, the developer endeavors to avoid premature construction
2 of infrastructure and the unproductive financial burden such prematureness can
3 occasion. In addition, phasing allows for the developer to endeavor to provide the
4 homebuilder(s) with an uninterrupted supply of finished lots, which can be crucial
5 to the homebuilder(s) success in responding to market demand. In that regard, the
6 decision as to when to begin to develop a new phase in a master-planned
7 subdivision, such as Eagle Crest, is made jointly by the master developer and the
8 homebuilder(s).

9
10 **Q.9 How do the master developer and the homebuilder(s) know how much time**
11 **must be allowed between when the decision is made to develop a new phase**
12 **and when finished lots will be available in that new phase?**

13 **A.9** The short answer to your question is that they approximate the time period between
14 the preparation of improvement plans and completion of the necessary
15 infrastructure based on experience. In so doing, they also must allow for a measure
16 of timing uncertainty associated with the relevant regulatory process(es) and plan
17 approval process(es), which involve third parties.

18 In addition, because of the millions (and perhaps tens of millions) of dollars
19 involved in reaching and implementing a decision as to when to commence a new
20 phase of development, there is also a close and continuous interplay between the
21 master developer, the homebuilder(s), the utilities who will be providing services
22 to and within the new phase, and various consultants working with these entities.

23
24 **Q.10 Is that in fact what occurred in connection with the planning, design and**
25 **construction of the water system which serves Eagle Crest?**

26 **A.10** That is precisely what occurred. The Company and its professional engineering

1 consultants, WestLand Resources, Inc. ("WestLand") (water system planning and
2 engineering, OPW Engineering (civil engineer and land planner) and Terrmar
3 (construction coordinator) were directly involved in the decision-making process
4 relating to the phasing of Eagle Crest at each phase of development.
5

6 **Q.11 Was the timing of construction of the Company's water system in Eagle Crest**
7 **a result of these phasing decisions?**

8 A.11 Yes. Construction of the water system facilities needed to serve the contemplated
9 finished lots is an integral part of the phased development process. In that regard,
10 both WestLand and the Company played a critical role in determining what
11 facilities would be needed in order to insure in a cost-effective manner the timely
12 provision of adequate and reliable water service to each phase as development
13 progressed. Among the factors we considered were value engineering, anticipated
14 operation and maintenance expense, and projected land use(s) in the area(s) to be
15 served.

16 In addition, the Company also discussed with the homebuilder(s) the
17 assumptions upon which its/their request(s) for additional finished lots were
18 predicated, and the factors which influenced their timelines as to when water
19 service to those finished lots would be needed. Because both Mr. Sears and I had
20 previous experience in the development and marketing of residential subdivisions,
21 we were in a position to independently and critically examine the reasonableness of
22 the homebuilder(s) request(s), and to offer such comment and suggestions we
23 deemed to be appropriate. His focus was from the perspective of E.C.
24 Development, and my focus was from the perspective of the Company.
25

26 **Q.12 What would be examples of the type(s) of information that both the**

1 **homebuilder(s) and Mr. Sears and you would consider in this regard?**

2 A.12 Factors considered in connection with a decision as to whether or not to begin a
3 new phase in Eagle Crest included the following: (i) general economic data and
4 forecasts at both the national and local level; (ii) currently available and
5 foreseeable mortgage rates; (iii) currently available housing inventory in both the
6 general metropolitan Tucson area, and the northwest quadrant of that area in which
7 Eagle Crest is located; (iv) development costs vis-à-vis the homebuilder(s)
8 absorption or rate of home sales ; (v) current and projected cost per finished lot;
9 and (vi) recent and projected timeline(s) for obtaining any permits or approvals
10 required for the new phase then under consideration.

11

12 **Q.13 In that regard, what was the number of finished lots that the homebuilder(s)**
13 **at Eagle Crest requested?**

14 A.13 Typically, they wanted a two (2)-year plus inventory of finished lots. I say “plus,”
15 because the request would consist of a mix of product or lot sizes, ranging in front
16 line measurement(s) from 45' to 60' to 70'.

17

18 **Q.14 What was the timeline between preparation of the plans for improvement to**
19 **completion of the targeted inventory of finished lots?**

20 A.14 On the order of 18 to 24 months.

21

22 **Q.15 Does that mean that the Company had to schedule the design and construction**
23 **of its water facilities needed for the new phase in advance of the target date**
24 **for completion of the finished lots for that phase?**

25 A.15 Yes, to the extent that new water system capacity was needed. On occasion some
26 of the needed well production, storage reservoir and booster station capacity would

1 be available within the Company's then existing "backbone" water system
2 facilities. On other occasions, we would need to construct additional "backbone"
3 capacity to serve the new phase. However, the transmission and distribution
4 facilities needed to serve the new phase were almost always new system additions.

5 In summary, in order to be sure that its water facilities would be in place to
6 provide adequate and reliable water service to the finished lots in question on the
7 timeline agreed to among the homebuilder(s), E.C. Development and the Company,
8 the Company had to commence and conclude construction of its facilities in
9 advance of the targeted completion date for the new increment of finished lots.

10
11 **Q.16 Did the homebuilder(s) possess the ultimate decision-making authority as to**
12 **the nature and sizing of the water utility facilities that would be appropriate to**
13 **serve a given phase within Eagle Crest?**

14 A.16 No. The ultimate decision was made by the Company, although we endeavored to
15 reach a consensus with all affected parties which, at the same time, would not be
16 detrimental to the interests of the Company and its ratepayers.

17
18 **Q.17 What would be an example of where the Company exercised such ultimate**
19 **decision-making authority?**

20 A.17 An excellent example is the upgrade of the pressure booster station at Water Plant
21 No. 4, which D.R. Horton had requested, in order to avoid having to install fire
22 sprinkler systems in new homes of 3,800 square feet or larger. The installation of
23 such systems in homes of that size was a requirement of the Golder Ranch Fire
24 District ("District").

25 The Company and WestLand had originally sized that booster station to
26 provide a fire flow capability of 1,100 gpm, which satisfied the District's fire flow

1 requirement for new homes to be located in the elevation zone to be served by the
2 pressure booster station at Water Plant No. 4. When D.R. Horton decided to
3 construct some larger homes in that area, the District's fire flow requirement for
4 that area was increased to 1,600 gpm, assuming D.R. Horton would not be
5 installing fire sprinkler systems in those larger homes.

6 The Company and WestLand determined that the booster station at Water
7 Plant No. 4 could be modified so as to satisfy the District's 1,600 gpm fire flow
8 requirement. However, inasmuch as the Company believed that it would be
9 inappropriate for the Company and its ratepayers to bear the cost of this upgrade, in
10 order to address a limited purpose need of the homebuilder and a few of its future
11 customers, the Company advised D.R. Horton that the homebuilder would have to
12 bear the full cost of the upgrade. D.R. Horton initially was very upset with this
13 position, which I communicated on behalf of the Company. However, the
14 Company remained firm in its position, and D.R. Horton ultimately bore the cost of
15 the upgrade at Water Plant No. 4.

16
17 **Q.18 Does that mean that the Company is not requesting inclusion in rate base of**
18 **the cost of the upgrade to the booster station at Water Plant No. 4?**

19 A.18 Yes, that is correct.

20
21 **Q.19 Let's turn to another subject. How does the construction of roads within a**
22 **phased subdivision such as Eagle Crest affect the timing of construction of the**
23 **Company's facilities?**

24 A.19 If the Company's facilities are going to be located underground in a public or
25 private right-of-way, which will be paved, then the Company's facilities should be
26 constructed before the paving occurs for two (2) very important reasons.

1 First, the Company's facilities frequently will be sharing that same right-of-
2 way with the underground facilities of other providers of utility services; and, it is
3 important that there be appropriate separation between these various underground
4 facilities. Proper separation can be assured if the various utility facilities are
5 installed before the road is paved.

6 Second, if the Company's facilities were to be installed after the road has
7 been paved, then the cost of construction of the same would be substantially
8 increased because of the need to open up or "cut" the paved road, and thereafter
9 repave the same. Ultimately, the resulting additional costs of this nature would be
10 borne by the Company's ratepayers. In addition, road hazards, diversions and
11 liability concerns are other considerations occasioning the desire to avoid opening
12 up or "cutting" a paved road.

13 Thus, for these two (2) reasons, the Company will construct underground
14 facilities beneath a paved roadway in advance of the date by which they will be
15 needed in order to serve an area adjacent to the paved roadway in question.
16 Finally, in my opinion, this practice is also consistent with the expectation of the
17 governing jurisdiction which would view an under-build with a planned cut a
18 breach of trust.

19
20 **Q.20 Are the transmission facilities identified at pages 5-6 of Exhibit MSJ of the**
21 **March 21, 2011 prepared Direct Testimony of Commission Staff witness Gary**
22 **T. McMurry, under the section heading "Plant Not Used and Useful,"**
23 **examples of underground facilities that the Company constructed at the**
24 **point(s) in time it did for the reasons that you have just described?**

25 **A.20 Yes.**

1 **Q.21 Do you have any further comment on this subject?**

2 A.21 Yes. Commission Staff witness McMurry has recommended in his March 21, 2011
3 prepared Direct Testimony that certain transmission mains installed by the
4 Company beneath paved roads not be recognized for ratemaking purposes, because
5 they are not currently providing water service to customers located on lots or
6 parcels adjacent to those transmission mains. Those mains were included by the
7 Commission in that rate base established by the Commission in the Company's
8 2005 rate case. So, with respect to these particular transmission mains, it is the
9 Company's position that the Commission's previous decision is "res judicata" as to
10 whether those mains should be recognized for ratemaking purposes.

11

12 **Q.22 Returning to the subject of the timeline for new increments of finished lots,**
13 **and how in turn that influenced the timing of when the Company constructed**
14 **its associated facilities, did you find that the homebuilder(s) estimates as to the**
15 **need for additional finished lots were reasonable?**

16 A.22 Yes, until the latter half of 2008, when the recession began to severely impact both
17 the national and the local housing market. What then occurred was a virtually
18 unprecedented collapse of the housing market in the metropolitan Tucson area.
19 Illustrative of this is the fact that new home sales declined from 8,623 in 2005 to
20 1,778 in 2010; or, a decline of approximately 80% in annual new home sales!

21

22 **Q.23 In your opinion, could a decline of that magnitude in new homes sales have**
23 **been predicted by the homebuilder(s) at Eagle Crest and the Company as of**
24 **that point in time when the decision to construct the Company's Water Plant**
25 **No. 3 was made?**

26 A.23 Absolutely not. New home sales in Eagle Crest had been steadily increasing in the

1 years preceding that decision.

2

3 **Q.24 Was such a precipitous decline foreseeable as of the time the facilities at**
4 **Water Plant No. 3 were actually constructed?**

5 A.24 No.

6

7

8 **Q.25 Before we leave the subject of the Company's water utility plant, let me**
9 **inquire as to the purpose of Mark Taylor's prepared Rebuttal Testimony.**
10 **Why is he being called as a witness by the Company?**

11 A.25 Mark Taylor and his firm, WestLand, have served as the Company's professional
12 engineering consultant from the inception of the Company's water utility system.
13 The Company retained Mr. Taylor because of his many years of experience and his
14 excellent reputation in the field of water utility system planning, engineering and
15 construction. Mr. Taylor and his staff at WestLand prepared the March 15, 2001
16 master water plan for the Company's system to serve Eagle Crest, and they have
17 been intimately involved in the implementation of that plan at all stages up to the
18 present water system configuration.

19 In that regard, his Rebuttal Testimony is being offered to rebut certain
20 contentions and related portions of the prepared Direct Testimony of Commission
21 Staff witness Marlin Scott, Jr., RUCO witness Timothy J. Coley and Individual
22 Intervenor Lawrence Wawrzyniak. Each of these witnesses, in varying ways and
23 degrees, asserts that some portion of the Company's water utility plant is "not used
24 and useful"; and, therefore, such water utility plant should not be accorded
25 ratemaking recognition. The Company believes that Mr. Taylor's prepared
26 Rebuttal Testimony directly addresses and effectively rebuts those parties baseless

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arguments in this regard.

Q.26 In his prepared Rebuttal Testimony, Mr. Taylor appears to acknowledge that the storage reservoir at Water Plant No. 3 was designed and constructed to provide storage capacity in addition to that amount needed to satisfy the current and future requirements of residents at Eagle Crest. Is his statement in that regard correct?

A.26 Yes, as is his observation that the Company is not requesting rate base inclusion or ratemaking recognition of that additional storage capacity.

Q.27 Please explain how the additional storage reservoir capacity at Water Plant No. 3 came to exist, and why the Company is not requesting rate base inclusion or ratemaking recognition of the same in this proceeding.

A.27 At the time that the storage reservoir at Water Plant No. 3 was in the design stage, Mr. Sears and I envisioned the Company would also be providing water service to a new subdivision on the west side of Oracle Road, which he and I intended to develop through a separate entity. That subdivision was to be named Eagle Crest West. In fact, the Company had applied for and received approval from the Commission to extend the Company's CC&N to include Eagle Crest West, subject to compliance with certain conditions prescribed by the Commission relating to a Certificate of Assured Water Supply from the Arizona Department of Water Resources and an arrangement for the provision of wastewater service to Eagle Crest West. Accordingly, the final design for the storage reservoir at Water Plant No. 3 included additional storage to serve the projected requirements of Eagle Crest West.

Ultimately, however, the Eagle Crest West project did not go forward for a

1 variety of reasons. Given that the Company had borne the cost of the additional
2 storage capacity to serve that project, and the need for storage associated with the
3 same does not exist at the present time, the Company is not seeking rate base
4 inclusion or ratemaking recognition of that portion of the storage reservoir at Water
5 Plant No. 3 in this rate case.

6
7 **Q.28 Did the supporting schedules which accompanied the Company's Application**
8 **in this case inadvertently include the entire cost and capacity of the storage**
9 **reservoir at Water Plant No. 3 as a part of the Company's rate increase**
10 **request?**

11 A.28 Yes. While I believe that the additional 190,000 gallons secured at a cost of
12 \$.38/gallon at Water Plant 3 is a valuable asset, it should not be included in the rate
13 base at this time. From a cost and an environmental perspective it was a correct
14 decision. However, it does not benefit current rate payers. At that time a cost of
15 \$1/gallon for storage was regarded as very reasonable. With the recent jump in
16 steel from \$.40/pound to over \$.60/pound, the decision looks even better. In his
17 prepared Rebuttal Testimony and related schedules, the Company's witness
18 Thomas J. Bourassa will make the changes necessary to correct this error by the
19 Company.

20
21 **Q.29 Let's turn to a somewhat related subject, namely, the value of real estate**
22 **owned by the Company in connection with its water utility operations which**
23 **should be recognized for ratemaking purposes. Why is the Company**
24 **presenting two (2) separate appraisals by two (2) different appraisers as a part**
25 **of its prepared Rebuttal Testimony?**

26 A.29 The valuation of the four (4) real estate parcels in question has become an issue as

1 a result of a portion of the March 21, 2011 prepared Direct Testimony of
2 Commission Staff witness Gary T. McMurry. At page 7, line 18-page 11, line 3 of
3 his prepared Direct Testimony, Mr. McMurry has offered several lines of criticism
4 regarding a June 26, 2008 Appraisal prepared by Michael J. Naifeh, M.A.I.,
5 C.R.E., upon which the Company relied in assigning land values to the four (4) real
6 estate parcels in question in connection with the currently pending rate increase
7 request. In addition, Mr. McMurry has suggested different appraisal years should
8 have been used; and, he has proposed use of 2009 Pinal County Assessor's data, in
9 the absence of an actual appraisal based on land value(s) during the years he
10 recommends for such purpose.

11 Mr. Naifeh's prepared Rebuttal Testimony is intended to address Mr.
12 McMurry's criticisms of Mr. Naifeh's June 26, 2008 Appraisal, and Mr.
13 McMurry's questioning of Mr. Naifeh's impartiality. In addition, Mr. Naifeh also
14 discusses why the use of Pinal County Assessor data, as recommended by Mr.
15 McMurry, is inappropriate for purposes of establishing true market value(s) for real
16 estate. In that regard, the reason Mr. Naifeh used 2008 market value data was
17 because that was the date that the Company actually acquired title to the four (4)
18 parcels in question.

19 Mr. John Ferenchak, M.A.I. has prepared a separate appraisal using market
20 values for the different years when the four (4) parcels in question were actually
21 "devoted to public service" by the Company, although it did not actually own any
22 of the parcels in question at those time(s). Accordingly, he has used 2002 market
23 value data for Parcel No. 1, 2005 market value data for Parcel No. 2, 2008 market
24 value data for Parcel No. 3, and 2004 market value data for Parcel No. 4, as Mr.
25 McMurry has recommended. These are the years in which those parcels were
26 "devoted to public service" in connection with the Company's operations. In so

1 doing, Mr. Ferenchak is providing that appraisal which Mr. McMurry testified
2 should have been prepared, but Mr. McMurry was unable to provide. In addition,
3 and similar to Mr. Naifeh, Mr. Ferenchak's prepared Rebuttal Testimony also
4 discusses why the use of Pinal County Assessor data to establish actual real estate
5 market value(s) would be inappropriate.

6 As a final comment on the subject of real estate market values to be
7 recognized in this case for ratemaking purposes, in his prepared Rebuttal
8 Testimony, Thomas J. Bourassa will address the reference to "NARUC audit
9 guidelines" which appears at page 9, lines 6-14 of Mr. McMurry's prepared Direct
10 Testimony; and, Mr. Bourassa will explain why such guidelines are inapplicable in
11 this case.

12
13 Q.30 Are Water Plant Nos. 1 through 4 synonymous with Parcel Nos. 1 through 4?

14 A.30 Yes.

15
16 **Q.31 What factors influenced the manner in which the Company financed the**
17 **construction of its water utility system?**

18 A.31 The manner of capitalization of the Company was a subject to which I personally
19 devoted a considerable amount of attention and time. In the process of reaching a
20 decision on capitalization I conferred on a number of occasions with Ronald L.
21 Kozoman and Thomas J. Bourassa, each of whom are highly regarded utility
22 accounting and rate consultants with many years of practice before the
23 Commission. In addition, I conferred with Michal F. McNulty, a well regarded
24 utility attorney, who also had practiced before the Commission for many years.
25 Finally, and throughout this process, I discussed the guidance and advice I was
26 receiving from these individuals with Mr. Sears, as well as the results of my own

1 analyses and observations regarding capitalization for the Company.

2 The capitalization approach Mr. Sears and I ultimately decided to pursue
3 consisted of the following features. "Backbone" facilities of a system-wide nature
4 would be financed through a combination of equity and debt. These types of
5 facilities typically would include wells, storage reservoirs and booster stations.
6 However, because of the relatively small size of the Company, the use of long-term
7 debt as a means of financing capital improvements would be conservative.

8 Transmission and distribution mains, and associated distribution
9 infrastructure, would be financed through the use of main extension agreements
10 with homebuilder(s) whose project or project phase required the facilities which
11 were the subject of a given main extension agreement. These agreements would be
12 structured so as to comply with the Commission's regulations on main extension
13 agreements; and, the effectiveness of the agreements would be expressly
14 contingent upon prior Commission approval.

15
16 **Q.32 Is the capitalization approach you have described the one that has actually
17 been used by the Company?**

18 **A.32** Yes, and the Company's current capitalization reflects the use of that approach. We
19 followed the recommendations of those with whom we had consulted; and, we also
20 understood that their approach reflected the thinking of the Commission's staff.

21
22 **Q.33 Let me turn to another subject. In his March 21, 2011 prepared Direct
23 Testimony, RUCO witness Timothy J. Coley appears to implicitly assume that
24 the responsibilities of and services performed by Alexander Sears and you in
25 your respective capacities as Chairman and President of the Company have
26 not changed since 2005, the test period in the Company's last rate case. In**

1 turn, that threshold assumption as to the "static" nature of your respective
2 roles appears to be a critical predicate to his recommendation that the
3 compensation to you and Mr. Sears should be increased only by the Consumer
4 Price Index change(s) for the four (4) years between 2005 and the 2009 test
5 period in this rate case. Is Mr. Coley's "static" assumption in that regard
6 correct?

7 A.33 No, it is incorrect.

8
9 **Q.34 Please explain why it is incorrect.**

10 A.34 During the intervening 2006-2009 time period, the responsibilities and associated
11 time commitment(s) of both Mr. Sears and me increased as a result of a
12 combination of changes in the manner in which the Company was operated and an
13 increase in the Company's customer base. In addition, as the Company's customer
14 base expanded, both Mr. Sears and I found it both necessary and appropriate to
15 devote more time to management of the Company than had been necessary in
16 previous years when the Company was smaller.

17
18 **Q.35 Didn't the Company's engagement of Smyth Utility Management ("Smyth")**
19 **replace the functions previously performed by Chris Hill and YL Technology?**

20 A.35 Only in part, and not as to matters of regulatory compliance. Moreover, Smyth
21 began to provide services not previously performed by either Mr. Hill or YL
22 Technology that otherwise we would have needed to contract out to someone else.

23
24 **Q.36 Do you believe that the compensation of Mr. Sears and you for which the**
25 **Company has requested ratemaking recognition is reasonable?**

26 A.36 Yes, I do, both in terms of reflection of the value of the services we provide to the

1 Company, and when measured against the compensation which is provide for
2 similar positions elsewhere in the water utility industry. After discussions with Mr.
3 Bourassa, I believe the compensation requested is below market.

4
5 **Q.37 At page 20, line 10-page 22, line 24 of his prepared Direct Testimony,**
6 **Commission Staff witness Mr. McMurry discusses his concerns regarding the**
7 **relationship between the Company, E.C. Development and Goodman Ranch**
8 **Associates; and, he has recommended that the Company “. . . develop and**
9 **implement written policies pertaining to affiliated transactions and hiring**
10 **outside consultation.” Previously in this Rebuttal Testimony, you have**
11 **indicated that Mr. Sears and you conscientiously endeavored to insure the**
12 **Company and its ratepayers would not bear financial responsibilities relating**
13 **to the development of Eagle Crest, which were not the responsibility of the**
14 **Company, including the responsibilities of related business entities in which**
15 **Mr. Sears and you had a financial interest.**

16 **Against this background, please describe why the Company to date has**
17 **believed that it did not need to develop and implement the types of written**
18 **policies recommended by Mr. McMurry.**

19 **A.37 The Company thus far has had only four (4) people at various points in time**
20 **involved in its ongoing operations. We have ongoing contact with each other and**
21 **we each have an office in a single office suite. In addition, Mr. Sears and I have**
22 **had a continuing ownership and business relationship with the Company since its**
23 **inception in 1988. As a consequence, each of the people I have mentioned has**
24 **been very familiar with the business practices and policies of the Company**
25 **throughout their association with the Company. Because of such smallness in**
26 **staffing size, and shared knowledge of practices and policies, the Company did not**

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see a need to reduce the policies to writing up to this point time.

In addition, because of my legal background, I have conscientiously endeavored to insure that transactions involving the Company and any entities in which Mr. Sears and/or I had a financial interest were conducted in an "arms-length" manner. In that regard, I believe that he and I have succeeded in achieving that shared objective, so that the interests of the Company's ratepayers have not in any manner been compromised.

Finally, because of both my legal background and my experience of many years as a businessman, I have been very discerning in the selection of consultants and other firms the Company has retained for the provision of outside service on reasonable terms; and, Mr. Sears and I monitor their performance as a part of our ongoing management responsibilities.

Q.38 Is the Company willing to develop and implement written policies of the type recommended by Mr. McMurry?

A.38 Yes, if the Commission determines the same are in fact necessary for a company as small as the Company. In such event, we also hope that the Commission would recognize that there will be some cost incurred by the Company in connection with developing and implementing written policies of this nature.

Q.39 In his prepared Rebuttal Testimony, Mr. Bourassa states that the Company is revising its estimated rate case expense to an amount substantially higher than was anticipated at the time the Company filed its rate increase application last year; and, he indicates the reasons for the anticipated increase. Please describe what efforts the Company has made to control its rate case expenses.

A.39 Mr. Sears and I have diligently endeavored to control the level of these expenses,

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since they are being paid out of current revenues of the Company with no knowledge of when and in what amount the Commission will authorize recovery of these expenses as part of an increase in rates. The Company is currently earning less than the rate of return on investment to which we believe it is entitled under law; and, these current ratemaking expenses further erode that return. In that regard, while we believe that our consultants and rate case attorney are providing their necessary services in a cost-effective manner, and at reasonable rates, the Company is incurring substantial rate case expenses. So, in summary, while Mr. Sears and I have endeavored to control rate case expense from the outset, and will continue to do so throughout the course of this proceeding, that category of expense will be substantially and unavoidably above our original estimate.

Q.40 Are there any other issues raised by the other parties to this case which you wish to address at this time in your prepared Rebuttal Testimony?

A.40 No, not at this time. I believe the remainder of the issues we wish to address are discussed in the prepared Rebuttal Testimony of Messrs. Bourassa, Taylor, Ferencak and Naifeh.

I do wish to make clear to both the Commission and our ratepayers that the Company recognizes that it has requested a significant increase in its rates and charges for water service, even taking into account the downward adjustment from our original request, which is discussed in Mr. Bourassa's prepared Rebuttal Testimony. However, at the same time, the Company believes that the increase it is now requesting is warranted, based upon applicable law and the factual circumstances surrounding this case.

1 **Q.41 Does this conclude your Rebuttal Testimony?**

2 **A.41 Yes, it does.**

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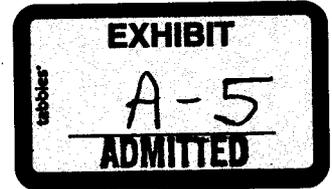
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Exhibit A-5



May 2, 2011
Rebuttal Testimony
Mark Taylor

July 26-28, 2011 ACC Hearing
Goodman Water Company
Docket No. W-02500A-10-0382

1 LAWRENCE V. ROBERTSON, JR.
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Attorney for Applicant
4

5
6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

7
8 IN THE MATTER OF THE APPLICATION
OF GOODMAN WATER COMPANY, AN
9 ARIZONA CORPORATION, FOR (i) A
10 DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANT AND PROPERTY
11 AND (ii) AN INCREASE IN ITS WATER
RATES AND CHARGES FOR UTILITY
12 SERVICE BASED THEREON.

DOCKET NO. W-02500A-10-0382

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17
18 **REBUTTAL TESTIMONY OF**

19 **MARK TAYLOR**

20 **ON BEHALF OF GOODMAN WATER COMPANY**

21 **May 2, 2011**
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Q.1 Please state your name and business address.

A.1 My name is Mark F. Taylor, and my business address is 4001 E. Paradise Falls Drive, Tucson, Arizona 85712.

Q.2 By whom are you employed, and in what capacity?

A.2 I am a Vice President and a Principal of WestLand Resources, Inc. ("WestLand").

Q.3 Please describe the nature of professional services provided by WestLand.

A.3 Since our establishment in 1997, WestLand Resources, Inc. has brought together a team of approximately 100 experts in environmental services, engineering, landscape architecture, cultural resource, and right of way services. We provide technical consulting services throughout the southwestern United States.

The technical expertise offered by WestLand's engineering staff includes water and wastewater system design, permitting, and construction services; utility and water resources planning; master planning for potable water, alternative water resources, and wastewater systems, biological systems engineering, irrigation, and water harvesting system design; groundwater recharge system design; and program management.

Q.4 Please describe your area(s) of responsibility within WestLand.

A.4 I am responsible for providing project management, design and technical supervision, project scheduling, and budget oversight.

Q.5 Please summarize your educational background and professional experience as relevant to the testimony you are presenting in this proceeding.

Q.5 I graduated from the University of Arizona with a Bachelor of Science Degree in

1 Civil Engineering and a Masters in Business Administration Degree. In addition, I
2 have obtained my Professional Engineering ("P.E.") license in Arizona, Nevada
3 and New Mexico. I have over 25 years of experience in water resources
4 engineering, including the design of water systems for municipally- and privately-
5 owned water utilities, public works projects, master-planned communities, large
6 commercial and retail centers, and the mining industry. I am responsible for the
7 development of water system master plans; well, reservoir, booster station, and
8 transmission main design; water treatment design; and the assessment of rates and
9 development impact fees for private and municipal clients.

10
11 **Q.6 Is Goodman Water Company ("Company") a client of WestLand?**

12 A.6 Yes. The Company has been a client for approximately 11 years.

13
14 **Q.7 Please describe the nature of professional services that WestLand has
15 provided to the Company during that period of time.**

16 A.7 WestLand has provided master planning, infrastructure design, permitting and
17 construction inspection services to the Company since the Company's beginning.
18 WestLand was initially retained in 2000 to develop a master water plan for the
19 subdivision in southern Pinal County which has since become known as Eagle
20 Crest Ranch. That master water plan was completed in March 2001. Since then
21 WestLand has performed a variety of services for the Company over the years,
22 including design plan reviews and the provision of inspection services on all
23 infrastructure construction as the Company's water system was developed. In
24 addition, WestLand has provided assistance to the Company in connection with its
25 compliance with regulations of the Arizona Department of Environmental Quality
26 ("ADEQ") and the Arizona Department of Water Resources ("ADWR") applicable

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to the Company's operations.

Q.8 What is the purpose of your Rebuttal Testimony in this proceeding?

A.8 Based upon discussions with owners of the Company and its attorney, it is my understanding that certain parties in this case are contending that (i) the Company has water utility plant capacity which is "excess" and thus "not used and useful," and (ii) such water utility plant capacity should not be recognized for ratemaking purposes in this case. In my Rebuttal Testimony, I will discuss those circumstances and criteria which influenced the design and sizing of the Company's water system, as set forth in the March 15, 2001 master water plan. I will also discuss why water plant additions were undertaken at various points in time over the years, in connection with implementation of the master water plan. In that regard, I will include in my discussion why the decision was made to install certain water transmission mains in the spine public roadways prior to the adjacent platted blocks of land requiring service.

In addition, I will critique those portions of the March 21, 2011 prepared Direct Testimony of Commission Staff witness Marlin Scott, Jr. and RUCO witness Timothy J. Coley which contend that the Company has "excess" plant capacity which is "not used and useful."

Q.9 Do you have a copy of the March 15, 2001 water master plan to which you have referred, and to which you will be referring during your Rebuttal Testimony?

A.9 Yes. A copy of the March 15, 2001 water master plan is attached to my Rebuttal Testimony as Appendix "A."

1 **Q.10 Please describe the manner in which WestLand developed the March 15, 2001**
2 **master water plan for the Company.**

3 A.10 I would like to begin by discussing certain basic water system design principles
4 which are generally accepted for use in the water utility industry for planning
5 purposes, and which were used by WestLand in this instance. In that regard,
6 WestLand had available to it the tentative plat for the Eagle Crest Ranch
7 Subdivision, which is the same plat that was used to obtain the Certificate of
8 Assured Water Supply from ADWR required by the Arizona Groundwater Code.
9 The anticipated land uses and number of lots and parcels reflected in this tentative
10 plat assisted WestLand in determining the demand that the Company's water
11 system should be designed to serve.

12 Applicable regulations require that a domestic water system be designed and
13 operated in such a manner as to satisfy the fire flow and peak day demand
14 requirements anticipated to be imposed on its system, while at the same time
15 maintaining a minimum pressure of 20 pounds per square inch ("psi") in its
16 distribution facilities. These threshold requirements are typically satisfied through
17 a combination of well production capacity and production capacity, which I discuss
18 in my testimony. In addition, I will also discuss several other types of facilities and
19 related planning concepts.

20 Design criteria relating to the sizing of water system facilities includes the
21 planning concepts of: (i) average daily demand ("ADD"); (ii) peak day demand
22 ("PDD"); (iii) peak hour demand ("PHD"); and, (iv) average day peak month
23 ("ADPM") demand. ADD will vary by the type of customer connection being
24 serviced and can also vary overtime. Eagle Crest Ranch Subdivision was going to
25 be predominately residential; and, as to that customer connection category,
26 WestLand used 125 gallons per person per day in the original master plan when

1 this project was designed. This was an appropriate and typical design estimate at
2 that time. However, it is now apparent that over the past 10 years the region has
3 had a dramatic reduction in overall demand. Based upon the most current water
4 usage in the region, and current ADEQ design standards, the following design
5 requirements should be used for required capacity analyses at this point in time.
6 For this analysis, demand assumptions of 2.8 persons per household at 100 gallons
7 per person per day consumption, or an ADD of 280 gallons per day for each
8 residential connection are appropriate. These assumptions are based on
9 Engineering Bulletin 10 - Guidelines for the Construction of Water System
10 prepared by the Arizona Department of Health Services (ADHS) and the Arizona
11 Department of Environmental Quality. In that regard, I would like to emphasize
12 that actual demands can fluctuate from time to time, system to system. Therefore,
13 regulatory agencies have developed sound engineering guidelines such as Bulletin
14 10 to be used in the planning and design of water systems. These standards
15 numbers are an appropriate basis of design and are typically used by Civil
16 Engineers to plan and design new water systems.

17 In designing water system facilities, ADD is the baseline used to calculate
18 peaking flows. PDD is assumed to be twice ADD, and is thus assigned a peaking
19 factor of 2.0. PHD is assumed to be 3.2 times ADD, and represents the highest
20 hourly demand within the water system in question. ADPM is assigned a value of
21 1.4 to 1.5, since it represents an average day of demand during the peak month.
22 These values are based on typical engineering criteria for water systems of similar
23 size to that anticipated for Goodman Water.

24 Well Production Capacity

25 In connection with the design of well production capacity for a system such
26 as the Company's, sound water industry practice requires that the well production

1 capacity be adequate to meet a sustained PDD with the largest well out of service,
2 since in the arid southwest it cannot be assumed that PDD will be limited to a
3 single day during the summer peak period. In other words, it is not appropriate or
4 sound engineering practice and planning to rely on storage as part of a water
5 utility's ability to satisfy the PDD anticipated to be imposed on its system.

6 7 Storage Capacity

8 Design criteria relating to the sizing of storage capacity include the planning
9 concepts of: (i) ADPM; (ii) fire flow requirements of the applicable fire department
10 or fire district; and, (iii) "dead storage," or that space at the top and bottom of a
11 storage reservoir which cannot be used in connection with the provision of a
12 reliable supply of water to the water system in question in a cost effective manner.
13 I would further like to discuss the concept of nominal volume, usable volume and
14 dead storage for storage tanks. Nominal volumes are associated with total storage
15 capacity. However, it is not prudent to assume that 100% of nominal volume will
16 be available for water distribution use. Based on certain operational restrictions
17 such as pump shut off levels and tank overflow levels, some storage volume is
18 rendered unusable and thus represents "dead" storage. This volume can be as high
19 as 20% of the nominal tank volume. Therefore, it is very important to consider
20 usable volume for capacity calculations for a particular storage tank. Usable
21 volume can be calculated by subtracting "dead" storage from nominal volume.
22 Appendix "B" to my Rebuttal Testimony are drawings which depict these
23 conceptual components of a storage reservoir, as applicable to Water Plant Nos. 1
24 and 3 on the Company's system. As may be noted, ADEQ's regulations relating to
25 minimum useable storage requirements address only the ADPM and fire flow
26 requirements. However, it is imperative that "dead storage" also be recognized in

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determining the useable storage capacity sizing.

Booster Stations

Booster stations are often included in the design of a domestic water system. One type is designed to stabilize or increase pressure in the water system in question; and, this type is often referred to as a "pressure-controlled booster station." This type of booster station serves a section of a water system that does not have a storage reservoir located at an elevation above the area served to "float" the water system. A second type of booster station is designed to be used in connection with the operation of a storage reservoir located at an elevation above the area served, or a reservoir that "floats" the water system, and its function is to restore the water level in the reservoir after periods of drawdown. This type is often referred to as a "level-controlled booster station." As I will discuss in more detail later in my testimony, sometimes the same booster station can perform both the "pressure" and the "level" function at different stages in the development of a water system, which is what occurred with the booster station located at Water Plant No. 1 on the Company's system.

Transmission and Distribution

The primary conceptual factors influencing the design and sizing of transmission and distribution mains on a domestic water system are the need to be able to (i) satisfy the anticipated PDD and fire flow requirements and (ii) maintain a minimum pressure of 20 psi. The size of pipe and the rate of flow directly affect the pressure in the water system, due to head losses within the pipelines during flow conditions; and, thus, the pipe must accordingly be sized to satisfy these criteria.

1 Summary

2 All of the water system design concepts and criteria I have described above
3 were taken into consideration by WestLand in connection with the development of
4 the March 15, 2001 water master plan for the Company.
5

6 **Q.11 Please discuss the principal features of the March 15, 2001 water master plan.**

7 A.11 Attached to my Rebuttal Testimony as Appendix "C" is a copy of a 3-page Water
8 System Base Map for the Company's water system. That map also includes a
9 representative subdivision plat for the Eagle Crest Ranch Subdivision. As you will
10 note, the locations and nature of the Company's well production, storage reservoirs
11 and booster station facilities are shown in relation to the Eagle Crest Ranch
12 Subdivision.

13 Water Plant No. 1, which is located mid-way up on the western side of the
14 development on Eagle Crest Ranch Blvd., consists of: (i) a 500 gpm well; (ii) a
15 400,000 gallon storage reservoir; and (iii) a 2,000 gpm "J"-Zone booster station.
16 Initially, this booster station was used as a "pressure-controlled booster station,"
17 and was used to assist in meeting fire flow requirements and maintaining system
18 pressure. In recent years, since additional storage was constructed at Water Plant
19 No. 3, this booster station has been used as a "level-controlled booster station" in
20 connection with the Water Plant No. 3 storage reservoir.

21 Water Plant No. 2 is located in the southwestern quadrant of the
22 subdivision; and, it consists of an 800 gpm well.

23 Water Plant No. 3 is located in the northeast corner of Eagle Crest Ranch.
24 As you will note, it consists of: (i) a 530,000 gallon "J"-Zone storage reservoir;
25 and, (ii) a 1,200 gpm "K"-Zone booster station.

26 Water Plant No. 4 is located in the southeast quadrant of the subdivision. It

1 now consists of an 1,600 gpm "K"-Zone booster station. Water Plant No. 4 was
2 upgraded from 1,100 gpm to 1,600 gpm in 2004.

3

4 **Q.12 What is the relevance and purpose of the "zone" designations depicted on**
5 **Appendix "C"?**

6 A.12 In addition to the 20 psi requirement I previously mentioned, which arises from
7 public health considerations, domestic water systems generally maintain a
8 minimum of approximately 40 psi on the system, in order to be able to adequately
9 respond to instantaneous demands arising from everyday customer usage. Since
10 the ability to meet this additional requirement varies with changes in ground level
11 elevation above sea level, the water utility industry uses the design concept of
12 pressure "zones" to assist it in planning how to address changes in elevation in the
13 topography encompassed by a given water system. Typically, each "zone" will
14 cover a 100 foot range in elevation.

15 Accordingly, when determining and planning for the capacity requirements
16 of a domestic water system, it is necessary to take elevation changes which occur
17 within the boundaries of that system into account.

18

19 **Q.13 Does the reference to "J"-Zone and "K"-Zone facilities on Appendix "C"**
20 **mean that there are in fact elevation changes in the topography encompassed**
21 **by the Company's water system?**

22 A.13 Yes. As contrasted with many water systems in southern Arizona which are
23 located in relatively flat terrain, the Company's water system is located in a setting
24 which includes a number of foothills. In that regard, the elevation changes which
25 occur within that area required that we establish two (2) separate "pressure zones"
26 for design and planning purposes. That is why you see a reference to "J"-Zone and

1 "K"-Zone on the water system base map.

2

3 **Q.14 Why are they labeled "J"-Zone and "K"-Zone, as opposed to Zone 1 and Zone**
4 **2, for example?**

5 A.14 Because the Company's water system is located directly north of a satellite water
6 system owned and operated by Tucson Water, and with the thought of a possible
7 future interconnection with that Tucson Water system in mind, WestLand decided
8 to plan the Company's water system using the same elevation "zone" designations
9 and elevation ranges as are used throughout the Tucson Water system, including in
10 this satellite system. In this instance, the appropriate "zone" designations for the
11 elevations which occur within the Company's system are "J"-Zone and "K"-Zone;
12 and, the zone designation range is 105 feet within each "zone."

13

14 **Q.15 What are the actual elevations encompassed within the "J"-Zone and the "K"-**
15 **Zone, respectively, on the Company's system?**

16 A.15 The elevation range included in the J-Zone in this instance is 3,225 to 3,330 feet
17 above sea level; and, the elevation range included within the K-Zone is 3,330 to
18 3,435 feet above sea level.

19

20 **Q.16 Where are the "J"-Zone and the "K"-Zone physically located within the Eagle**
21 **Crest Ranch Subdivision?**

22 A.16 Appendix "D" to my Rebuttal Testimony is a copy of a color-coded map which is
23 entitled "Eagle Crest Water Infrastructure Phases and Lots Served." Superimposed
24 on that map with red boundaries are the two (2) areas within the Company's water
25 system where the "K"-Zone elevations occurs. The remainder of the water system
26 is located within the "J"-Zone of elevation. As may be noted from both Appendix

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“C” and Appendix “D,” the booster stations located at Water Plant No. 3 and Water Plant No. 4 are necessary in order to provide service at the required pressure(s) to the north “K”-Zone and the south “K”-Zone, respectively. Thus, each functions as a “pressure booster station.”

Q.17 Please discuss (i) at what point(s) in time the various phases of the Company’s water system were constructed; and, (ii) the circumstances occasioning the construction of each water plant phase at that point in time.

A.17

Water Plant No. 1

Prior to development of the Eagle Crest Ranch Subdivision, the acreage had been operated as a horse-breeding ranch. At that time, there was a well and a small storage reservoir located at what is now known as the Water Plant No. 1 site. Water Plant No. 1 was constructed at this location in 2002. WestLand determined that that well was still usable; and, it was refurbished to bring it to the indicated 500 gpm production capacity and to sanitary standards for potable wells. The small and aged original storage reservoir was removed and replaced with the current 400,000 gallon storage reservoir. In addition, the previous owner also had a small booster station at this site; and, that booster station was replaced with the indicated “J”-Zone booster station, which initially provided pressure for fire flow and the homes to be constructed in Phase I and Phase II of the Eagle Crest Ranch development.

The color coding and Legend on Appendix “D” indicate (i) the geographic location of each phase within the Eagle Crest Ranch Subdivision, and (ii) the lot numbers within each phase. The Water Plant No. 1 facilities were constructed in connection with the commencement of developmental activities and initial home

1 sales at Eagle Crest Ranch. The water system distribution infrastructure
2 construction began in 2002, and water system connections to finished lots began in
3 2002 as well. Home sales began in 2002, and the pace of lot connections and home
4 sales increased in subsequent years as prospective homebuyers became aware of
5 Eagle Crest Ranch.

6 Water Plant No. 2

7 Because the initial storage reservoir was sized at 400,000 gallons, ADEQ
8 was willing to allow the construction of approximately 200 homes in Eagle Crest
9 Ranch before it required the development of a second well. That second well was
10 constructed at Water Plant No. 2 in 2005. As indicated on Appendix "C" and
11 Appendix "D," the well has a production capacity of 800 gpm.

12 The construction of the second well was occasioned by the continued steady
13 sale of homes in the subdivision, and in order to enable the Company to continue to
14 comply with applicable ADEQ requirements. As previously indicated, ADEQ had
15 allowed the Company to delay the construction of a redundant well until
16 approximately 200 homes were being served, only because of the existence of
17 400,000 gallons of storage capacity at Water Plant No. 1.

18 Water Plant No. 3

19 Water Plant No. 3 was constructed in 2008. As previously noted, the water system
20 facilities consist of: (i) a 530,000 gallon "J"-Zone storage reservoir; and, (ii) a
21 1,200 gpm "K"-Zone booster station. As suggested by the two (2) zone
22 references, these facilities were designed to serve different but complimentary
23 purposes; and, the overall reliability of the Company's system was enhanced with
24 these additions.

25 More specifically, the "J"-Zone storage reservoir was designed to serve the
26 increasing water service demands and fire flow requirements related to the "J"-

1 Zone in the Eagle Crest Ranch Subdivision. In addition, because of its elevation,
2 this storage reservoir would enable the Company to "float" its water system and
3 take advantage of the phenomenon of gravity flow as well as the associated
4 benefits. More specifically, the ability to "float" the Company's system improves
5 the reliability of the system, because water already in storage can simply enter the
6 transmission and distribution through gravity flow. It does not require further
7 pumping or pressurization in order to do so. In fact, this capability played a crucial
8 role in the Company's ability to maintain service to its customers during the deep
9 freeze in February 2011, when certain equipment at Water Plant No. 1 was
10 rendered inoperable for a good part of one (1) day. Because there was a reservoir
11 full of water available to the J Zone, there was water service available to the J Zone
12 while the booster station was out of service. In addition, the ability to "float" a
13 water system results in less pressure fluctuation(s) in the system than might
14 otherwise be the case, when pressure control is dependent upon the operation of
15 "pressure booster stations."

16 In the March 15, 2001 water master plan, this storage reservoir was sized at
17 340,000 gallons. Subsequently, the owners of the company decided to increase the
18 size to the present 530,000 gallons in anticipation of serving a future development
19 on the west side of the Oracle Highway, which was to be known as Eagle Crest
20 West. That additional development has not materialized to date. However, based
21 on discussions with the owners of the Company and its attorney, it is my
22 understanding that the Company is not requesting ratemaking recognition at this
23 time of the additional 190,000 gallons of storage capacity associated with Eagle
24 Crest West.

25 As suggested by the "K"-Zone designation, the 1,200 gpm booster station at
26 Water Plant No. 3 is designed to provide the previously mentioned 40 psi typical

1 pressure, and 20 psi pressure minimum required by ADEQ in connection with the
2 provision of water service in the north "K"-Zone on the Company's system.

3 The timing of construction of Water Plant No. 3 was influenced by three (3)
4 circumstances. First, the storage reservoir capacity at Water Plant No. 1 was about
5 to be exceeded with the growth which had occurred in the "J"-Zone on the
6 Company's water system. Second, D.R. Horton had advised the Company that it
7 intended to construct homes in the north "K"-Zone, which would necessitate the
8 construction of a booster station in that area in order to provide the minimum water
9 system pressures required by ADEQ. Third, the owners of the Company
10 anticipated that commercial development was about to begin in some of the areas
11 reserved for that purpose on the western side of the Eagle Crest Ranch Subdivision.
12 The "commercial" areas are indicated in gray on Appendix "D." Given the growth
13 that had occurred as of that point in time in the "J"-Zone, the 400,000 gallon
14 storage reservoir at Water Plant No. 1 would not have been able to satisfy both the
15 (i) ADPM demand and (ii) fire flow requirements which would be imposed on the
16 Company's system. Thus, for this combination of reasons, Water Plant No. 3 was
17 constructed in 2007.

18 Water Plant No. 4

19 As indicated on Appendix "C" and Appendix "D," Water Plant No. 4
20 consists of a 1,600 gpm "K"-Zone booster station. This booster station was
21 originally sized for 1,100 gpm. It was upgraded to 1,600 gpm at the request of
22 D.R. Horton, in order to comply with requirements of the Golder Ranch Fire
23 District, due to the size of some of the homes planned in that area of Eagle Crest
24 Ranch. In that regard, it is my understanding that the cost of the upgrade was not
25 paid for by the Company, and the Company is not requesting ratemaking
26 recognition of that portion of the cost of this booster station.

1 This booster station was constructed in 2003, and its purpose was to enable
2 the Company to maintain the ADEQ-required minimum pressures in the south
3 “K”-Zone on the Company’s water system. The timing of construction of this
4 facility was influenced by the decision of D.R. Horton to begin selling homes in the
5 south “K”-Zone area, which preceded by several years when it began to sell homes
6 in the north “K”-Zone area.

7 As previously noted, the booster stations located in Water Plant No. 3 and
8 Water Plant No. 4 perform a “pressure” function in relation to the water
9 transmission and distribution facilities located in each of the “K”-Zone areas. In
10 contrast, the booster station located at Water Plant No. 1 now performs a “level”
11 function in relation to the 400,000 gallon storage reservoir at that location.

12
13 **Q.18 I would like for you to now explain why the Company installed certain water**
14 **transmission and distribution water mains in public roadways in advance of**
15 **construction of those roadways being completed.**

16 **A.18** It is a typical engineering and construction practice in master-planned
17 developments to install the “spine” infrastructure in conjunction with the “spine”
18 roadways. Public transportation authorities, the developers of master-planned
19 communities and subdivisions the size of Eagle Crest Ranch and the utilities who
20 will serve those communities and subdivisions each prefer that all underground
21 utility facilities that are going to be located within public roadways be installed in
22 advance of the completion of construction of those public roadways. This enables
23 each of these entities to be sure that there is adequate room and spacing between
24 the various underground utility facilities. In addition, this practice enables them to
25 avoid the disruptive effect of the public roadways being opened up or “cut” and
26 repaved if one (1) or more utility’s facilities are installed after the public roadway

1 initially has been paved; and, it enables a utility to avoid having to pay the cost of
2 opening and repaving the public roadway, costs of which can be significant at
3 times.

4
5 **Q.19 Have you reviewed the prepared Direct Testimony of Commission Staff**
6 **witness Marlin J. Scott, as filed in this case on March 21, 2011?**

7 A.19 Yes, I have.

8
9 **Q.20 Directing your attention to pages 5 and 6 of Exhibit MJS to that testimony, is**
10 **the transmission main water utility plant identified at Items 1(a), 2(a) and 3(a)**
11 **under the section heading of "Plant Not Used and Useful" water plant which**
12 **was installed in public roadways within the Eagle Crest Ranch Subdivision?**

13 A.20 Yes.

14
15 **Q.21 Was that water plant installed at the time it was installed for the reasons you**
16 **have just discussed?**

17 A.21 Yes.

18
19 **Q.22 Further directing your attention to page 5 of Exhibit MJS, and specifically to**
20 **the subsection entitled "Excess Storage Tank Capacity," do you agree with**
21 **Mr. Scott's calculations and his conclusion that the 530,000 gallon storage**
22 **reservoir at Water Plant No. 3 contains the "excess" capacity he has**
23 **calculated?**

24 A.22 No, I do not for two (2) fundamental reasons. First, in calculating per capita per
25 day consumption, Mr. Scott appears to have used Company's 2009 actual test year
26 data which is significantly lower than the minimum level specified by ADEQ in

1 Engineering Bulletin 10 Guidelines for the Construction of Water Systems. As I
 2 have previously testified, a figure of 100 gallons per person per day, which is
 3 typically specified specified by ADEQ is our present basis of design for
 4 Company's water facilities. When that amount is multiplied by ADWR's
 5 assumption of 2.8 persons per household in the TAMA, the resulting household
 6 consumption is 280 gallons per day ("GPD"), which is 50 GPD per customer
 7 connection higher than the 230 GPD figure used by Mr. Scott in his calculations.
 8 With reference to my previous testimony regarding "dead storage", I would like to
 9 further discuss "dead storage" in relation to the storage tanks at Water Plant 1 and
 10 3. Water Plant 1 has a nominal capacity of 400,000 gallons and is 18 feet high.
 11 Water Plant 3 has a nominal capacity of 530,000 gallons and is 20 feet high. At
 12 both storage tanks, the pump shut off, which is the low-level in the storage tank at
 13 which the pumps shut off, is set at 3 feet from the tank bottom. This renders the
 14 bottom 3 feet unusable for pumping and public distribution purposes, and
 15 therefore, contributes towards the "dead storage". The top overflow is located at 1
 16 foot below the tank top level, and therefore also renders the top foot of the tank as
 17 "dead storage". This means that 14 feet and 16 feet of usable storage in the storage
 18 tanks at Water Plant 1 and 3, respectively. This corresponds to 316,000 gallons
 19 and 487,000 gallons of usable volume at Water Plant 1 and 3, respectively. Further
 20 I would like to present the calculations necessary to determine the total storage
 21 capacity available to the Company.

Water Plant 1 Usable Storage Capacity	316,000 gallons
Water Plant 3 Usable Storage Capacity	487,000 gallons
Subtracting 190,000 gallons (not included in	297,000 gallons

1	the ratemaking recognition) from Water Plant 3	
2	Total Usable Storage Capacity	613,000 gallons
3	Subtracting Fire Flow Storage of 240,000	373,000 gallons of actual usable
4	gallons (2,000 gpm for 2 hours)	storage for potable purposes

5

6 Based on the calculations above, it is clear that only 373,000 gallons of storage is

7 usable storage. Based on 100 gpcd and 2.8 persons per units, it can be computed

8 that this usable storage capacity can support 1332 connections. Goodman Water

9 Company has 959 platted EDUs and 83 commercial acres. Converting commercial

10 acres to EDUs (based on 1,400 gallons per acre per day), it can be calculated that

11 total EDUs at buildout are 1,374 EDUs. This means that existing usable storage

12 capacity is less than what build-out capacity should be by 42 EDUs.

13 It is very typical for engineers and planners to slightly overbuild any system

14 because the basis of design and planning are various assumptions which may not

15 stand the test of time. These assumptions are generally provided by regulatory

16 agencies such as ADEQ and ADWR. Further, it is prudent that an engineer or

17 planner would slightly oversize the system rather than undersize it. If system

18 components can be modulized, which would allow adding modules to increase

19 capacity, it may be feasible to keep up with demands on short-term basis. For

20 example, pump stations can be easily modulized, where an additional pump may be

21 added at a relatively lower cost to increase the pumping capacity. However, and

22 unfortunately, this is not true for water storage tanks. Storage tanks cannot be

23 easily modulized and therefore, need long term planning to achieve economies of

24 scale. Therefore, it becomes important to consider buildout scenarios, especially

25 for a small system such as Goodman Water, in order to be cost effective in the long

26 run. If the water company was to go back and add multiple 100,000 gallon storage

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tanks every few years, the cost of doing this would be substantially higher than building 2 bigger storage tanks to meet buildout demands over 10 years. It would also be a high-cost operation to operate and maintain multiple, small water tanks at a water site.

Second, Mr. Scott uses a customer connection number of 875 customer connections. His "System Analysis" discussion on page 4 of Exhibit MJS indicates that this calculation is based upon (i) a 2009 test year customer base, and (ii) a five-year customer growth projection. However, this approach ignores the fact that the decision as to when to construct the storage reservoir in Water Plant No. 3 was made sometime in 2005. If you give consideration to the pattern of customer connections during the 2002-2007 period, and project five years forward from that base, the estimated number of EDUs in 2012 would be on the order of 1,113. This projection is depicted in a graph on page 1 to Appendix "E" to my Rebuttal Testimony. If we use the years 2003-2008, the resulting five year units figure in 2013 is on the order of 1,112 EDUs, as shown on page 2 of Appendix "E." Either of these numbers is substantially in excess of the 875 customer connection projection used by Mr. Scott which used only two (2) years (2009 and 2010) of actual customer growth experienced during a period of dramatic housing market decline.

Q.23 Have you reviewed the March 21, 2011 prepared Direct Testimony of RUCO witness Timothy J. Coley, at page 13, line 14 – page 20, line 19, at which he discusses the first of two (2) reasons why RUCO contends "excess" capacity exists on the Company's water system?

A.23 Yes, I have.

1 **Q.24 Do you believe RUCO's contention is well-founded?**

2 A.24 No, not at all. First, RUCO's approach is not based upon any engineering analysis
3 of why the Company added various types of water utility plant at different points in
4 time. Rather, Mr. Coley engages in simplistic arithmetic comparisons of water
5 utility plant balances and customer counts as of the end of the test period in the
6 Company's last rate case and the end of the test period in this case; and, he then
7 derives percentage relationships from which he seeks to infer the intervening plant
8 additions were unreasonable.

9 Second, Mr. Coley adopts an after-the-fact perspective from which he
10 concludes that the Company's plant addition decisions were unreasonable, given
11 that the customer growth experienced during the mid-2000s was not sustained
12 throughout. What he chooses to ignore is the growth pattern in the years
13 immediately preceding and surrounding 2005, when the decision to proceed with
14 the construction of Water Plant No. 3 was made. When the planning for this
15 facility was taking place in 2005, the water company could not have predicted, and
16 did not account for, the dramatic decline in customer connections in subsequent
17 years. Under the circumstances which existed at that time, and given what was
18 anticipated by both D.R. Horton and the Company as to future customer growth,
19 the Company's decision to begin construction of the storage reservoir at Water
20 Plant No. 3 appears to have been quite reasonable. Supportive of this is the July
21 31, 2007 compliance filing made by the Company in Docket No. W-02500A-06-
22 0281 to which Mr. Coley refers in his testimony at page 17, line 11 – page 18, line
23 6.

24
25 **Q.25 Please discuss the concept of "reserve margin" to which Mr. Coley refers at**
26 **page 19, line 7 – page 20, line 11 of his testimony.**

1 A.25 The core of Mr. Coley's reasoning appears in the following quotation from his
2 prepared Direct Testimony:

3 " . . . RUCO realizes that a water system cannot be designed to serve
4 the exact same number of current customers in an economically
5 feasible manner. Over the short-run or a period of one-year or less,
6 there may be some excess capacity in a water system that is
7 inevitable if we seek economies of scale. But, there should not be
8 excess capacity over the long-run, particularly with water systems. In
9 essence, excess capacity results in higher rates to the current
10 ratepayers and is inherently unfair." [Coley prepared Direct
11 Testimony at page 20, lines 5-11]

12
13 On the one hand, he acknowledges the benefit of designing and constructing a
14 water system in such a manner as to achieve economies of scale. On the other
15 hand, he believes that there should not be excess capacity in the "long run" which,
16 by implication, he appears to define as any time period in excess of one (1) year.
17 In that regard, he allowed for a 10% "margin of reserve" or "excess" capacity
18 during that period of "one-year or less."

19 In essence, Mr. Coley is engaging in the proverbial "trying to have it both
20 ways," which simply does not work for a water utility system the size of the
21 Company. More specifically, if "backbone" infrastructure such as wells and
22 storage reservoirs were to be designed and added on the basis of the annual 10%
23 "reserve margin" criterion advocated by RUCO, it would be virtually impossible to
24 achieve the economies of scale which Mr. Coley and RUCO purportedly support.
25 Economically feasible capacity increments do not always allow for that fine-tuning
26 in sizing which Mr. Coley's conceptual approach appears to assume without a basis

1 in fact.

2 Moreover, Mr. Coley is unclear as to the customer base upon which his 10%
3 "reserve margin" is predicated. However, whether it is applied during the design
4 stage or as of the end of the test period in a given water utility rate case, it would
5 appear that what really is relevant is whether the customer growth and demand
6 projections used by the utility in question are based upon reliable information, and
7 whether the decision as to capacity design and sizing was reasonable in light of the
8 surrounding circumstances at the time such decision was made. Mr. Coley's
9 analytical approach appears to completely ignore this threshold consideration.

10
11 **Q.26 In his discussion of what RUCO perceives to be "excess" capacity on the**
12 **Company's water system, Mr. Coley appears to rely upon the upgrade on the**
13 **booster station at Water Plant No. 4 as a second reason for concluding that the**
14 **Company has "excess" capacity. Do you believe that portion of this testimony**
15 **has merit?**

16 **A.26** No, and I say "no" for two (2) reasons. First, the upgrade in question did improve
17 the fire flow capability of that particular booster station, due to the requirements of
18 the local fire jurisdiction. So, from a design and operating perspective, the upgrade
19 provided a beneficial result for the Company's water system and allowed the
20 facilities to meet development standards imposed upon the builder of that
21 subdivision. Second, as indicated in my previous discussion of Water Plant No. 4,
22 it is my understanding that the Company did not pay for the cost of that upgrade
23 and the Company is not seeking ratemaking recognition of that cost. Thus, for
24 these reasons, I do not believe that the capacity provided by the upgrade is
25 "excess."

1 **Q.27 Do you have any further criticism with respect to the approach recommended**
2 **by Mr. Coley for dealing with the “excess” capacity he alleges exists on the**
3 **Company’s water system?**

4 **A.27** Yes, and my criticism is conceptual in nature, because I do not accept his assertion
5 that “excess” capacity exists. A fundamental flaw is the indiscriminate nature of
6 his suggested “remedy.” More specifically, he avoids any sort of engineering
7 analysis and recommends an across-the-board 43.12% reduction or non-recognition
8 of the Company’s water utility plant for purposes of this case. Such an approach
9 gives no consideration to the actual functions performed by and need for a
10 particular facility; and, it thus has no demonstrable basis in fact from a “used and
11 useful” perspective. An excellent example of the fallacy of Mr. Coley’s approach
12 is the observation of Commission Staff witness Marlin Scott that 100% of the
13 400,000 gallon storage reservoir located at Water Plant No. 1 is needed for safe and
14 reliable operation of the Company’s water system. [See Exhibit MJS to Marlin
15 Scott’s prepared Direct Testimony at page 5, numbered paragraph 2] Another
16 example is Mr. Scott’s observation that the combined capacity of the Company’s
17 two (2) wells is not excessive for the reasons indicated by Mr. Scott. [See Exhibit
18 MJS to Marlin Scot’s prepared Direct Testimony at page 4, numbered paragraph 1]

19 Under RUCO’s approach, 43.12% of the value of these facilities would not
20 be accorded ratemaking recognition, despite Mr. Scott’s observation that each of
21 these facilities is fully “used and useful.” In my mind, as well as in the opinion of
22 the Company, this readily demonstrates the arbitrary and unsubstantiated nature of
23 Mr. Coley’s conceptual approach.

24
25 **Q.28 Have you and your colleagues at WestLand worked closely with the owners of**
26 **the Company from 2001 in connection with (i) the formulation of a master**

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water plan for the Eagle Crest Ranch Subdivision and (ii) the implementation of the mater water plan that was developed in various several stages at various points in time thereafter?

A.28 Yes, my staff and I have worked very closely with the Company since the inception of our professional relationship.

Q.29 In your professional opinion, was the March 15, 2001 master water plan for the Eagle Crest Ranch Subdivision well-conceived, and has it been responsibly implemented?

A.29 Yes, as to each part of your question.

Q.30 Based upon your knowledge of the surrounding circumstances, as they existed when the March 15, 2001 master water plan was accepted and thereafter implemented at various points in time by the Company, do you believe that the decisions and actions of the Company and its owners were reasonable and prudent in that regard?

A.30 Yes, without a doubt.

Q.31 Does this conclude your Rebuttal Testimony in this case?

A.31 Yes, it does.

Goodman Water Company
Docket No. W-02500A-10-0382

MARK TAYLOR
REBUTTAL TESTIMONY

May 2, 2011

APPENDIX A

WestLand Resources, Inc.
Engineering and Environmental Consultants

March 15, 2001

ARIZONA DEPARTMENT
OF ENVIRONMENTAL QUALITY
3033 N. Central Avenue
Phoenix, Arizona 85012

RE: EAGLE CREST RANCH WATER SYSTEM MASTER PLAN
WESTLAND PROJECT NO. 292.02

To Whom It May Concern:

This Master Plan is in reference to Eagle Crest Ranch subdivision. This project is located in Section 32, Township 10 South, Range 14 East, Pinal County, Arizona. The following analysis is based on the development plan provided by OPW & Associates, Inc. as revised on February 14, 2000. The development plan is divided into five (5) phases, with approximately 938 residential units and 71 acres of commercial land including a 12-acre school site. The water facilities designed for this project are based on the Tucson Water zone boundaries at 105-foot intervals. The facilities will serve the J- and K-zones and any lots located in the I-zone will be served using individual pressure reducing valves (PRVs).

The construction of facilities will be based on the following construction phases:

Table 1. Construction Facilities and Phases

Phase	Water Plant No.	Well No.
I	1	1
	4	
II	3 (Reservoir only)	2
III	3 (K-zone booster station)	3

These facilities will be able to supply the demands of Phase IV and V construction.

WATER SYSTEM ASSUMPTIONS

- 2.8 persons per unit
- 938 residential units
- 83 acres of commercial/light industrial/school
- 125 gallons per capita per day (gpcpd) (Residential)
- 1,400 gallons per acre per day (gpapd) (Commercial/Light Industrial)
- 1,000 gallons per minute (gpm) Fire Flow (Residential)
- 1,500 gpm Fire Flow (Commercial/Light Industrial)
- 2,000 gpm Fire Flow (School Site/Large Commercial)

Q:\obsl292.02\master plan hr.doc

$$\text{Average Daily Demand (ADD)} = \text{No. of Units} \times \text{Persons/Unit} \times \text{gpcpd (Residential)}$$

$$\text{ADD} = \text{No. Acres} \times \text{gpapd (Commercial/Light Industrial)}$$

$$\text{Peak Daily Demand (PDD)} = \text{ADD} \times 2.0$$

$$\text{Peak Hourly Demand (PHD)} = \text{ADD} \times 3.5$$

Table 2. Water System Demands

Phase	Zone	No. of Units	Commercial/School (acres)	Average Daily Demand (gpm)	Peak Daily Demand (gpm)	Peak Hour Demand (gpm)
I	J	193	33	79	158	277
	K	34		8	17	29
II	J	148	12 (school)	48	95	166
	K	60		15	29	51
III	J	118	38	66	132	231
	K	87		21	42	74
IV	J	93		23	45	79
	K	33		8	16	28
V	J	172		42	84	147
Totals		938	83	310	618	1,082

The well, storage and booster capacity was calculated using the demands determined in the table above. Definitions of how each capacity is calculated are listed below.

WELL CAPACITY

Well capacity is based on providing the entire systems PDD with one well and a well of equal capacity for backup. The existing system has a well with a capacity of 490 gpm. This well is to be brought up to regulatory standards for a potable water system. A second well with a capacity of 800 gpm will need to be constructed in phase II. A third well with a capacity of 800 gpm is planned for phase III.

STORAGE CAPACITY

Storage Capacity is one full day of the ADD for the system, plus two hours of fire flow. Because the fire flow demands differ on the type of land use, the storage tanks were sized by the largest fire flow requirement for the project (2,000 gpm). The ADD storage requirement is 446,400 gallons and the fire flow storage is 240,000 gallons. Using this criterion, 686,400 gallons of storage are needed. Based upon

15 percent of the storage capacity being dead storage, the total storage requirement is brought to 800,000 gallons. The storage will be divided into two 400,000-gallon reservoirs. One reservoir is to be built in Phase I and the second in Phase II.

- Storage = ADD + Fire Flow
 - ADD = 310 gpm * 1,440 minutes/day
 - = 446,400 gallons
 - Fire Flow = 2,000 gpm * 2 hours * 60 minutes/hour
 - = 240,000 gallons
- Storage = 446,400 gallons + 240,000 gallons
 - = 686,400 gallons (plus 15 percent)
 - = 686,400 gallons + (686,400 * 0.15)
 - = 789,360 gallons 800,000 gallons

BOOSTER CAPACITY

The capacity for each booster station is determined by the PDD for the area it serves plus the highest required fire flow for that area. Where the area can be served by gravity, boosters are not necessary to serve fire flow. A 2,000-gpm booster station will serve the J-zone until the J-zone reservoir is built in Phase II. At that time, the booster station will be used for transferring water from the lower reservoir to the upper reservoir. Two separate booster stations will serve the K-zone. A 1,100-gpm booster station for the southern K-zone will be built in Phase I, while the second 1,200-gpm booster station will be built in Phase III for the Northern K-zone. These two booster stations will provide PDD plus 1,000-gpm fire flow.

ELECTRIC

All facilities will have 480-volt, 3-phase power. No back-up generators will be provided for these facilities. However, manual transfer switches will be provided for backup generators for prolonged power outages. Provisions will be made for each facility for possible future remote telemetry. Currently, the systems will have a flashing red light as an alarm for low/high levels or low/high pressures. The wells will be equipped with a high-discharge switch. All flow meters shall be propeller type with manual readings.

WATER PLANT NO. 1

This water plant shall be constructed in Phase I and will include a 400,000-gallon steel reservoir that is 18 feet high, Well No. 1, 2,000-gpm J-zone booster station, 5,000-gallon hydropneumatic tank, electrical panel and an air compressor. This booster station has been sized to supply the demand of residential development and fire flow demands of commercial development for Phase I. The booster station will be operating on a pressure system until the second reservoir is built in Phase II. Once this reservoir is built, the booster station will operate as a transferring station to supply storage to the second reservoir.

The J-zone high water elevation is 3422 (per Tucson Water zone boundaries). The reservoir has a bottom elevation of 3,197 feet and, assuming the tank is two-thirds full, the static head is 213 feet (92 psi). Manifold losses are assumed to be 10 feet. To calculate the system curve a pipe loss coefficient of 120 and a pipe length of 5,000 feet was used (see Exhibit 3). The J-zone has an average system loss of 0.52 feet with a total dynamic head of 223.5 feet. Table 3 illustrates pump capacity and Table 4 lists the proposed pressure settings.

Table 3. Pump Capacity for
J-zone Booster Station

Pump No.	Capacity (gmp)
1	150
2	350
3	500
4	1,000

Table 4. Proposed Pressure Settings
for J-zone Booster Station

Pump No.	On (psi)	Off (psi)
1	97	103
2	95	105
3	93	107
4	91	109

The hydropneumatic tank shall be rated at a pressure of 150 psi with a pressure relief setting of 120 psi.

The existing well is identified as Well No. 55-610541 and has a capacity of 490 gpm. This well will be modified to meet ADEQ requirements. Improvements include a new 20-foot grout seal, new pump motor and starter with a pumping capacity of 500 gpm.

All coatings for this system are to be specified in accordance with the current AWWA and NSF 61 standards for potable water.

WELL NO. 2

Well No. 2 will be constructed in Phase II. This well is planned for a capacity of 800 gpm and will supply storage to the reservoir at Water Plant No. 1.

WATER PLANT NO. 3

This water plant will be built in two phases. The second 400,000-gallon reservoir will be built in Phase II and the K-zone booster station will be built in Phase III. This water plant shall include the reservoir, 1,200-gpm K-zone booster station, one 5,000-gallon hydropneumatic tank, air compressor and an electric rack. The pump capacities, system curve, and following criteria shall be calculated at a later date.

WELL NO. 3

Well No. 3 will be constructed in Phase III and will be connected to the reservoir in Water Plant No. 1. This well shall be equipped for providing a capacity of 800 gpm.

WATER PLANT NO. 4

Water Plant No. 4 is located in Section 32, Township 10 South, Range 14 East, Pinal County, Arizona. This water plant will contain a 1,100-gpm K-zone booster station, two 5,000-gallon hydropneumatic tanks, electric panel, and an air charger. This booster station will serve the lower (southern) K-zone. The K-zone high water is 3,527 feet, the suction high water is 3,422 feet (from Water Plant No. 1), and the static head is 105 feet (46 psi). A pipe diameter of 12 inches, pipe length of 1,300 feet and a pipe loss coefficient of 120 was used to calculate the system curve (Exhibit 4). The K-zone has minimal average system losses and an average total dynamic head of 105 feet at the PPD. Table 5 shows the typical pump capacities for this booster station, and Table 6 shows the pump pressure settings.

**Table 5. Pump Capacities
for the K-zone Booster Station**

Pump No.	Capacity (gpm)
1	50
2	150
3	900
4	Future

**Table 6. Pump Settings for the
K-zone Booster Station**

Pump No.	On (psi)	Off (psi)
1	98	104
2	96	106
3	94	108
4	--	--

Arizona Department of Environmental Quality

March 15, 2001

Page 6

The suction hydropneumatic tank to be rated at a pressure of 100 psi, and with a pressure relief setting at 80 psi. The discharge hydropneumatic tank to be rated at a pressure of 150 psi with a pressure relief setting at 120 psi. All coatings for the system are to be specified in accordance with the current AWWA and NSF 61 standards for potable water.

We appreciate your help in this review process and look forward to working with you on future projects. If you have any questions or are in need of additional information, please call.

Respectfully,
WestLand Resources, Inc.



Rebecca Dameron, E.I.T.
Civil Designer

RD:be

Attachments: Exhibit 1. Site Plan
Exhibit 2. Exhibit 2 System Schematic
Exhibit 3. Water Plant No. 1 Data
Exhibit 4. Water Plant No. 4 Data



EXHIBIT

SITE PLAN



WATER PLANT #3
K-ZONE
BOOSTER STA.
400,000 GAL.
RESERVOIR

WATER PLANT #4
K-ZONE BOOSTER
STATION

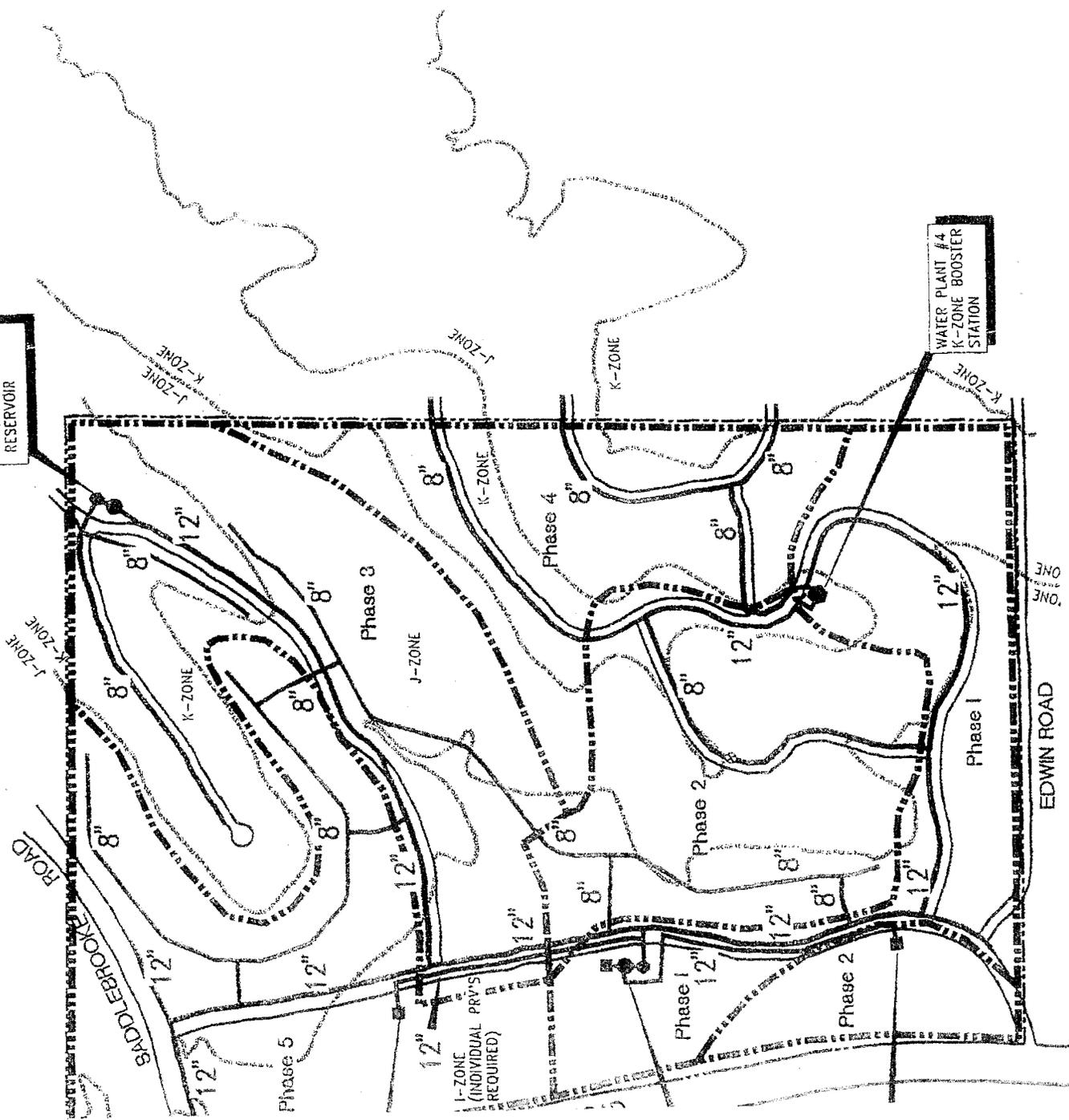
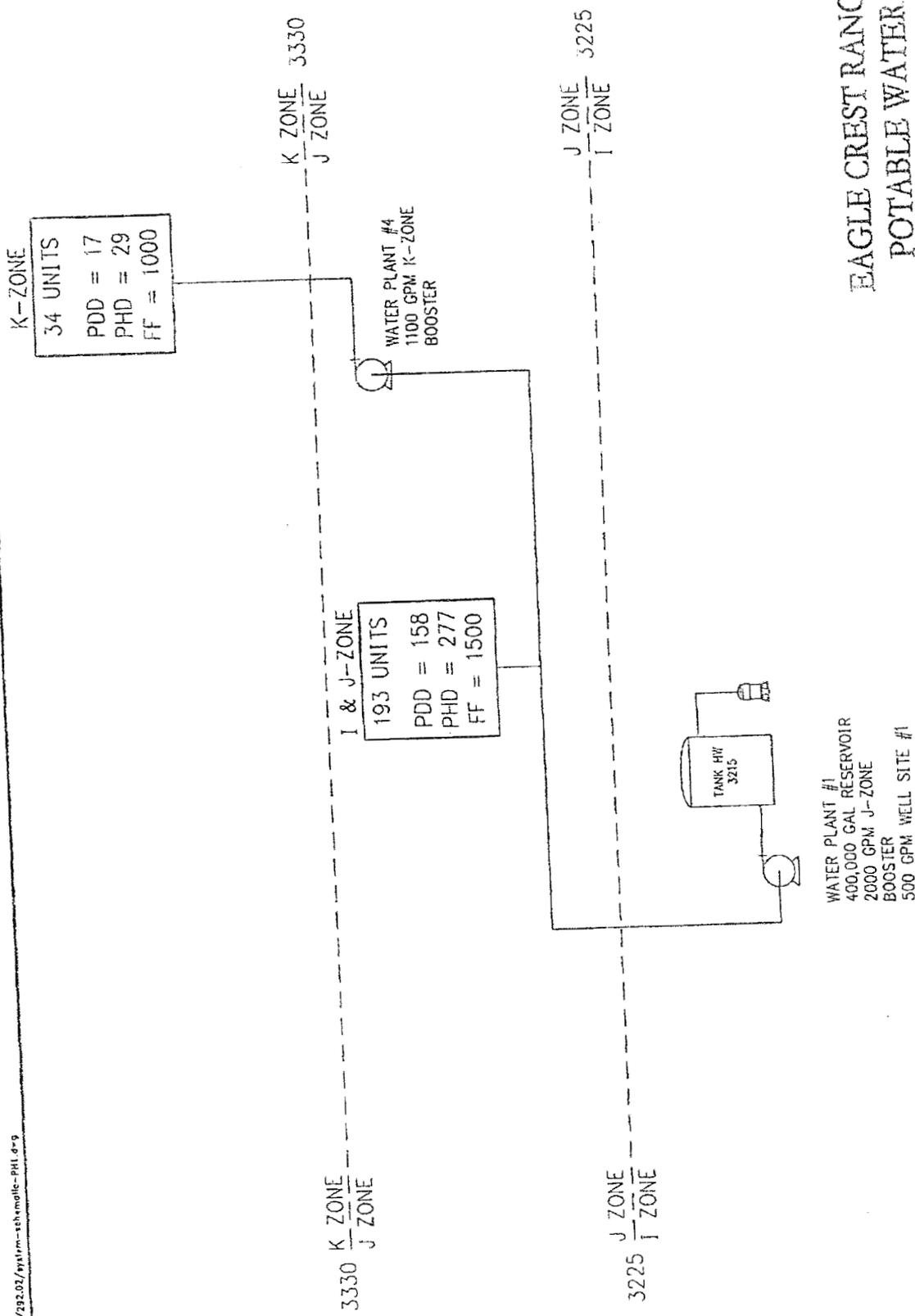


EXHIBIT 2

SYSTEM
SCHEMATIC

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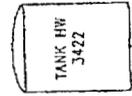


EAGLE CREST RANCH POTABLE WATER SYSTEM SCHEMATIC PHASE 1

Westland Resources Inc.
Engineering and Environmental Consultants
2343 C. Greenwood Drive, Suite 202
Tucson, AZ 85718 (520) 200-9203

K:\projects\202.02\sytem-schematic-PH2.dwg

WATER PLANT #3
400,000 GAL J-ZONE
RESERVOIR



K-ZONE
94 UNITS
PDD = 46
PHD = 80
FF = 1000

K ZONE 3330
J ZONE

K ZONE 3330
J ZONE

I & J-ZONE
341 UNITS
PDD = 253
PHD = 443
FF = 2000

WATER PLANT #4
1100 GPM K-ZONE
BOOSTER

J ZONE 3225
I ZONE

J ZONE 3225
I ZONE



WATER PLANT #1
400,000 GAL RESERVOIR
2000 GPM J-ZONE
BOOSTER
500 GPM WELL SITE #1

800 GPM WELL SITE #2

EAGLE CREST RANCH POTABLE WATER SYSTEM SCHEMATIC PHASE 2



WestLand Resources Inc.
Engineering and Environmental Consultants
2343 E. Broadway Blvd., Suite 202
Tucson, AZ 85718

U:\projects\392.01\System-schematic-Phase3.dwg

WATER PLANT #3
400,000 GAL J-ZONE
RESERVOIR
1100 GPM K-ZONE
BOOSTER

K-ZONE
87 UNITS
PDD = 42
PHD = 74
FF = 1000

K-ZONE
94 UNITS
PDD = 46
PHD = 80
FF = 1000

3330 K ZONE
J ZONE

K ZONE 3330
J ZONE

I & J-ZONE
459 UNITS
PDD = 385
PHD = 674
FF = 2000

WATER PLANT #4
1100 GPM K-ZONE
BOOSTER

3225 J ZONE
I ZONE

J ZONE 3225
I ZONE

TANK HW
3215

WATER PLANT #1
400,000 GAL RESERVOIR
2000 GPM J-ZONE
BOOSTER
500 GPM WELL SITE #1

800 GPM WELL SITE #3

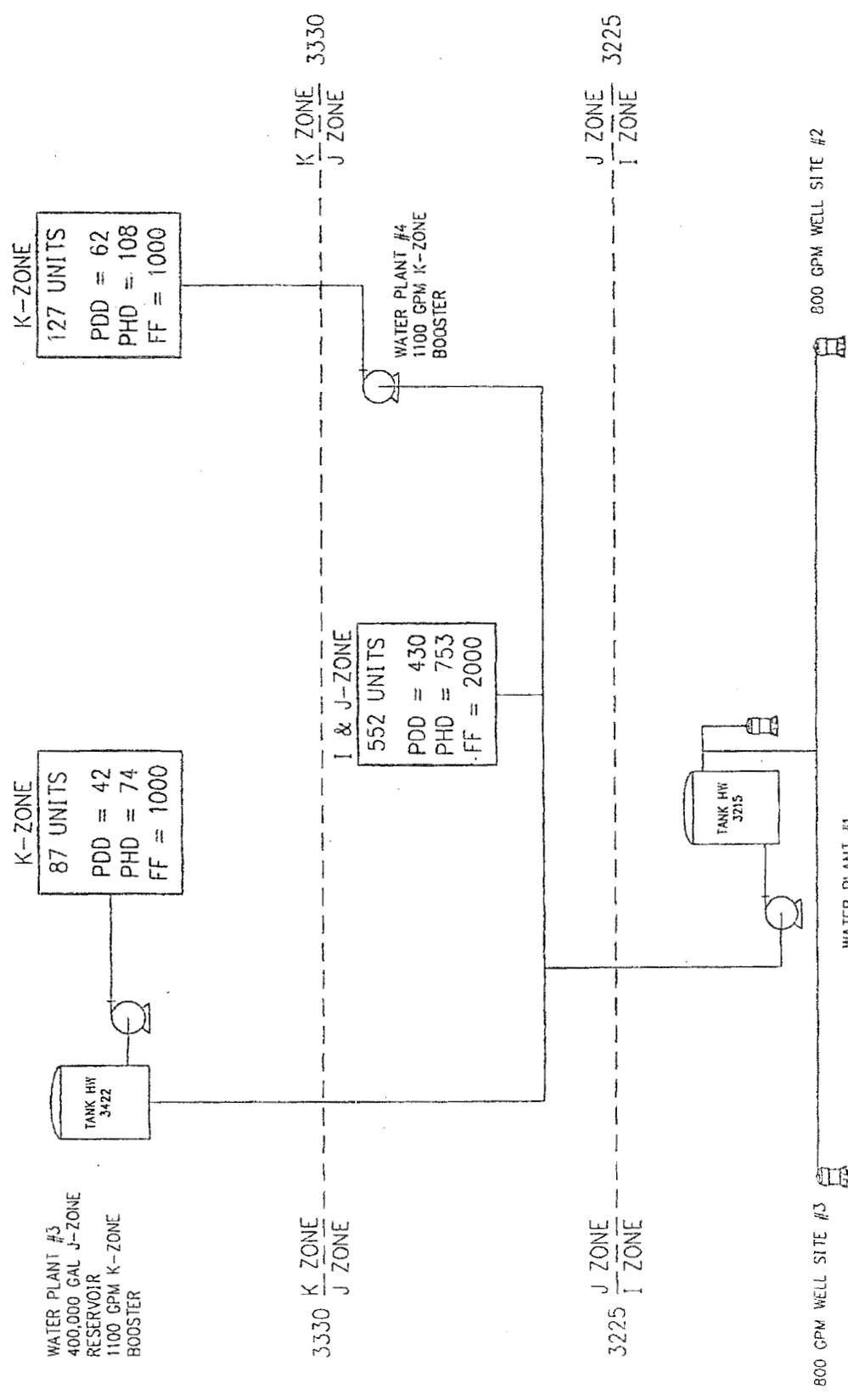
800 GPM WELL SITE #2

EAGLE CREST RANCH POTABLE WATER SYSTEM SCHEMATIC PHASE 3



Westland Resources Inc.
 Property and Environmental Services
 2343 E. Broadway Blvd., Suite 202
 Tucson, AZ 85718

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**EAGLE CREST RANCH
POTABLE WATER
SYSTEM SCHEMATIC
PHASE 4**

WestLand Resources Inc.
 Engineering and Environmental Consultants
 2343 E. Broadway Blvd., Suite 202
 Tucson, AZ 85718 (520) 288-9588

K:\projects\292.02\system-schematic-PHS.dwg

WATER PLANT #3
400,000 GAL J-ZONE
RESERVOIR
1100 GPM K-ZONE
BOOSTER

TANK HW
3422

K-ZONE
87 UNITS
PDD = 42
PHD = 74
FF = 1000

K-ZONE
127 UNITS
PDD = 62
PHD = 108
FF = 1000

K ZONE 3330
J ZONE

3330 K ZONE
J ZONE

I & J-ZONE
724 UNITS
PDD = 514
PHD = 900
FF = 2000

WATER PLANT #4
1100 GPM K-ZONE
BOOSTER

J ZONE 3225
I ZONE

3225 J ZONE
I ZONE

TANK HW
3215

WATER PLANT #1
400,000 GAL RESERVOIR
2000 GPM J-ZONE
BOOSTER
500 GPM WELL SITE #1

800 GPM WELL SITE #2

300 GPM WELL SITE #3

EAGLE CREST RANCH POTABLE WATER SYSTEM SCHEMATIC PHASE 5



Westland Resources Inc.
Engineering and Environmental Consultants
3173 E Broadway Blvd, Suite 202
Tucson, AZ 85719 (320) 206-6585

EXHIBIT 3

WATER PLANT

NO. 1 DATA

March 15, 2001

EAGLE CREST RANCH
WATER PLANT NO. 1

J-Zone Booster Station

This booster station will be a pressure system and once the second reservoir is built in Phase II this will become a transfer station.

PDD = 158 gpm

PHD = 277 gpm

ADD = 79 gpm

Site elevation = 3197 feet

Reservoir HW = 3215 feet

Reservoir 2/3 full = 3209 feet

J zone HW = 3422 feet

Static head = 213 feet

Manifold losses = 10 feet

Equivalent length = 5000 feet

Max. capacity of booster station = 2000 gpm

Head loss at PDD = 0.52 feet

Head loss at Fire Flow = 31.35 feet

TDH at average conditions (PDD) = 223.5 feet

TDH at Fire Flow = 254 feet

EAGLE CREST

WESTLAND JOB NO. 292.02 A 8000

DATE: 1-Feb-01

WATER PLANT NO. 1
SYSTEM CURVE

J ZONE BOOSTER STATION

Length of pipe (feet)= 5000

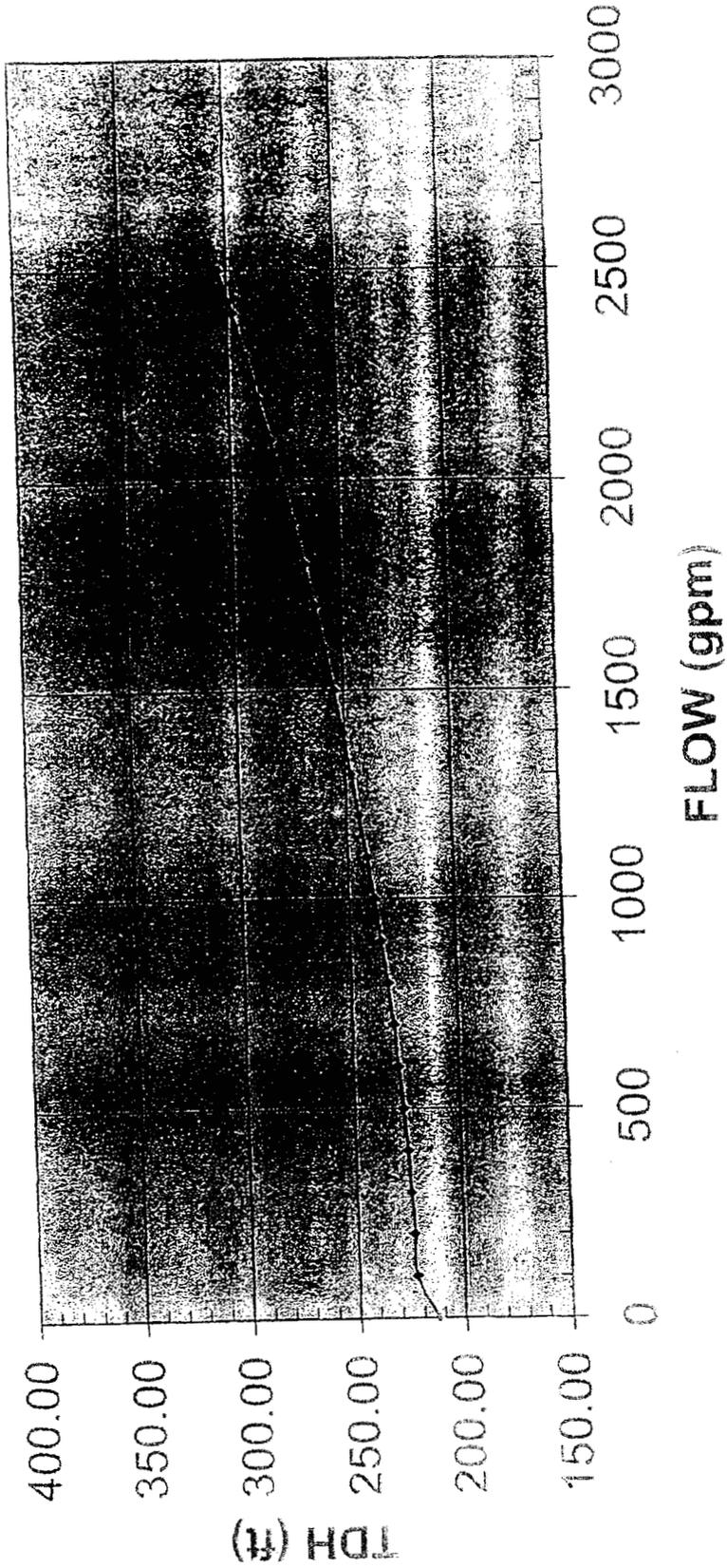
Size of pipe (inches) = 12

C = 120

Static head (feet) = 213 (J zone HW-tank 2/3 full=3422-3209)

FLOW (GPM)	HL (FEET)	STATIC HEAD (FEET)	MANIFOLD LOSSES (FEET)	TDH (FEET)
0	0.00	213	0	213.00
100	0.21	213	10	223.21
200	0.75	213	10	223.75
300	1.60	213	10	224.60
400	2.72	213	10	225.72
500	4.11	213	10	227.11
600	5.75	213	10	228.75
700	7.65	213	10	230.65
800	9.80	213	10	232.80
900	12.18	213	10	235.18
1000	14.81	213	10	237.81
1100	17.66	213	10	240.66
1200	20.75	213	10	243.75
1300	24.06	213	10	247.06
1400	27.59	213	10	250.59
1500	31.35	213	10	254.35
1600	35.32	213	10	258.32
1700	39.51	213	10	262.51
1800	43.92	213	10	266.92
1900	48.54	213	10	271.54
2000	53.37	213	10	276.37
2100	58.42	213	10	281.42
2200	63.67	213	10	286.67
2300	69.12	213	10	292.12
2400	74.79	213	10	297.79
2500	80.65	213	10	303.65

EAGLE CREST RANCH
WATER PLANT NO. 1
System Curve



--- System Curve

WATER PLANT NO. 1

PUMP TDH

PUMP HW = 3422
 RESERVOIR HW = 3215
 RESERVOIR HW (TANK 2/3 FULL) = 3209
 STATIC HEAD = 213 PRESSURE = 92

PUMP	CAPACITY (gpm)	ON (ft)	ON (psi)	AVE (ft)	AVE (psi)	OFF (ft)	OFF (psi)
1	150	210	91	217	94	224	97
2	350	206	89	217	94	229	99
3	500	201	87	217	94	233	101
4	1000	196	85	217	94	238	103
TOTAL	2000						

PUMP PRESSURE SETTINGS

PUMP HW = 3422
 PUMP ELEVATION = 3196
 STATIC HEAD = 226 PRESSURE = 98

PUMP	CAPACITY (gpm)	ON (psi)	OFF (psi)
1	150	97	103
2	350	95	105
3	500	93	107
4	1000	91	109

EAGLE CREST
WATER PLANT NO. 1

HYDROPNEUMATIC TANK:

J-Zone: Static head of 213 feet = 92 psi
 Tank working pressure = 150 psi
 Pressure relief valve = 80% of working pressure
 = 0.80×150 psi
 = 120 psi

AIR COMPRESSOR:

5000 gallon hydropneumatic tank = 669 cu. feet
Size air compressor to fill 1/3 of hydropneumatic tank at 1 time = 223 cu. ft.
Air compressor to fill tank in 32 minutes.
 $223 \text{ cu. ft.} / 32 \text{ min.} = 7.0 \text{ cfm}$
Size air compressor to fill 7.0 cfm at 92 psi.

Note: 1 HP can fill tank 3 cfm
 $7.0 \text{ cfm} / 3 \text{ cfm} = 2.33 \text{ HP} \Rightarrow 2 \text{ HP}$

EXHIBIT

**WATER PLAN
No. 4 DALLAS**

March 15, 2001

EAGLE CREST RANCH
WATER PLANT NO. 4

K-Zone Booster Station

This booster station will be working as a pressure system.

PDD = 17 gpm

PHD = 29 gpm

ADD = 8 gpm

Site elevation = 3299 feet

Suction HW = 3422 feet

K-zone HW = 3527 feet

Static head = 105 feet

Manifold losses = 10 feet

Equivalent length = 1300 feet

Max. capacity of booster station = 1100 gpm

Head loss at PDD = 0 feet

Head loss at Fire Flow = 4 feet

TDH at average conditions (PDD) = 105 feet

TDH at Fire Flow = 119 feet

EAGLE CREST
 WESTLAND JOB NO. 292.02 A 8000

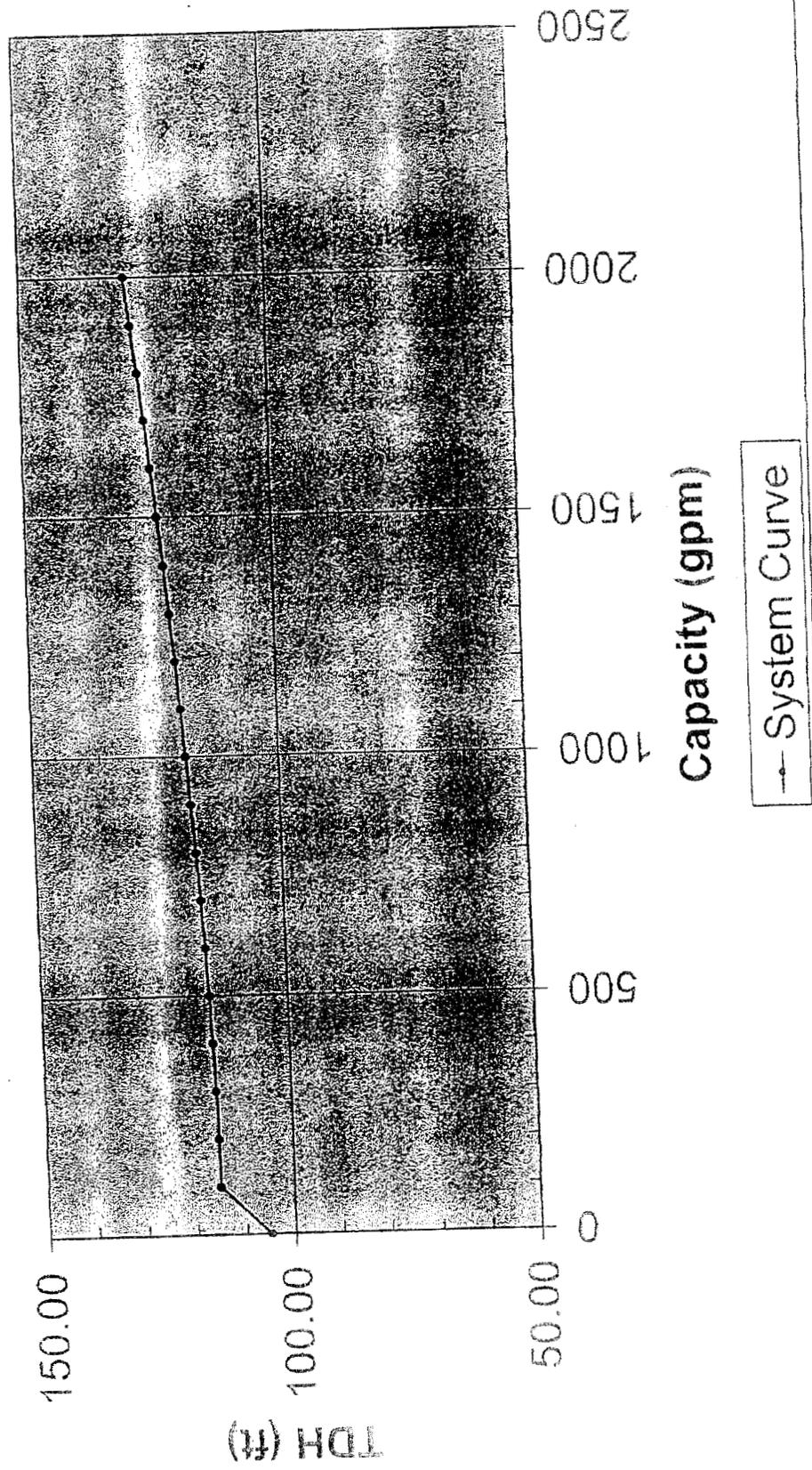
WATER PLANT NO. 4
 SYSTEM CURVE (Pump Only)

K ZONE BOOSTER

Length of pipe(feet)=	1300	Suction HW=	3422
Size of pipe (inches)=	12	Discharge HW=	3527
C =	120	Static Head (ft)=	105
		Static Head (psi)=	45.5

FLOW (gpm)	HL (feet)	STATIC HEAD (feet)	MANIFOLD LOSSES (feet)	TDH (feet)
0	0.00	105	0	105.00
100	0.05	105	10	115.05
200	0.20	105	10	115.20
300	0.42	105	10	115.42
400	0.71	105	10	115.71
500	1.07	105	10	116.07
600	1.50	105	10	116.50
700	1.99	105	10	116.99
800	2.55	105	10	117.55
900	3.17	105	10	118.17
1000	3.85	105	10	118.85
1100	4.59	105	10	119.59
1200	5.39	105	10	120.39
1300	6.25	105	10	121.25
1400	7.17	105	10	122.17
1500	8.15	105	10	123.15
1600	9.18	105	10	124.18
1700	10.27	105	10	125.27
1800	11.42	105	10	126.42
1900	12.62	105	10	127.62
2000	13.88	105	10	128.88

Eagle Crest Water Plant No. 4



3/15/01

WATER PLANT NO. 4

PUMP TDH = 3527
 PUMP HW = 3422
 PUMP SUCTION HW = 3422
 STATIC HEAD = 105
 PRESSURE = 46

PUMP	CAPACITY (gpm)	ON (ft)	ON (psi)	AVE (ft)	AVE (psi)	OFF (ft)	OFF (psi)
1	50	104	45	111	48	118	51
2	150	99	43	111	48	122	53
3	900	95	41	111	48	127	55
4	-	-	-	-	-	-	-
TOTAL	1100						

PUMP PRESSURE SETTINGS
 SUCTION HW = 3422
 SITE ELEVATION = 3299
 STATIC HEAD = 123
 PRESSURE = 53
 PUMP TDH STATIC HEAD = 105
 PRESSURE = 45
 TOTAL PRESSURE = 99

PUMP	CAPACITY (gpm)	ON (psi)	OFF (psi)
1	50	98	104
2	150	96	106
3	900	94	108
4	-	-	-

EAGLE CREST
WATER PLANT NO. 4

HYDROPNEUMATIC TANK:

K-Zone: Max. head of 228 feet = 99 psi
(Discharge) Tank working pressure = 150 psi
Pressure relief valve = 80% of working pressure
= $0.80 * 150$ psi
= 120 psi

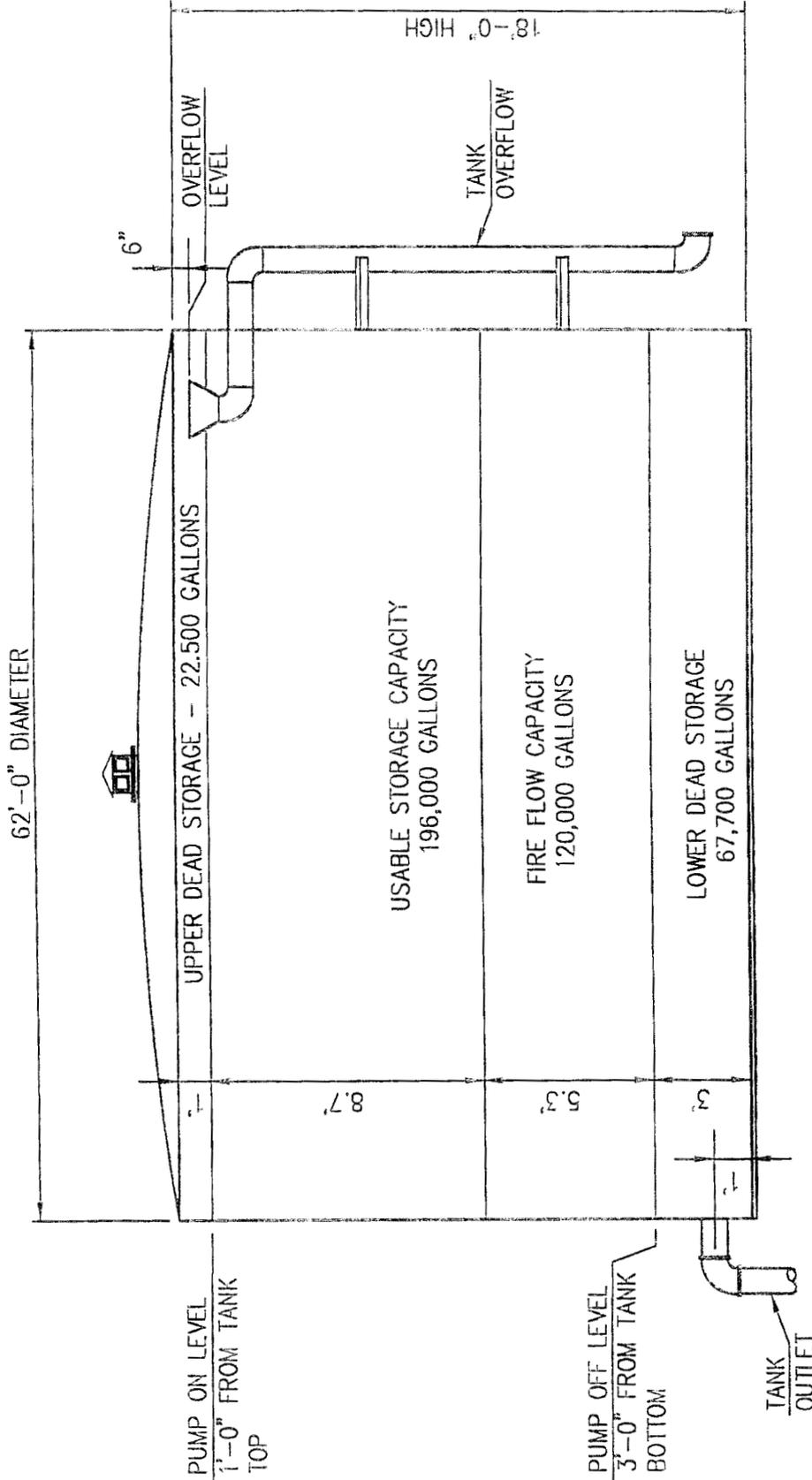
J-Zone: Max. head of 123 feet = 53 psi (J-zone HW-Site elevation of WP #4)
(Suction) Tank working pressure = 100 psi
Pressure relief valve = 80% of working pressure
= $0.80 * 100$ psi
= 80 psi

Goodman Water Company
Docket No. W-02500A-10-0382

MARK TAYLOR
REBUTTAL TESTIMONY

May 2, 2011

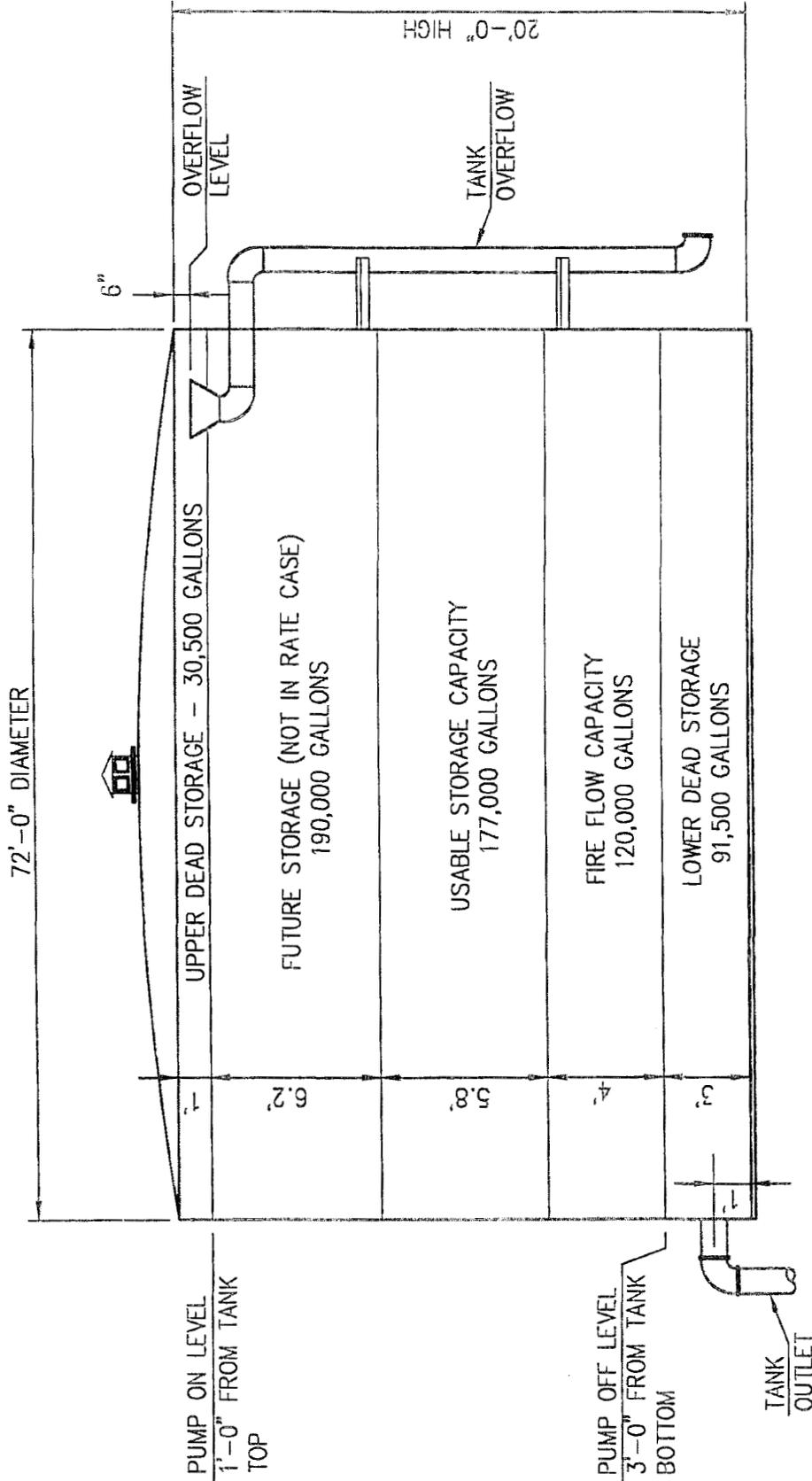
APPENDIX B



EAGLE CREST
WATER PLANT NO.1
STORAGE TANK

WestLand Resources Inc.
Engineering and Environmental Consultants
4001 E. Paradise - Falls Park
Tucson, AZ 85712 (520) 208-9505

APRIL 29, 2011



EAGLE CREST
WATER PLANT NO.3
STORAGE TANK

APRIL 29, 2011

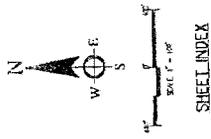
WestLand Resources Inc.
Engineering and Environmental Consultants
4001 E. Paradise Falls Drive
Tucson, AZ 85712 (520) 206-9395

Goodman Water Company
Docket No. W-02500A-10-0382

MARK TAYLOR
REBUTTAL TESTIMONY

May 2, 2011

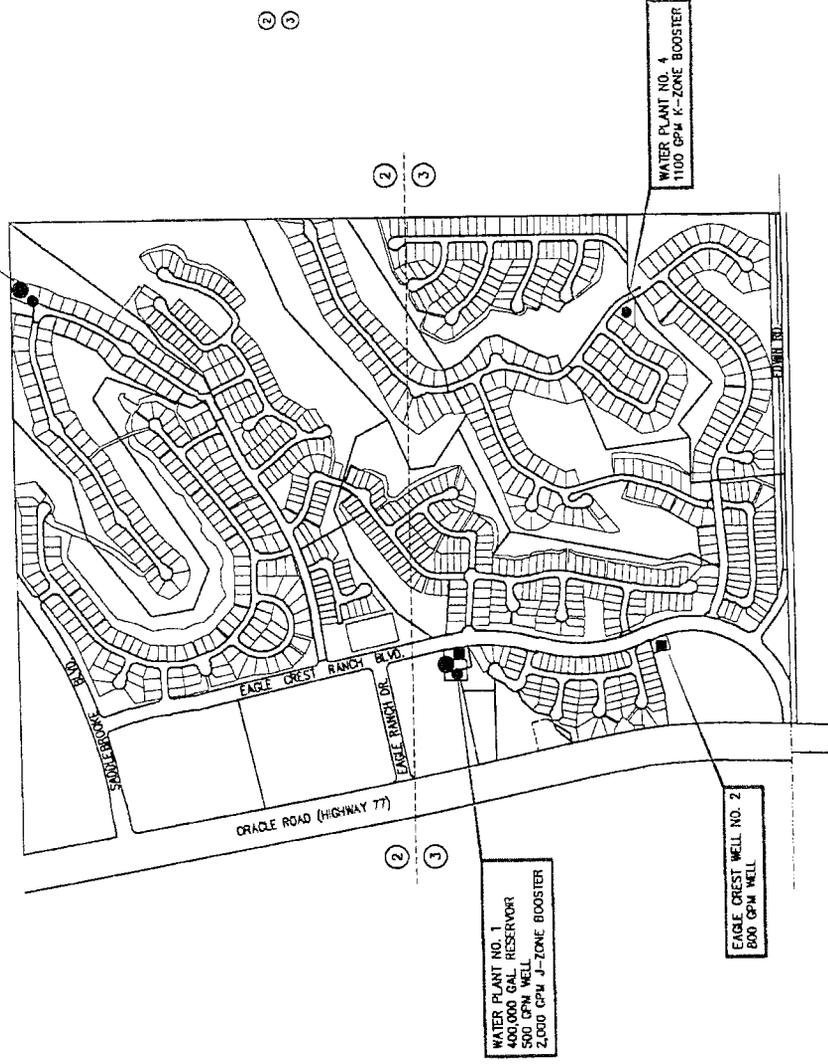
APPENDIX C



SHEET INDEX

SHEET INDEX
 ② TOWNSHIP 10 SOUTH, RANGE 14 EAST, SECTION 32 -- NORTH
 ③ TOWNSHIP 10 SOUTH, RANGE 14 EAST, SECTION 32 -- SOUTH

WATER PLANT NO. 3
 530,000 GAL. J-ZONE RESERVOIR
 1200 GPM K-ZONE BOOSTER



WATER PLANT NO. 1
 5000 GAL. RESERVOIR
 500 GPM WELL
 2000 GPM J-ZONE BOOSTER

EAGLE CREST WELL NO. 2
 800 GPM WELL

WATER PLANT NO. 4
 1100 GPM K-ZONE BOOSTER

GOODMAN WATER COMPANY WATER SYSTEM BASE MAP

SECTION NUMBER

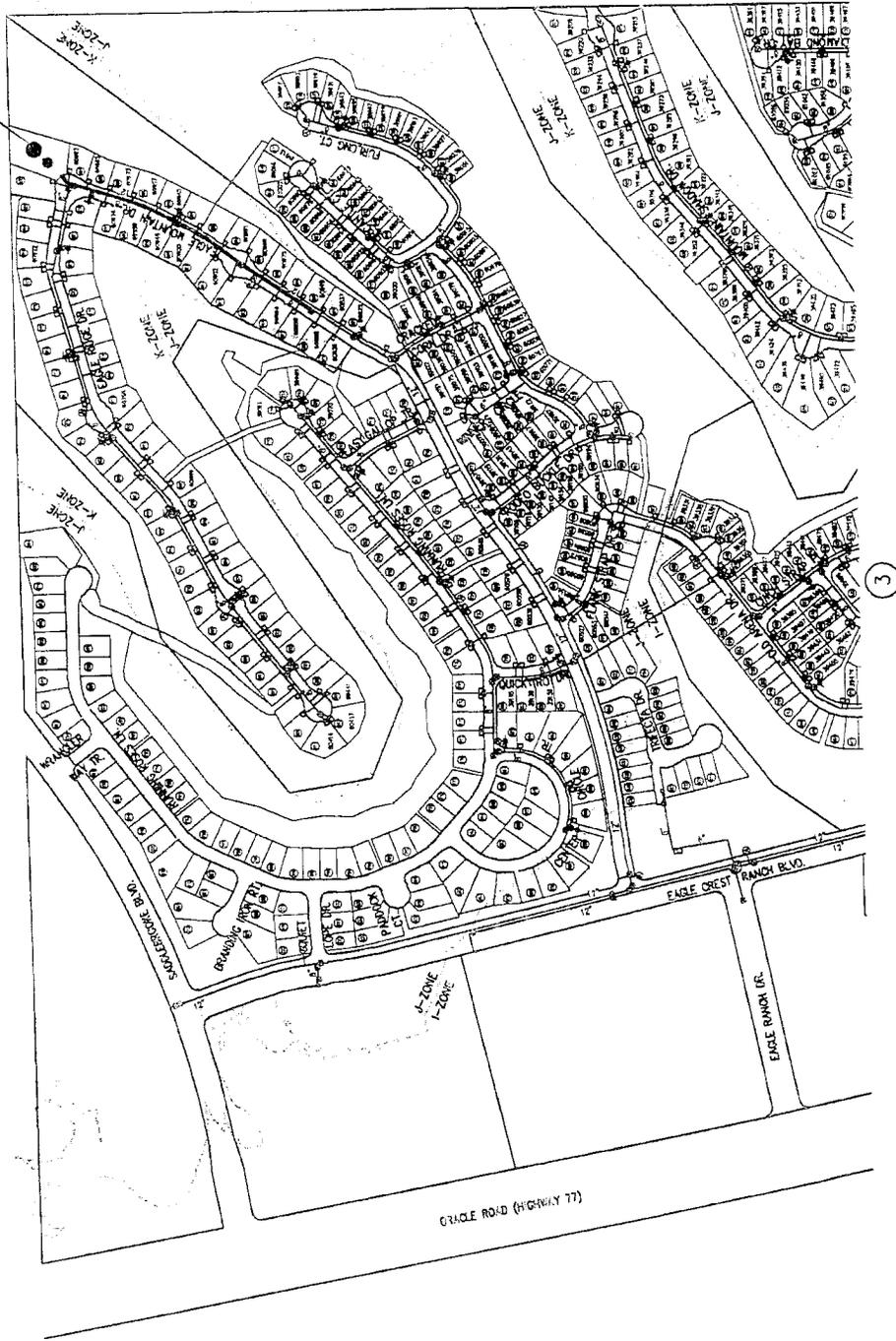
INDEX SHEET

REV. 05/09/09

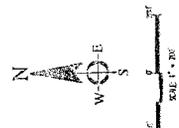
1

SHEET NUMBER

WATER PLANT NO. 3
 530,000 GAL. J-ZONE RESERVOIR
 1700 GPM K-ZONE BOOSTER



- LEGEND**
- ⊙ WATER MAIN
 - ⊕ AIR RELEASE VALVE
 - ⊖ WATER VALVE
 - ⊘ FIRE HYDRANT
 - ⊙ 3/4" WATER SERVICE
 - ⊙ 1" WATER SERVICE
 - ⊙ REINTEGRITY SERVICE
 - ⊙ CLOSED VALVE (ZONE BOUNDARY)
 - ⊙ EXISTING WELL
 - ⊙ EXISTING RESERVOIR
 - ⊙ EXISTING PIV. STATION
 - ⊙ EXISTING BOOSTER STATION
 - ⊙ ZONE BOUNDARY
 - ⊙ SILENT NUMBER
 - ⊙ LOT NUMBER



SECTION NUMBER
 TOWNSHIP 10 SOUTH
 RANGE 14 EAST
 NORTH 1/2
 SECTION 32

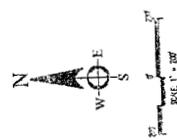
GOODMAN WATER COMPANY WATER SYSTEM BASE MAP

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- LEGEND**
- WATER MAIN
 - WATER VALVE
 - AIR RELEASE VALVE
 - FIRE HYDRANT
 - 3/4" WATER SERVICE
 - 1" WATER SERVICE
 - IRRIGATION SERVICE
 - CLOSED VALVE (ZONE BOUNDARY)
 - EXISTING WELL
 - EXISTING RESERVOIR
 - EXISTING PUMP STATION
 - EXISTING BOOSTER STATION
 - ZONE BOUNDARY
 - SHEET NUMBER
 - LOT NUMBER



SECTION NUMBER
 TOWNSHIP 10 SOUTH
 RANGE 14 EAST
 SOUTH 1/2
 SECTION 32

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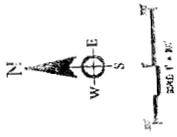
**GOODMAN WATER COMPANY
 WATER SYSTEM BASE MAP**

Goodman Water Company
Docket No. W-02500A-10-0382

MARK TAYLOR
REBUTTAL TESTIMONY

May 2, 2011

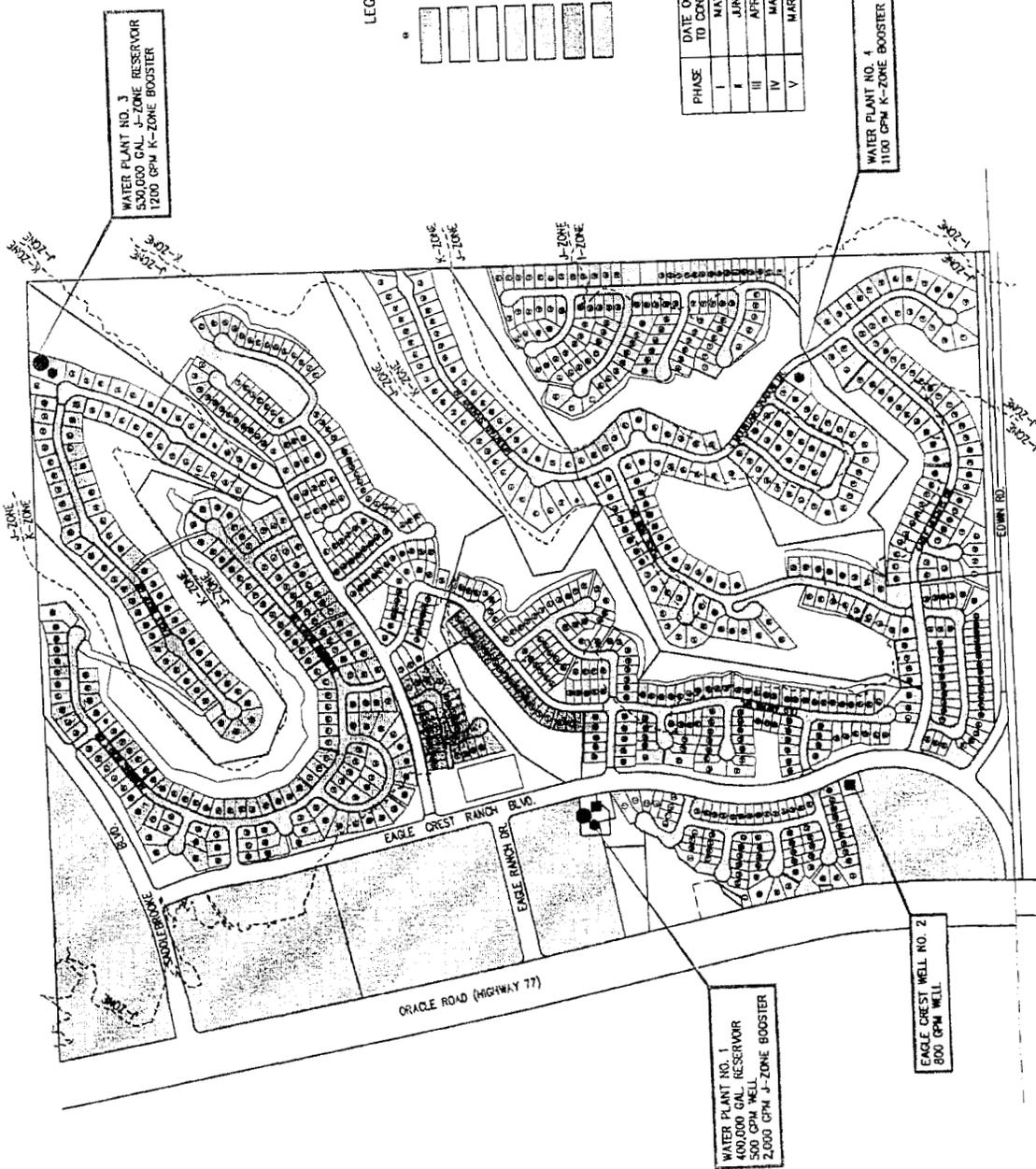
APPENDIX D



LEGEND

LOT NUMBER
PHASE I
PHASE II
PHASE III
PHASE IV
PHASE V
FUTURE PHASE
COMMERCIAL AREA

PHASE	DATE OF APPROVAL TO CONSTRUCT	LOTS INCLUDED
I	MAY-02	1-218
II	JUNE-03	219-377
III	APRIL-01	378-477
IV	MAY-06	478-728
V	MARCH-03	729-920



SHEET NUMBER

1

FEB. 16, 2011

GOODMAN WATER COMPANY
EAGLE CREST WATER INFRASTRUCTURE
PHASES AND LOTS SERVED

Goodman Water Company
Docket No. W-02500A-10-0382

MARK TAYLOR
REBUTTAL TESTIMONY

May 2, 2011

APPENDIX E

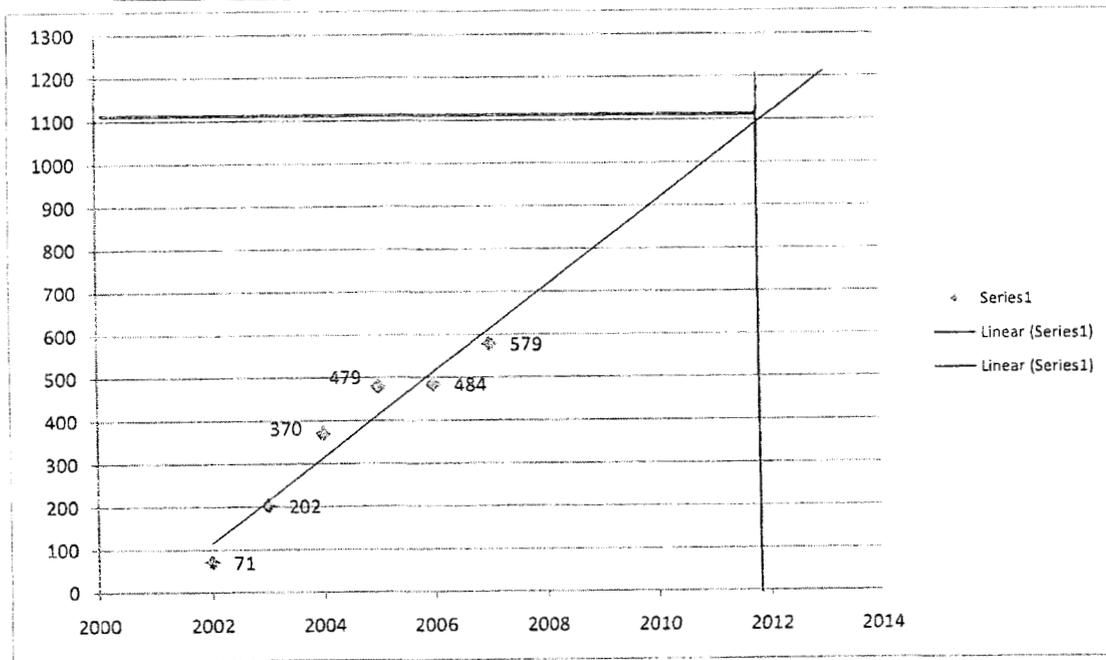
Goodman Water Company
 Projections of EDUs based upon data from 2002 to 2007

GWC Number of Customers (Source: Annual Reports)
 Cumulative

Year	No. of YE Customers
2002	71
2003	202
2004	370
2005	479
2006	484
2007	579

Projected EDUs

Year	No. of EDUs
2012	1,113
2013	1,213
2014	1,313



Goodman Water Company
 Projections of EDUs based upon data from 2003 to 2008

GWC Number of Customers (Source: Annual Reports)
 Cummulative

Year	No. of YE Customers
2003	202
2004	370
2005	479
2006	484
2007	579
2008	612

Projected EDUs

Year	No. of EDUs
2012	954
2013	1,030
2014	1,107

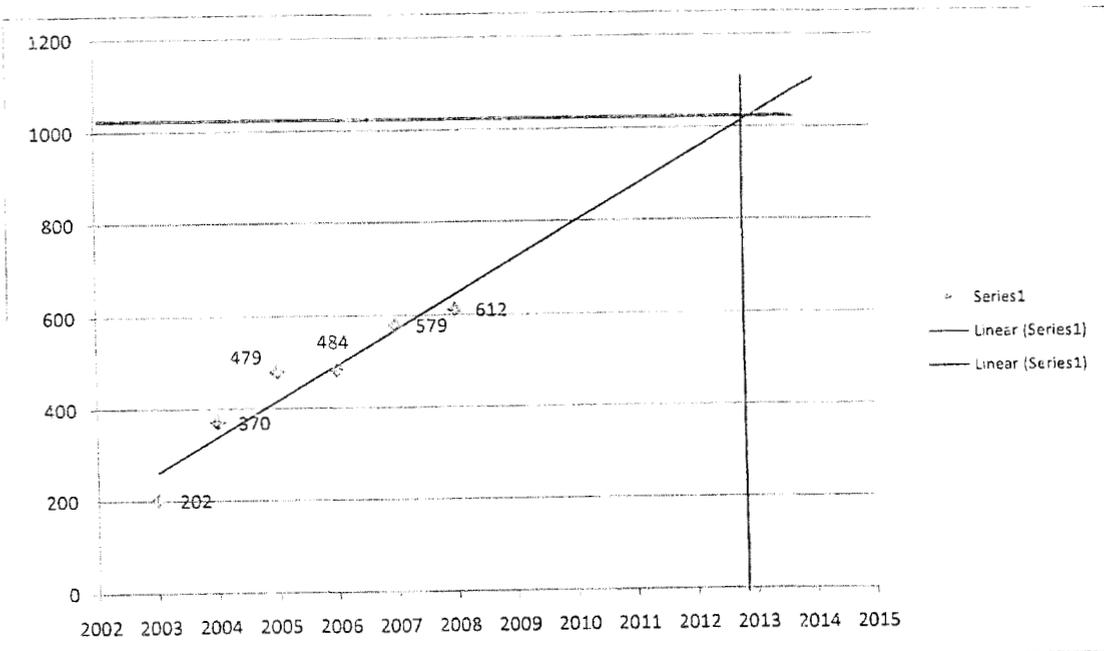


Exhibit A-6



May 2, 2011

Rebuttal Testimony

Thomas J. Bourassa

**Rate Base, Income Statement
and Rate Design**

**July 26-28, 2011 ACC Hearing
Goodman Water Company
Docket No. W-02500A-10-0382**

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LAWRENCE V. ROBERTSON, JR.
Attorney At Law
P.O. Box 1448
Tubac, Arizona 85646
(520) 398-0411
Attorney for Applicant

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DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF GOODMAN WATER COMPANY, AN
ARIZONA CORPORATION, FOR (i) A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANT AND PROPERTY
AND (ii) AN INCREASE IN ITS WATER
RATES AND CHARGES FOR UTILITY
SERVICE BASED THEREON.

DOCKET NO. W-02500A-10-0382

REBUTTAL TESTIMONY OF
THOMAS J. BOURASSA
ON BEHALF OF GOODMAN WATER COMPANY
(RATE BASE, INCOME STATEMENT, RATE DESIGN)

May 2, 2011

TABLE OF CONTENTS

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I. INTRODUCTION AND PURPOSE OF TESTIMONY 1

II. SUMMARY OF GWC'S REBUTTAL POSITION 1

III. RATE BASE 1

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 1. Land..... 3

 2. ExcessCapacity..... 8

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 D. Accumulated Deferred Income Taxes ("ADITs")..... 30

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V. RATE DESIGN..... 39

1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY.**

2 **Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A1. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive,
4 Phoenix, Arizona 85029.

5 **Q2. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?**

6 A2. On behalf of the applicant, Goodman Water Company ("GWC" or the
7 "Company").

8
9 **Q3. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THE**
10 **INSTANT CASE?**

11 A3. Yes, my direct testimony was submitted in support of the initial application in this
12 docket. There were two volumes, one addressing rate base, income statement and
13 rate design, and the other addressing cost of capital.

14
15 **Q4. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?**

16 A4. I will provide rebuttal testimony in response to the direct filing by Staff, RUCO
17 and the interveners Mr. Wawrzyniak and Mr. Schoemperlen. More specifically,
18 this first volume of my rebuttal testimony relates to rate base, income statement
19 and rate design for GWC. In a second, separate volume of my testimony, I also
20 present an update to the Company's requested cost of capital as well as provide
21 responses to Staff, RUCO and Mr. Schoemperlen on the cost of capital and rate of
22 return applied to the fair value rate base, and the determination of operating
23 income.

24 **II. SUMMARY OF GWC'S REBUTTAL POSITION**

25 **Q6. WHAT IS THE REVENUE INCREASE THAT THE COMPANY IS**
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PROPOSING IN THIS REBUTTAL TESTIMONY?

A6. The Company is proposing a total revenue requirement of \$857,176 which constitutes an increase in revenues of \$262,717 or 44.19% over adjusted test year revenues.

Q7. HOW DOES THIS COMPARE WITH THE COMPANY'S DIRECT FILING?

A7. In the direct filing, the Company requested a total revenue requirement of \$892,428, which required an increase in revenues of \$292,677, or 51.10%.

Q8. WHY IS THE REQUESTED REVENUE INCREASE LOWER IN GWC'S REBUTTAL FILING?

A8. The Company is recommending a lower rate of return of 10.2 percent based upon an updated cost of capital analysis compared to 11.0 percent in its direct filing. Further, GWC has adopted a number of adjustments recommended by Staff and/or RUCO, as well as proposed a number of adjustments of its own based on known and measurable changes to the test year. The net result of these adjustments is: (1) operating expenses have increased by \$21,647, from \$498,868 in the direct filing to \$520,515 and (2) a net decrease of \$103,485 in rate base from the direct filing of \$2,402,221 to \$2,298,376.

Q9. PLEASE SUMMARIZE THE COMPANY'S REBUTTAL RATE BASE ADJUSTMENTS.

A9. The rebuttal rate base adjustments proposed by the Company are summarized as follows:

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Storage Reservoir Upsizing – As indicated in the Rebuttal Testimony of James A. Shiner, GWC’s President, the Company has proposed to remove the cost of upsizing its 530,000 gallon storage tank from 340,000 gallons to 530,000 gallons (190,000 gallon upsize). The cost of upsizing this storage reservoir was \$72,350. Plant-in-service (“PIS”) is reduced by \$73,250.

Land – The Company proposes to reduce the land cost by \$35,000 based on the Rebuttal Testimony and appraisal of Company witness, Mr. Ferenchak.

Plant Reclassification - The Company proposes to reclassify water treatment equipment costs totaling \$15,947 from account 320 – Water Treatment Plant to account 320.2 – Chemical Solution Feeders. This reclassification adopts Staff’s proposed reclassification.¹ The Company also proposes to reclassify storage reservoir costs totaling \$836,890 from account 330 – Storage Reservoirs and Standpipe to account 330.1 – Storage Tanks (\$384,827) and account 330.2 – Pressure Tanks (\$452,063). This reclassification adopts Staff’s proposed reclassification.² The net impact of both of these plant reclassifications on PIS and rate base is zero.

Accumulated Depreciation – The Company proposes to increase accumulated depreciation (“A/D”) by \$2,510. This adjustment reflects the impacts of a correction of a computational error for 2007 and the removal of A/D related to the removal of the cost of the tank upsizing discussed above.

¹ See Direct Testimony of Gary T. McMurry (“McMurry Dt”) at 5.

² *Id.*

1 Accumulated Deferred Income Taxes – The Company proposes to reduce
2 accumulated deferred income taxes (“ADIT”) by \$5,713 to reflect the Company’s
3 proposed changes to PIS.
4

5 **Q10. WHAT ARE THE PROPOSED REVENUE REQUIREMENTS AND RATE**
6 **INCREASES FOR THE COMPANY, STAFF, RUCO, AND INTERVENERS**
7 **AT THIS STAGE OF THE PROCEEDING?**

8 A10. The proposed revenue requirements and proposed rate increases are as follows:

	<u>Revenue Requirement</u>	<u>Revenue Incr.</u>	<u>% Increase</u>
10 Company-Direct	\$ 864,205	\$ 291,454	50.89%
11 RUCO	\$ 544,110	\$ (36,000)	-6.21%
12 Staff	\$ 700,939	\$ 120,829	20.83%
13 Interveners	\$ 471,641	\$ (101,109) ³	-17.65% ⁴
14 Company Rebuttal	\$ 857,176	\$ 262,717	44.19%

15
16 **III. RATE BASE**

17 **Q11. WOULD YOU PLEASE IDENTIFY THE PARTIES’ RESPECTIVE RATE**
18 **BASE RECOMMENDATIONS?**

19 A11. Yes, the rate bases proposed by the parties in the case, are as follows:

	<u>OCRB</u>	<u>FVRB</u>
21 Company-Direct	\$ 2,402,221	\$ 2,402,221
22 RUCO	\$ 1,729,190	\$ 1,729,190
23 Staff	\$ 1,739,712	\$ 1,739,712

24
25 ³ Company proposed direct adjusted test year revenue of \$572,751 minus \$471,641 as shown in
Schoemperlen Table 3.

26 ⁴ \$(101,109) divided by \$572,751.

1	Intervenors	\$ 906,756	\$ 906,756
2	Company Rebuttal	\$ 2,298,376	\$ 2,298,376

3 A. Plant-in-service.

4
5 **Q12. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**
6 **ORIGINAL COST RATE BASE, AND IDENTIFY ANY ADJUSTMENTS**
7 **YOU HAVE ACCEPTED FROM STAFF?**

8 A12. The Company's rebuttal rate base adjustments to OCRB are detailed on rebuttal
9 schedules B-2, pages 3 through 5. Rebuttal Schedule B-2, page 1 and 2,
10 summarize the Company's proposed adjustments and the rebuttal OCRB.

11 Rebuttal B-2 adjustment 1, as summarized on Rebuttal Schedule B-2, page
12 2, consists of two adjustments labeled as "A" and "B" on Rebuttal Schedule B-2,
13 page 3.

14 Adjustment A, of rebuttal B-2 adjustment 1, reflects a reclassification of
15 plant costs. The Company proposes to reclassify water treatment equipment costs
16 totaling \$15,947 from account 320 – Water Treatment Plant to account 320.2 –
17 Chemical Solution Feeders. The Company also proposes to reclassify storage
18 reservoir costs totaling \$836,890 from account 330 – Storage Reservoirs and
19 Standpipe to account 330.1 – Storage Tanks (\$384,827) and account 330.2 –
20 Pressure Tanks (\$452,063). Both of these reclassifications reflect the adoption of
21 Staff's recommended reclassifications.⁵ The net impact of both of these plant
22 reclassifications on PIS and rate base is zero.

23 Adjustment B reflects a decrease to PIS (Account 330.1 – Storage Tanks)
24 for storage reservoir upsizing costs totaling \$72,350.

25
26 ⁵ *Id.*

1 Adjustment C reflects a decrease to PIS (Account 3303 – Land and Land
2 Rights) of \$35,000 to reflect the appraisal of the land at the time the land parcels
3 were devoted to public service.

4
5 1. Land

6 **Q13. PLEASE COMMENT ON THE STAFF RECOMMENDED ADJUSTMENT**
7 **TO THE LAND COST.**

8 A13. Staff has reduced the land value by \$369,500 from \$494,159 to 124,659 based
9 upon the Pinal County Assessor's 2009 full cash value ("FCV").⁶ The reasons
10 stated by Staff for its adjustment are: 1) the transaction was not recorded at the
11 time the land was "devoted to public service"; 2) the transaction was not at arm's
12 length and was not recorded in accordance with the NARUC audit guidelines for
13 affiliate transactions; 3) the land appraisal was conducted by an appraiser that was
14 not independent from the Company; and, 4) the appraisal was flawed.⁷

15 With respect to Staff's first reason, the Company does not dispute the fact
16 that it did not record the land at the time it was devoted to public service. The
17 failure to record the land was the result of an oversight, nothing more. Putting that
18 aside, the FCV proposed by Staff is a 2009 value. If the basis is the value of the
19 land when the land was devoted to public service, then a 2009 FCV is just as much
20 a flawed value as the Company's 2008 appraisal, since the land was first devoted to
21 public service during the period 2003 to 2007.⁸ In fact, three of the four parcels
22 were placed into service by 2005.⁹

23 ⁶ McMurry Dt. at 10.

24 ⁷ McMurry Dt. at 8.

25 ⁸ See Company response to Staff Data Request 4.13.

26 ⁹ *Id.*

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Q14. DOESN'T STAFF ACKNOWLEDGE THAT STAFF PREFERRED TO USE DATA FROM THE 2003 TO 2004 TIME PERIOD BUT THIS DATA WAS NOT AVAILABLE?

A14. Yes.¹⁰ However, using 2009 data does not remedy the problem of valuing the land at the time it was devoted to public service.

Q15. PLEASE CONTINUE.

A15. The FCV is also flawed because using the Pinal County Assessor's assessment of land value is not appropriate for establishing the fair market value of the land. This issue is discussed further in the Rebuttal Testimony of Mr. Michael Naifeh and Mr. John Ferenchak.

With respect to Staff's second reason, that the land transaction was not at arm's length, the Company disagrees with Staff that this justifies using the 2009 FCV as the basis for the land value. There is no question that transactions between related parties require more scrutiny. As Staff states, "[i]n such case, it is not clear whether the price paid for the real estate was truly market value".¹¹ However, whether a transaction is at arm's length alone is not sufficient basis to re-value the transaction as Staff recommends. The Company did seek and obtain an independent appraisal of the land by Mr. Naifeh to answer the question as to whether the transaction recorded at fair market value ("FMV"). The appraisal was provided to Staff in response to Staff data request GTM 7.8. A copy of the appraisal provided in response to GTM 7.8 is attached to Mr. Naifeh's Rebuttal Testimony as Attachment A. Since then, Mr. Ferenchak has prepared a separate

¹⁰ McMurry Dt. at 10.

¹¹ McMurry Dt. at 9.

1 appraisal of land values using the years the land in question was "devoted to public
2 service". A copy of Mr. Ferenchak's appraisal is attached to his Rebuttal
3 Testimony as Appendix B. Each of these appraisals supports land values well in
4 excess of Staff's proposed land values.
5

6 **Q16. WHAT ABOUT STAFF'S RELIANCE ON THE NARUC AUDIT**
7 **GUIDELINES FOR AFFILATE TRANSACTIONS THAT AFFILATE**
8 **TRANSACTION SHOULD BE RECORDED A THE LOWER OF COST OR**
9 **MARKET VALUE?**

10 A16. Let me first state that the NARUC audit guidelines for affiliate transactions to
11 which Staff refers is the NARUC Guidelines for Cost Allocations and Affiliate
12 Transactions ("the Guidelines"). A copy of this document is attached as Rebuttal
13 Exhibit TJB-RB1. This document specifically states the Guidelines are not
14 intended to be rules or regulations prescribing how cost allocations and affiliate
15 transactions are to be handled.¹² Further, the Guidelines also state that the transfer
16 of assets from an affiliate to the utility should be at the lower of prevailing market
17 price or net book value, *except as required by law or regulation.*¹³ In that regard,
18 the Commission rules require that assets be recorded at the cost to the person (or
19 company) *first devoting the asset to public service.*¹⁴ And, the cost is the *cost at*
20 *the time the asset is devoted to public service.*¹⁵

21 It was the Company who first to devoted the land to public service and the
22 cost to GWC is the cost it incurred to acquire the land from E.C. Development.

23 ¹² Guidelines at 1.

24 ¹³ *Id.*

25 ¹⁴ See Arizona Administrative Code ("AAC") R14-2-103(3)(e)

26 ¹⁵ See AAC R-14-2-102(3)(d)

1 Not recognizing the land at the Company's acquisition cost will deprive GWC of
2 the recognition of value of the property it devoted to public service. In other
3 words, it is the equivalent of a taking, which may not lawfully take place without
4 payment of just compensation to the property's owner, namely, the Company.¹⁶ In
5 that regard, the Company's acquisition cost was based upon the 2008 appraisal
6 prepared by Mr. Nafieh.

7
8 **Q17. DOESN'T STAFF DISPUTE WHETHER THE APPRAISAL BY MR.**
9 **NAIFEH WAS IMPARTIAL?**

10 A17. Yes.¹⁷ This is Staff's third reason for restating the land cost. However, the
11 Company strongly disagrees with Staff that Mr. Naifeh's appraisal was not
12 independent. There are several reasons for this. First, Mr. Naifeh had no
13 ownership interest in the property which was being appraised. Second, the indirect
14 mutual interest of Mr. Naifeh and Mr. Sears is de minimis. Mr. Sears had an
15 interest of less than 2 percent in an unrelated entity, PHB Flagstaff Holdings, LLC.
16 in which Mr. Naifeh is a member. PHB Flagstaff Holdings, LLC. did not have
17 interest in the property being appraised. Third, Mr. Naifeh is a well known and
18 respected certified professional appraiser who would not jeopardize his
19 professional reputation and credentials by preparing a dishonest or otherwise
20 substandard appraisal.¹⁸ Fourth, the appraisal was prepared in conformity with the
21 Uniform Standards of Professional Appraisal Practice, the Code of Professional
22 Ethics, and the Standards of Professional Practice of the Appraisal Institute.¹⁹ In

23 ¹⁶ See Fifth Amendment of the United States Constitution made applicable by the Fourteenth
24 Amendment.

25 ¹⁷ McMurry Dt. at 8.

26 ¹⁸ See Rebuttal Testimony of Michael Naifeh ("Naifeh Rb.").

¹⁹ See Certifications on page 39 of Mr. Naifeh's appraisal report. See Naifeh Rebuttal Exhibit B.

1 addition to these comments on my part, the Company is also submitting the
2 Rebuttal Testimony of Mr. Naifeh which further rebuts Staff's criticisms of him
3 and his appraisal.
4

5 **Q18. IS STAFF'S DESCRIPTION OF THE MUTUAL INTEREST OF MR.**
6 **NAIFEH AND MR. SEARS ACCURATE?**

7 A18. No. Mr. McMurry states the Mr. Naifeh had a 2 percent interest in D&D
8 Investments West, LLC.²⁰ Mr. Naifeh has no interest in D&D Investments West,
9 LLC.
10

11 **Q19. DO YOU HAVE ANY MORE COMMENTS REGARDING MR. NAIFEH'S**
12 **APPRAISAL?**

13 A19. No, except that further response to Staff's assertions that Mr. Naifeh's appraisal is
14 not independent or that the appraisal was otherwise flawed is discussed in more
15 detail in the Rebuttal testimony of Mr. Naifeh, as I previously noted.
16

17 **Q20. WHAT ABOUT STAFF'S FOURTH REASON FOR RESTATING THE**
18 **LAND VALUE, THAT THE APPRAISAL IS "FLAWED"?**

19 A20. Since Staff has not directly testified to this asserted reason, I assume Staff's
20 unstated fourth reason to be Staff's preceding assertions that Mr. Naifeh's appraisal
21 is not impartial and that the land was not valued as of the date the land was devoted
22 to public service. I make this assumption because Staff has not identified any
23 flaws with respect to Mr. Naifeh's methodology or data.
24

25
26 ²⁰ McMurry Dt. at 10.

1 Q21. ISN'T THE APPROPRIATE "REMEDY" TO STAFF'S CONCERN
2 REGARDING THE VALUE OF LAND FOR THE COMPANY TO OBTAIN
3 ANOTHER APPRAISAL BY ANOTHER QUALIFIED APPRAISER FOR
4 THE TIME THE LAND WAS FIRST DEVOTED TO PUBLIC SERVICE?

5 A21. Yes. This is exactly what the Company has recently done. The Company has
6 engaged the services of Mr. John Ferenchak. Irrespective of the ultimate
7 conclusion regarding Mr. Naifeh's independence, the second appraisal obtained by
8 the Company should resolve both the issue of independence and the date of
9 valuation. The second appraisal indicates the land value was \$455,000 at the time
10 the land was devoted to public service. This is \$35,000 lower than the value
11 indicated in Mr. Naifeh's appraisal in 2008. The new appraisal is discussed in the
12 Rebuttal Testimony of Mr. Ferenchak.

13
14 Q22. HAS THE COMPANY ADJUSTED THE LAND COST TO REFLECT THE
15 CONCLUSIONS ON MARKET VALUE IN THE NEW APPRAISAL?

16 A22. Yes. As discussed earlier, the Company has reduced the land cost to reflect the
17 results of Mr. Ferenchak's appraisal.²¹

18
19 2. Excess Capacity

20 Q23. PLEASE COMMENT ON THE STAFF "EXCESS CAPACITY"
21 ADJUSTMENTS TO PLANT-IN-SERVICE.

22 A23. First, as previously indicated, the Company has proposed to remove the cost of
23 upsizing the storage tank at Water Plant No. 3 from its original design of 340,000
24 gallons to 540,000 gallons (190,000 gallon upsize costing \$72,350). The cost of
25

26 ²¹ See Rebuttal Adjustment 1-C on Rebuttal Schedule B-2, page 3.

1 capacity currently reflected in rate base is for a 340,000 gallon storage tank. For
2 the reasons discussed in Mark Taylor's Rebuttal Testimony, the Company believes
3 the decision to design and construct at least 340,000 gallons of capacity at Water
4 Plant No. 3 was both prudent and necessary based on information it possessed at
5 the time it made the decision to proceed with construction. Therefore, the entire
6 cost of the 340,000 storage capacity should be considered used and useful and
7 reflected in rate base.

8
9 **Q24. ON WHAT BASIS DO YOU CONCLUDE THAT THE CONSTRUCTION**
10 **OF 340,000 GALLONS OF STORAGE CAPACITY AT WATER PLANT**
11 **NO. 3 WAS REASONABLE AND PRUDENT?**

12 A24. The circumstances surrounding the decision to design and construct the storage
13 tank are discussed in the Rebuttal Testimony of Mark Taylor and I will not repeat
14 that testimony here. That said, I would point out that the Company's decision to
15 size the storage capacity at the 340,000 gallon level should be evaluated based on
16 facts and surrounding circumstances at the time and the information that was
17 known to the Company.²² The Company was required to make the decision in the
18 2006-2007 time frame, at which time the Company obviously could not have
19 known exactly how many customers it would have in 2009. Instead, the Company
20 evaluated customer growth information then available to it at the time, coupled
21 with previous customer growth, and reasonably assumed such growth would
22 continue for the next several years. In short, in light of Mr. Taylor's testimony,
23 and Mr. Shiner's testimony on the history and development of the Company's
24 system, there should be no question that GWC acted prudently in addressing the
25 needs of its customers and well as meeting the requirements and expectations of

26 ²² See ACC RI4-28103(A)(3)(1).

1 both regulators and good engineering practices.

2
3 **Q25. DO YOU AGREE WITH MR. SCOTT'S ANALYSIS OF CUSTOMER**
4 **GROWTH WITHIN THE NEXT FIVE YEARS?**

5 A25. I do not disagree with Mr. Scott that the Company is projected to have
6 approximately 875 customers by 2014 based upon data from 2004 to 2010.²³ In
7 that regard, Staff's historical practice is to evaluate a utility's capacity requirements
8 using a five-year planning horizon, as measured from the end of the test period.²⁴
9 However, I disagree with the proposition that Mr. Scott's analysis should serve as
10 the basis for determining "excess" capacity.²⁵ Labeling storage capacity as
11 "excess" implies the Company acted imprudently, which it did not. Using data
12 from 2009 and 2010, and arguably 2008, is an after-the-fact analysis, or a form of
13 "Monday morning quarterbacking." This data was not available to the Company at
14 the time the decision was made to construct the Water Plant No. 3 storage facilities
15 back in 2006-2007. As Mr. Taylor points out, using data from 2002 through 2007
16 and a 5-year planning horizon, the projected number of customers through 2012
17 would be over 1,100 customers.²⁶ And, according to Mr. Taylor, based upon the
18 correct design criteria from 2003 through 2008, the projected number of EDU's
19 through 2013 would again be over 1,100 EDU's.²⁷

20
21 **Q26. IS PLANT FOUND TO BE PRUDENTLY CONSTRUCTED ALSO USED**

22
23 ²³ See Direct Testimony of Marlin Scott Jr. ("Scott Dt.") at 4.

24 ²⁴ *Id.* at 4 and 5.

25 ²⁵ *Id.* at 5.

26 ²⁶ See Rebuttal Testimony of Mark Taylor ("Taylor Rb.") at 26.

27 ²⁷ *Id.*

1 **AND USEFUL?**

2 A26. Yes. It has been the policy of this Commission that plant investment found to be
3 prudent is also deemed to be used and useful. Mr. Steve Olea, Director - Utilities
4 Division, stated the following during an Open Meeting in the recent Gold Canyon
5 rate case:

6 ..[plant investment] can't be prudent and excess. It can't be
7 prudent and not be used and useful. It either is used and
8 useful or it isn't, and if it's not used and useful, then it's not
9 prudent.²⁸

10 In that regard, the predicate determination is whether construction of the plant in
11 question was a prudent decision as of the time the decision was made. In this
12 instance, the decision was made by GWC clearly was prudent.

13 Further, the Commission's long-standing practice of including prudently
14 financed plant in rate base is consistent with the Commission's regulations that
15 govern rate proceedings. In those regulations, the term "prudently invested" is
16 defined as follows:

17 Investments which under ordinary circumstances would be
18 deemed reasonable and not dishonest and obviously wasteful.
19 All investments shall be presumed to have been prudently
20 made, and such presumptions may be set aside only by clear
21 and convincing evidence that such investments were
22 imprudent when viewed in light of all relevant conditions
23 known or which in the exercise of reasonable judgment
24 should have been known, at the time such investments were
25 made.²⁹

25 ²⁸ See June 26 Open Meeting Transcript ("OM Tr.") at 105-06.

26 ²⁹ ACC RI4-28103(A)(3)(I).

1 In my opinion, it would be bad public policy for this Commission to deny
2 recognition of prudent investments. Such a policy would discourage utilities from
3 making investments to proactively address the needs of its customers. Further, it
4 places utilities in the proverbial "catch-22" whereby regulators (ADEQ, ADWR)
5 and sound engineering practices demand certain investments to be made while this
6 Commission only recognizes a portion of that investment. Finally, in this
7 particular instance, there is no "clear and convincing evidence" that the decision to
8 size and construct the 340,000 gallon storage reservoir at Water Plant No. 3 was
9 not prudent.

10
11 **Q27. STAFF IS ALSO RECOMMENDING EXCLUDING COSTS FOR SOME**
12 **TRANSMISSION AND DISTRIBUTION MAINS, LABELING THOSE**
13 **MAINS AS "EXCESS CAPACITY". CORRECT?**

14 A27. Yes. Staff is recommending excluding \$105,564 of transmission and distribution
15 main costs from plant-in-service.³⁰ Again, the Company disagrees with Staff.
16 These mains were installed with a reasonable expectation of customer growth
17 materializing. Further, as Mr. Taylor and Mr. Shiner discuss in their Rebuttal
18 Testimony, it was prudent to install these mains at the time they were installed in
19 order to avoid underground utility separation problems, unnecessary costs and
20 disruption of public roadways.

21
22 **Q28. WERE THESE MAINS FUNDED BY DEVELOPER ADVANCES IN AID**
23 **OF CONSTRUCTION?**

24 A28. Yes. All the transmission and distribution mains were funded with advances-in-aid
25

26 ³⁰ McMurry Dt. at 13.

1 of construction ("AIAC"). However, I should note that Staff did not make a
2 corresponding downward adjustment to AIAC.

3
4 **Q29. WHY DIDN'T STAFF ADJUST ADVANCES IN AID OF**
5 **CONSTRUCTION?**

6 A29. Based upon Staff responses to Company Data Request 1.1, it appears that Staff did
7 not determine that these mains were funded with AIAC. I should note, that based
8 upon Staff's response to Company Data Request 1.2, Staff does indicate that if it
9 found sufficient evidence that AIAC was used to fund this plant that it would make
10 the appropriate adjustments. Both of the Staff responses are attached hereto at
11 Rebuttal Exhibit TJB-RB2,

12
13 **Q30. WAS SUFFICIENT INFORMATION PROVIDED TO STAFF?**

14 A30. Yes. Two key pieces of evidence were provided to Staff demonstrating that all
15 transmission and distribution mains were funded with AIAC. They include: 1) a
16 summary schedule of line extension agreements and refunds provided in Company
17 response to Staff Data Request 1.3; and, 2) plant cost lead sheets provided in
18 Company response to Staff Data Request 4.2. Copies of these data responses are
19 attached hereto as Rebuttal Exhibit TJB-RB3. A summary of the information
20 contained in these documents is shown below:

21
22

<u>Plant Description</u>	<u>Reference</u>	<u>LXA Amount</u> <u>(see DR 1.3)</u>	<u>Plant Costs</u> <u>Lead Sheet</u> <u>(see DR 4.2)</u>
Trans. & Dist. Mains	Phase III Lead Sheet		\$ 122,779
Services	Phase III Lead Sheet		\$ 17,266
Hydrants	Phase III Lead Sheet		\$ 36,220
	Total Phase III	\$ 176,290	\$ 176,264
Trans. & Dist. Mains	Phase IV Lead Sheet		\$ 685,094

25
26

1	Services	Phase IV Lead Sheet		\$ 143,352
	Hydrants	Phase IV Lead Sheet		\$ 43,205
2		Total Phase IV	\$ 871,651	\$ 871,651
3	Trans. & Dist. Mains	Phase V Lead Sheet		\$ 174,757
	Services	Phase V Lead Sheet		\$ 97,051
4	Hydrants	Phase V Lead Sheet		\$ 35,352
5		Total Phase V	\$ 307,160	\$ 307,160

6 I am sure that upon actual review of this information Staff will address the matter
7 accordingly. Ultimately, if the Commission determines the costs of the mains
8 should be excluded from rate base then AIAC must also be excluded. The net
9 impact on rate base should be zero.

10
11 **Q31. PLEASE COMMENT ON RUCO'S PROPOSED "EXCESS CAPACITY"**
12 **ADJUSTMENTS TO PLANT-IN-SERVICE.**

13 A32. RUCO contends that approximately 43% of all plant is currently not used and
14 useful.³¹ RUCO bases its argument on the ratio between number of customer
15 connections at the end of 2010 (plus a 10 percent annual reserve margin) and the
16 number of customers at full build out.³² As discussed in Mr. Taylor's Rebuttal
17 Testimony, the Company strongly disagrees with RUCO's arithmetic approach and
18 resulting conclusion. Like Mr. Coley, I am not an engineer, but even I can see that
19 the basis of RUCO's recommendation does not reflect the principles of sound
20 engineering design and does not reflect the plant necessary to serve Goodman's
21 customers. Let me explain. Under RUCO's approach, RUCO eliminates 43% of
22 the cost of the 400,000 gallon storage tank at Water Plant No. 1, based on RUCO's
23 theoretical argument as to that capacity which is necessary. Whereas, the two (2)
24 professional engineers in the instant case, Mr. Scott and Mr. Taylor, both agree that

25 ³¹ See Direct Testimony of Timothy J. Coley ("Coley Dt.") at 18-19.

26 ³² *Id.*

1 the required capacity of the system exceeds 400,000 gallons and that the 400,000
2 gallon storage tank at Water Plant No. 1 is required.³³ Even RUCO admits that
3 this storage tank is needed. See RUCO response to Goodman Data Request GWC
4 1.15 attached hereto at Rebuttal Exhibit TJB-RB4. RUCO also eliminates 43% of
5 the meter costs even though there are only 649 meters installed at the end of the
6 test year and the fact that there were over 620 active customers at the end of the
7 test year. In other words, RUCO's recommendation only recognizes the cost of
8 about 370 meters (649 X 57%). Again, even RUCO admits that its
9 recommendations reflect less meter costs than are actually required to serve
10 customers. See RUCO response to Goodman Data Request GWC 1.16 attached at
11 Rebuttal Exhibit TJB-RB4. A third example is that RUCO eliminates 43% of the
12 cost of the Company's two (2) wells. Whereas, Mr. Scott and Mr. Taylor find that
13 both wells are necessary and used and useful.³⁴

14
15 **Q33. WHY DOES RUCO CONCLUDE THERE IS EXCESS CAPACITY?**

16 A33. RUCO believes the Company over-anticipated GWC's build-out date and
17 constructed plant to serve the projected build out.³⁵ However, Mr. Coley's
18 analysis is an after-the-fact analysis. As previously indicated, the Company acted
19 prudently in building plant based upon what was known at the time the plant design
20 and construction decisions were made. Even RUCO admits that the Company
21 would have had over 1,000 customers by the end of 2010 had the growth that
22 occurred in the 2005-2006 time frame continued.³⁶ Mr. Coley's after-the-fact

23 ³³ Scott Dt. at 5; Taylor Rb. at 6, 17-18, 23.

24 ³⁴ Scott Dt. at 4; Taylor Rb. at 5-6, 11-12, 17-18, 23.

25 ³⁵ Coley Dt. at 14.

26 ³⁶ Coley Dt. at 15.

1 analysis, which is simply based upon the number of current customers, ignores any
2 consideration of applicable system engineering and design requirements in meeting
3 fire flow capacity as well as customer usage demands. These requirements are
4 detailed in Mr. Taylor's Rebuttal Testimony.

5
6 **Q34. ON WHAT BASIS DOES RUCO CONCLUDE THAT ONLY A 10%
7 RESERVE MARGIN IS NECESSARY?**

8 A34. RUCO asserts that regulatory bodies usually require water and sewer companies to
9 maintain a constant reserve margin of 10%-20% of normal capacity.³⁷ However,
10 when pressed as to the basis for this assertion, RUCO could not cite any
11 authoritative reference. The one reference included in the response related to
12 electric utilities and this document related to peak level of energy use and not
13 planning, engineering, design, and construction criteria to meet expected growth.
14 See RUCO response to Goodman Water Company Data Request 1.10 attached
15 hereto at Rebuttal Exhibit TJB-RB3.

16
17 **Q35. IS IT POSSIBLE TO CONSTRUCT A SYSTEM SUCH THAT FOR EVERY
18 YEAR THERE IS ONLY A 10%-20% RESERVE MARGIN?**

19 A35. Given the inability to precisely predict customer growth and customer year-end
20 connections for each year, and the timeline for designing and constructing
21 "backbone" water plant, I seriously question if such finely-tuned engineering
22 would be possible. However, even as a non-engineer I recognize that meeting such
23 constraints on reserve margins would result in a much more costly system. This is
24 because the utility would typically have to build capacity in uneconomical
25

26 ³⁷ Coley Dt. at 19.

1 increments. For example, let's say current capacity plus a reserve 10% margin for
2 Year 1 of a water utility's operation requires a storage tank of 50,000 gallons. The
3 utility buys land and places a 50,000 gallon tank on the site. In year 2, because of
4 customer growth, another 50,000 gallon storage tank is required, assuming
5 continuation of the 10% reserve margin. Because there is no room on the existing
6 storage tank site (to allow room for expansion at the site would violate RUCO's
7 standard on excess capacity), the utility either has to demolish the existing 50,000
8 gallon tank and construct a new 100,000 gallon tank or the utility would need to
9 find additional land and construct a new 50,000 gallon storage tank. Either way, the
10 cost of storage for 100,000 of storage would be much higher -particularly because
11 of the additional engineering and permitting. Whereas, had a 100,000 gallon
12 storage site on that same site been constructed initially, the total cost would have
13 been substantially less.

14
15 **Q35. YOUR EXAMPLE SEEMS A BIT SIMPLISTIC. DOESN'T THE**
16 **CONSTRUCTION OF UTILITY PLANT TYPICALLY REQUIRE**
17 **SIGNIFICANT LEAD TIMES FOR ENGINEERING AND PERMITTING,**
18 **LET ALONE THE TIME TO PHYSICALLY CONSTRUCT THE PLANT?**

19 **A35.** Yes. In the above example, the utility would have to start planning, engineering
20 and permitting the new storage tank 1-2 years before the storage capacity is
21 needed. And, planning for capacity requires estimates of future customer growth
22 which inevitably turn out to be different than actual growth. Succinctly stated,
23 RUCO's assumed fine-tuning capacity addition approach is not realistic.

24
25 **Q36. PLEASE CONTINUE.**

26

1 A36. While there may be rare exceptions, it is generally much less costly to build one
2 large storage tank than to build two, or more, smaller storage tanks. The upsize of
3 the Company's 540,000 gallon tank in the instant case is a perfect example. The
4 upsize cost to increase the capacity of the originally planned 340,000 gallon tank
5 by 190,000 gallons to 540,000 was only \$72,350 out of a total cost of over
6 \$370,000. In other words, the cost per gallon on the 340,000 gallon tank was
7 approximately \$0.87 per gallon $((\$370,000 - \$72,350) / 340,000)$ whereas the cost
8 of the 190,000 gallon upsize was approximately \$0.38 per gallon
9 $(\$72,350 / 190,000)$ – far less than half the cost per gallon at the 340,000 gallon
10 capacity level.

11

12 **Q37. HAS RUCO PERFORMED ANY ANALYSIS TO DETERMINE WHAT**
13 **THE COST OF THE COMPANY'S WATER SYSTEM WOULD BE HAD**
14 **THE COMPANY CONSTRUCTED ITS SYSTEM IN ODER TO PROVIDE**
15 **FOR A 10% TO 20% RESERVE MARGIN EACH YEAR.**

16 A37. No. *See* RUCO response to Goodman Water Company Data Request GWC 1.9
17 attached hereto at Rebuttal Exhibit TJB-RB4. In my opinion, a system constructed
18 by Goodman under those constraints would have cost much more than the
19 Company's currently constructed system. Instead of discussing excess capacity in
20 the instant case, we would be discussing the prudence of that approach, which
21 would be difficult to defend in my opinion.

22

23 **Q38. ARE THE REALITIES OF SOUND PLANNING, ENGINEERING, AND**
24 **SYSTEM DESIGN, AS WELL AS GOOD PUBLIC POLICY, FACTORS**
25 **UNDERLYING THE COMMISSION'S HISTORICAL RELIANCE ON A**

26

1 FIVE YEAR PLANNING HORIZON TO DETERMINE WHETHER
2 THERE IS EXCESS CAPACITY?

3 A38. I believe so. Amazingly, RUCO believes that its proposal to use a 10% reserve
4 margin will incent utilities to build capacity to meet its customer needs, but offers
5 no tangible evidence to support that theoretical proposition.³⁸
6

7 Q39. HOW DO YOU RESPOND TO RUCO'S RELIANCE ON THE RECENT
8 GOLD CANYON RATE CASE TO SUPPORT ITS APPROACH?

9 A39. I am very familiar with that case, because I was both a consultant and witness for
10 the Company. RUCO's approach and computation of excess capacity in the Gold
11 Canyon rate case (Rehearing Decision 70624, dated November 19, 2008) was not
12 adopted. RUCO contended that over \$2.8 million of plant was excess capacity.³⁹
13 Instead, the Commission found there was excess capacity of \$1 million.⁴⁰ In my
14 opinion the Gold Canyon rate case (Rehearing Decision 70624, dated November
15 19, 2008) is an outlier and the Commission's decision was not based upon the
16 credible evidence in that case⁴¹ nor was it good public policy.
17

18 Q40. WHY?

19 A40. First, the Commission appears to have disregarded several key pieces of credible
20 and convincing evidence on capacity including its own Staff's engineering
21 analysis. Second, the finding that there was excess capacity disregarded the
22 Commission's long standing policy of the use of a 5 year planning horizon and
23

24 ³⁸ Coley Dt. at 26.

25 ³⁹ Decision 69664 at 6.

26 ⁴⁰ Decision 70624 at 9.

⁴¹ Decision 69664 at 5-7; Decision 70624 at 6-8.

1 disregarded its long standing policy that prudent investments should be recognized.
2 Utilities and investors rely on these policies when making investments. Changing
3 the rules of the road in mid-stream as the Commission did with Gold Canyon and
4 its investor increases uncertainty and investment risk and discourages utilities from
5 making necessary improvements to their systems in order to meet the needs of its
6 customers.

7
8 **Q41. ON PAGE 22 OF MR. COLEY'S TESTIMONY HE ASSERTS THAT THE**
9 **COMPANY'S PLANT-IN-SERVICE BALANCE INCLUDES THE COST OF**
10 **FIRE FLOW UPGRADES TO THE WATER PLANT #4 BOOSTER**
11 **STATION. IS THIS TRUE?**

12 A41. No. Mr. Wawrzyniak makes a similar assertion.⁴² Mr. Coley's and Mr.
13 Wawrzyniak's assertions are simply not true. As Mr. Shiner discusses in his
14 Rebuttal Testimony, the upgrade to the booster station from 1,100 gpm to 1,600
15 gpm was borne by D.R. Horton and the cost is not included in the Company's
16 plant-in-service balance and rate base.

17
18 **Q42. DO YOU HAVE ANY FURTHER COMMENTS REGARDING RUCO'S**
19 **EXCESS CAPACIY ADJUSTMENT?**

20 A42. RUCO has not demonstrated that any specific single piece of plant is in fact excess
21 capacity and not used and useful. See RUCO Response to Goodman Water
22 Company Data Request GWC 1.19 attached here to at Rebuttal Exhibit TJB-RB4.
23 Rather, RUCO uses the shotgun approach and reduces the cost of all plant without
24 consideration as to whether plant is actually necessary and used and useful.

25
26 ⁴² Wawrzyniak Dt. at 5-6.

1 Further, beside the obvious example listed earlier, RUCO has not performed any
2 engineering analysis to support its approach. It is merely based on a made up
3 arithmetic analysis which has no basis in sound planning, engineering, and system
4 design. To the contrary, RUCO's approach appears to simply achieve a significant
5 reduction in the Company's rate base and revenue requirement as a strategic
6 objective, without regard for the actual needs of the Company and its customers.
7

8 **Q43. PLEASE COMMENT ON MR. SCHOEMPERLEN'S PROPOSED "EXCESS**
9 **CAPACITY" ADJUSTMENTS TO RATE BASE.**

10 A43. Based on Mr. Schoemperlen's analysis of unconnected lots for Phase IV B&C and
11 Phase V of the system and "unplanned" capacity, he determined that 85.8 percent
12 of the capacity costs related to the those phases were unused.⁴³ Mr.
13 Schoemperlen's determined the cost of those phases to be equivalent to the 2008
14 plant additions totaling \$1,737,370.⁴⁴ He then removes 85.8 percent of the
15 \$1,737,370 or \$1,490,663 from the Company proposed rate base.⁴⁵
16

17 **Q44. WHAT IS "UNPLANNED" CAPACITY?**

18 A44. I am not sure. According to Mr. Taylor's Rebuttal testimony, the system is based
19 on a master plan and he discusses why and when construction was undertaken and
20 completed on each one of those phases. So I am confused by this term.
21

22 **Q45. WHAT'S WRONG WITH MR. SCHOEMPERLEN'S APPROACH?**

23 A45. Like the RUCO approach, Mr. Schoemperlen's approach ignores prudent system
24

24 ⁴³ See Direct Testimony of James Schoemperlen ("Schoemperlen Dt.") at 21-22.

25 ⁴⁴ Schoemperlen Dt. at 22; See also Schoemperlen Table 3.

26 ⁴⁵ See Schoemperlen Table 3.

1 planning, engineering and design. For example, Mr. Schoemperlen eliminates 85.8
2 percent of the storage tank at Water Plant #3 when even Staff's witness Mr. Scott
3 finds that at least 50 percent of the 530,000 gallons of storage (or 265,000 gallons)
4 is used and useful.⁴⁶ In yet another example, Mr. Schoemperlen removes 85.8 of
5 the booster station at Water plant #3 which was found to be entirely used and
6 useful by Mr. Scott.⁴⁷

7
8 **Q46. WHAT'S ELSE IS WRONG WITH MR. SCHOEMPERLEN'S**
9 **APPROACH?**

10 A46. In his analysis Mr. Schoemperlen appears to have no accommodation of reserve
11 capacity necessary for customer growth. In other words, Mr. Schoemperlen
12 ignores the practicalities of planning, designing, constructing and operating a water
13 system which necessarily requires reserve capacity.

14
15 **Q47. ANYTHING ELSE WRONG?**

16 A47. Assuming Mr. Schoemperlen's approach is appropriate, which it is not, Mr.
17 Schoemperlen incorrectly assumed that the 2008 plant additions comprised the
18 entirety of the Phase IV and V costs. This assumption was incorrect. Land costs
19 from Phase I, II, and III were included in the plant additions for 2008. Further,
20 some of the Phase IV costs were recorded in 2007. Just as important, however, is
21 the fact that over 57 percent of the cost of Phase IV and V was funded with

22
23 ⁴⁶ Remember, the Company has proposed storage capacity of 340,000 gallons by virtue of
24 removing the costs for the 190,000 gallon upsizing of the storage tank. Thus, the used and useful
25 storage capacity of the 340,000 gallons under Staff's approach is approximately 78% (265,000 /
26 340,000). Mr. Schoemperlen's approach would mean that only 14.2% of the storage capacity is
used and useful.

⁴⁷ Mr. Scott does not recommend any disallowance for the booster station and pumping
equipment at Water Plant #3. See Direct Testimony of Marlin Scott Jr.

1 developer AIAC and Mr. Schoemperlen failed to account for this AIAC in his
 2 proposed rate base adjustment. Based upon a full accounting of the costs and
 3 AIAC funding as well as proper ratemaking treatment, Mr. Schoemperlen's
 4 proposed rate base adjustment should be no more than \$741,257 – roughly half of
 5 what he computed, assuming the correctness of his analytical approach, which the
 6 Company does not.

7 Let me explain. The total of the Phase IV and V plant costs is \$2,057,746.
 8 Of this amount \$1,178,810 was funded with developer advances (AIAC). Mr.
 9 Schoemperlen's proposed adjustment to the plant costs is 85.8 percent, so the plant
 10 adjustment and AIAC adjustment would be \$1,765,546 (\$2,057,746 times 85.8%)
 11 and \$1,011,419 (1,178,810 times 85.8%), respectively. The net rate base
 12 adjustment is therefore \$754,127 (\$1,765,746 minus \$1,011,419) and not
 13 \$1,490,663 as Mr. Schoemperlen proposes.

14
 15 **Q48. HAVE YOU PREPARED AN ACCOUNTING OF THE PHASE IV AND**
 16 **PHASE V PLANT COSTS ALONG WITH THE ASSOCIATED AIAC?**

17 A48. Yes. Below is an accounting of the Phase IV and Phase V plant costs including
 18 land for water Plant #3 taken from the Company's work papers:

Phase	Year	Acct	Description	Cost	AIAC	% AIAC
IV	2008	303	Land and Land Rights	\$ 165,000		0.00%
IV	2008	304	Structure & Improv.	\$ 171,506		0.00%
IV	2008	330	Dist. Reserv. & Standpipe	\$ 470,080		0.00%
IV	2007	330	Dist. Reserv. & Standpipe	\$ 72,350		0.00%
IV	2008	331	Trans. and Dist. Mains	\$ 685,094	\$ 685,094	100.00%
IV	2008	333	Services	\$ 143,352	\$ 143,352	100.00%
IV	2008	335	Hydrants	\$ 43,205	\$ 43,205	100.00%
V	2009	331	Trans. and Dist. Mains	\$ 174,756	\$ 174,756	100.00%
V	2009	333	Services	\$ 97,051	\$ 97,051	100.00%
V	2009	335	Hydrants	\$ 35,352	\$ 35,352	100.00%
			Total	\$ 2,057,746	\$ 1,178,810	57.29%

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Q49. LET'S MOVE ON. PLEASE RESPOND TO MR. COLEY'S TESTIMONY REGARDING A HOOK-UP FEE.

A49. RUCO asserts that if the Company had a hook-up fee ("HUF") in place the overall increase in rates being proposed by the Company would have been mitigated.⁴⁸ While I do not necessarily disagree with Mr. Coley on this point, I do not believe a HUF was, or is, appropriate. Let me explain. Utility companies fund plant investment through one of four forms of capitalization: 1) Investor Equity; 2) Long-term Debt; 3) Advance-in-aid of Construction ("AIAC"); and, 4) Contributions in aid of Construction ("CIAC"). HUF's are a form of CIAC. AIAC and CIAC are forms of zero cost capital and the plant investment funded by AIAC and CIAC receives no recognition when computing the return (earnings) component of the revenue requirement. In other words, there is no rate base recognition of AIAC and CIAC funded plant.

Utilities should strive to maintain a balance between all the sources of capital. Imbalances can have detrimental effects on the long-term financial health of the utility. Higher proportions of zero cost capital (CIAC and AIAC) in a utility's total capitalization do not come without risk. Rate base can become very low and/or even negative over time. With a lower dollar return component in the revenue requirement due to a smaller rate base, a utility has less of an earnings cushion to internally fund needed capital improvements and/or cash flow higher than expected operating expenses. Such events can require curtailed payment of dividends to investors, thereby diminishing the utility's ability to attract new capital. CIAC funded plant receives no depreciation recovery in rates and

⁴⁸ Coley Dt. at 24.

1 therefore no cash flow. And, while AIAC funded plant does receive depreciation
2 recovery, the cash flow from depreciation is used to pay the refunds. Over time,
3 most AIAC reverts to, or becomes, CIAC.

4 In addition, zero cost capital plant eventually wears out and has to be
5 replaced. Utilities cannot always control the timing of when such replacement will
6 be required. Thus, a utility with a relative high proportion of zero cost capital may
7 have the benefit of being less costly to rate payers, but faces increased risks.
8 Ultimately, a balanced approach to capitalization of plant is required.

9 In this particular instance, the Company already has a high proportion of
10 zero cost capital in its total capitalization. In fact, the proportion of zero cost
11 capital in the Company's total capitalization is about 43% (47% of net plant
12 investment). The publicly traded water utilities have on average less than about
13 23% of zero cost capital in their total capitalization⁴⁹ – nearly one half the
14 proportion in GWC's capitalization. So, the proportion of zero cost capital in
15 GWC's total capitalization is already high to begin with compared to the publicly
16 traded water utilities. In my experience, smaller water utilities tend to rely more
17 heavily on zero cost capital because of their lack of access to the capital markets to
18 their inability attract capital. However, this does not mean that their higher
19 reliance on zero cost capital is financially healthy.

20 Finally, HUF's are designed to recover a only a portion of backbone plant
21 infrastructure costs such as wells, storage tanks, water treatment equipment, etc.
22 Typically, the proportion of the costs is that a HUF covers is about 30-40 percent.
23 The underlying reasons for this have been enumerated above. In my opinion, the
24 existence of a HUF, would have made only a small difference in the instant case.

25
26 ⁴⁹ Based upon data from the 2010 10K's for the Water Proxy Group.

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Q50. PLEASE EXPLAIN.

A50. Assuming the Company had applied for and been authorized a HUF as early as the beginning of 2007, based upon the backbone infrastructure additions for 2007 through 2009 (about \$900,000 excluding land) and a full build out capacity of 1,288 equivalent 5/8x3/4 inch metered customers, the HUF would likely have been no more than \$470 for an equivalent 5/8 inch metered customer.

Q51. HAVE YOU PREPARED A COMPUTATION OF THE \$450 HUF BASED UPON THE TYPICAL APPROACH TO DESIGNING A HUF?

A51. Yes. Attached hereto as Rebuttal Exhibit TJB-RB5 is a schedule showing the HUF computation.

Q52. PLEASE CONTINUE.

A53. By the end of the test year (2009), Goodman would have collected approximately \$64,390 in HUF's (137 customers added from 2007 to 2009 x HUF of \$470). The impact on the revenue requirement would have been a total reduction of less than \$13,000 (HUF collections \$64,390 x rate of return of 10.2% x tax factor of 1.6286 plus depreciation computed as \$64,390 times 3.5 percent) which is less than 5 percent of the Company's requested increase and about 1.5 percent of the Company's required revenue requirement.

Q54. HOW WOULD THE HUF IMPACT THE PROPORTION OF ZERO COST CAPITAL IN TOTAL CAPITALIZATION FOR GOODMAN IN THE FUTURE?

1 A54. It would increase the proportion of zero cost capital. When the Company grows to
2 full build out, it will have collected approximately \$379,300 in HUF's (1,291
3 equivalent 5/8 inch metered customers at full build out – 484 customers at the end
4 of 2006 x HUF of \$470) adding another \$379,300 to CIAC (zero cost capital). The
5 HUF additions to zero cost capital would undoubtedly result in an increase in the
6 proportion of zero cost capital in GWC's total capitalization, which as I have
7 already testified would not be financially healthy. Of course, all this assumes that a
8 HUF would have been approved by this Commission in the first place.

9
10 **Q55. DID THE COMPANY PREVIOUSLY APPLY FOR A HUF AT THE**
11 **DIRECTION OF THE COMMISSION?**

12 A56. Yes. The Company applied for a HUF in 2007.⁵⁰ However, Staff did not
13 recommend approval of the HUF.⁵¹ Part of the reason was the high proportion of
14 zero cost capital in Goodman's total capitalization. The other reason is the
15 proposed project costs would not benefit the entire system. A copy of email
16 correspondence between the Company and Staff citing both of these as reasons is
17 attached hereto at Rebuttal Exhibit TJB-RB6.

18
19 **Q57. DOES THE HIGHER PROPORTION OF ZERO COST CAPITAL IN**
20 **GWC'S TOTAL CAPITALIZATION RESULT IN A LOWER RATE**
21 **IMPACT COMPARED TO THE PUBLICLY TRADED UTILITIES?**

22 A57. Yes. By virtue of GWC's reliance on a high proportion of zero cost capital to fund
23 plant, ultimately the impact on rate payers per \$100 of plant investment recognized
24 in rate base is less than the publicly traded water utilities in the sample water utility

25 ⁵⁰ See Docket No. W-02500A-06-0281

26 ⁵¹ *Id.*

1 group ("Water Proxy Group") used in my cost of capital analysis. I will discuss
2 this in more detail in my Rebuttal Cost of Capital Testimony. For now, the
3 analysis shows that the impact on the revenue requirement from recognized rate
4 base investment for my Water Proxy Group is \$9.92 while that for GWC is \$8.99 –
5 over 10 percent higher for the Water Proxy Group. This analysis shows that
6 GWC's capitalization mix of AIAC, CIAC, equity and debt is more than
7 appropriate.

8 **B. Accumulated Depreciation.**

9
10 **Q58. PLEASE EXPLAIN YOUR ADJUSTMENTS TO ACCUMULATED
11 DEPRECIATION.**

12 A58. Rebuttal B-2 adjustment 2, as summarized on Rebuttal Schedule B-2, page 2,
13 consists of three adjustments labeled as "A", "B", and "C" on Rebuttal Schedule B-
14 2, page 4.

15 Adjustment A reclassifies accumulated depreciation related to the plant
16 reclassification discussed earlier. As with the plant reclassification, the net
17 adjustment to accumulated depreciation is zero.

18 Adjustment B reduces accumulated depreciation by \$4,015 which is the
19 accumulated depreciation related to the \$72,350 upsizing of the Water Plant No. 3
20 storage tank discussed earlier.

21 Adjustment C increases accumulated depreciation by \$6,533 which is a
22 correction to the accumulated depreciation balance in the Company's initial filing.
23 The error was identified by RUCO.⁵²

24 **Q59. PLEASE COMMENT ON STAFF'S ADJUSTMENTS TO ACCUMULATED**

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26 ⁵² See Direct Testimony of Timothy J. Coley ("Coley Dt.") at X.

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DEPRECIATION.

A59. Staff's accumulated depreciation reflects Staff's recommended plant adjustments. Assuming Staff's recommendations are adopted, the only disagreement I would have at this time is that the adjustment to plant for the \$14,600 shown in Mr. Scotts Table E-1 was reflected in Staff's A/D computation in 2008, but this plant was placed into service in 2002. At the very least, the adjustment should be reflected in 2006, the year after the end of the last test year. In that regard, it should be noted the \$14,600 of plant (12 inch main from Edwin Road to the end of the line) was found to be used and useful in the Company's prior rate case.

Q60. PLEASE COMMENT ON RUCO'S ADJUSTMENTS TO ACCUMULATED DEPRECIATION.

A60. RUCO's adjustment to A/D reflects RUCO recommended reduction to plant-in-service. Like its recommendation to reduce plant-in-service based upon RUCO's excess capacity adjustment, RUCO's adjustment to A/D is flawed.

Q61. DOES EITHER STAFF OR RUCO RECOMMEND THAT DEPRECIATION BE DEFERRED ON THE PLANT THEY DEEM EXCESS CAPACITY?

A61. No. If the Commission were to adopt the recommendation of either Staff or RUCO for excess capacity, the Commission should authorize an accounting order relating to deferred depreciation expense for future recovery.

C. Advances-in-aid of Construction ("AIAC").

Q62. DOES THE COMPANY PROPOSE ANY ADJUSTMENTS TO ADVANCES-

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IN-AID OF CONSTRUCTION?

A62. No. None of the Company's proposed adjustments to plant-in-service were funded with advances-in-aid of construction.

Q63. HAS STAFF PROPOSED ANY ADJUSTMENTS TO ADVANCES-IN-AID OF CONSTRUCTION?

A63. No. However, as I testified earlier, the transmission and distribution mains Staff seeks to eliminate from plant-in-service were funded with AIAC. Accordingly, Staff's recommendations are incomplete and will result in a mismatch between rate base and revenues and expenses if not corrected.

D. Accumulated Deferred Income Taxes ("ADITs").

Q64. HAS THE COMPANY PROPOSED A REBUTTAL ADJUSTMENT TO DEFERRED INCOME TAXES?

A64. Yes. In rebuttal B-2 adjustment 5, as shown on Schedule B-2, page 2, the Company's ADIT is decreased by \$5,713 from \$335,342 in its direct filing to \$129,629. The decrease reflects the Company's rebuttal proposed changes to PIS, accumulated depreciation, and AIAC. The details of the Company's rebuttal proposed ADIT adjustment is shown on Schedule B-2, page 7.

Q65. HAS STAFF PROPOSED ANY CHANGES TO THE COMPANY'S PROPOSED ACCUMLATED DEFERRED INCOME TAXES?

A65. No. However, since Staff has recommended changes to the Company's PIS balance, Staff should have made appropriate changes to accumulated deferred income taxes ("ADIT"). I have computed the ADIT balance based on the Staff

1 recommendations and Staff's ADIT balance should be reduced by approximately
2 \$47,349 to \$87,994 from \$135,342.

3
4 **Q66. HAVE YOU PREPARED AN ACCUMULATED DEFERRED INCOME**
5 **TAX COMPUTATION REFLECTING STAFF'S PROPOSED**
6 **DISALLOWANCES TO PLANT_IN_SERVICE?**

7 A66. Yes. Please see the computation of Staff's ADIT balance attached hereto at
8 Rebuttal Exhibit TJB-RB7.

9
10 **Q67. PLEASE COMMENT ON RUCO'S PROPOSED ACCUMMULATED**
11 **DEFERRED INCOME TAX BALANCE.**

12 A67. RUCO has attempted to compute an ADIT balance based upon its
13 recommendations. However, RUCO's tax basis of plant and AIAC balance used in
14 RUCO's computation of ADIT are incorrect.

15
16 **Q68. PLEASE EXPLAIN.**

17 A68. With respect to the tax basis of plant in RUCO's computation, RUCO has adjusted
18 the book plant-in-service balance but has not made corresponding adjustments to
19 the tax basis of plant. This creates a mismatch between book and tax. RUCO uses
20 the Company's proposed tax basis of plant from the Company's initial filing of
21 \$2,268,902.⁵³ The correct tax basis of plant based on RUCO's recommendations is
22 \$1,165,726. Based on the correct balance for the tax basis of plant, the fixed asset
23 component of RUCO's computation should not be an asset of \$130,449⁵⁴, but a
24 liability of \$209,521.

25 ⁵³ See RUCO Schedule TJC-7.

26 ⁵⁴ *Id.*

1 With respect to the AIAC balance, RUCO uses the Company's unadjusted
2 balance of \$2,101,905 in the AIAC component computation. RUCO's adjusted
3 balance of AIAC per its recommendations is \$1,195,540⁵⁵, not \$2,101,905. The
4 result of this error is to overstate the computed asset component.

5 I have computed the ADIT balance based on the RUCO recommendations
6 and RUCO's ADIT balance should be a net ADIT liability of \$99,053 and not a net
7 ADIT asset of \$324,952. Please see the computation of RUCO's ADIT balance
8 attached hereto at Rebuttal Exhibit TJB-RB8.

9
10 **IV. INCOME STATEMENT**

11 **Q69. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**
12 **REBUTTAL ADJUSTMENTS TO REVENUES AND EXPENSES AND**
13 **IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF**
14 **AND/OR RUCO?**

15 **A69.** The Company's proposed rebuttal adjustments are detailed on Rebuttal Schedule
16 C-2, pages 1-8. The rebuttal income statement with adjustments is summarized on
17 Rebuttal Schedule C-1, page 1-2.

18 Rebuttal adjustment 1 increases depreciation and amortization expense.
19 Depreciation and amortization expense is higher due to the impacts of the
20 Company's proposed rebuttal adjustments to plant-in-service.

21 Rebuttal adjustment number 2 adjusts property tax expense to reflect the
22 rebuttal adjusted revenues.

23 Rebuttal adjustment number 3 increases annual rate case expense. The
24 Company is proposing total rate case expense of \$160,000 amortized over 4 years.

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26 ⁵⁵ *Id.*

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Compare this to the \$80,000 amortized over 4 years the Company proposed in its initial filing.

Q70. WHY IS THE COMPANY PROPOSING A SUBSTANTIAL INCREASE TO RATE CASE EXPENSE?

A70. Because there have been significant changes to the anticipated level of activity in this rate case. First, RUCO has intervened in this case which was not anticipated. In my experience, RUCO typically does not get involved in Class C and smaller company rate cases. Whatever the reason RUCO chose to intervene in the instant case RUCO's intervention has and will cause a significant increase in costs. Second, there are major differences between the parties with respect to rate base and revenue requirement at this stage of the proceeding that are unlikely to be resolved by hearing.

Q71. WHAT IS THE COST OF THE RATE CASE THIS FAR?

A71. Not including the preparation of the Company's rebuttal testimony, schedules and exhibits, the Company has incurred more than \$84,000 of rate case expense through the end of March 2010. This amount does not include the preparation of the Company's rebuttal filing. We still have two more rounds of testimony (rebuttal and surrebuttal), a hearing, post hearing briefing, and an Open Meeting. As a consequence, the Company believes total rate case expense could approach \$200,000, but it is requesting recognition of only \$160,000 in order to mitigate the magnitude of the rate increase.

Q72. WHAT DO STAFF AND RUCO PROPOSE FOR RATE CASE EXPENSE?

1 A72. At this stage, both Staff and RUCO have adopted the Company's initial request of
2 \$80,000 normalized over 4 years or \$20,000 for the test year.
3

4 **Q73. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE COMPANY'S**
5 **REVENUE AND EXPENSE ADJUSTMENTS.**

6 A73. Rebuttal adjustment 4 revises the Company initial revenue annualization proposal.
7 The revision is based upon a revised bill count.
8

9 **Q74. PLEASE EXPLAIN THE REASONS FOR THE CHANGE IN THE BILL**
10 **COUNT.**

11 A74. Since its initial filing, the Company discovered deficiencies in its original bill
12 count. There are two primary reasons for the deficiencies. First, the original bill
13 count information did not contain bill counts for zero usage. This deficiency
14 understated the bill counts. Second, the original bill count information did not
15 account for pro-rated bills. Pro-rated bills are those where the billed party at a
16 location changed during the month. The original bill count counted a billed party
17 change at a location in a month as 2 bills rather than 1. For example, DR Horton
18 may have been the billed party at a location until the home was sold and transferred
19 to the new home owner. Technically, there were two bills during the month.
20 However, the bill count should only reflect the equivalent of 1 bill otherwise the
21 bill count will reflect two full monthly minimums. This deficiency overstated the
22 bill counts.

23 The aforementioned deficiencies have an impact on the Company's revenue
24 annualization because the revenue annualization computes annual revenues based
25 upon the year-end customer count. Some of the year-end customer costs were too
26

1 low and as a result the computed annual revenues were understated. In addition to
2 the correcting these deficiencies, some of the annualization computations were
3 incorrect. These computational errors have been corrected.

4
5 **Q75. WHAT IS THE CHANGE IN THE COMPANY'S REVENUE**
6 **ANNUALIZATION PROPOSAL?**

7 A75. The Company is now proposing a revenue annualization of \$14,349 compared to
8 its initial recommendation of \$(7,359).⁵⁶

9
10 **Q76. HAVE YOU PROVIDED STAFF AND RUCO WITH THE REVISED BILL**
11 **COUNT?**

12 A76. Yes. A copy of the revised by count was provided in response to RUCO Data
13 Request 3.01.

14
15 **Q77. WHAT ARE STAFF'S AND RUCO'S RECOMMENDATIONS WITH**
16 **RESPECT TO THE COMPANY'S INITIAL REVENUE**
17 **ANNUALIZATION?**

18 A77. Both Staff and RUCO have eliminated the Company's revenue annualization
19 proposal.⁵⁷ Staff and/or RUCO may revise their recommendations in the future so
20 I will not further address either party's direct testimony on this subject at this time.

21
22 **Q78. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE COMPANY'S**
23 **PROPOSED REVENUE AND EXPENSE ADJUSTMENTS.**

24 A78. Rebuttal adjustment 5 increases water testing expense by \$1,568 to the level

25 ⁵⁶ See Rebuttal Schedule C-2, page 5.

26 ⁵⁷ Coley Dt. at 33; McMurry Dt. at 15.

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recommended by Staff.⁵⁸

Rebuttal adjustment 6 adjusts purchased power based on the Company's revised revenue annualization.

Rebuttal adjustment 7 synchronizes interest expense with the Company's rebuttal proposed rate base.

Rebuttal Adjustment 8 computes income taxes based upon the Company proposed rebuttal revenue and expense.

Q79. HAVE YOU CHANGED YOUR APPROACH TO COMPUTING THE TEST YEAR ADJUSTED INCOME TAXES?

A79. Yes. I have adopted Staff's method of computing the adjusted test year income taxes and computation of the gross-up factor primarily to eliminate issues of comparability of the test year level of adjusted operating expenses and adjusted operating income.

A. Remaining Revenue and Expense Issues.

Q80. PLEASE COMMENT ON RUCO'S PROPOSAL TO REDUCE SALARIES AND WAGES.

A80. RUCO proposes to reduce salaries and wages by \$4,986 from \$40,000 to \$35,014 based upon wages and salaries authorized in the Company's prior case, as adjusted for inflation during the period September 30, 2005 to June 30, 2010.⁵⁹ Mr. Coley's analysis is flawed for several reasons. First, Mr. Sears' salary is a fraction of the salary commanded by top water utility executives such as him, who earn on

⁵⁸ McMurry Dt. at 15.

⁵⁹ Coley Dt. at 34.

1 average over \$118,000 to \$153,000 annually.⁶⁰ Accordingly, the Company's
2 proposed \$40,000 annual salary is very reasonable. If GWC were to hire someone
3 other than Mr. Sears to perform the same duties as Mr. Sears, the annual
4 compensation required would be much higher. In my opinion, the value of Mr.
5 Sears's services to GWC is no less than \$40,000 annually and rate payers are
6 getting a bargain.

7 Second, new rates will be in effect sometime in the later part of 2010
8 through the Company's next rate case which may be 3 to 4 years from now, say
9 2013 or 2014. Yet, Mr. Coley does not allow for inflation beyond June 2010. We
10 are now well into 2011 and rates will not be set until the latter part of this year. I
11 find it difficult to understand Mr. Coley's statement that his recommendation
12 sustains the same buying power of Mr. Sears.⁶¹ Further, Mr. Sears did not receive
13 annual pay increases even though as the Company grew he was spending more
14 time on Company business. As Mr. Shiner notes in his Rebuttal Testimony, Mr.
15 Sears' responsibilities and time devoted to Company matters increased between
16 2005 and 2009.

17
18 **Q81. DOES THE FACT THAT MR. SEARS IS A SHAREHOLDER IN THE**
19 **COMPANY HAVE ANY BEARING ON THE PROPOSED \$40,000 OF**
20 **COMPENSATION?**

21 A82. No. But, Mr. Coley seems to think so.⁶² Mr. Sears's compensation reflects the
22 value of the services he provides to the Company. Mr. Coley appears to suggest
23 that the dividend payment made to shareholders (Mr. Sears and Mr. Shiner) in

24 ⁶⁰ Water Utility Compensation Survey 2009, American Water Works Association, page 19.

25 ⁶¹ Coley Dt. at 34.

26 ⁶² Coley Dt. at 36.

1 2009 should be treated as compensation for services. This view is incorrect.
2 Investors are compensated for the risks of their investments. If Mr. Sears were not
3 an employee he would still have the opportunity to receive a dividend as an
4 investor. Further, the dividend paid in 2009 amounts to a one year yield dividend
5 yield of far less than the annual dividend yield of the publicly traded water utilities.
6 If, for example, we assume GWC had the same market-to-book ratio of the
7 publicly traded water companies the dividend yield would be equivalent to 2.2%.
8 The publicly traded utilities currently pay a dividend yield of 3.3% and have an
9 expected dividend yield of over 3.5%.⁶³ But, the 2009 dividend payment reflects
10 only part of the investment history of Mr. Sears and Mr. Shiner. More
11 specifically, GWC has not previously paid a dividend and may not be able to pay
12 dividends in the future. Averaged over the 9 years (since 2001), the average
13 dividend equates to \$9,000 per year. In present value terms using a discount rate of
14 10% the 2009 \$90,000 dividend payment is equivalent to about \$58,000. Putting
15 aside the question of what is adequate compensation for Mr. Sears for his services,
16 in my opinion he and Mr. Shiner are not being adequately compensated for their
17 investment in GWC.

18
19 **Q83. PLEASE COMMENT ON RUCO'S PROPOSAL TO REDUCE OUTSIDE**
20 **SERVICES.**

21 A83. RUCO proposes to reduce the contractual services costs of Mr. Shiner by \$2,493
22 from \$20,000 to \$17,507 based upon Mr. Shiner original \$16,000 fee adjusted for
23 inflation during the period September 30, 2005 to June 30, 2010.⁶⁴ RUCO's
24 proposal suffers from the same flaws as RUCO's proposal to reduce salaries and

25 ⁶³ See Rebuttal Schedule D-4.8,

26 ⁶⁴ Coley Dt. at 34.

1 wages for Mr. Sears. Moreover, as Mr. Shiner's Rebuttal Testimony indicates, his
 2 responsibilities and time devoted to the Company also increased between 2005 and
 3 2009. The Company proposed annual fees for Mr. Shiner of \$20,000 is more than
 4 reasonable and should be adopted.

5
 6 **V. RATE DESIGN**

7 **Q84. WHAT ARE THE COMPANY'S REBUTTAL PROPOSED RATES?**

8 A84. The rebuttal proposed rates are listed below.

9 All Classes

10 Meter	11 Monthly	12 Gallons included
13 <u>Size</u>	14 <u>Minimum</u>	15 <u>in Monthly Minimum</u>
16 5/8	17 \$ 52.20	18 0
19 3/4	20 \$ 78.30	21 0
22 1	23 \$ 130.50	24 0
25 1 1/2	26 \$ 261.01	27 0
28 2	29 \$ 417.61	30 0
31 3	32 \$ 835.22	33 0
34 4	35 \$1,305.04	36 0
37 6	38 \$2,610.07	39 0

40 The commodity charges and tiers by meter size are:

41 Residential, Commercial and Irrigation Class

42 Meter	43 Tier (gallons)	44 Charge
45 <u>Size</u>	46 <u>per 1,000 gallons</u>	
47 5/8x3/4 Residential	48 1 to 4,000	49 \$ 6.28
	50 4,001 to 10,000	51 \$11.27

1		Over 10,000	\$13.41
2	3/4 Residential	1 to 6,000	\$ 6.28
3		6,001 to 9,000	\$11.27
4		Over 9,000	\$13.41
5	1 Residential	1 to 10,000	\$ 6.30
6		10,001 to 25,000	\$11.27
7		Over 25,000	\$13.41
8	5/8x3/4 and 3/4		
9	Commercial, Irrigation	1 to 10,000	\$11.27
10		Over 10,000	\$13.41
11	1 Commercial, Irrigation	1 to 25,000	\$11.27
12		Over 25,000	\$13.41
13	1 1/2 Res., Com., Irr.	1 to 50,000	\$11.27
14		Over 50,000	\$13.41
15	2 Res., Com., Irr.	1 to 80,000	\$11.27
16		Over 80,000	\$13.41
17	3 Res., Com., Irr.	1 to 160,000	\$11.27
18		Over 160,000	\$13.41
19	4 Res., Com., Irr.	1 to 250,000	\$11.27
20		Over 250,000	\$13.41
21	6 Res., Com., Irr.	1 to 500,000	\$11.27
22		Over 500,000	\$13.41
23	<u>Standpipe (Construction)</u>		
24	All Meter Sizes	All gallons	\$13.41
25			
26			

1 Q85. WHAT IS THE IMPACT OF THE COMPANY'S REBUTTAL PROPOSED
2 RATES ON AN AVERAGE 5/8x3/4 INCH METERED RESIDENTIAL
3 CUSTOMER?

4 A85. The present monthly bill for a 5/8x3/4 inch metered residential customer using an
5 average of 5,520 gallons is \$66.98. The proposed monthly bill for a 5/8x3/4 inch
6 metered residential customer using an average of 5,520 gallons would be \$94.46,
7 an increase of \$27.47 or 41.01 percent compared to the present rates.

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1 **Q86. WHAT IS THE IMPACT OF THE COMPANY'S REBUTTAL PROPOSED**
2 **RATES ON AN AVERAGE 3/4 INCH METERED RESIDENTIAL**
3 **CUSTOMER?**

4 A86. The present monthly bill for a 3/4 inch metered residential customer using an
5 average of 6,028 gallons is \$91.08. The proposed monthly bill for a 5/8 inch
6 metered residential customer using an average of 6,028 gallons would be \$126.28,
7 an increase of \$35.19 or 38.64 percent compared to the present rates.

8
9 **Q87. PLEASE COMMENT ON THE STAFF PROPOSED RATE DESIGN.**

10 A87. Like the Company, Staff is proposing an inverted three tier design for the smaller
11 metered residential customers (5/8 inch and 3/4 inch) and an inverted two tier design
12 for the small commercial metered customers (5/8 inch and 3/4 inch), as well as 1
13 inch and larger metered customers (all classes), with the exception of 1 inch
14 residential and construction water. The break-over points are the same for both
15 Staff and the Company. In terms of revenue recovery from the monthly
16 minimums, the Staff rate design is similar to the Company's, although the
17 Company shifts more revenue recovery to the commodity rates than does Staff's.
18 Under the Staff rate design approximately 56.8% of revenues are recovered from
19 the monthly minimums whereas under the Company proposed rate design
20 approximately 53.3% of revenues are recovered from the monthly minimums. In
21 terms of revenue recovery from the month minimum and the first tier commodity
22 rates, Staff's rate design recovers approximately 75% from the monthly minimum
23 and first tier commodity rate while the Company's rate design recovers
24 approximately 73.9%.

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1 **Q88. PLEASE COMMENT ON THE RUCO PROPOSED RATE DESIGN.**

2 A88. Like the Company, RUCO is proposing an inverted three tier design for the smaller
3 metered residential customers (5/8 inch and 3/4 inch) and an inverted two tier design
4 for the small commercial metered customers (5/8 inch and 3/4 inch), as well as 1
5 inch and larger metered customers (all classes), with the exception of 1 inch
6 residential and construction water. The break-over points are the same for both
7 RUCO and the Company. In terms of revenue recovery from the monthly
8 minimums, the RUCO rate design is similar to the Company's although the
9 Company shifts more revenue recovery to the commodity rates than does RUCO's.
10 Under the RUCO rate design approximately 56% of revenues are recovered from
11 the monthly minimums, whereas under the Company proposed rate design
12 approximately 53.3% of revenues are recovered from the monthly minimums. In
13 terms of revenue recovery from the month minimum and the first tier commodity
14 rates, RUCO's rate design recovers approximately 77.5% from the monthly
15 minimum and first tier commodity rate while the Company's rate design recovers
16 approximately 73.9%.

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18 **Q89. HAVE YOU PREPARED SCHEDULES SHOWING THE REVENUE**
19 **RECOVERY FROM THE MONTHLY MINIMUMS AND THE**
20 **COMMODITY RATES UNDETR THE COMPANY'S, STAFF'S, AND**
21 **RUCO'S PROPOSED RATE DESIGNS?**

22 A89. Yes. Attached hereto at Rebuttal Exhibit TJB-RB9 are schedules showing the
23 revenues recovered from the monthly minimums and commodity rates for all of the
24 parties rate designs.

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1 Q90. IS THERE ANY DISAGREEMENT BETWEEN THE STAFF AND THE
2 COMPANY REGARDING SERVICE LINE AND METER INSTALLATION
3 CHARGES?

4 A90. No.

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6 Q91. IS THERE ANY DISAGREEMENT BETWEEN THE STAFF AND THE
7 COMPANY REGARDING MISCELLANEOUS CHARGES?

8 A91. No. The Company has agrees with Staff to eliminate the turn on/off charge⁶⁵, the
9 Company agrees with Staff's proposal to eliminate the after-hours service charges
10 for establishment and reconnection but increase the after-hours charge for all
11 services to \$50 which would apply to both the establishment fee and the
12 reconnection fee.⁶⁶

13
14 Q92. IS IT PROPER TO SET RATES AT LEVELS SIMILAR TO OTHER
15 WATER SYSTEMS IN THE SURROUNDING AREA AND/OR IN THE
16 STATE OF ARIZONA?

17 A92. No. Rates are, and must be, established using proper ratemaking cost of service
18 principles which necessarily involves an analysis of the costs required to serve each
19 utility's customers. Each system has its own unique characteristics and underlying
20 facts and circumstances which have an impact on the cost of service. GWC's
21 water system, for example, is constructed on a topography that is has appreciable
22 elevation changes in its territory which typically means higher construction costs.
23 GWC's system is also a relatively new system and construction costs for newer
24 systems are generally higher. Further, GWC is relatively small compared to many

25 ⁶⁵ McMurry Dt. at 25.

26 ⁶⁶ McMurry Dt. at 26-27.

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systems and has not yet achieved economies of scale like many larger systems.

Q93. ON PAGE 10 OF HIS TESTIMONY, MR. WAWRZYNIAK COMPARES GWC'S PROPOSED RATES WITH RATES OF WATER SYSTEMS IN THE SURROUNDING AREA. PLEASE COMMENT.

A93. Keeping in mind that each one of the systems Mr. Wawrzyniak cites has its own unique set of facts and circumstances surrounding its operations, financing, and plant requirements, let's briefly take a look at a these utilities. Lago Del Oro Water Company ("Lago Del Oro") is a much older and much larger system with over 6,400 customers. We do not know the nature of the plant and equipment required to serve its customers, but this utility has not filed a rate case in at least 15+ years and it would be reasonable to question whether Lago Del Oro's current rates reflect the current cost of service to its customers.

Ridgeview Utility Company ("Ridgeview") has not yet filed its first rate case so its current rates are still based upon the rates set in its initial CC&N application and decision. Initial rates are based upon projections which inevitably turn out to be different from actual experience. Again, it would be reasonable to question whether Ridgeview's current rates reflect the current cost of service to its customers.

Arizona Water Company ("Arizona Water") is one of the largest water utilities in Arizona with over 60,000 customers. I am not sure what rates are being shown for Arizona Water as it has numerous divisions across the State and possibly in the surrounding area.

Los Cerros Water Company ("Los Cerros") is an older system and its last rate case was in 1997. Like both Lago Del Oro and Ridgeview, its current rates

1 may not reflect its current cost of service.

2 Oro Valley Water Company ("Oro Valley") is owned and operated by the
3 Town of Oro Valley. It is an older system and the result of the Town's acquisition
4 of two pre-existing systems in 1995. It is also a fairly large system. But, just as
5 important, Oro Valley is not subject to income taxes or property taxes which
6 happened to be fairly significant components of the cost of service for private for-
7 profit systems.

8

9 **Q94. PLEASE COMMENT ON MR. SCHOEMPLERLEN'S TESTIMONY**
10 **REGARDING THE COST OF SERVICE.**

11 A94. As stated in the AWWA M-1 Manual ("M-1 Manual"):

12

13 In providing adequate water service to its customers, every
14 water utility must receive sufficient total revenue to ensure
15 the proper operation and maintenance (O&M), development
16 and perpetuation of the system, and maintenance of the
17 utility's financial integrity.⁶⁷

16

17 As discussed throughout my testimony as well as in the Rebuttal Testimony of Mr,
18 Taylor and Mr. Shiner, the system has been prudently constructed and financed,
19 and has and is prudently managed. The revenue requirement (or cost of service)
20 requested in the instant case meets the requirements set forth in the M-1 Manual.
21 All utilities have some level of reserve capacity to meet customer growth and must
22 plan and operate the utility for long-term success. That long-term success
23 ultimately benefits utility rate payers by their access to safe, reliable, and adequate
24 service for the long-term. Not recognizing prudent investment and the full cost of

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26 ⁶⁷ AWWA M-1 Manual at 1.

1 service in rates will not only place utilities in jeopardy but their rate payers as well.

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3 **Q92. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

4 A92. Yes. Although my silence on any issue not discussed herein does not necessarily
5 constitute agreement with Staff, RUCO, Mr. Wawrzyniak or Mr. Schoemperlen as
6 to matters or arguments I have not addressed.

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**Goodman Water Company
Docket No. W-02500A-10-0382**

**THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(RATE BASE, INCOME STATEMENT,
RATE DESIGN)**

May 2, 2011

EXHIBIT TJB-RB1

Guidelines for Cost Allocations and Affiliate Transactions:

The following Guidelines for Cost Allocations and Affiliate Transactions (Guidelines) are intended to provide guidance to jurisdictional regulatory authorities and regulated utilities and their affiliates in the development of procedures and recording of transactions for services and products between a regulated entity and affiliates. The prevailing premise of these Guidelines is that allocation methods should not result in subsidization of non-regulated services or products by regulated entities unless authorized by the jurisdictional regulatory authority. These Guidelines are not intended to be rules or regulations prescribing how cost allocations and affiliate transactions are to be handled. They are intended to provide a framework for regulated entities and regulatory authorities in the development of their own policies and procedures for cost allocations and affiliated transactions. Variation in regulatory environment may justify different cost allocation methods than those embodied in the Guidelines.

The Guidelines acknowledge and reference the use of several different practices and methods. It is intended that there be latitude in the application of these guidelines, subject to regulatory oversight. The implementation and compliance with these cost allocations and affiliate transaction guidelines, by regulated utilities under the authority of jurisdictional regulatory commissions, is subject to Federal and state law. Each state or Federal regulatory commission may have unique situations and circumstances that govern affiliate transactions, cost allocations, and/or service or product pricing standards. For example, The Public Utility Holding Company Act of 1935 requires registered holding company systems to price "at cost" the sale of goods and services and the undertaking of construction contracts between affiliate companies.

The Guidelines were developed by the NARUC Staff Subcommittee on Accounts in compliance with the Resolution passed on March 3, 1998 entitled "Resolution Regarding Cost Allocation for the Energy Industry" which directed the Staff Subcommittee on Accounts together with the Staff Subcommittees on Strategic Issues and Gas to prepare for NARUC's consideration, "Guidelines for Energy Cost Allocations." In addition, input was requested from other industry parties. Various levels of input were obtained in the development of the Guidelines from the Edison Electric Institute, American Gas Association, Securities and Exchange Commission, the Federal Energy Regulatory Commission, Rural Utilities Service and the National Rural Electric Cooperatives Association as well as staff of various state public utility commissions.

In some instances, non-structural safeguards as contained in these guidelines may not be sufficient to prevent market power problems in strategic markets such as the generation market. Problems arise when a firm has the ability to raise prices above market for a sustained period and/or impede output of a product or service. Such concerns have led some states to develop codes of conduct to govern relationships between the regulated utility and its non-regulated affiliates. Consideration should be given to any "unique" advantages an incumbent utility would have over competitors in an emerging market such as the retail energy market. A code of conduct should be used in conjunction with guidelines on cost allocations and affiliate transactions.

A. DEFINITIONS

1. Affiliates - companies that are related to each other due to common ownership or control.
2. Attestation Engagement - one in which a certified public accountant who is in the practice of public accounting is contracted to issue a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party.

3. Cost Allocation Manual (CAM) - an indexed compilation and documentation of a company's cost allocation policies and related procedures.
4. Cost Allocations - the methods or ratios used to apportion costs. A cost allocator can be based on the origin of costs, as in the case of cost drivers; cost-causative linkage of an indirect nature; or one or more overall factors (also known as general allocators).
5. Common Costs - costs associated with services or products that are of joint benefit between regulated and non-regulated business units.
6. Cost Driver - a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.
7. Direct Costs - costs which can be specifically identified with a particular service or product.
8. Fully Allocated costs - the sum of the direct costs plus an appropriate share of indirect costs.
9. Incremental pricing - pricing services or products on a basis of only the additional costs added by their operations while one or more pre-existing services or products support the fixed costs.
10. Indirect Costs - costs that cannot be identified with a particular service or product. This includes but not limited to overhead costs, administrative and general, and taxes.
11. Non-regulated - that which is not subject to regulation by regulatory authorities.
12. Prevailing Market Pricing - a generally accepted market value that can be substantiated by clearly comparable transactions, auction or appraisal.
13. Regulated - that which is subject to regulation by regulatory authorities.
14. Subsidization - the recovery of costs from one class of customers or business unit that are attributable to another.

B. COST ALLOCATION PRINCIPLES

The following allocation principles should be used whenever products or services are provided between a regulated utility and its non-regulated affiliate or division.

1. To the maximum extent practicable, in consideration of administrative costs, costs should be collected and classified on a direct basis for each asset, service or product provided.
2. The general method for charging indirect costs should be on a fully allocated cost basis. Under appropriate circumstances, regulatory authorities may consider incremental cost, prevailing market pricing or other methods for allocating costs and pricing transactions among affiliates.
3. To the extent possible, all direct and allocated costs between regulated and non-regulated services and products should be traceable on the books of the applicable regulated utility to the applicable Uniform System of Accounts. Documentation should be made available to the appropriate regulatory authority upon request regarding transactions between the regulated utility and its affiliates.
4. The allocation methods should apply to the regulated entity's affiliates in order to prevent

subsidization from, and ensure equitable cost sharing among the regulated entity and its affiliates, and vice versa.

5. All costs should be classified to services or products which, by their very nature, are either regulated, non-regulated, or common to both.

6. The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost between regulated and non-regulated services or products.

7. The indirect costs of each business unit, including the allocated costs of shared services, should be spread to the services or products to which they relate using relevant cost allocators.

C. COST ALLOCATION MANUAL (NOT TARIFFED)

Each entity that provides both regulated and non-regulated services or products should maintain a cost allocation manual (CAM) or its equivalent and notify the jurisdictional regulatory authorities of the CAM's existence. The determination of what, if any, information should be held confidential should be based on the statutes and rules of the regulatory agency that requires the information. Any entity required to provide notification of a CAM(s) should make arrangements as necessary and appropriate to ensure competitively sensitive information derived therefrom be kept confidential by the regulator. At a minimum, the CAM should contain the following:

1. An organization chart of the holding company, depicting all affiliates, and regulated entities.
2. A description of all assets, services and products provided to and from the regulated entity and each of its affiliates.
3. A description of all assets, services and products provided by the regulated entity to non-affiliates.
4. A description of the cost allocators and methods used by the regulated entity and the cost allocators and methods used by its affiliates related to the regulated services and products provided to the regulated entity.

D. AFFILIATE TRANSACTIONS (NOT TARIFFED)

The affiliate transactions pricing guidelines are based on two assumptions. First, affiliate transactions raise the concern of self-dealing where market forces do not necessarily drive prices. Second, utilities have a natural business incentive to shift costs from non-regulated competitive operations to regulated monopoly operations since recovery is more certain with captive ratepayers. Too much flexibility will lead to subsidization. However, if the affiliate transaction pricing guidelines are too rigid, economic transactions may be discouraged.

The objective of the affiliate transactions' guidelines is to lessen the possibility of subsidization in order to protect monopoly ratepayers and to help establish and preserve competition in the electric generation and the electric and gas supply markets. It provides ample flexibility to accommodate exceptions where the outcome is in the best interest of the utility, its ratepayers and competition. As with any transactions, the burden of proof for any exception from

the general rule rests with the proponent of the exception.

1. Generally, the price for services, products and the use of assets provided by a regulated entity to its non-regulated affiliates should be at the higher of fully allocated costs or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.

2. Generally, the price for services, products and the use of assets provided by a non-regulated affiliate to a regulated affiliate should be at the lower of fully allocated cost or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.

3. Generally, transfer of a capital asset from the utility to its non-regulated affiliate should be at the greater of prevailing market price or net book value, except as otherwise required by law or regulation. Generally, transfer of assets from an affiliate to the utility should be at the lower of prevailing market price or net book value, except as otherwise required by law or regulation. To determine prevailing market value, an appraisal should be required at certain value thresholds as determined by regulators.

4. Entities should maintain all information underlying affiliate transactions with the affiliated utility for a minimum of three years, or as required by law or regulation.

E. AUDIT REQUIREMENTS

1. An audit trail should exist with respect to all transactions between the regulated entity and its affiliates that relate to regulated services and products. The regulator should have complete access to all affiliate records necessary to ensure that cost allocations and affiliate transactions are conducted in accordance with the guidelines. Regulators should have complete access to affiliate records, consistent with state statutes, to ensure that the regulator has access to all relevant information necessary to evaluate whether subsidization exists. The auditors, not the audited utilities, should determine what information is relevant for a particular audit objective. Limitations on access would compromise the audit process and impair audit independence.

2. Each regulated entity's cost allocation documentation should be made available to the company's internal auditors for periodic review of the allocation policy and process and to any jurisdictional regulatory authority when appropriate and upon request.

3. Any jurisdictional regulatory authority may request an independent attestation engagement of the CAM. The cost of any independent attestation engagement associated with the CAM, should be shared between regulated and non-regulated operations consistent with the allocation of similar common costs.

4. Any audit of the CAM should not otherwise limit or restrict the authority of state regulatory authorities to have access to the books and records of and audit the operations of jurisdictional utilities.

5. Any entity required to provide access to its books and records should make arrangements as necessary and appropriate to ensure that competitively sensitive information derived therefrom be kept confidential by the regulator.

F. REPORTING REQUIREMENTS

1. The regulated entity should report annually the dollar amount of non-tariffed transactions

associated with the provision of each service or product and the use or sale of each asset for the following:

a. Those provided to each non-regulated affiliate.

b. Those received from each non-regulated affiliate.

c. Those provided to non-affiliated entities.

2. Any additional information needed to assure compliance with these Guidelines, such as cost of service data necessary to evaluate subsidization issues, should be provided.

**Goodman Water Company
Docket No. W-02500A-10-0382**

**THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(RATE BASE, INCOME STATEMENT,
RATE DESIGN)**

May 2, 2011

EXHIBIT TJB-RB2

**STAFF'S RESPONSES TO GOODMAN WATER COMPANY'S
FIRST SET OF DATA REQUESTS TO
ARIZONA CORPORATION COMMISSION UTILITY DIVISION STAFF
DOCKET NO. W-02500A-10-0382
April 25, 2011**

GWC - 1.1 Excess Capacity Adjustment, Transmission and Distribution Mains – Please explain why Staff did not make a corresponding adjustment to advances-in-aid of construction (“AIAC”) for its “excess capacity” adjustments to account 331 – Transmission and Distribution Mains.

RESPONSE:

The question misstates Staff’s testimony. Staff adjusted transmission and distribution mains to remove plant that was deemed not used or useful, not due to excess capacity. Staff made no adjustment to AIAC because it made no association between AIAC and the disallowed plant.

RESPONDENT: Gary T. McMurry, Public Utilities Analyst IV

GWC - 1.2 Advances-in-aid of Construction (“AIAC”) – If the transmission and distribution mains, identified as being “excess capacity” by Staff and removed from plant-in-service, had been funded through one or more refundable line extension agreement(s), would it be appropriate to make a corresponding adjustment to AIAC? If not, why not?

RESPONSE:

Legitimate ratemaking reasons exist for AIAC to either follow or not follow the rate base treatment of the plant that it funded. In this case, if Staff were presented with sufficient support showing that AIAC funded all or a portion of the transmission and distribution mains disallowed as not used and useful, Staff would not oppose excluding an appropriately calculated portion of AIAC from the calculation of rate base. An appropriate calculation would recognize the proportions of AIAC, contributions-in-aid-of-construction and investor-provided capital used to fund the plant and the ratio of disallowed plant to plant cost for each disallowed plant component.

RESPONDENT: Gary T. McMurry, Public Utilities Analyst IV

**Goodman Water Company
Docket No. W-02500A-10-0382**

**THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(RATE BASE, INCOME STATEMENT,
RATE DESIGN)**

May 2, 2011

EXHIBIT TJB-RB3

GOODMAN WATER COMPANY
SUMMARY OF LINE EXTENSION AGREEMENT REFUNDS
5/5/10 9:45 AM

Refund Date	Refund Period	PHASE I LOTS 1-218	PHASE II LOTS 219-377	PHASE III LOTS 378-477 & 1001-1017	PHASE IV LOTS 478-728477 & Bld Phase 4A, 4B & 4C	PHASE V LOTS 729-920 Eagle Crest Ranch Phase 5
09/19/03	07/01/02 - 06/30/03		2,220.22			
10/01/04	07/01/03 - 06/30/04		6,816.88	not eligible		
08/13/05	07/01/04 - 06/30/05		9,407.15	2,597.91		
08/13/05	07/01/05 - 06/30/06		9,640.82	5,929.49	not eligible	
08/15/07	07/01/06 - 06/30/07		12,216.95	6,533.43	452.10	
08/15/08	07/01/07 - 06/30/08		21,726.03	13,021.54	3,436.40	
08/15/09	07/01/08 - 06/30/09		22,768.39	12,824.12	4,846.21	
	TOTALS BY PHASE:	\$ 84,796.44	\$ 41,006.49	\$ 12,963.87	\$ 8,734.71	\$ 447.74
	Total Refund	\$ 2,220.22	\$ 6,816.88	\$ 12,005.06	\$ 16,326.25	\$ 22,003.55
						\$ 42,989.65
						\$ 45,587.64
						\$ 147,949.25

LXA Date: 02/28/02
LXA Expires: 09/01/02
LXA Amount: \$ 600,000.00
LXA Balance: \$ 515,203.56

NOTES:
Sales:
Phase 1:
Bulk water sales are excluded from amounts eligible for refunds.
Line Extension Agreement Dated February 28, 2002. Phase 1 eligible for refunds the earlier of the first month after 180 days from agreement date (September 1, 2002 and terminating September 1, 2012), or upon acceptance of facilities.
Refund amount is 10% of eligible sales for 10 years.
Maximum refund is 90% of total LXA amount
Line Extension Agreement Dated April 14, 2004. Phase 2 eligible for refunds the earlier of the first month after 180 days from agreement date (November 1, 2004 and terminating November 1, 2014), or upon acceptance of facilities.
Refund amount is 10% of eligible sales for 10 years.
Maximum refund is 90% of total LXA amount
Line Extension Agreement Dated August 3, 2005. Phase 3 eligible for refunds the earlier of the first month after 180 days from agreement date (February 1, 2005 and terminating February 1, 2031), or upon acceptance of facilities.
Refund amount is 5% of eligible sales for 25 years.
Maximum refund is 90% of total LXA amount
Line Extension Agreement Dated August 31, 2006. Phase 4 eligible for refunds the earlier of the first month after 180 days from agreement date (March 1, 2007 and terminating March 1, 2032), or upon acceptance of facilities.
Refund amount is 5% of eligible sales for 25 years.
Maximum refund is 90% of total LXA amount
Line Extension Agreement Dated March 6, 2008. Phase 5 eligible for refunds the first month after 180 days from agreement date (October 2008), or upon acceptance of facilities, whichever is earlier.
Refund amount is 5% of eligible sales for 25 years.
Maximum refund is 100% of total LXA amount.

GOODMAN WATER COMPANY
 PHASE III
 COSTS ALLOCATION

PLANT & EQUIPMENT ACCOUNT ALLOCATION

	ACTUAL	SALES TAX	TOTAL	PLANT & EQUIPMENT ACCOUNT ALLOCATION							
				TRANSMISSION & DISTRIBUTION MAINS	SERVICES	HYDRANTS	STRUCTURES & IMPROVEMENTS	OTHER PLANT & MISC EQUIPMENT			
BORDERLAND - WATER - PHASE 3 A *											
8" CL 200 C-900 WATERMAIN	46,449.05	2,214.04	48,663.09	48,663.09							
6" CL 200 C-900 WATERMAIN	5,129.40	244.50	5,373.90	5,373.90							
8" DIP CL-350	2,180.00	103.91	2,283.91	2,283.91							
8" VALVE	4,260.00	203.06	4,463.06	4,463.06							
6" VALVE	2,575.00	122.74	2,697.74	2,697.74							
2" MODIFIED DRAIN VALVE ASSEMBLY	1,400.00	66.73	1,466.73	1,466.73							
2" DRAIN VALVE ASSEMBLY	540.00	25.74	565.74	565.74							
3/4" AIR RELEASE VALVE ASSEMBLY	1,390.00	66.26	1,456.26	1,456.26							
FIRE HYDRANT	7,840.00	373.70	8,213.70	8,213.70						8,213.70	
3/4" SINGLE SERVICE	3,030.00	144.43	3,174.43	3,174.43						3,174.43	
1" DOUBLE SERVICE	15,080.00	718.80	15,798.80	15,798.80						15,798.80	
CONNECT TO EXISTING	2,250.00	107.25	2,357.25	2,357.25							
TOTAL - WATER PHASE 3A	92,123.45	4,391.16	96,514.61	96,514.61						27,186.93	
					(9.09)						
BORDERLAND - WATER - PHASE 3 B *											
8" CL 200 C-900 WATERMAIN	35,550.00	1,525.10	37,075.10	37,075.10							
8" VALVE	2,130.00	91.38	2,221.38	2,221.38							
6" VALVE	1,545.00	66.28	1,611.28	1,611.28							
2" MODIFIED DRAIN VALVE ASSEMBLY	1,400.00	60.06	1,460.06	1,460.06							
FIRE HYDRANT	5,880.00	252.25	6,132.25	6,132.25						6,132.25	
3/4" SINGLE SERVICE	5,150.00	220.94	5,370.94	5,370.94						5,370.94	
1" DOUBLE SERVICE	10,080.00	432.43	10,512.43	10,512.43						10,512.43	
CONNECT TO EXISTING	1,200.00	51.48	1,251.48	1,251.48							
TOTAL - WATER PHASE 3B	62,935.00	2,699.92	65,634.92	65,634.92						15,883.37	6,132.25
BORDERLAND - UTILITIES *											
UTILITY TRENCH - PHASE 3A (25%)	5,437.50	233.27	5,670.77	5,670.77							5,670.77
UTILITY TRENCH - PHASE 3B (25%)	3,225.00	136.35	3,363.35	3,363.35							3,363.35
TOTAL - UTILITIES	8,662.50	371.62	9,034.12	9,034.12							9,034.12
TOTAL - BORDERLAND COSTS	163,720.95	7,462.70	171,183.65	171,183.65						15,883.37	33,319.18
* BORDERLAND INVOICE #5156 DATED 04/20/05											9,034.12
INTERACTIVE CONTROL; PROJ. 04415											
JANC EXCAVATION; INV 05-97			118,637.31	118,637.31							118,637.31
JANC EXCAVATION; INV 05-97			1,173.45	1,173.45							1,173.45
RICHARD CANNEY ENGINEERING											
INV 4109-1			7,800.00	7,800.00							7,800.00
INV 4109-2			3,968.00	3,968.00							3,968.00
SMYTH'S STEEL; INV 1101			350.00	350.00							350.00
TOTAL HARD COSTS			\$ 303,112.41	\$ 303,112.41						\$ 15,883.37	\$ 33,319.18
										\$ 1,173.45	\$ 139,789.43

WESTLAND INVOICES

INV 29202055	1,567.81
INV 29202056	4,766.16
INV 29202057	1,924.90
INV 29202059	4,641.66
INV 29202061	1,745.58
INV 29202062	362.50
INV 29202063	309.50
INV 29202065	1,703.05
INV 29202066	794.32
INV 29202067	431.25
INV 29210009	372.75
INV 29210010	138.00
INV 29210011	1,843.21
INV 29210012	906.40
TOTAL WESTLAND	<u>21,507.09</u>

GOODMAN WATER CO
 REVIEW FEES

4,878.00
\$ 26,385.09

TOTAL SOFT COSTS

COST ALLOCATION SUMMARY

	TOTAL	TRANSMISSION & DISTRIBUTION MAINS	SERVICES	HYDRANTS	STRUCTURES & IMPROVEMENTS	OTHER PLANT & MISC EQUIPMENT
HARD COSTS	\$ 303,112.41	\$ 112,946.98	\$ 15,883.37	\$ 33,319.18	\$ 1,173.45	\$ 139,789.43
HARD COSTS %	100%	37.3%	5.2%	11.0%	0.4%	46.1%
% SHARE OF SOFT COST	\$ 26,385.09	\$ 9,831.72	\$ 1,382.60	\$ 2,900.34	\$ 102.15	\$ 12,168.28
TOTAL COST ALLOCATION	\$ 329,497.50	\$ 122,778.70	\$ 17,265.97	\$ 36,219.52	\$ 1,275.60	\$ 151,957.71

GOODMAN WATER COMPANY
 PHASE IV
 COSTS ALLOCATION

PLANT & EQUIPMENT ACCOUNT ALLOCATION

	ACTUAL	SALES TAX	TOTAL	TRANSMISSION & DISTRIBUTION LINES	SERVICES	HYDRAULICS	STRUCTURES & RESERVOIRS & IMPROVEMENTS STORAGE TANKS	ELECTRIC PUMPING EQUIPMENT	OTHER PLANT & MISC EQUIPMENT
BORDERLAND - WATER - PHASE 4A									
12" CL 200 C-900 WATERMAIN	255,880.50	10,977.27	266,857.77	266,857.77					
8" CL 200 C-900 WATERMAIN	151,536.00	6,500.89	158,036.89	158,036.89					
6" CL 200 C-900 WATERMAIN	4,384.80	188.11	4,572.91	4,572.91					
12" VALVE	13,455.00	577.22	14,032.22	14,032.22					
8" VALVE	15,485.00	664.31	16,149.31	16,149.31					
6" VALVE	7,200.00	308.88	7,508.88	7,508.88					
2" DRAIN VALVE ASSEMBLY	8,040.00	344.92	8,384.92	8,384.92		22,657.00			
FIRE HYDRANT	21,725.00	932.00	22,657.00	22,657.00					
1" SINGLE SERVICE	27,170.00	1,165.59	28,335.59	28,335.59	28,335.59				
3/4" SINGLE SERVICE	10,620.00	455.60	11,075.60	11,075.60	11,075.60				
1" DOUBLE SERVICE	38,160.00	1,637.06	39,797.06	39,797.06	39,797.06				
CONNECT TO EXISTING	4,020.00	172.46	4,192.46	4,192.46	4,192.46				
TOTAL - WATER PHASE 4A	557,676.30	23,924.31	581,600.61	479,735.36	79,208.25	22,657.00			
BORDERLAND - WATER - PHASE 4C									
12" CL 200 C-900 WATERMAIN	30,478.50	1,307.52	31,786.02	31,786.02					
8" CL 200 C-900 WATERMAIN	56,925.00	2,442.08	59,367.08	59,367.08					
6" CL 200 C-900 WATERMAIN	32,760.00	1,405.40	34,165.40	34,165.40					
12" VALVE	1,540.00	65.07	1,605.07	1,605.07					
8" VALVE	3,320.00	142.43	3,462.43	3,462.43					
6" VALVE	4,305.00	184.68	4,489.68	4,489.68					
2" DRAIN VALVE ASSEMBLY	3,350.00	143.72	3,493.72	3,493.72		10,298.64			
FIRE HYDRANT	9,875.00	423.64	10,298.64	10,298.64					
2" IRRIGATION SERVICE	1,525.00	65.42	1,590.42	1,590.42	1,590.42				
3/4" SINGLE SERVICE	9,150.00	392.54	9,542.54	9,542.54	9,542.54				
1" DOUBLE SERVICE	33,970.00	1,457.31	35,427.31	35,427.31	35,427.31				
CONNECT TO EXISTING	2,010.00	86.23	2,096.23	2,096.23	2,096.23				
TOTAL - WATER PHASE 4C	189,208.50	8,117.04	197,325.54	140,466.63	46,560.27	10,298.64			
BORDERLAND - CHANGE ORDERS									
#9	5,770.00	247.54	6,017.54					6,017.54	
#10	50,024.55	2,146.05	52,170.60	33,017.74	10,913.95	8,238.91			
TOTAL - CHANGE ORDERS	55,794.55	2,393.60	58,188.15	33,017.74	10,913.95	8,238.91			
TOTAL - BORDERLAND COSTS	802,679.35	34,434.95	837,114.30	653,219.73	136,682.47	41,194.55			
SMYTHE STEEL									
SITE WORK	34,325.00	1,472.54	35,797.54					35,797.54	
5,000 GALLON HYDRO-PNEUMATIC TANK	30,000.00	1,287.00	31,287.00					31,287.00	
AIR COMPRESSOR	7,500.00	321.75	7,821.75					7,821.75	
SITE PIPING	60,950.00	2,614.76	63,564.76					63,564.76	
1,200 GPM BOOSTER STATION	101,000.00	4,332.90	105,332.90					105,332.90	
ELECTRICAL EQUIPMENT	138,000.00	5,920.20	143,920.20					143,920.20	
MASONRY WALLS	81,000.00	3,474.90	84,474.90				64,474.90		
STORAGE SHED	4,000.00	171.60	4,171.60				4,171.60		
ROCK RIP-RAP	58,500.00	2,509.65	61,009.65				61,009.65		
14" GATE	7,500.00	321.75	7,821.75				7,821.75		
12" ACCESS ROAD	5,800.00	248.82	6,048.82				6,048.82		
CONSTRUCTION WATER	2,500.00	107.25	2,607.25				2,607.25		
3-40,000 RESERVOIR	285,500.00	12,247.95	297,747.95				297,747.95		

GOODMAN WATER COMPANY
PHASE IV
COSTS ALLOCATION

PLANT & EQUIPMENT ACCOUNT ALLOCATION

TRANSMISSION & DISTRIBUTION MAINT	SERVICES	HYDRANTS	STRUCTURES & IMPROVEMENTS	RESERVOIRS & STORAGE TANKS	ELECTRIC PUMPING EQUIPMENT	OTHER PLANT & MISC EQUIPMENT
-	-	-	153,526.72	438,826.25	249,253.10	-

ACTUAL	SALES TAX	TOTAL
816,575.00	35,031.07	851,606.07
69,373.86	2,976.14	72,350.00
1,688,028.21	72,442.16	1,761,070.36

EAGLE CREST WEST, LLC
UPSIZE RESERVOIR

72,350.00

TOTAL HARD COSTS

SOFT COSTS

WESTLAND INVOICES

WATER SYSTEM SUPPORT

INV 29202071	298.75
INV 29202072	263.70
INV 29210012	906.40
INV 29210013	445.75
INV 29210014	553.50
INV 29210015	234.50
INV 29210016	96.75
INV 29210017	152.50
INV 29210018	187.75
INV 29210019	202.50
INV 29210020	62.00
INV 29212012	72.75
INV 29219001	3,420.00
INV 29219002	190.00
INV 29219003	190.00

WATER PLAN REVIEW

ONSITE WATER INSPECTION SERVICES

INV 29220001	8,250.00
INV 29220002	4,812.50
INV 29220003	687.50
INV 29221001	1,112.50
INV 29221002	2,225.00
INV 29221003	2,225.00
INV 29221004	1,112.50
INV 29221005	2,225.00
INV 29221006	2,225.00
INV 29221007	2,225.00
INV 29221008	3,337.50
INV 29221009	8,590.00
INV 29221010	47,436.65

TOTAL WESTLAND

OPW ENGINEERING INVOICES

OFFSITE DESIGN

INV 11579	400.00
INV 11681	500.00
INV 11787	1,300.00
INV 11852	906.00
INV 12203	400.00
INV 12301	500.00

GOODMAN WATER COMPANY
 PHASE IV
 COSTS ALLOCATION

PLANT & EQUIPMENT ACCOUNT ALLOCATION

	ACTUAL	SALES TAX	TOTAL	TRANSMISSION & DISTRIBUTION LINES	SERVICES	HYDRAULICS	STRUCTURES & IMPROVEMENTS STORAGE TANKS	ELECTRIC PUMPING EQUIPMENT	OTHER PLANT & MISC EQUIPMENT
INV 12006			350.00						
INV 12811			750.00						
STAKING									
INV 13029			500.00						
INV 13124			2,800.00						
INV 13144			900.00						
INV 13209			5,200.00						
INV 13326			800.00						
INV 13601			157.50						
INV 13667			405.00						
INV 13726			787.50						
INV 13796			105.00						
PHASE 4 DESIGN									
INV 11478			750.37						
INV 11578			600.00						
INV 11682			950.73						
INV 11786			3,067.73						
INV 11861			1,241.49						
INV 11924			221.59						
INV 12012			39.14						
INV 12111			55.54						
INV 12201			447.14						
INV 12271			5,911.59						
INV 12300			282.32						
INV 12361			532.90						
INV 12456			3,256.76						
INV 12538			752.07						
INV 12600			1,382.92						
INV 12712			789.80						
INV 12773			515.68						
INV 12828			432.78						
INV 12902			291.06						
INV 12926			39.11						
INV 13967			198.84						
TOTAL OPW ENGINEERING			38,495.50						
TOTAL SOFT COSTS		\$	85,933.41						

TOTAL OPW ENGINEERING

TOTAL SOFT COSTS

	TOTAL	TRANSMISSION & DISTRIBUTION LINES	SERVICES	HYDRAULICS	STRUCTURES & IMPROVEMENTS STORAGE TANKS	ELECTRIC PUMPING EQUIPMENT	OTHER PLANT & MISC EQUIPMENT
COST ALLOCATION SUMMARY							
HARD COSTS	\$ 1,761,070.36	\$ 653,219.73	\$ 136,602.47	\$ 41,194.55	\$ 163,526.72	\$ 517,193.79	\$ 249,253.10
HARD COSTS %	100%	37.09%	7.76%	2.34%	9.29%	29.37%	14.15%
% SHARE OF SOFT COST	\$ 85,933.41	\$ 31,874.59	\$ 6,609.57	\$ 2,010.13	\$ 7,979.47	\$ 25,237.05	\$ 12,162.59
TOTAL COST ALLOCATION	\$ 1,847,003.77	\$ 685,094.32	\$ 143,252.04	\$ 43,204.68	\$ 171,506.19	\$ 542,430.84	\$ 261,415.69

470050.54 - 2/2008
 72360.00 - 12/2007
 542430.54

GOODMAN WATER COMPANY
PHASE V
COSTS ALLOCATION

PLANT & EQUIPMENT ACCOUNT ALLOCATION

	ACTUAL	SALES TAX	TOTAL	TRANSMISSION & DISTRIBUTION MAINS	SERVICES	HYDRANTS
BORDERLAND - WATER - PHASE 5						
8" CL 200 C-900 WATERMAIN	129,985.50	5,576.38	135,561.88	135,561.88		
6" CL 200 C-900 WATERMAIN	13,200.00	566.28	13,766.28	13,766.28		
8" VALVE						
6" VALVE						
2" DRAIN VALVE ASSEMBLY	30,680.00	1,316.17	31,996.17			31,996.17
FIRE HYDRANT	3,525.00	151.22	3,676.22	3,676.22		
3/4" AIR RELEASE VALVE						
1" IRRIGATION SERVICE	27,195.00	1,166.67	28,361.67		28,361.67	
3/4" SINGLE SERVICE	46,250.00	1,984.13	48,234.13		48,234.13	
1" SINGLE SERVICE	10,780.00	482.46	11,242.46		11,242.46	
1" DOUBLE SERVICE	4,950.00	212.36	5,162.36	5,162.36		
CONNECT TO EXISTING						
TOTAL - WATER PHASE 5	266,565.50	11,435.66	278,001.17	158,166.74	87,838.26	31,996.17
				001		
				001		
BORDERLAND - WATER - OFFSITE/ECCR BLVD						
12" CL 200 C-900 WATERMAIN						
8" CL 200 C-900 WATERMAIN						
12" VALVE						
8" VALVE						
DRAIN VALVE ASSEMBLY						
1" AIR RELEASE VALVE						
CONNECT TO EXISTING						
TOTAL - WATER PHASE 5						
TOTAL - BORDERLAND COSTS	266,565.50	11,435.66	278,001.17	158,166.74	87,838.26	31,996.17
TOTAL HARD COSTS			\$ 278,001.17	\$ 158,166.74	\$ 87,838.26	\$ 31,996.17
						0.00

GOODMAN WATER COMPANY
 PHASE V
 COSTS ALLOCATION

PLANT & EQUIPMENT ACCOUNT ALLOCATION

TRANSMISSION & DISTRIBUTION MAINS SERVICES HYDRANTS

ACTUAL SALES TAX TOTAL

WESTLAND INVOICES - PROJECT 0292.10

INV 29210018	255.00
INV 29210019	111.50
INV 29210020	542.87
INV 29210021	405.00
INV 29210022	80.10
TOTAL WESTLAND - REVIEW FEES	<u>1,394.47</u>

WESTLAND INVOICES - PROJECT 0292.23

INV 29223001	4,500.00
INV 29223002	1,800.00
INV 29223003	900.00
INV 29223004	900.00
INV 29223005	900.00
INV 29223006	2,700.00
INV 29223007	900.00
TOTAL WESTLAND - INSPECTION FEES	<u>12,600.00</u>

OPW ENGINEERING INVOICES - PROJECT 92004-500

INV 11863	330.00
INV 11925	240.00
INV 12043	120.00
INV 12107	2,040.00
INV 12202 (Add service/M. Wadlington)	1,440.00
INV 12329	1,445.00
INV 12369	890.00
INV 12537	600.00
INV 12605	200.00
INV 12829	200.00
INV 12927	100.00
INV 13888	107.00
INV 14028	367.50
TOTAL OPW ENGINEERING - DESIGN	<u>8,679.50</u>
50% of Preliminary Water & Sewer & 100% of Final Onsite Water = 1250+ 6940 = 8,190	

OPW ENGINEERING INVOICES - PROJECT 92004-CS-500

INV 13254	385.00
INV 14028	5,100.00
INV 14240	1,000.00
TOTAL OPW ENGINEERING - STAKING	<u>6,485.00</u>

TOTAL SOFT COSTS

\$ 29,158.97

PLANT & EQUIPMENT ACCOUNT ALLOCATION

GOODMAN WATER COMPANY
 PHASE V
 COSTS ALLOCATION

ACTUAL	SALES TAX	TOTAL

TRANSMISSION & DISTRIBUTION MAINS	SERVICES	HYDRANTS

COST ALLOCATION SUMMARY

	TOTAL	TRANSMISSION & DISTRIBUTION MAINS	SERVICES	HYDRANTS
HARD COSTS	\$ 278,001.17	\$ 158,166.74	\$ 87,838.26	\$ 31,996.17
HARD COSTS %	100%	56.9%	31.6%	11.5%
% SHARE OF SOFT COST	\$ 29,158.97	\$ 16,589.78	\$ 9,213.17	\$ 3,356.01
TOTAL COST ALLOCATION	\$ 307,160.14	\$ 174,756.52	\$ 97,051.43	\$ 35,352.18

**Goodman Water Company
Docket No. W-02500A-10-0382**

**THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(RATE BASE, INCOME STATEMENT,
RATE DESIGN)**

May 2, 2011

EXHIBIT TJB-RB4

RUCO'S RESPONSES TO
INTERVENOR WAWRZYNIAK/SCHOEMPERLEN
FIRST SET OF DATA REQUESTS
(DOCKET NO. W-02500A-10-0382)

GWC – 1.9 "Excess Capacity" – Please provide a cost estimate of the cost of the Company's system had Goodman Water Company constructed its system to provide for a 10%-20% margin of reserve at the end of each year.

Response: Timothy J. Coley

RUCO did not perform such a cost estimate analysis to account for a 10 to 20 percent margin of reserve at the end of each year. However, as a Company reaches build-out, the margin of reserve should be enough to meet peak demand and fire flow requirements demanded.

RUCO'S RESPONSES TO
INTERVENOR WAWRZYNIAK/SCHOEMPERLEN
FIRST SET OF DATA REQUESTS
(DOCKET NO. W-02500A-10-0382)

GWC – 1.10 "Excess Capacity" – Please provide authoritative written reference(s) to support Mr. Coley's statement that "regulatory bodies usually require water and sewer companies and producers [of] transmission facilities to maintain a constant reserve of 10-20% of normal capacity as insurance against breakdowns in part of the system or sudden increases in demand". Where possible, please provide specific citations to regulatory decisions, treatises, articles, etc.

Response: Timothy J. Coley

RUCO has no authoritative written reference(s), and not speaking as an engineer (See RUCO's response in GWC 1.24), it is my general experience that all utilities are required to have a varying level of reserve margin that exceeds the peak usage. For example, wastewater utilities are required to file for permitting additional capacity when 80 percent of the plant's total capacity has been reached. The electric utilities are required to have reserve margins over peak usage, which vary from state to state. Also, please see the attached documentation. The same holds for water utilities (i.e. fire flow) and the need to have capacity to serve existing and some level of future customer growth.

RESPONSE TO GWC 1.10

[Show](#)

Energy Dictionary



reserve margin, reserve capacity

A measure of available capacity over and above the capacity needed to meet normal peak demand levels. Reserve margin and reserve capacity are synonymous. For a producer of energy, it refers to the capacity of a producer to generate more energy than the system normally requires. For a transmission company, it refers to the capacity of the transmission infrastructure to handle additional energy transport if demand levels rise beyond expected peak levels.

Regulatory bodies usually require producers and transmission facilities to maintain a constant reserve margin of 10-20% of normal capacity as insurance against breakdowns in part of the system or sudden increases in energy demand.

See also:

[system reserve](#), [operating reserve](#), [required system reserve](#), [capacity](#), [peak demand](#), [transmission](#), [TRANSCO](#)

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RUCO'S RESPONSES TO
INTERVENOR WAWRZYNIAK/SCHOEMPERLEN
FIRST SET OF DATA REQUESTS
(DOCKET NO. W-02500A-10-0382)

GWC – 1.15 Storage Capacity – Does RUCO agree or disagree with the Staff engineering analysis and conclusions that “the entire 400,000 gallon storage tank is needed because both wells pump into this tank and this tank serves as the chlorine contact chamber. In addition, this tank serves as the main storage for fire flow protection of a majority of the water system.” If not, please explain why not. If RUCO agrees with the Staff engineering analysis and conclusions, please explain why RUCO only recognizes 56.88% of the cost of the 400,000 gallons storage tank.

Response: Timothy J. Coley

RUCO agrees with the Staff engineering analysis and conclusions that “the entire 400,000 gallon storage tank is needed because both wells pump into that tank and the tank serves as the chlorine contact chamber. In addition, the tank serves as the main storage for fire flow protection of a majority of the water system. RUCO will be recommending a revised excess storage capacity adjustment in surrebuttal testimony that reflects this recognition.

RUCO'S RESPONSES TO
INTERVENOR WAWRZYNIAK/SCHOEMPERLEN
FIRST SET OF DATA REQUESTS
(DOCKET NO. W-02500A-10-0382)

GWC – 1.16 Meters – If there are approximately 649 meters at a total cost of \$94,263 at the end of the test year, please explain why RUCO proposes to only allow 56.88% of the cost or \$53,616 for ratemaking purposes (see Schedule TJC-5, page 1 of 1)? Doesn't this imply there are only 363 meters needed to serve the year-end number of customers of over 620 customers? If not, please explain.

Response: Timothy J. Coley

RUCO agrees with the Company that the adjustment implies there are only 363 meters needed to serve the year-end number of customers of over 620 customers. RUCO's surrebuttal schedules will reflect that recognition.

RUCO'S RESPONSES TO
INTERVENOR WAWRZYNIAK/SCHOEMPERLEN
FIRST SET OF DATA REQUESTS
(DOCKET NO. W-02500A-10-0382)

GWC – 1.19 Admit or Deny – Admit that in its Direct Testimony in this case, RUCO did not specifically identify (by plant category, account or facility) any Goodman Water Company property, plant, and/or equipment that constituted “excess capacity”. If RUCO denies, please provide the details of such property, plant, and/or equipment that RUCO identified and any associated analysis upon which the “excess capacity” determinations were made.

Response: Timothy J. Coley

Admit.

**Goodman Water Company
Docket No. W-02500A-10-0382**

**THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(RATE BASE, INCOME STATEMENT,
RATE DESIGN)**

May 2, 2011

EXHIBIT TJB-RB5

Goodman Water Company
Computation of Off-Site Facilities Hook-up Fee (HUF)

Exhibit

Line
No.

1			
2	<u>Off-Site (backbone) Capital Expenditures</u>		
3	Construction Requirement (Based on actual costs 2007-2009)	\$	900,000
4			
5			
6			
7	Total [1]	<u>\$</u>	<u>900,000</u>

8

9 Anticipated Customer Growth¹ 740

10

11 Computation of Equivalent 5/8 Inch Meters

	Portion of Anticipated Growth	Projected Growth	Meter Flow Factor	Equivalent 5/8 Inch Meters
12				
13				
14	<u>Meter Size</u>			
15	5/8 Inch	98.92%	732	1.0 732
16	3/4 Inch	0.00%		1.5 -
17	1 Inch	0.54%	4	2.5 10
18	1 1/2 Inch	0.00%		5.0 -
19	2 Inch	0.54%	4	8.0 32
20	3 inch	0.00%		16.0 -
21	4 Inch	0.00%		25.0 -
22	6 Inch	0.00%		30.0 -
23		<u>100.00%</u>	<u>740</u>	<u>774</u>
24	Total Equivalent 5/8 Inch Meters [2]			774

25			
26	Construction Costs Expected to be Funded by HUF (Percent times [1] equals [3])	40%	\$ 360,000
27			
28	HUF for Equivalent 5/8 Inch Metered Customer (rounded down) ([3] divided by [2] equals [4])		\$ 470
29			

30 Proposed Off-site Facilities Hook-up Fees by Meter Size

Meter Size	Fee
31	
32	
33	5/8 Inch \$ 470 [4]
34	3/4 Inch \$ 705 Scaled on 5/8 meter flow
35	1 Inch \$ 1,175 Scaled on 5/8 meter flow
36	1 1/2 Inch \$ 2,350 Scaled on 5/8 meter flow
37	2 Inch \$ 3,760 Scaled on 5/8 meter flow
38	3 inch \$ 7,520 Scaled on 5/8 meter flow
39	4 Inch \$ 11,750 Scaled on 5/8 meter flow
40	6 Inch \$ 14,100 Scaled on 5/8 meter flow

41

42 ¹ Buildout of current certificated area is 958 5/8 inch customers. There were 484 5/8 inch customers at end of 2006. Expected additions

43 for 70 acres of commercial property within the existing CC&N is 258 - 5/8 inch metered customers, 4 - 1 inch metered customers,

44 and 4 - 2 inch metered customers.

**Goodman Water Company
Docket No. W-02500A-10-0382**

**THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(RATE BASE, INCOME STATEMENT,
RATE DESIGN)**

May 2, 2011

EXHIBIT TJB-RB6

Jackie Ziliox

From: McNulty, Michael [MMcNulty@lrlaw.com]
Sent: Tuesday, October 28, 2008 3:00 PM
To: Jim Shiner; Jackie Ziliox
Cc: McNulty, Michael
Subject: FW: Goodman Water Company cost projections

- Rate case

Jim:

Here's where things stand. See below.

You may recall that the ACC Commissioners insisted that we apply for a hook-up fee in the first place. I don't know if it is worth trying to push this string, but Kara may know more about their thinking.

Michael

-----Original Message-----

From: Marlin Scott Jr [mailto:MScottJr@azcc.gov]
Sent: Tuesday, October 28, 2008 2:38 PM
To: McNulty, Michael
Subject: RE: Goodman Water Company cost projections

Hi Michael,

Sorry to get back with you late, I was out of state at a conference and just got back today. Anyway, here's the update:

Commission Staff was proposing to deny the hook-up fee tariff because;
1) the majority of the Water Plant #3 plant facilities did not benefit the entire system, resulting in reduction of the plant cost, and 2) the high ratio of current AIAC and CIAC to the total capital. Based on these conclusions, Staff believed that Goodman Water Company was not a good candidate for a hook-up fee.

I will check with other Staff member that were assigned to this case to see if this is still the case and will get back with you.

Thanks.
Marlin

Marlin Scott, Jr.
Utilities Engineer
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
Phone: 602.542.7272
Email: mscottjr@azcc.gov

-----Original Message-----

From: McNulty, Michael [mailto:MMcNulty@lrlaw.com]
Sent: Monday, October 20, 2008 1:01 PM
To: Marlin Scott Jr
Cc: McNulty, Michael
Subject: FW: Goodman Water Company cost projections

Marlin:

In tracking back the email traffic on this, the last piece of correspondence I could find is ten months old. See below. Has the company's filing become official?

Thanks

Michael McNulty

0243.08

-----Original Message-----

From: kristen whatley [mailto:kwhatley@westlandresources.com]
Sent: Thursday, January 17, 2008 10:34 AM
To: McNulty, Michael
Subject: RE: Goodman Water Company cost projections

Hi Mike,

Yes, I would be the right person to talk with. I will give him a call.

Thanks,

Kristen

Kristen L. Whatley, P.E.
WestLand Resources, Inc.
4001 E. Paradise Falls Drive
Tucson, AZ 85712
Phone:520-206-9585
Fax:520-206-9518

-----Original Message-----

From: McNulty, Michael [mailto:MMcNulty@lrlaw.com]
Sent: Thursday, January 17, 2008 10:24 AM
To: kristen whatley
Cc: Jackie Ziliox
Subject: FW: Goodman Water Company cost projections

Kristen:

Are you the right person to talk with Marlin Scott?
Thnx
Michael

-----Original Message-----

From: Marlin Scott Jr [mailto:MScottJr@azcc.gov]
Sent: Thursday, January 17, 2008 9:02 AM
To: McNulty, Michael
Subject: RE: Goodman Water Company cost projections

Michael,

Thanks for the map. Now that I can vision the Water Plant #3 location, I would like to speak to someone who could tell me the operation of Water Plant #3, i.e., will storage at this site benefit the entire water system or only a portion of the water system?

Thanks.

~Marlin

Marlin Scott, Jr.
Utilities Engineer
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
Phone: 602.542.7272
Email: mscottjr@azcc.gov

-----Original Message-----

From: McNulty, Michael [mailto:MMcNulty@lrlaw.com]
Sent: Wednesday, January 16, 2008 3:35 PM
To: Marlin Scott Jr
Cc: Jackie Ziliox; McNulty, Michael

Subject: RE: Goodman Water Company cost projections

Marlin:

I think that the attached .pdf, prepared by Westland Resources, contains what you're looking for.

Michael

-----Original Message-----

From: Marlin Scott Jr [mailto:MScottJr@azcc.gov]

Sent: Wednesday, January 09, 2008 4:02 PM

To: McNulty, Michael

Subject: RE: Goodman Water Company cost projections

Michael,

One more request. Is it possible to provide me a subdivision map showing the location of the Water Plant No. 3 site with reference to the J-Zone and K-Zone as described below.

Thanks.

Marlin Scott, Jr.

Utilities Engineer

Arizona Corporation Commission

1200 West Washington Street

Phoenix, Arizona 85007

Phone: 602.542.7272

Email: mscottjr@azcc.gov

For more information about Lewis and Roca LLP, please go to www.lewisandroca.com.

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In accordance with Internal Revenue Service Circular 230, we advise you that if this email contains any tax advice, such tax advice was not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer.

Shaunna Lee-Rice

From: Lori Miller
Sent: Thursday, August 02, 2007 3:31 PM
To: Shaunna Lee-Rice
Cc: Marlin Scott Jr
Subject: REQUEST FOR ADMINISTRATIVE CLOSURE - 07-0452

Docket No. W-02500A-07-0452 was issued a new matter number in error. After Staff's review of the filing made on July 31, 2007, it was determined that this filing is actually a compliance filing to Decision No. 69404 (Docket No. W-02500A-06-0281). Therefore, 07-0452 should be administratively closed and placed in 06-0281 as a compliance matter.

Should you have any questions, please let me know.

Thank you,

--Lori Miller
Arizona Corporation Commission
Utilities Division
Programs & Projects Specialist II

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Arizona Corporation Commission
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BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman

WILLIAM A. MUNDELL
Commissioner

JEFF HATCH-MILLER
Commissioner

KRISTIN K. MAYES
Commissioner

GARY PIERCE
Commissioner

IN THE MATTER OF THE APPLICATION OF
GOODMAN WATER COMPANY FOR
REVIEW AND APPROVAL OF PROPOSED
HOOK-UP FEE TARIFF

DOCKET NO. W-02500A-07-
APPLICATION

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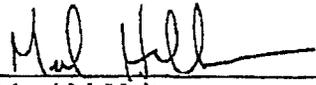
In compliance with Decision No. 69404, dated April 16, 2007, Goodman Water Company ("Goodman") submits for Staff's review this proposed Hook-Up Fee Tariff. The proposed Hook-Up Fee Tariff and related hook-up fees would be applicable to new customer connections to Goodman's system. The capital expenditures related to the proposed hook-up fees pertain to Goodman's construction requirements for the 2008-2011 time period. The anticipated new customer growth during this period is 724 new customer connections. The off-site facilities in question include a well #3 and related equipment and engineering. The proportion of anticipated construction costs proposed to be funded by the proposed hook-up fees is 40%.

Attached to this Application as Exhibit "A" is a schedule setting forth the assumptions and estimated future capital expenditures upon which the proposed hook-up fees are based. Exhibit

1 "A" also sets forth by meter size the amount of proposed hook-up fee applicable to each meter
2 size, as well as the or percentage of anticipated new growth each meter size represents. Attached
3 to this Application as Exhibit "B" is a copy of a proposed Hook-Up Fee Tariff.

4 Goodman Water Company requests that the Commission review the proposed Hook-Up
5 Fee Tariff and hook-up fees which are the subject of this Application and issue an order approving
6 the tariff and related hook-up fees.

7
8 RESPECTFULLY SUBMITTED this 31st day of July, 2007.

9
10
11 By: 

12 Michael McNulty
13 Michael Hallam
14 Lewis and Roca LLP
15 One South Church Avenue
16 Suite 700
17 Tucson, Arizona 85701-1611
18 Phone: (520) 629-4453
19 Fax: (520) 879-4732

20 Attorneys for Goodman Water Company

21 ORIGINAL and thirteen (13)
22 copies of the foregoing filed this
23 31st day of July, 2007, with:

24 Arizona Corporation Commission
25 Docket Control – Utilities Division
26 1200 W. Washington Street
Phoenix, Arizona 85007

1 COPY of the foregoing hand-delivered
2 this 3/5th day of July, 2007, to:

3 Jane L. Rodda, Administrative Law Judge
4 Hearing Division
5 Arizona Corporation Commission
6 1200 W. Washington Street
7 Phoenix, Arizona 85007

8 Christopher C. Kempley, Chief Counsel
9 Legal Division
10 Arizona Corporation Commission
11 1200 W. Washington Street
12 Phoenix, Arizona 85007

13 Ernest G. Johnson, Director
14 Utilities Division
15 Arizona Corporation Commission
16 1200 W. Washington Street
17 Phoenix, Arizona 85007

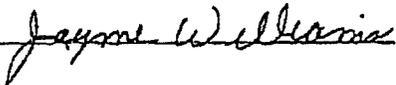
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EXHIBIT A

Goodman Water Company
Computation of Off-Site Facilities Hook-up Fee (HUF)

Exhibit A

Line					
<u>No.</u>					
1					
2	<u>Off-Site Capital Expenditure Requirements 2008-2011</u>				
3	Well # 3 and related equipment including engineering and contingency				\$ 940,000
4					
5					
6					
7	Total [1]				<u>\$ 940,000</u>
8					
9	Anticipated Customer Growth ¹	724			
10					
11	<u>Computation of Equivalent 5/8 Inch Meters</u>				
12					
13		Portion of	Projected	Meter	Equivalent
14	<u>Meter Size</u>	<u>Anticipated Growth</u>	<u>Growth</u>	<u>Flow</u>	<u>5/8 Inch Meters</u>
15	5/8 Inch	98.90%	716	1.0	716
16	3/4 Inch	0.00%		1.5	-
17	1 Inch	0.55%	4	2.5	10
18	1 1/2 Inch	0.00%		5.0	-
19	2 Inch	0.55%	4	8.0	32
20	3 inch	0.00%		16.0	-
21	4 Inch	0.00%		25.0	-
22	6 Inch	0.00%		30.0	-
23		<u>100.00%</u>	<u>724</u>		<u>758</u>
24	Total Equivalent 5/8 Inch Meters [2]				758
25					
26	Construction Costs Expected to be Funded by HUF (Percent times [1] equals [3])			40%	\$ 376,000
27					
28	HUF for Equivalent 5/8 Inch Metered Customer (rounded down) ([3] divided by [2] equals [4])				\$ 500
29					
30	<u>Proposed Off-site Facilities Hook-up Fees by Meter Size</u>				
31					
32	<u>Meter Size</u>				
33	5/8 Inch	\$	500 [4]		
34	3/4 Inch	\$	750 Scaled on 5/8 meter flow		
35	1 Inch	\$	1,250 Scaled on 5/8 meter flow		
36	1 1/2 Inch	\$	2,500 Scaled on 5/8 meter flow		
37	2 Inch	\$	4,000 Scaled on 5/8 meter flow		
38	3 inch	\$	8,000 Scaled on 5/8 meter flow		
39	4 Inch	\$	12,500 Scaled on 5/8 meter flow		
40	6 Inch	\$	15,000 Scaled on 5/8 meter flow		

¹ Buildout of current certificate area is 958 customers. There are currently 500 customers. Expected additions for 70 acres of commercial property within the existing CC&N is 258 - 5/8 inch metered customers, 4 - 1 inch metered customers, and 4 - 2 inch metered customers.

EXHIBIT B

TARIFF SCHEDULE

Utility: Goodman Water Company
Docket No.: W-02500A-07
Phone No.: _____

Tariff Sheet No.: Page 1 of 3
Decision No.: _____
Effective: _____

OFF-SITE WATER FACILITIES HOOK-UP FEE

I. Purpose and Applicability

The purpose of the Off-Site Hook-Up Fees payable to Goodman Water Company ("Company") pursuant to this tariff is to equitably apportion the costs of constructing additional facilities to provide water production, storage and appropriate pressure among all new Service Connections.

These fees are applicable to all new Service Connections established after the effective date of this tariff. The fees are one-time charges and are payable as a condition to the Company's establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections.

"Company" means Goodman Water Company.

"Main Extension Agreement" means any agreement in which an Applicant agrees to advance the costs of the installation of water facilities to the Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Commission (same as line extension agreement).

"Off-Site Facilities" means wells, storage tanks and related appurtenances necessary for proper water system operation, including engineering and design costs. Off-Site Facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper water system operation, if these facilities are not for the exclusive use of an Applicant and these facilities will benefit the entire water system.

"Service Connection" means and includes all service connections for single-family residential, commercial, industrial, or other uses, regardless of meter size.

TARIFF SCHEDULE

Utility: Goodman Water Company
Docket No.: W-02500A-07
Phone No.: _____

Tariff Sheet No.: Page 2 of 3
Decision No.: _____
Effective: _____

III. Off-Site Hook-Up Charges

Each new Service Connection shall pay the total off-site facilities hookup fee, derived from the following table:

OFF-SITE FACILITIES HOOKUP FEE TABLE	
Meter Size	Total Fee
5/8"	\$500
3/4"	\$750
1"	\$1250
1 1/2 "	\$2500
2"	\$4000
3"	\$8000
4"	\$12,500
6" or larger	\$15,000

IV. Terms and Conditions

- (A) Assessment of One Time Hook-Up Charge: The hook-up fee may be assessed only once per Service Connection, or lot within a platted subdivision (similar to meter and service line installation charges). However, this provision does not exempt from the hook-up fee, any newly created parcel(s) which are the result of further subdivision of a lot or land parcel and which do not have a Service Connection.
- (B) Use of Off-Site Hook-Up Fee: Hook-Up Fees may only be used to pay for the capital items of Off-Site Facilities or for repayment of loans obtained for installation of Off-Site Facilities. Off-Site Hook-Up Fees shall not be used for repairs, maintenance, plant replacements, or operational purposes.
- (C) Time of Payment:
 - (1) In the event that an Applicant is required to enter into a Main Extension Agreement, whereby the Applicant agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406(B), payment of the fee(s) required hereunder shall be made by the Applicant within 15 calendar days after receipt of notification from the Company that the Utilities Division of the Commission has approved the Main Extension Agreement in accordance with R14-2-406(M).

TARIFF SCHEDULE

Utility: Goodman Water Company
Docket No.: W-02500A-07
Phone No.: _____

Tariff Sheet No.: Page 3 of 3
Decision No.: _____
Effective: _____

- (2) In the event that an Applicant is not required to enter into a Main Extension Agreement, the fee(s) hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.
- (D) Failure to Pay Charges; Delinquent Payments: Under no circumstances will the Company set a meter or otherwise allow service to be established if the Applicant has not paid in full all charges as provided by this Off-Site Hook-Up Fee Tariff.
- (E) Off-Site Hook-Up Fee Non-refundable: The amounts collected by the Company pursuant to the Off-Site Hook-Up Fee Tariff shall be non-refundable contributions in aid of construction.
- (F) Use of Charges Received: All funds collected by the Company as off-site hook-up fees, shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of Off-Site Facilities, including repayment of loans obtained for the installation of Off-Site Facilities that will benefit the entire water system.
- (G) Off-Site Hook-Up Fees In Addition to Other Charges: The Off-Site Hook-Up Fees shall be in addition to any costs associated with a Main Extension Agreement for on-site facilities, and are in addition to the amounts to be advanced pursuant to charges authorized under other sections of this tariff.
- (H) Disposition of Excess Funds: After all necessary and desirable Off-Site Facilities are constructed utilizing funds collected pursuant to the Off-Site Hook-Up Fee Tariff or the Off-Site Hook-Up Fee Tariff has been terminated by order of the Commission, any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.
- (I) Fire Flow Requirements: In the event an Applicant for service has fire flow requirements that require the construction or installation of additional facilities whose costs are beyond the scope of those facilities costs provided for in the Company's current fees and charges, the Company may require the Applicant to install (as a non-refundable contribution) such additional facilities as are required to meet those fire flow requirements, in addition to the Off-Site Hook-Up Fee.

Goodman Water Company
Test Year Ended December 31, 2009
Original Cost Rate Base Proforma Adjustments
Adjustment 3

Line No.				
1	¹ Adjusted per B-2, page 2			
2	² Computation of Net Tax Value at December 31, 2009			
3	Based on 2009 Tax Depreciation report (December 31, 2009)			
4	Unadjusted Cost per 2009 Tax Depr. Report	\$ 4,938,108		
5	Reconciling Items not on tax report:			
6	Adjusted land costs not on tax, on books (Staff adjusted Land Value)	124,659		
7	Net Unadjusted Cost tax Basis		\$ 5,062,767	
8				
9	<u>Basis Reductions/Additions</u>			
10	Basis Reduction 2009 and Prior Years (from 2009 Tax Depr. Report)	\$ (14,706)		
11	Advanced or contributed plant with no depreciable basis listed on 2009 Tax Depr. Report	(2,707,816)		
12	Accumulated Depreciation 2008 and prior (2009 Tax Depr Report)	(339,352)		
13	Excess capacity Tank	(185,049)		
14	Tax Depreciation related to Excess Capacity - Tank (2008)	11,103		
15	Excess capacity - Mains	105,564		
16	Tax Depreciation related to Excess Capacity - Mains (2008) (AIAC no depr)	-		
17	2009 Current Year Tax Depreciation	(101,491)		
18	Net Basis Reduction 2007 and Prior years			
19	Net tax value of plant-in-service at December 31, 2008			\$ (3,231,747)
20				\$ 1,831,020
21	³ CIAC (including impact of change to probability of realization)			
22				
23	Gross CIAC per B-2	\$ -		
24	Less: Pre-1996 CIAC	-		
25	A.A. per B-2			
26	A.A. on Pre-1996 CIAC			
27	A.A. on Post 1996 CIAC			
28	Net CIAC before unrealized AIAC			
29				
30	Unrealized AIAC Component			
31	Adjusted Net AIAC (see footnote 5 below)	\$ 2,101,905		
32	AIAC funding Mains	\$ (105,564)		
33		\$ 1,996,341		
34	Unrealized AIAC Component % (1-Realized AIAC Component)	70.0%		
35				\$ 1,397,439
36	Total realizable CIAC			\$ 1,397,439
37				
38	⁴ AIAC (including impact of change in probability of realization)			
39	AIAC per B-2	\$ 1,996,341		
40	Less: Pre-1996 AIAC included for book and tax purposes	-		
41	Net AIAC before unrealized portion			\$ 1,996,341
42	Less: Unrealized AIAC (from Note 4, above)			\$ (1,397,439)
43	Net realizable AIAC			\$ 598,902
44				
45	⁵ Effective tax rates Per C-3 schedule			

**Goodman Water Company
Docket No. W-02500A-10-0382**

**THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(RATE BASE, INCOME STATEMENT,
RATE DESIGN)**

May 2, 2011

EXHIBIT TJB-RB9

Goodman Water Company
Revenue Breakdown Summary
Present Rates

Exhibit
Page 1

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	\$ 268,941	\$ 83,954	\$ 61,951	\$ 24,582	\$ 439,428
3/4 Inch	Residential	\$ 65,326	\$ 13,156	\$ 11,843	\$ 6,410	\$ 96,735
1 Inch	Residential	\$ 3,798	\$ 1,471	\$ 738	\$ -	\$ 6,007
Subtotal		\$ 338,064	\$ 98,582	\$ 74,532	\$ 30,993	\$ 542,171
		58.00%	16.91%	12.79%	5.32%	93.01%
1 Inch	Commercial	\$ 3,798	\$ 3,635	\$ 13,685	\$ -	\$ 21,118
1 1/2 Inch	Commercial	\$ 2,538	\$ 35	\$ -	\$ -	\$ 2,573
2 Inch	Commercial	\$ 8,152	\$ 3,909	\$ 4,991	\$ -	\$ 17,052
Subtotal		\$ 14,488	\$ 7,580	\$ 18,676	\$ -	\$ 40,744
		2.49%	1.30%	3.20%	0.00%	6.99%
Construction/Standpipe		\$ -	\$ -	\$ -	\$ -	\$ -
		0.00%	0.00%	0.00%	0.00%	0.00%
TOTALS		\$ 352,553	\$ 106,162	\$ 93,208	\$ 30,993	\$ 582,915
Percent of Total		60.48%	18.21%	15.99%	5.32%	100.00%
Cummulative %		60.48%	78.69%	94.68%	100.00%	

Goodman Water Company
Revenue Breakdown Summary
Company Proposed Rates

Exhibit
Page 2

		Present	Commodity	Commodity	Commodity	Total
		Monthly	First Tier	Second Tier	Third Tier	
		<u>Mins</u>	<u>First Tier</u>	<u>Second Tier</u>	<u>Third Tier</u>	<u>Total</u>
5/8x3/4 Inch	Residential	\$ 332,680	\$ 133,498	\$ 118,135	\$ 46,350	\$ 630,662
3/4 Inch	Residential	\$ 80,808	\$ 20,920	\$ 22,584	\$ 12,087	\$ 136,398
1 Inch	Residential	\$ 4,698	\$ 2,806	\$ 1,392	\$ -	\$ 8,895
Subtotal		\$ 418,185	\$ 157,224	\$ 142,110	\$ 58,436	\$ 775,956
		52.09%	19.58%	17.70%	7.28%	96.65%
1 Inch	Commercial	\$ 4,698	\$ 6,931	\$ 25,803	\$ -	\$ 37,432
1 1/2 Inch	Commercial	\$ 3,132	\$ 68	\$ -	\$ -	\$ 3,200
2 Inch	Commercial	\$ 10,023	\$ 7,455	\$ 9,410	\$ -	\$ 26,887
Subtotal		\$ 17,853	\$ 14,454	\$ 35,213	\$ -	\$ 67,519
		2.22%	1.80%	4.39%	0.00%	8.41%
Construction/Standpipe		\$ -	\$ -	\$ -	\$ -	\$ -
		0.00%	0.00%	0.00%	0.00%	0.00%
TOTALS		\$ 428,208	\$ 164,679	\$ 151,520	\$ 58,436	\$ 802,843
Percent of Total		53.34%	20.51%	18.87%	7.28%	100.00%
Cummulative %		53.34%	73.85%	92.72%	100.00%	

Goodman Water Company - Staff Proof
 Revenue Breakdown Summary
 Metered Revenues - Staff Proposed Rates

Exhibit
 Page 3

		Present				
		Monthly	Commodity	Commodity	Commodity	
		Mins	First Tier	Second Tier	Third Tier	Total
5/8x3/4 Inch	Residential	\$ 300,248	\$ 94,708	\$ 93,500	\$ 38,032	\$ 526,488
3/4 Inch	Residential	\$ 64,241	\$ 12,630	\$ 15,504	\$ 9,918	\$ 102,293
1 Inch	Residential	\$ 4,998	\$ 3,083	\$ 1,199	\$ -	\$ 9,280
Subtotal		<u>\$ 369,487</u>	<u>\$ 110,421</u>	<u>\$ 110,203</u>	<u>\$ 47,949</u>	<u>\$ 638,061</u>
		55.45%	16.57%	16.54%	7.20%	95.75%
1 Inch	Commercial	\$ 3,570	\$ 4,320	\$ 17,916	\$ -	\$ 25,806
1 1/2 Inch	Commercial	\$ 2,856	\$ 54	\$ -	\$ -	\$ 2,910
2 Inch	Commercial	\$ 9,120	\$ 5,954	\$ 7,721	\$ -	\$ 22,794
Subtotal		<u>\$ 15,546</u>	<u>\$ 10,328</u>	<u>\$ 25,637</u>	<u>\$ -</u>	<u>\$ 51,511</u>
		2.33%	1.55%	3.85%	0.00%	7.73%
Construction/Standpipe		\$ -	\$ 5,502	\$ -	\$ -	\$ 5,502
		0.00%	0.83%	0.00%	0.00%	0.83%
TOTALS		<u>\$ 378,607</u>	<u>\$ 121,876</u>	<u>\$ 117,924</u>	<u>\$ 47,949</u>	<u>\$ 666,357</u>
Percent of Total		56.82%	18.29%	17.70%	7.20%	100.00%
Cummulative %		56.82%	75.11%	92.80%	100.00%	

Goodman Water Company - RUCO Proof
Revenue Breakdown Summary
RUCO Proposed Rates

Exhibit
Page 4

		Present				
		Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	\$ 243,991	\$ 94,708	\$ 70,125	\$ 28,005	\$ 436,829
3/4 Inch	Residential	\$ 52,168	\$ 12,630	\$ 11,628	\$ 7,303	\$ 83,729
1 Inch	Residential	\$ 4,053	\$ 2,312	\$ 883	\$ -	\$ 7,248
Subtotal		<u>\$ 300,212</u>	<u>\$ 109,650</u>	<u>\$ 82,636</u>	<u>\$ 35,308</u>	<u>\$ 527,806</u>
		54.64%	19.96%	15.04%	6.43%	96.07%
1 Inch	Commercial	\$ 2,895	\$ 3,240	\$ 13,193	\$ -	\$ 19,328
1 1/2 Inch	Commercial	\$ 2,316	\$ 41	\$ -	\$ -	\$ 2,357
2 Inch	Commercial	\$ 7,411	\$ 4,465	\$ 5,685	\$ -	\$ 17,562
Subtotal		<u>\$ 12,622</u>	<u>\$ 7,746</u>	<u>\$ 18,878</u>	<u>\$ -</u>	<u>\$ 39,246</u>
		2.30%	1.41%	3.44%	0.00%	7.14%
Construction/Standpipe		\$ -	\$ 4,051	\$ -	\$ -	\$ 4,051
		0.00%	0.74%	0.00%	0.00%	0.74%
TOTALS		<u>\$ 307,623</u>	<u>\$ 118,167</u>	<u>\$ 88,322</u>	<u>\$ 35,308</u>	<u>\$ 549,419</u>
Percent of Total		55.99%	21.51%	16.08%	6.43%	100.00%
Cummulative %		55.99%	77.50%	93.57%	100.00%	

**Goodman Water Company
Docket No. W-02500A-10-0382**

**THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(RATE BASE, INCOME STATEMENT,
RATE DESIGN)**

May 2, 2011

SCHEDULES

Goodman Water Company
 Test Year Ended December 31, 2009
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Rebuttal Schedule A-1
 Page 1
 Witness: Bourassa

Line

No.

1	Fair Value Rate Base	\$ 2,298,376
2		
3	Adjusted Operating Income	73,944
4		
5	Current Rate of Return	3.22%
6		
7	Required Operating Income	\$ 227,309
8		
9	Required Rate of Return on Fair Value Rate Base	9.89%
10		
11	Operating Income Deficiency	\$ 153,366
12		
13	Gross Revenue Conversion Factor	1.7130
14		
15	Increase in Gross Revenue Requirement	\$ 262,717
16		
17		
18	Adjusted Test Year Revenues	\$ 594,459
19	Increase in Gross Revenue Revenue Requirement	\$ 262,717
20	Proposed Revenue Requirement	\$ 857,176
21	% Increase	44.19%
22		

Customer Classification (Residential Commercial, Irrigation)	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
26 5/8x3/4 Inch Residential	\$ 435,860	\$ 625,588	\$ 189,728	43.53%
27 3/4 Inch Residential	84,711	119,680	34,969	41.28%
28 1 Inch Residential	7,230	10,803	3,572	49.41%
29				
30 1 Inch Commercial	\$ 17,582	\$ 31,159	13,577	77.22%
31 1 1/2 Inch Commercial	2,573	3,200	626	24.33%
32 2 Inch Commercial	17,052	26,887	9,835	57.67%
33				
34 Construction/Standpipe	\$ 3,556	\$ 6,705	3,149	88.55%
35				
36 Revenue Annualization	\$ 14,349	\$ 19,454	5,104	35.57%
37				
38 Subtotal	\$ 582,915	\$ 843,475	\$ 260,560	44.70%
39				
40 Other Water Revenues	13,738	13,738	-	0.00%
41 Reconciling Amount	(2,193)	(36)	2,157	-98.36%
42			-	0.00%
43 Total of Water Revenues	\$ 594,460	\$ 857,177	\$ 262,717	44.19%
44				

46 SUPPORTING SCHEDULES:

- 47 B-1
- 48 C-1
- 49 C-3
- 50 H-1

Goodman Water Company
 Test Year Ended December 31, 2009
 Summary of Rate Base

Exhibit
 Rebuttal Schedule B-1
 Page 1
 Witness: Bourassa

Line No.	<u>Original Cost</u> <u>Rate base</u>	<u>Fair Value</u> <u>Rate Base</u>
1		
2	\$ 5,346,411	\$ 5,346,411
3	733,716	733,716
4		
5	\$ 4,612,695	\$ 4,612,695
6		
7	<u>Less:</u>	
8	Advances in Aid of	
9	Construction	2,101,905
10	Contributions in Aid of	
11	Construction - Net of amortization	-
12	Customer Meter Deposits	83,087
13	Deferred Income Taxes & Credits	129,327
14	Investment tax Credits	-
15		
16		
17	<u>Plus:</u>	
18	Unamortized Finance	
19	Charges	-
20	Deferred Tax Assets	-
21	Allowance for Working Capital	-
22		
23		
24	<u>\$ 2,298,376</u>	<u>\$ 2,298,376</u>
25		
26		
27		
28	<u>SUPPORTING SCHEDULES:</u>	
29	B-2	
30	B-3	
31	B-5	
32		
33		

Goodman Water Company
 Test Year Ended December 31, 2009
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Rebuttal Schedule B-2
 Page 1
 Witness: Bourassa

Line No.		Adjusted at end of <u>Test Year</u>	Proforma Adjustments <u>Amount</u>	Rebuttal Adjusted at end of <u>Test Year</u>
1	Gross Utility			
2	Plant in Service	\$ 5,453,761	(107,350)	\$ 5,346,411
3				
4	Less:			
5	Accumulated			
6	Depreciation	731,205	2,510	733,716
7				
8				
9	Net Utility Plant			
10	in Service	\$ 4,722,556		\$ 4,612,695
11				
12	Less:			
13	Advances in Aid of			
14	Construction	2,101,905	-	2,101,905
15				
16	Contributions in Aid of			
17	Construction - Net	-	-	-
18				
19	Service Line and Meter Installation Chgs	83,087		83,087
20	Accumulated Deferred Income Tax	135,342	(6,016)	129,327
21				-
22				-
23				
24	Plus:			
25	Unamortized Finance			
26	Charges	-		-
27	Prepayments	-		-
28	Materials and Supplies			-
29	Working capital	-	-	-
30				-
31				
32	Total	<u>\$ 2,402,221</u>		<u>\$ 2,298,376</u>

SUPPORTING SCHEDULES:
 B-2, pages 2

RECAP SCHEDULES:
 B-1

38
 39
 40
 41
 42
 43
 44
 45

Goodman Water Company
 Test Year Ended December 31, 2009
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Rebuttal Schedule B-2
 Page 2
 Witness: Bourassa

Line No.	Adjusted at end of Test Year	Proforma Adjustments			Rebuttal Adjusted at end of Test Year
		1 Plant-in-Service	2 Accumulated Depreciation	3 Accumulated Deferred Income Taxes	
1	\$ 5,453,761	(107,350)			\$ 5,346,411
2					
3					
4					
5					
6	731,205		2,510		733,716
7					
8					
9					
10	\$ 4,722,566	(107,350)	(2,510)	-	\$ 4,612,695
11					
12					
13					
14	2,101,905				2,101,905
15					
16					
17					
18					
19					
20					
21	83,087				83,087
22	135,342		(6,016)		129,327
23					
24					
25					
26					
27					
28					
29					
30					
31					
32	\$ 2,402,221	(107,350)	(2,510)	6,016	\$ 2,298,376
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					

SUPPORTING SCHEDULES:
 B-2, pages 3-5

Line No.	Plant-in-Service	Adjusted Original Cost	A Plant Reclassification	B Remove Cost of Tank Oversizing	C Land	D Intentionally Left Blank	Rebuttal Adjusted Original Cost
1	Plant-in-Service	127,103					127,103
3	Acct. No.						
4	301 Organization Cost	-					-
5	302 Franchise Cost	494,159					494,159
6	303 Land and Land Rights	182,570			(35,000)		182,570
7	304 Structures and Improvements	-					-
8	305 Collecting and Impounding Res.	-					-
9	306 Lake River and Other Intakes	-					-
10	307 Wells and Springs	386,591					386,591
11	308 Infiltration Galleries and Tunnels	-					-
12	309 Supply Mains	-					-
13	310 Power Generation Equipment	-					-
14	311 Electric Pumping Equipment	968,652					968,652
15	312 Water Treatment Equipment	15,947	(15,947)				0
16	320.1 Water Treatment Plant	-					-
17	320.2 Chemical Solution Feeders	-					-
18	330 Dist. Reservoirs & Standpipe	836,890	15,947				15,947
19	330.1 Storage tanks	-	(836,890)				0
20	330.2 Pressure Tanks	-	384,827	(72,350)			312,477
21	331 Trans. and Dist. Mains	1,611,321	452,063				1,611,321
22	333 Services	386,947					386,947
23	334 Meters	94,263					94,263
24	335 Hydrants	161,737					161,737
25	336 Backflow Prevention Devices	-					-
26	339 Other Plant and Misc. Equip.	187,582					187,582
27	340 Office Furniture and Fixtures	-					-
28	340.1 Computers and Software	-					-
29	341 Transportation Equipment	-					-
30	342 Stores Equipment	-					-
31	343 Tools and Work Equipment	-					-
32	344 Laboratory Equipment	-					-
33	345 Power Operated Equipment	-					-
34	346 Communications Equipment	-					-
35	347 Miscellaneous Equipment	-					-
36	348 Other Tangible Plant	-					-
37		-					-
38		-					-
39	TOTALS	\$ 5,453,761	\$ -	\$ (72,350)	\$ (35,000)	\$ -	\$ 5,346,411
40							
41	Plant-in-Service per Books						\$ 5,453,761
42							
43	Increase (decrease) in Plant-in-Service						\$ (107,350)
44							
45	Adjustment to Plant-in-Service						\$ (107,350)
46							
47	SUPPORTING SCHEDULES						
48	B-2, pages 3.1-3.3						
49	B-2, pages 3.4-3.11						

Goodman Water Company
Test Year Ended December 31, 2009
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - A

Exhibit
Rebuttal Schedule B-2
Page 3.1
Witness: Bourassa

Line No.		
1		
2	<u>Plant Reclassification</u>	
3		
4	320 - Water Treatment Equipment	\$ (15,947)
5	320.2 - Chlorine Solution Feeders	\$ 15,947
6		
7	330 - Distribution Reservoirs and Standpipe	\$ (836,890)
8	330.1 - Storage Tanks	\$ 384,827
9	330.2 - Pressure Tanks	\$ 452,063
10		
11		
12		
13		
14		
15	Net adjustment to plant-in-service	<u>\$ -</u>
16		
17		
18	<u>SUPPORTING SCHEDULES</u>	
19	Staff Schedule GTM-6	
20	Staff Schedule GTM-7	

Goodman Water Company
Test Year Ended December 31, 2009
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - B

Exhibit
Rebuttal Schedule B-2
Page 3.2
Witness: Bourassa

Line
No.
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Remove costs of 190,000 gallon upsizing to 530,000 gallon storage reservoir

330.1 - Storage Tanks 2007 190,000 gallon upsize cost \$ 72,350

Adjustment to 330.1 - Storage Tanks \$ (72,350)

Reference
See Testimony

Goodman Water Company
Test Year Ended December 31, 2009
Original Cost Rate Base Proforma Adjustments
Adjustment Number 1 - C

Exhibit
Rebuttal Schedule B-2
Page 3.3
Witness: Bourassa

Line No.		
1		
2	<u>Adjustment to Land</u>	
3		
4	303 - Land and Land Rights based on new appraisal	\$ 459,159
5	303 - Land and Land Rights recorded at end of Test Year	<u>\$ 494,159</u>
6		<u>\$ (35,000)</u>
7		
8		
9	Adjustment to 303 - Land and Land Rights	<u>\$ (35,000)</u>
10		
11		
12		
13		
14	<u>Reference</u>	
15	See Testimony	
16		
17		
18		
19		
20		

Account No.	Description	Deprec. Rate After 4/16/2007	Deprec. Rate	Decision 9/30/2005	Accum. Depr.	Oct-Dec 2005 Plant Additions	Oct-Dec 2005 Plant Adjustments	Oct-Dec 2005 Adjusted Plant	Oct-Dec 2005 Retirements	Dec 2005 Plant Balance	Oct-Dec 2005 Depr.
301	Organization Cost	0.00%	0.00%	104,528	-	1,500	-	1,500	-	106,028	-
302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-
303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-
304	Structures and Improvements	2.50%	3.33%	9,788	306	1,276	-	1,276	-	11,064	65
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-	-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-	-	-	-	-	-
307	Wells and Springs	2.50%	3.33%	386,591	17,925	-	-	-	-	386,591	2,416
308	Infiltration Galleries and Tunnels	2.50%	6.67%	-	-	-	-	-	-	-	-
309	Supply Mains	2.50%	2.00%	-	-	-	-	-	-	-	-
310	Power Generation Equipment	2.50%	5.00%	-	-	-	-	-	-	-	-
311	Electric Pumping Equipment	2.50%	12.50%	686,993	35,041	-	-	-	-	686,993	4,294
320	Water Treatment Equipment	2.50%	3.33%	11,054	345	-	-	-	-	11,054	69
320.1	Water Treatment Plant	2.50%	3.33%	-	-	-	-	-	-	-	-
320.2	Chemical Solution Feeders	2.50%	20.00%	-	-	-	-	-	-	-	-
330	Dist. Reservoirs & Standpipe	2.50%	2.22%	284,460	15,489	-	-	-	-	294,460	1,840
330.1	Storage tanks	2.50%	2.22%	-	-	-	-	-	-	-	-
330.2	Pressure Tanks	2.50%	5.00%	-	-	-	-	-	-	-	-
331	Trans. and Dist. Mains	2.50%	2.00%	628,673	29,324	122,779	-	122,779	-	751,451	4,313
333	Services	2.50%	3.33%	129,274	5,679	17,266	-	17,266	-	146,540	862
334	Meters	2.50%	8.33%	67,497	2,310	270	-	270	-	67,767	423
335	Hydrants	2.50%	2.00%	46,955	2,090	36,220	-	36,220	-	83,174	407
336	Backflow Prevention Devices	2.50%	6.67%	-	-	-	-	-	-	-	-
339	Other Plant and Misc. Equip.	2.50%	6.67%	-	-	152,473	-	152,473	-	152,473	476
340	Office Furniture and Fixtures	2.50%	6.67%	-	-	-	-	-	-	-	-
340.1	Computers and Software	2.50%	20.00%	-	-	-	-	-	-	-	-
341	Transportation Equipment	2.50%	20.00%	-	-	-	-	-	-	-	-
342	Stores Equipment	2.50%	4.00%	-	-	-	-	-	-	-	-
343	Tools and Work Equipment	2.50%	5.00%	-	-	-	-	-	-	-	-
344	Laboratory Equipment	2.50%	10.00%	-	-	-	-	-	-	-	-
345	Power Operated Equipment	2.50%	5.00%	-	-	-	-	-	-	-	-
346	Communications Equipment	2.50%	10.00%	-	-	-	-	-	-	-	-
347	Miscellaneous Equipment	2.50%	10.00%	-	-	-	-	-	-	-	-
348	Other Tangible Plant	2.50%	10.00%	-	-	-	-	-	-	-	-
	Rounding										
	TOTAL WATER PLANT			2,365,813	108,509	331,783	-	331,783	-	2,697,594	15,165

Goodman Water Company
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.5
Witness: Bourassa

Account No.	Description	Deprec. Rate	Deprec. After 4/16/2007 Rate	2006 Plant Additions	2006 Plant Adjustments	2006 Adjusted Plant Additions	2006 Plant Retirements	2006 Plant Balance	2006 Deprec.
301	Organization Cost	0.00%	0.00%	4,920		4,920		110,948	-
302	Franchise Cost	0.00%	0.00%						-
303	Land and Land Rights	0.00%	0.00%					11,064	277
304	Structures and Improvements	2.50%	2.50%						-
305	Collecting and Impounding Res.	2.50%	2.50%						-
306	Lake River and Other Intakes	2.50%	2.50%					386,591	9,665
307	Wells and Springs	3.33%	3.33%						-
308	Infiltration Galleries and Tunnels	6.67%	6.67%						-
309	Supply Mains	2.50%	2.50%						-
310	Power Generation Equipment	2.50%	2.50%					686,993	17,175
311	Electric Pumping Equipment	2.50%	12.50%					11,319	280
320	Water Treatment Equipment	2.50%	2.50%	266		266			-
320.1	Water Treatment Plant	2.50%	2.50%						-
320.2	Chemical Solution Feeders	2.50%	20.00%						-
330	Dist. Reservoirs & Standpipe	2.50%	2.50%					294,460	7,361
330.1	Storage tanks	2.50%	2.22%						-
330.2	Pressure Tanks	2.50%	2.50%						-
331	Trans. and Dist. Mains	2.50%	2.00%					751,451	18,786
333	Services	2.50%	2.50%					146,543	3,664
334	Meters	2.50%	8.33%	3		3		68,037	1,688
335	Hydrants	2.50%	2.00%	5		5		83,180	2,079
336	Backflow Prevention Devices	2.50%	6.67%						-
339	Other Plant and Misc. Equip.	2.50%	6.67%					165,718	3,977
340	Office Furniture and Fixtures	2.50%	2.50%						-
340.1	Computers and Software	2.50%	20.00%						-
341	Transportation Equipment	2.50%	2.50%						-
342	Stores Equipment	2.50%	4.00%						-
343	Tools and Work Equipment	2.50%	5.00%						-
344	Laboratory Equipment	2.50%	10.00%						-
345	Power Operated Equipment	2.50%	5.00%						-
346	Communications Equipment	2.50%	10.00%						-
347	Miscellaneous Equipment	2.50%	10.00%						-
348	Other Tangible Plant	2.50%	10.00%						-
	Rounding								-
	TOTAL WATER PLANT			18,709	-	18,709	-	2,716,303	64,962

Goodman Water Company
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.6
Witness: Bourassa

Account No.	Description	Deprec. Rate After 4/16/2007	2007 Plant		2007 Adjusted Plant Additions	2007 Plant		2007 Balance	2007 Deprec.
			Additions	Adjustments ¹		Retirements	Balance		
301	Organization Cost	0.00%	6,539	-	6,539	-	117,487	-	
302	Franchise Cost	0.00%	-	-	-	-	-	-	
303	Land and Land Rights	0.00%	-	-	-	-	-	-	
304	Structures and Improvements	3.33%	-	-	-	-	11,064	342	
305	Collecting and Impounding Res.	2.50%	-	-	-	-	-	-	
306	Lake River and Other Intakes	2.50%	-	-	-	-	-	-	
307	Wells and Springs	3.33%	-	-	-	-	386,591	11,938	
308	Infiltration Galleries and Tunnels	2.50%	-	-	-	-	-	-	
309	Supply Mains	2.50%	-	-	-	-	-	-	
310	Power Generation Equipment	5.00%	-	-	-	-	-	-	
311	Electric Pumping Equipment	12.50%	2,963	-	2,963	-	689,955	65,979	
320	Water Treatment Equipment	3.33%	4,628	-	4,628	-	15,947	421	
320.1	Water Treatment Plant	3.33%	-	-	-	-	-	-	
320.2	Chemical Solution Feeders	20.00%	-	-	-	-	-	-	
330	Dist. Reservoirs & Standpipe	2.50%	72,350	-	72,350	-	366,810	7,610	
330.1	Storage tanks	2.50%	-	-	-	-	-	-	
330.2	Pressure Tanks	2.50%	-	-	-	-	-	-	
331	Trans. and Dist. Mains	2.50%	685,094	-	685,094	-	1,436,546	23,475	
333	Services	3.33%	143,352	-	143,352	-	289,895	6,738	
334	Meters	8.33%	18,359	-	18,359	(6,580)	79,816	4,901	
335	Hydrants	2.50%	43,205	-	43,205	-	126,384	2,248	
336	Backflow Prevention Devices	6.67%	-	-	-	-	-	-	
339	Other Plant and Misc. Equip.	6.67%	759	-	759	-	166,477	9,059	
340	Office Furniture and Fixtures	6.67%	-	-	-	-	-	-	
340.1	Computers and Software	20.00%	-	-	-	-	-	-	
341	Transportation Equipment	2.50%	-	-	-	-	-	-	
342	Stores Equipment	4.00%	-	-	-	-	-	-	
343	Tools and Work Equipment	5.00%	-	-	-	-	-	-	
344	Laboratory Equipment	10.00%	-	-	-	-	-	-	
345	Power Operated Equipment	5.00%	-	-	-	-	-	-	
346	Communications Equipment	2.50%	-	-	-	-	-	-	
347	Miscellaneous Equipment	2.50%	-	-	-	-	-	-	
348	Other Tangible Plant	10.00%	-	-	-	-	-	-	
	Rounding	2.50%	-	-	-	-	-	-	
TOTAL WATER PLANT			977,249	-	977,249	(6,580)	3,686,972	132,711	

Goodman Water Company
Plant Additions and Retirements

Exhibit
Rebuttal Schedule B-2
Page 3.7
Witness: Bourassa

Account No.	Description	Deprec. Rate	After 4/16/2007 Rate	2008 Plant		2008 Adjustments		2008 Adjusted		2008 Plant		2008 Deprec.
				Additions	Retirements	Additions	Retirements	Balance	Deprac.			
301	Organization Cost	0.00%	0.00%	9,616	-	9,616	-	127,103	-	-	-	
302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	
303	Land and Land Rights	0.00%	0.00%	494,159	-	494,159	-	494,159	-	-	-	
304	Structures and Improvements	2.50%	2.50%	171,506	-	171,506	-	182,570	-	3,224	3,224	
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-	-	-	
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-	-	-	-	-	-	
307	Wells and Springs	2.50%	2.50%	-	-	-	-	386,591	-	-	12,873	
308	Infiltration Galleries and Tunnels	2.50%	2.50%	-	-	-	-	-	-	-	-	
309	Supply Mains	2.50%	2.00%	-	-	-	-	-	-	-	-	
310	Power Generation Equipment	2.50%	5.00%	-	-	-	-	-	-	-	-	
311	Electric Pumping Equipment	2.50%	12.50%	275,541	-	275,541	-	965,496	-	103,466	103,466	
320	Water Treatment Equipment	2.50%	3.33%	-	-	-	-	15,947	-	-	531	
320.1	Water Treatment Plant	2.50%	3.33%	-	-	-	-	-	-	-	-	
320.2	Chemical Solution Feeders	2.50%	20.00%	-	-	-	-	-	-	-	-	
330	Dist. Reservoirs & Standpipe	2.50%	2.22%	470,081	-	470,081	-	836,890	-	13,361	13,361	
330.1	Storage tanks	2.50%	2.22%	-	-	-	-	-	-	-	-	
330.2	Pressure Tanks	2.50%	5.00%	-	-	-	-	-	-	-	-	
331	Trans. and Dist. Mains	2.50%	2.00%	174,757	-	174,757	-	1,611,302	-	30,478	30,478	
333	Services	2.50%	3.33%	97,051	-	97,051	-	386,947	-	11,269	11,269	
334	Meters	2.50%	8.33%	9,299	-	9,299	-	89,115	-	7,036	7,036	
335	Hydrants	2.50%	2.00%	35,352	-	35,352	-	161,737	-	2,881	2,881	
336	Backflow Prevention Devices	2.50%	6.67%	-	-	-	-	-	-	-	-	
339	Other Plant and Misc. Equip.	2.50%	6.67%	-	-	-	-	186,477	-	11,104	11,104	
340	Office Furniture and Fixtures	2.50%	6.67%	-	-	-	-	-	-	-	-	
340.1	Computers and Software	2.50%	20.00%	-	-	-	-	-	-	-	-	
341	Transportation Equipment	2.50%	2.50%	-	-	-	-	-	-	-	-	
342	Stores Equipment	2.50%	4.00%	-	-	-	-	-	-	-	-	
343	Tools and Work Equipment	2.50%	5.00%	-	-	-	-	-	-	-	-	
344	Laboratory Equipment	2.50%	10.00%	-	-	-	-	-	-	-	-	
345	Power Operated Equipment	2.50%	5.00%	-	-	-	-	-	-	-	-	
346	Communications Equipment	2.50%	10.00%	-	-	-	-	-	-	-	-	
347	Miscellaneous Equipment	2.50%	10.00%	-	-	-	-	-	-	-	-	
348	Other Tangible Plant	2.50%	10.00%	-	-	-	-	-	-	-	-	
	Rounding											
	TOTAL WATER PLANT			1,737,362	-	1,737,362	-	5,424,334	-	196,224	196,224	

Account No.	Description	Deprec. Rate	Deprec. After 4/16/2007 Rate	2009		2009		2009		2009		2009		2009 A/D	2009 A/D	2009 Deprec.
				Plant Additions	Adjusted Additions	Plant Retirements	Plant Recl. Balance									
301	Organization Cost	0.00%	0.00%	-	-	-	-	-	127,103	-	-	-	-	-	-	-
302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	494,159	-	-	-	-	-	-	-
304	Structures and Improvements	2.50%	3.33%	-	-	-	-	-	182,570	-	-	-	-	-	6,080	-
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
307	Wells and Springs	2.50%	3.33%	-	-	-	-	-	386,591	-	-	-	-	-	12,873	-
308	Infiltration Galleries and Tunnels	2.50%	6.67%	-	-	-	-	-	-	-	-	-	-	-	-	-
309	Supply Mains	2.50%	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
310	Power Generation Equipment	2.50%	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
311	Electric Pumping Equipment	2.50%	12.50%	3,155	3,155	-	-	-	988,652	-	-	-	-	-	120,884	-
320	Water Treatment Equipment	2.50%	3.33%	-	-	-	-	-	0	-	-	-	-	(2,177)	531	-
320.1	Water Treatment Plant	2.50%	3.33%	-	-	-	-	-	-	-	-	-	-	-	-	-
320.2	Chemical Solution Feeders	2.50%	20.00%	-	-	-	-	-	15,947	15,947	-	-	-	2,177	-	-
330	Dist. Reservoirs & Standpipe	2.50%	2.22%	-	-	-	-	-	(836,890)	-	-	-	-	(64,241)	-	-
330.1	Storage tanks	2.50%	2.22%	-	-	-	-	-	384,827	384,827	-	-	-	29,540	-	18,579
330.2	Pressure Tanks	2.50%	5.00%	-	-	-	-	-	452,063	452,063	-	-	-	34,701	-	-
331	Trans. and Dist. Mains	2.50%	2.00%	18	18	-	-	-	1,611,321	-	-	-	-	-	-	32,226
333	Services	2.50%	3.33%	-	-	-	-	-	386,947	-	-	-	-	-	-	12,885
334	Meters	2.50%	8.33%	5,148	5,148	-	-	-	94,263	-	-	-	-	-	-	7,638
335	Hydrants	2.50%	2.00%	-	-	-	-	-	161,737	-	-	-	-	-	-	3,235
336	Backflow Prevention Devices	2.50%	6.67%	-	-	-	-	-	-	-	-	-	-	-	-	-
339	Other Plant and Misc. Equip.	2.50%	6.67%	-	-	-	-	-	-	-	-	-	-	-	-	-
340	Office Furniture and Fixtures	2.50%	6.67%	21,105	21,105	-	-	-	187,582	-	-	-	-	-	-	11,808
340.1	Computers and Software	2.50%	20.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
341	Transportation Equipment	2.50%	20.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
342	Stores Equipment	2.50%	4.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
343	Tools and Work Equipment	2.50%	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
344	Laboratory Equipment	2.50%	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
345	Power Operated Equipment	2.50%	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
346	Communications Equipment	2.50%	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
347	Miscellaneous Equipment	2.50%	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
348	Other Tangible Plant	2.50%	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
	Rounding			-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL WATER PLANT				29,426	29,426	-	-	-	5,381,411	-	-	-	-	-	(4,015)	226,739

Account No.	Description	Deprec. Rate	After 4/16/2007	Year End Accumulated Depreciation by Account		2005	2006	2007	2008	2009
				Rate	Rate					
301	Organization Cost	0.00%	0.00%	-	-	-	-	-	-	-
302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-
303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-
304	Structures and Improvements	3.33%	2.50%	308	371	989	4,213	10,293	-	-
305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-	-
306	Lake River and Other Intakes	2.50%	2.50%	-	-	-	-	-	-	-
307	Wells and Springs	3.33%	2.50%	17,925	20,341	41,944	54,817	67,691	-	-
308	Infiltration Galleries and Tunnels	2.50%	2.50%	-	-	-	-	-	-	-
309	Supply Mains	2.00%	2.00%	-	-	-	-	-	-	-
310	Power Generation Equipment	5.00%	2.50%	-	-	-	-	-	-	-
311	Electric Pumping Equipment	12.50%	2.50%	35,041	39,335	122,488	225,954	346,838	-	-
320	Water Treatment Equipment	3.33%	2.50%	345	414	1,115	1,646	(0)	-	-
320.1	Water Treatment Plant	3.33%	2.50%	-	-	-	-	-	-	-
320.2	Chemical Solution Feeders	20.00%	2.50%	-	-	-	-	-	-	-
330	Dist. Reservoirs & Standpipe	2.50%	2.50%	15,489	17,329	32,301	45,662	2,177	0	-
330.1	Storage tanks	2.22%	2.50%	-	-	-	-	-	-	-
330.2	Pressure Tanks	5.00%	2.50%	-	-	-	-	-	-	-
331	Trans. and Dist. Mains	2.00%	2.50%	29,324	33,637	75,899	106,377	138,603	25,525	-
333	Services	3.33%	2.50%	5,679	6,541	16,943	28,212	41,098	34,701	-
334	Meters	8.33%	2.50%	2,310	2,733	4,430	2,752	9,788	17,425	-
335	Hydrants	2.00%	2.50%	2,090	2,497	6,825	9,706	12,940	12,940	-
336	Backflow Prevention Devices	6.67%	2.50%	-	476	13,512	24,616	36,424	-	-
339	Other Plant and Misc. Equip.	6.67%	2.50%	-	-	-	-	-	-	-
340	Office Furniture and Fixtures	6.67%	2.50%	-	-	-	-	-	-	-
340.1	Computers and Software	20.00%	2.50%	-	-	-	-	-	-	-
341	Transportation Equipment	2.50%	2.50%	-	-	-	-	-	-	-
342	Stores Equipment	4.00%	2.50%	-	-	-	-	-	-	-
343	Tools and Work Equipment	5.00%	2.50%	-	-	-	-	-	-	-
344	Laboratory Equipment	10.00%	2.50%	-	-	-	-	-	-	-
345	Power Operated Equipment	5.00%	2.50%	-	-	-	-	-	-	-
346	Communications Equipment	10.00%	2.50%	-	-	-	-	-	-	-
347	Miscellaneous Equipment	10.00%	2.50%	-	-	-	-	-	-	-
348	Other Tangible Plant	10.00%	2.50%	-	-	-	-	-	-	-
	Rounding									
TOTAL WATER PLANT				108,509	123,674	314,767	510,991	733,716		

Goodman Water Company
 Plant Reconciliation to Prior Rate Case

Line No.	Account No.	Description	Balance Per Company Per 2005 Filing Before Adj.	Company Rate Case Adjustments ¹	Staff Rate Case Adjustments ²	Intentionally Left Blank	Per Decision 69404 Prior Adjusted Plant
6	301	Organization Cost	104,528				104,528
7	302	Franchise Cost	-				-
8	303	Land and Land Rights	-				-
9	304	Structures and Improvements	9,788				9,788
10	305	Collecting and Impounding Res.	-				-
11	306	Lake River and Other Intakes	-				-
12	307	Wells and Springs	386,591				386,591
13	308	Infiltration Galleries and Tunnels	-				-
14	309	Supply Mains	-				-
15	310	Power Generation Equipment	-				-
16	311	Electric Pumping Equipment	686,993				686,993
17	320	Water Treatment Equipment	11,054				11,054
18	320.1	Water Treatment Plants	-				-
19	320.2	Chemical Solution Feeders	-				-
20	330	Distribution Reservoirs & Standpipe	294,460				294,460
21	330.1	Storage tanks	-				-
22	330.2	Pressure Tanks	-				-
23	331	Transmission and Distribution Mains	611,348		17,325		628,673
24	333	Services	129,274				129,274
25	334	Meters	56,742	10,755			67,497
26	335	Hydrants	46,955				46,955
27	336	Backflow Prevention Devices	-				-
28	339	Other Plant and Miscellaneous Equipment	-				-
29	340	Office Furniture and Fixtures	-				-
30	340.1	Computers and Software	-				-
31	341	Transportation Equipment	-				-
32	342	Stores Equipment	-				-
33	343	Tools and Work Equipment	-				-
34	344	Laboratory Equipment	-				-
35	345	Power Operated Equipment	-				-
36	346	Communications Equipment	-				-
37	347	Miscellaneous Equipment	-				-
38	348	Other Tangible Plant	-				-
39		Rounding	-				-
40		TOTAL	2,337,731	10,755	17,325	-	2,365,813

¹ Company proposed reclassified outside services expense to capital.

² Staff proposed reclassified outside services expense to capital.

Goodman Water Company
 A/D Reconciliation to Prior Rate Case

Line No.	Account No.	Description	Balance Per Company Per 2005 Filing Before Adj.	Intentionally Left Blank	Intentionally Left Blank	Per Decision 69404 Prior Case Adjusted A/D	Intentionally Left Blank	Initial Balance
1								
2								
3								
4								
5	301	Organization Cost						
6	302	Franchise Cost						
7	303	Land and Land Rights						
8	304	Structures and Improvements	306			306		306
9	305	Collecting and Impounding Res.						
10	306	Lake River and Other Intakes						
11	307	Wells and Springs						
12	308	Infiltration Galleries and Tunnels	17,925			17,925		17,925
13	309	Supply Mains						
14	310	Power Generation Equipment						
15	311	Electric Pumping Equipment	35,041			35,041		35,041
16	320	Water Treatment Equipment	345			345		345
17	320.1	Water Treatment Plants						
18	320.2	Chemical Solution Feeders						
19	330	Distribution Reservoirs & Standpipe	15,489			15,489		15,489
20	330.1	Storage tanks						
21	330.2	Pressure Tanks						
22	331	Transmission and Distribution Mains	29,324			29,324		29,324
23	333	Services	5,679			5,679		5,679
24	334	Meters	2,310			2,310		2,310
25	335	Hydrants	2,090			2,090		2,090
26	336	Backflow Prevention Devices						
27	339	Other Plant and Misc. Equip.						
28	340	Office Furniture and Fixtures						
29	340.1	Computers and Software						
30	341	Transportation Equipment						
31	342	Stores Equipment						
32	343	Tools and Work Equipment						
33	344	Laboratory Equipment						
34	345	Power Operated Equipment						
35	346	Communications Equipment						
36	347	Miscellaneous Equipment						
37	348	Other Tangible Plant						
38		Rounding				2		2
39								
40								
41								
42								
			108,511	-	-	108,511	-	108,511
TOTAL								

Goodman Water Company
 Test Year Ended December 31, 2009
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2

Line No.	Plant-in-Service	Adjusted Accum. Depr.	A Reclassify A/D Related to Plant Reclassification	B Remove A/D Related to Storage Tank Upsizing	C Difference to Computed Balance	D Intentionally Left Blank	Rebuttal Adjusted Accum. Depr.
1							
2							
3							
4	Acct. No. Description						
5	301 Organization Cost	-					
6	302 Franchise Cost	-					
7	303 Land and Land Rights	-					
8	304 Structures and Improvements	10,285			8		10,293
9	305 Collecting and Impounding Res.	-					
10	306 Lake River and Other Intakes	-					
11	307 Wells and Springs	67,423			267		67,691
12	308 Infiltration Galleries and Tunnels	-					
13	309 Supply Mains	-					
14	310 Power Generation Equipment	-					
15	311 Electric Pumping Equipment	341,101	(2,167)		5,737		346,838
16	320 Water Treatment Equipment	2,167			(1)		(0)
17	320.1 Water Treatment Plant	-					
18	320.2 Chemical Solution Feeders	-	2,167		10		2,177
19	330 Dist. Reservoirs & Standpipe	64,318	(64,318)		(0)		0
20	330.1 Storage tanks	-	29,575	(4,015)	(35)		25,525
21	330.2 Pressure Tanks	-	34,743		(42)		34,701
22	331 Trans. and Dist. Mains	-			(456)		138,603
23	333 Services	139,059			151		41,098
24	334 Meters	40,947			359		17,425
25	335 Hydrants	17,066			(44)		12,940
26	336 Backflow Prevention Devices	12,984					
27	339 Other Plant and Misc. Equip.	35,847			577		36,424
28	340 Office Furniture and Fixtures	-					
29	340.1 Computers and Software	-					
30	341 Transportation Equipment	-					
31	342 Stores Equipment	-					
32	343 Tools and Work Equipment	-					
33	344 Laboratory Equipment	-					
34	345 Power Operated Equipment	-					
35	346 Communications Equipment	-					
36	347 Miscellaneous Equipment	-					
37	348 Other Tangible Plant	-					
38							
39	TOTALS	\$ 731,198	\$ -	\$ (4,015)	\$ 6,533	\$ -	\$ 733,716
40							
41	Accumulated Depreciation per Books						\$ 731,205
42							
43	Increase (decrease) in Accumulated Depreciation						\$ 2,510
44							
45	Adjustment to Accumulated Depreciation						\$ 2,510
46							
47	SUPPORTING SCHEDULES						
48	B-2, pages 4.1 to 4.3						
49	B-2, pages 3.4 to 3.11						

Goodman Water Company
Test Year Ended December 31, 2009
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - A

Exhibit
Rebuttal Schedule B-2
Page 4.1
Witness: Bourassa

Line			
<u>No.</u>			
1			
2	<u>A/D Reclassification</u>		
3			
4	320 - Water Treatment Equipment	\$	(2,167)
5	320.2 - Chlorine Solution Feeders	\$	2,167
6			
7	330 - Distribution Reservoirs and Standpipe	\$	(64,318)
8	330.1 - Storage Tanks	\$	29,575
9	330.2 - Pressure Tanks	\$	34,743
10			
11			
12			
13			
14			
15	Net adjustment to plant-in-service	\$	<u>-</u>
16			
17			
18	<u>SUPPORTING SCHEDULES</u>		
19	Staff Schedule GTM-6		
20	Staff Schedule GTM-7		

Goodman Water Company
Test Year Ended December 31, 2009
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - B

Exhibit
Rebuttal Schedule B-2
Page 4.2
Witness: Bourassa

Line

No.

1			
2	<u>Remove A/D related to 190,000 gallon upsizing of 530,000 gallon storage reservoir</u>		
3			
4			
5	330.1 - Storage Tanks	2007 190,000 gallon upsized cost	\$ 72,350
6	Depreciation rate		2.22%
7	Years (half year convention 2007-2009)		2.5
8			
9	Accumulated Depreciation (A/D)		<u>\$ 4,015</u>
10			
11	Adjustment to A/D 330.1 - Storage Tanks		<u>\$ (4,015)</u>
12			
13			
14			
15			
16			
17			
18			
19			
20			

Goodman Water Company
Test Year Ended December 31, 2009
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - C

Exhibit
Rebuttal Schedule B-2
Page 4.3
Witness: Bourassa

Line
No.

1			
2	<u>Remove A/D related to 190,000 gallon upsizing of 530,000 gallon storage reservoir</u>		
3			
4			
5	330.1 - Storage Tanks	2007 190,000 gallon upsize cost	\$ 72,350
6	Depreciation rate		2.22%
7	Years (half year convention 2007-2009)		2.5
8			
9	Accumulated Depreciation (A/D)		<u>\$ 4,015</u>
10			
11	Adjustment to A/D 330.1 - Storage Tanks		<u>\$ (4,015)</u>
12			
13			
14			
15			
16			
17			
18			
19			
20			

Goodman Water Company
 Test Year Ended December 31, 2009
 Computation of Working Capital

Exhibit
 Schedule B-5
 Page 1
 Witness: Bourassa

Line
 No.

1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	\$	27,668
3	Pumping Power (1/24 of Pumping Power)		1,152
4	Purchased Water (1/24 of Purchased Water)		-
5			
6			
7			
8			
9	Total Working Capital Allowance	\$	<u>28,820</u>
10			
11			
12	Working Capital Requested	\$	<u>-</u>
13			

14
 15 SUPPORTING SCHEDULES:
 16 C-1

RECAP SCHEDULES:
 B-1

17
 18
 19
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 28
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 30

Total Operating Expense	520,515
Less:	
Income Tax	10,120
Property Tax	19,935
Depreciation	241,474
Purchased Water	-
Pumping Power	27,642
Allowable Expenses	<u>221,344</u>
1/8 of allowable expenses	<u>27,668</u>

Goodman Water Company
 Test Year Ended December 31, 2009
 Income Statement

Exhibit
 Rebuttal Schedule C-1
 Page 1
 Witness: Bourassa

Line No.		Test Year Book Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	Revenues					
2	Metered Water Revenues	\$ 559,013	\$ 21,708	\$ 580,721	\$ 262,717	\$ 843,439
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	13,738	-	13,738		13,738
5		<u>\$ 572,751</u>	<u>\$ 21,708</u>	<u>\$ 594,459</u>	<u>\$ 262,717</u>	<u>\$ 857,176</u>
6	Operating Expenses					
7	Salaries and Wages	\$ 40,000	-	\$ 40,000		\$ 40,000
8	Purchased Water	-	-	-		-
9	Purchased Power	27,066	577	27,642		27,642
10	Chemicals	-	-	-		-
11	Repairs and Maintenance	7,746	-	7,746		7,746
12	Office Supplies and Expense	14,855	-	14,855		14,855
13	Outside Services	102,925	-	102,925		102,925
14	Water Testing	1,215	1,568	2,783		2,783
15	Rents	-	-	-		-
16	Transportation Expenses	-	-	-		-
17	Insurance - General Liability	9,669	-	9,669		9,669
18	Insurance - Health and Life	-	-	-		-
19	Regulatory Commission Expense - Rate Case	20,000	20,000	40,000		40,000
20	Miscellaneous Expense	378	-	378		378
21	Depreciation Expense	227,855	13,620	241,474		241,474
22	Taxes Other Than Income	2,988	-	2,988		2,988
23	Property Taxes	21,299	(1,364)	19,935	2,953	22,888
24	Income Tax	22,873	(12,754)	10,120	106,399	116,518
25		-	-	-		-
26	Total Operating Expenses	<u>\$ 498,868</u>	<u>\$ 21,647</u>	<u>\$ 520,515</u>	<u>\$ 109,351</u>	<u>\$ 629,867</u>
27	Operating Income	<u>\$ 73,883</u>	<u>\$ 61</u>	<u>\$ 73,944</u>	<u>\$ 153,366</u>	<u>\$ 227,309</u>
28	Other Income (Expense)					
29	Interest Income	-	-	-		-
30	Other income	-	-	-		-
31	Interest Expense	(37,309)	1,613	(35,696)		(35,696)
32	Other Expense	-	-	-		-
33		-	-	-		-
34	Total Other Income (Expense)	<u>\$ (37,309)</u>	<u>\$ 1,613</u>	<u>\$ (35,696)</u>	<u>\$ -</u>	<u>\$ (35,696)</u>
35	Net Profit (Loss)	<u>\$ 36,574</u>	<u>\$ 1,674</u>	<u>\$ 38,247</u>	<u>\$ 153,366</u>	<u>\$ 191,613</u>
36						
37	<u>SUPPORTING SCHEDULES:</u>				<u>RECAP SCHEDULES:</u>	
38	C-1, page 2				A-1	
39	E-2					

Goodman Water Company
 Test Year Ended December 31, 2009
 Income Statement

Exhibit
 Rebuttal Schedule C-1
 Page 2
 Witness: Bourassa

Line No.	Revenues	1	2	3	4	5	6	7	8	Rebuttal Test Year Adjusted Results	Proposed Rate Increase	Rebuttal Adjusted with Rate Increase
1	Metered Water Revenues	\$ 559,013			\$ 21,708					\$ 580,721	\$ 262,717	\$ 843,439
2	Unmetered Water Revenues	13,738								13,738		13,738
3	Other Water Revenues	\$ 572,751	\$ -	\$ -	\$ 21,708	\$ -	\$ -	\$ -	\$ -	\$ 594,459	\$ 262,717	\$ 857,176
4	Operating Expenses											
5	Salaries and Wages	\$ 40,000								\$ 40,000		\$ 40,000
6	Purchased Water	27,066				577				27,642		27,642
7	Chemicals									7,746		7,746
8	Repairs and Maintenance	14,855								14,855		14,855
9	Office Supplies and Expense	102,925								102,925		102,925
10	Contractual Services	1,215			1,568					2,783		2,783
11	Water Testing											
12	Rents											
13	Transportation Expenses											
14	Insurance - General Liability	9,669								9,669		9,669
15	Insurance - Health and Life											
16	Reg. Comm. Exp. - Rate Case	20,000		20,000						40,000		40,000
17	Miscellaneous Expense	378								378		378
18	Depreciation Expense	227,855	13,620							241,474		241,474
19	Taxes Other Than Income	2,988								2,988		2,988
20	Property Taxes	21,299	(1,364)							19,935	2,953	22,888
21	Income Tax	22,873							(12,754)	10,120	106,399	116,519
22	Total Operating Expenses	\$ 498,868	\$ 13,620	\$ 20,000	\$ -	\$ 1,568	\$ 577	\$ -	\$ (12,754)	\$ 520,515	\$ 109,351	\$ 629,867
23	Operating Income	\$ 73,883	\$ (13,620)	\$ 1,364	\$ 21,708	\$ (1,568)	\$ (577)	\$ -	\$ 12,754	\$ 73,944	\$ 153,366	\$ 227,309
24	Other Income (Expense)											
25	Interest Income											
26	Other Income											
27	Interest Expense	(37,309)										(35,696)
28	Other Expense											
29	Total Other Income (Expense)	\$ (37,309)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,613	\$ -	\$ (35,696)	\$ -	\$ (35,696)
30	Net Profit (Loss)	\$ 36,574	\$ (13,620)	\$ 1,364	\$ 21,708	\$ (1,568)	\$ (577)	\$ 1,613	\$ 12,754	\$ 38,247	\$ 153,366	\$ 191,613

RECAP SCHEDULES:
 C-1, page 1

SUPPORTING SCHEDULES:
 C-2
 E-2

Goodman Water Company
 Test Year Ended December 31, 2009
 Adjustments to Revenues and Expenses

Exhibit
 Rebuttal Schedule C-2
 Page 1
 Witness: Bourassa

Line No.	<u>Adjustments to Revenues and Expenses</u>						<u>Subtotal</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	
1	Depreciation	Property	Rate Case	Revenue	Annualize	Interest	
2	<u>Expense</u>	<u>Taxes</u>	<u>Expense</u>	<u>Annualization</u>	<u>Purch. Power</u>	<u>Synch.</u>	
3	Revenues			21,708			21,708
4							
5	Expenses	13,620	(1,364)	20,000	-		32,256
6							
7	Operating						
8	Income	(13,620)	1,364	(20,000)	21,708	-	(10,548)
9							
10	Interest						
11	Expense					1,613	1,613
12	Other						
13	Income /						-
14	Expense						
15							
16	Net Income	(13,620)	1,364	(20,000)	21,708	-	1,613
17							(8,935)
18							
19							
20		<u>Adjustments to Revenues and Expenses</u>					
21		<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>
22		Income	Taxes				
23	Revenues						21,708
24							
25	Expenses	(12,754)					19,502
26							
27	Operating						
28	Income	12,754	-	-	-	-	2,206
29							
30	Interest						
31	Expense						1,613
32	Other						
33	Income /						-
34	Expense						
35							
36	Net Income	12,754	-	-	-	-	3,819
37							

Goodman Water Company
 Test Year Ended December 31, 2009
 Adjustments to Revenues and Expenses
 Adjustment Number 1

Exhibit
 Rebuttal Schedule C-2
 Page 2
 Witness: Bourassa

Line
 No.

		<u>Adjusted</u>		<u>Depreciation</u>
		<u>Original</u>	<u>Proposed</u>	<u>Expense</u>
		<u>Cost</u>	<u>Rates</u>	<u>Expense</u>
1	<u>Depreciation Expense</u>			
2				
3	Acct.			
4	<u>No.</u> <u>Description</u>			
5	301 Organization Cost	127,103	0.00%	-
6	302 Franchise Cost	-	0.00%	-
7	303 Land and Land Rights	459,159	0.00%	-
8	304 Structures and Improvements	182,570	3.33%	6,080
9	305 Collecting and Impounding Res.	-	2.50%	-
10	306 Lake River and Other Intakes	-	2.50%	-
11	307 Wells and Springs	386,591	3.33%	12,873
12	308 Infiltration Galleries and Tunnels	-	6.67%	-
13	309 Supply Mains	-	2.00%	-
14	310 Power Generation Equipment	-	5.00%	-
15	311 Electric Pumping Equipment	968,652	12.50%	121,081
16	320 Water Treatment Equipment	0	3.33%	0
17	320.1 Water Treatment Plant	-	3.33%	-
18	320.2 Chemical Solution Feeders	15,947	20.00%	3,189
19	330 Dist. Reservoirs & Standpipe	0	2.22%	0
20	330.1 Storage tanks	312,477	2.22%	6,937
21	330.2 Pressure Tanks	452,063	5.00%	22,603
22	331 Trans. and Dist. Mains	1,611,321	2.00%	32,226
23	333 Services	386,947	3.33%	12,885
24	334 Meters	94,263	8.33%	7,852
25	335 Hydrants	161,737	2.00%	3,235
26	336 Backflow Prevention Devices	-	6.67%	-
27	339 Other Plant and Misc. Equip.	187,582	6.67%	12,512
28	340 Office Furniture and Fixtures	-	6.67%	-
29	340.1 Computers and Software	-	20.00%	-
30	341 Transportation Equipment	-	20.00%	-
31	342 Stores Equipment	-	4.00%	-
32	343 Tools and Work Equipment	-	5.00%	-
33	344 Laboratory Equipment	-	10.00%	-
34	345 Power Operated Equipment	-	5.00%	-
35	346 Communications Equipment	-	10.00%	-
36	347 Miscellaneous Equipment	-	10.00%	-
37	348 Other Tangible Plant	-	10.00%	-
38				
39	TOTALS	\$ 5,346,411		\$ 241,474
40				
41				
42	Less: Amortization of Contributions	\$ -	4.5166%	\$ -
43				
44				
45				
46	Total Depreciation Expense			\$ 241,474
47				
48	Adjusted Test Year Depreciation Expense			227,855
49				
50	Increase (decrease) in Depreciation Expense			13,620
51				
52	Adjustment to Revenues and/or Expenses			\$ 13,620
53				
54	<u>SUPPORTING SCHEDULE</u>			
55	B-2, page 3			
56				

Goodman Water Company
 Test Year Ended December 31, 2009
 Adjustment to Revenues and Expenses
 Adjustment Number 2

Exhibit
 Rebuttal Schedule C-2
 Page 3
 Witness: Bourassa

PROPERTY TAX EXPENSE

Line No.	DESCRIPTION	Test Year as Adjusted	Test Year at Proposed Rates
1	Company Adjusted Test Year Revenues - 2007	\$ 594,459	\$ 594,459
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	1,188,918	1,188,918
4	Company Recommended Revenue	594,459	857,176
5	Subtotal (Line 4 + Line 5)	1,783,377	2,046,095
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	594,459	682,032
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	1,188,918	1,364,063
10	Plus: 10% of CWIP - 2005	-	13,454
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	1,188,918	1,377,517
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	249,673	289,279
15	Composite Property Tax Rate - Obtained from ADOR	7.4558%	7.4558%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 18,615	\$ 21,568
17	Tax on Parcels	1,320	1,320
18	Total Property Taxes (Line 16 + Line 17)	\$ 19,935	
19	Adjusted Test Year Property Taxes per Direct	\$ 21,299	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	<u>\$ (1,364)</u>	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		\$ 22,888
23	Company Test Year Adjusted Property Tax Expense (Line 18)		\$ 19,935
24	Increase in Property Tax Due to Increase in Revenue Requirement		<u>\$ 2,953</u>
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 2,953
27	Increase in Revenue Requirement		\$ 262,717
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.12399%
29			
30	<u>REFERENCES:</u>		
31	Line 15: Composite Tax Rate obtained from Arizona Department of Revenue		
32	Line 19: Schedule C-1, Line 23		
33			
34			

Goodman Water Company
Test Year Ended December 31, 2009
ADJUSTMENTS TO REVENUES AND/OR EXPENSES
Adjustment Number 3

Exhibit
Rebuttal Schedule C-2
Page 4
Witness: Bourassa

Line No.			
1	<u>Rate Case Expense</u>		
2			
3	Estimated Rate Case Expense	\$	160,000
4			
5	Estimated Amortization Period in Years		4
6			
7	Annual Rate Case Expense	\$	40,000
8			
9	Annual Rate Case Expense per Direct	\$	20,000
10			
11	Increase(decrease) Rate Case Expense	\$	20,000
12			
13	Adjustment to Revenue and/or Expense	\$	20,000
14			
15			
16			
17			
18			
19			
20			

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Rebuttal Schedule C-2
Page 5
Witness: Bourassa

Line
No.

1	<u>Revenue Annualization</u>	
2		
3		
4	Rebuttal Revenue Annualization	\$ 14,349
5	Revenue Annualization per Direct	<u>(7,359)</u>
6		
7	Total Revenue from Annualization	<u>\$ 21,708</u>
8		
9		
10	Adjustment to Revenue and/or Expense	<u>\$ 21,708</u>
11		
12	<u>SUPPORTING SCHEDULES</u>	
13	Rebuttal C-2 pages 5.1 to 5.7	
14	H-1	
15		
16		
17		
18		
19		

Goodman Water Company
 Residential 5/8x3/4 Inch Meter
 Revenue Annualization to Year End Customers:
 Test Year Ended December 31, 2009

Exhibit
 Schedule
 Page 5.1
 Witness: Bourassa

Line No.	Month of	Jan	Feb	Mar	Apr	May	Jun	Jul	Month of
1	Year End Number of Customers	531	531	531	531	531	531	531	531
2	Actual Customers	531	528	526	524	529	526	524	524
3	Increase in Number of Customers/Bills	-	3	5	7	2	5	7	7
4	Average Revenue / Present Rates	\$ 62.13	\$ 61.06	\$ 63.87	\$ 65.89	\$ 70.92	\$ 71.27	\$ 71.12	\$ 71.12
5	Revenue Annualization / Present Rates	\$ -	\$ 183	\$ 319	\$ 461	\$ 142	\$ 356	\$ 498	\$ 498
6									
7	Increase in Number of Customers	-	3	5	7	2	5	7	7
8	Average Revenue / Proposed Rates	\$ 85.20	\$ 83.16	\$ 88.52	\$ 92.36	\$ 101.96	\$ 102.63	\$ 102.34	\$ 102.34
9	Revenue Annualization / Proposed Rates	\$ -	\$ 249	\$ 443	\$ 647	\$ 204	\$ 513	\$ 716	\$ 716
10	Additional Gallons to be Produced	-	13,553	24,964	37,341	12,372	31,229	43,540	43,540
11									
12									
13									
14									
15	Year End Number of Customers	531	531	531	531	531	531	531	531
16	Actual Customers	522	524	527	528	531	531	531	531
17	Increase in Number of Customers/Bills	9	7	4	3	-	-	-	52
18	Average Revenue / Present Rates	\$ 71.35	\$ 66.04	\$ 73.55	\$ 70.01	\$ 57.21	\$ -	\$ -	\$ -
19	Revenue Annualization / Present Rates	\$ 642	\$ 462	\$ 294	\$ 210	\$ -	\$ -	\$ -	\$ 3,568
20									
21	Increase in Number of Customers	9	7	4	3	-	-	-	-
22	Average Revenue / Proposed Rates	\$ 102.79	\$ 92.65	\$ 106.97	\$ 100.23	\$ 76.07	\$ -	\$ -	\$ -
23	Revenue Annualization / Proposed Rates	\$ 642	\$ 462	\$ 294	\$ 210	\$ -	\$ -	\$ -	\$ 5,074
24	Additional Gallons to be Produced	56,332	37,522	26,522	18,098	-	-	-	301,472

Revenue Annualization to Year End Customers:
 Test Year Ended December 31, 2009

Line No.	Month of	Month of	Month of	Month of				
	Jan	Feb	Mar	Apr	May	Jun	Jul	
1	86	86	86	86	86	86	86	86
2	69	70	71	71	70	70	70	71
3	17	16	15	15	16	16	16	15
4	\$ 83.90	\$ 87.33	\$ 86.01	\$ 89.67	\$ 98.01	\$ 94.43	\$ 98.37	\$ 98.37
5	\$ 1,426	\$ 1,397	\$ 1,290	\$ 1,345	\$ 1,568	\$ 1,511	\$ 1,476	\$ 1,476
6	17	16	15	15	16	16	16	15
7	\$ 112.58	\$ 119.13	\$ 116.61	\$ 123.59	\$ 139.49	\$ 132.65	\$ 140.18	\$ 140.18
8	\$ 1,914	\$ 1,906	\$ 1,749	\$ 1,854	\$ 2,232	\$ 2,122	\$ 2,103	\$ 2,103
9	\$ 81,805	\$ 86,294	\$ 77,543	\$ 86,838	\$ 115,208	\$ 105,494	\$ 108,916	\$ 108,916

Line No.	Month of	Total Year						
	Aug	Sep	Oct	Nov	Dec			
15	86	86	86	86	86			
16	75	80	82	86	86			131
17	11	6	4	-	-			
18	\$ 98.09	\$ 90.55	\$ 97.12	\$ 91.58	\$ 79.03			
19	\$ 1,079	\$ 543	\$ 388	\$ -	\$ -			\$ 12,024

20	\$ 139.65	\$ 125.27	\$ 137.79	\$ 127.22	\$ 103.32			\$ 16,719
21	\$ 1,079	\$ 543	\$ 388	\$ -	\$ -			\$ 805,274
22	\$ 79,352	\$ 35,628	\$ 28,197	\$ -	\$ -			

Additional Gallons to be Produced

Goodman Water Company

Commercial 1 Inch Meter

Exhibit

Schedule

Page 5.4

Witness: Bourassa

Revenue Annualization to Year End Customers:
Test Year Ended December 31, 2009

Line No.	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	3	3	3	3	3	3	3
2	2	2	2	2	2	2	2
3	1	1	1	1	1	1	1
4	1	1	1	1	1	1	1
5	1	1	1	1	1	1	1
6	1	1	1	1	1	1	1
7	1	1	1	1	1	1	1
8	1	1	1	1	1	1	1
9	1	1	1	1	1	1	1
10	1	1	1	1	1	1	1
11	1	1	1	1	1	1	1
12	1	1	1	1	1	1	1
13	1	1	1	1	1	1	1
14	1	1	1	1	1	1	1
15	1	1	1	1	1	1	1
16	1	1	1	1	1	1	1
17	1	1	1	1	1	1	1
18	1	1	1	1	1	1	1
19	1	1	1	1	1	1	1
20	1	1	1	1	1	1	1
21	1	1	1	1	1	1	1
22	1	1	1	1	1	1	1
23	1	1	1	1	1	1	1
24	1	1	1	1	1	1	1

Line No.	Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
1	3	3	3	3	3	6
2	3	3	3	3	3	6
3	3	3	3	3	3	6
4	3	3	3	3	3	6
5	3	3	3	3	3	6
6	3	3	3	3	3	6
7	3	3	3	3	3	6
8	3	3	3	3	3	6
9	3	3	3	3	3	6
10	3	3	3	3	3	6
11	3	3	3	3	3	6
12	3	3	3	3	3	6
13	3	3	3	3	3	6
14	3	3	3	3	3	6
15	3	3	3	3	3	6
16	3	3	3	3	3	6
17	3	3	3	3	3	6
18	3	3	3	3	3	6
19	3	3	3	3	3	6
20	3	3	3	3	3	6
21	3	3	3	3	3	6
22	3	3	3	3	3	6
23	3	3	3	3	3	6
24	3	3	3	3	3	6

Line No.	Revenue	Customers	Proposed Rates	Present Rates
1	\$ 426.89	\$ 341.57	\$ 524.76	\$ 850.33
2	\$ 427	\$ 342	\$ 525	\$ 847
3	\$ 739.33	\$ 578.46	\$ 923.86	\$ 1,537.71
4	\$ 739	\$ 578	\$ 924	\$ 1,538
5	\$ 49,001	\$ 37,001	\$ 62,765	\$ 108,555
6	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
7	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
8	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
9	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
10	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
11	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
12	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
13	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
14	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
15	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
16	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
17	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
18	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
19	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
20	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
21	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
22	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
23	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14
24	\$ 1,044.54	\$ 962.40	\$ 1,531.14	\$ 2,531.14

Goodman Water Company

Commercial 1.5 Inch Meter

Exhibit

Schedule

Page 5.5

Revenue Annualization to Year End Customers:

Test Year Ended December 31, 2009

Witness: Bourassa

Line No.	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	1	1	1	1	1	1	1
2	1	1	1	1	1	1	1
3	Year End Number of Customers						
4	Actual Customers						
5	Increase in Number of Customers/Bills						
6	Average Revenue / Present Rates						
7	Revenue Annualization / Present Rates						
8	Increase in Number of Customers						
9	Average Revenue / Proposed Rates						
10	Revenue Annualization / Proposed Rates						
11	Additional Gallons to be Produced						
12							
13							
14							
15	Year End Number of Customers						
16	Actual Customers						
17	Increase in Number of Customers/Bills						
18	Average Revenue / Present Rates						
19	Revenue Annualization / Present Rates						
20							
21	Increase in Number of Customers						
22	Average Revenue / Proposed Rates						
23	Revenue Annualization / Proposed Rates						
24	Additional Gallons to be Produced						

Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
1	1	1	1	1	
1	1	1	1	1	
\$ 211.50	\$ 211.50	\$ 211.50	\$ 211.50	\$ 211.50	\$ 211.50
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 261.01	\$ 261.01	\$ 261.01	\$ 261.01	\$ 300.46	\$ 261.01
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 211.50	\$ 211.50	\$ 211.50	\$ 211.50	\$ 211.50	\$ 211.50
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 261.01	\$ 261.01	\$ 261.01	\$ 261.01	\$ 261.01	\$ 261.01
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Goodman Water Company
 Commercial 2 Inch Meter

Revenue Annualization to Year End Customers:
 Test Year Ended December 31, 2009

Line No.	Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul	Total Year
1	2	2	2	2	2	2	2	
2	2	2	2	2	2	2	2	
3	\$ 623.41	\$ 680.29	\$ 712.28	\$ 690.95	\$ 733.61	\$ 599.72	\$ 680.29	\$
4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
7	\$ 958.27	\$ 1,065.52	\$ 1,125.85	\$ 1,085.63	\$ 1,166.06	\$ 913.49	\$ 1,065.52	\$
8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
11	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
16	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
17	\$ 816.44	\$ 542.10	\$ 339.68	\$ 1,638.71	\$ 339.68	\$ -	\$ -	\$
18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
21	\$ 1,322.23	\$ 803.60	\$ 417.61	\$ 2,872.61	\$ 417.61	\$ -	\$ -	\$
22	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
23	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
24	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$

Year End Number of Customers
 Actual Customers
 Increase in Number of Customers/Bills
 Average Revenue / Present Rates
 Revenue Annualization / Present Rates
 Increase in Number of Customers
 Average Revenue / Proposed Rates
 Revenue Annualization / Proposed Rates
 Additional Gallons to be Produced
 Year End Number of Customers
 Actual Customers
 Increase in Number of Customers/Bills
 Average Revenue / Present Rates
 Revenue Annualization / Present Rates
 Increase in Number of Customers
 Average Revenue / Proposed Rates
 Revenue Annualization / Proposed Rates
 Additional Gallons to be Produced

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Rebuttal Schedule C-2
Page 6
Witness: Bourassa

Line

No.

1	<u>Water Testing Expense</u>		
2			
3			
4	Staff Recommended Water Testing Expense	\$	2,783
5	Adjusted Test Year Water Testing Expense per Direct		<u>1,215</u>
6			
7			
8	Total	\$	<u>1,568</u>
9			
10			
11	Adjustment to Revenue and/or Expense	\$	<u>1,568</u>
12			
13			
14			
15			
16			
17			
18			
19			
20			

Goodman Water Company
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Rebuttal Schedule C-2
Page 7
Witness: Bourassa

Line No.			
1	<u>Annualize power cost for additional gallons from annualization of revenues</u>		
2			
3	Additional gallons from annualization (in 1,000's) per Rebuttal	939	
4	Cost per 1,000 gallons	\$ 0.6145	
5			
6	Additional Test Year Power Costs per Rebuttal	\$	577
7			
8	Additional gallons from annualization (in 1,000's) per Direct	-	
9	Cost per 1,000 gallons	\$ 0.6145	
10			
11	Additional Test Year Power Costs per Direct	\$	-
12			
13	Increase (decrease) in additional power costs from revenue annualization	\$	577
14			
15	Adjustment to Revenue and/or Expense	\$	<u>577</u>
16			
17			
18			
19			
20			
21			

Goodman Water Company
 Test Year Ended December 31, 2009
 Adjustment to Revenues and Expenses
 Adjustment Number 7

Exhibit
 Rebuttal Schedule C-2
 Page 8
 Witness: Bourassa

Line					
<u>No.</u>					
1	<u>Interest Synchronization</u>				
2					
3					
4	Fair Value Rate Base		\$	2,298,376	
5	Weighted Cost of Debt			1.55%	
6	Interest Expense		\$	35,696	
7					
8	Test Year Interest Expense		\$	<u>37,309</u>	
9					
10	Increase (decrease) in Interest Expense			(1,613)	
11					
12					
13					
14	Adjustment to Revenue and/or Expense		\$	<u>1,613</u>	
15					
16					
17	<u>Weighted Cost of Debt Computation</u>				
18				Weighted	
19		<u>Amount</u>	<u>Percent</u>	<u>Cost</u>	<u>Cost</u>
20	Debt	\$ 507,451	18.27%	8.50%	1.55%
21	Equity	\$ 2,269,765	81.73%	10.20%	<u>8.34%</u>
22	Total	\$ 2,777,216	100.00%		9.89%
23					
24					
25					
26					
27					
28					
29					
30					

Goodman Water Company
 Test Year Ended December 31, 2009
 Adjustment to Revenues and/or Expenses
 Adjustment Number 8

Exhibit
 Rebuttal Schedule C-2
 Page 9
 Witness: Bourassa

Line No.		<u>Test Year Adjusted Results</u>	<u>Adjusted with Rate Increase</u>
1	<u>Income Tax Computation</u>		
2			
3			
4			
5			
6			
7			
8			
9	Taxable Income	\$ 48,367	\$ 308,131
10			
11			
12			
13	Income Before Taxes	<u>\$ 48,367</u>	<u>\$ 308,131</u>
14			
15	Arizona Income Before Taxes	\$ 48,367	\$ 308,131
16			
17	Less Arizona Income Tax	<u>\$ 3,370</u>	<u>\$ 21,471</u>
18	Rate = 6.97%		
19	Arizona Taxable Income	\$ 44,997	\$ 286,661
20			
21	Arizona Income Taxes	\$ 3,370	\$ 21,471
22			
23	Federal Income Before Taxes	\$ 48,367	\$ 308,131
24			
25	Less Arizona Income Taxes	<u>\$ 3,370</u>	<u>\$ 21,471</u>
26			
27	Federal Taxable Income	<u>\$ 44,997</u>	<u>\$ 286,661</u>
28			
29			
30			
31	FEDERAL INCOME TAXES:		
32	15% BRACKET	\$ 6,750	\$ 7,500
33	25% BRACKET	\$ -	\$ 6,250
34	34% BRACKET	\$ -	\$ 8,500
35	39% BRACKET	\$ -	\$ 72,798
36	34% BRACKET	\$ -	\$ -
37		Rate	Rate
38	Federal Income Taxes	<u>\$ 6,750</u> 13.95%	<u>\$ 95,048</u> 30.85%
39			
40			
41	Total Income Tax	<u>\$ 10,120</u>	<u>\$ 116,518</u>
42			
43	Overall Tax Rate	<u>20.92%</u>	<u>37.81%</u>
44			
45	Income Tax	\$ 10,120	\$ 116,518
46	Test Year Income tax Expense	22,873	10,120
47	Adjustment to Income Tax Expense	<u>\$ (12,754)</u>	<u>\$ 106,399</u>

Goodman Water Company
 Test Year Ended December 31, 2009
 Computation of Gross Revenue Conversion Factor

Exhibit
 Rebuttal Schedule C-3
 Page 1
 Witness: Bourassa

Line No.	<u>Description</u>	Percentage of Incremental Gross <u>Revenues</u>
1	Combined Federal and State Effective Income Tax Rate	40.96%
2		
3	Property Taxes	0.66%
4		
5		
6	Total Tax Percentage	41.62%
7		
8	Operating Income % = 100% - Tax Percentage	58.38%
9		
10		
11		
12		
13	<u>1</u> = Gross Revenue Conversion Factor	
14	Operating Income %	1.7130
15		
16	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
17	C-3, page 2	A-1
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
<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 Income Tax and Property Tax Rate (Line 23)	41.6233%					
5	Subtotal (L3 - L4)	58.3767%					
6	Revenue Conversion Factor (L1 / L5)	1.713011					
<u>Calculation of Uncollectible Factor</u>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 17)	40.9597%					
9	One Minus Combined Income Tax Rate (L7 - L8)	59.0403%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
<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 44)	36.5376%					
16	Effective Federal Income Tax Rate (L14 x L15)	33.9917%					
17	Combined Federal and State Income Tax Rate (L13 + L16)		40.9597%				
<u>Calculation of Effective Property Tax Factor</u>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	40.9597%					
20	One Minus Combined Income Tax Rate (L18-L19)	59.0403%					
21	Property Tax Factor (GTM-14, L24)	1.1240%					
22	Effective Property Tax Factor (L20*L21)		0.6636%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			41.6233%			
24	Required Operating Income (Schedule GWB-1, Line 5)	\$ 227,309					
25	Adjusted Test Year Operating Income (Loss) (Schedule GWB-10, Line 42)	\$ 73,944					
26	Required Increase in Operating Income (L24 - L25)		\$ 153,366				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 116,519					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ 10,120					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 106,399				
30	Recommended Revenue Requirement (Schedule GWB-1, Line 10)	\$ 857,176					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -				
35	Property Tax with Recommended Revenue (GTM-15, 20)	\$ 22,888					
36	Property Tax on Test Year Revenue (GTM-15, Col A, L15)	\$ 19,935					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 2,953				
38	Total Required Increase in Revenue (L26 + L29 + L37)		\$ 262,718				

	(A)	(B)	(C)	(D)	(E)	(F)
	Test Year			At Proposed Rates		
	Total			Total		
	Goodman Water Company			Goodman Water Company		
39	\$ 594,459	\$ 594,459		\$ 857,176	\$ 857,176	
40	\$ 510,396	\$ 510,396		\$ 513,349	\$ 513,349	
41		\$ 35,696	\$ -	\$ 35,696	\$ 35,696	
42	\$ 84,063	\$ 48,367	\$ -	\$ 308,132	\$ 308,132	\$ -
43		6.9680%	6.9680%	6.9680%	6.9680%	6.9680%
44	\$ 3,370	\$ 3,370	\$ -	\$ 21,471	\$ 21,471	\$ -
45	\$ 80,693	\$ 44,997	\$ -	\$ 286,662	\$ 286,662	\$ -
46	\$ 6,750	\$ 6,750	\$ -	\$ 7,500	\$ 7,500	\$ -
47	\$ -	\$ -	\$ -	\$ 6,250	\$ 6,250	\$ -
48	\$ -	\$ -	\$ -	\$ 8,500	\$ 8,500	\$ -
49	\$ -	\$ -	\$ -	\$ 72,798	\$ 72,798	\$ -
50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
51	\$ 6,750	\$ 6,750	\$ -	\$ 95,048	\$ 95,048	\$ -
52	\$ 10,120	\$ 10,120	\$ -	\$ 116,519	\$ 116,519	\$ -

53 **COMBINED** Applicable Federal Income Tax Rate [Col. (D), L51 - Col. (A), L51] / [Col. (D), L45 - Col. (A), L45] 20.92% 42.8699%

54 **WATER** Applicable Federal Income Tax Rate [Col. (E), L51 - Col. (B), L51] / [Col. (E), L45 - Col. (B), L45] 36.5376%

55

Calculation of Interest Synchronization:

56	Rate Base (Schedule GWB-3, Col. (C), Line 18)	\$ 2,298,376
57	Weighted Average Cost of Debt	1.5531%
58	Synchronized Interest (L45 X L46)	\$ 35,696

Goodman Water Company
 Analysis of Revenue by Detailed Class
 Test Year Ended December 31, 2009

Exhibit
 Rebuttal Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	(a) Average Number of Customers at 12/31/2009	Median Bill		Proposed Increase		Percent of Customers
			Present Rates	Proposed Rates	Dollar Amount	Percent Amount	
1	5/8x3/4 Inch Residential	527	60.96 \$	82.96 \$	22.01 \$	36.10%	86.21%
2	3/4 Inch Residential	75	82.06	109.06	27.01	32.91%	12.29%
3	1 Inch Residential	4	146.87	209.39	62.52	42.57%	0.57%
4							
5							
6	1 Inch Commercial	3	405.56 \$	699.11 \$	293.55 \$	72.38%	0.41%
7	1 1/2 Inch Commercial	1	211.50	261.01	49.51	23.41%	0.16%
8	2 Inch Commercial	2	537.67	795.15	257.48	47.89%	0.33%
9							
10	Construction/Standpipe	0	1,778.07 \$	3,352.52 \$	1,574.45 \$	88.55%	0.03%
11							
12							
13							
14	Totals	611					100.00%
15							
16	Actual Year End Number of Customers:	626					
17							
18							
19							
20							
21							

Goodman Water Company
 Test Year Ended December 31, 2009
 Present and Proposed Rates

Exhibit
 Rebuttal Schedule H-3
 Page 1

Line No.	Monthly Usage Charge for: Meter Size (All Classes):	Present Rates	Proposed Rates	Change	Percent Change
1	5/8 Inch	\$ 42.20	\$ 52.20	\$ 10.00	23.70%
2	3/4 Inch	63.30	78.30	15.00	23.70%
3	1 Inch	105.50	130.50	25.00	23.70%
4	1 1/2 Inch	211.50	261.01	49.51	23.41%
5	2 Inch	339.68	417.61	77.93	22.94%
6	3 Inch	675.20	835.22	160.02	23.70%
7	4 Inch	1,055.00	1,305.04	250.04	23.70%
8	6 Inch	2,110.00	2,610.07	500.07	23.70%
9					
10					
11	<u>Gallons In Minimum (All Classes)</u>	-	-		
12					
13					
14	<u>Commodity Rates</u>				
15	<u>(All Classes)</u>				
16					
17	5/8 Inch				
18	1 gallon to 4,000 gallons		\$ 3.95	\$ 6.28	
19	4,001 gallons to 9,000 gallons		\$ 5.91	\$ 11.27	
20	over 9,000 gallons		\$ 7.11	\$ 13.41	
21					
22	3/4 Inch Meter				
23	1 gallon to 4,000 gallons		\$ 3.95	\$ 6.28	
24	4,001 gallons to 9,000 gallons		\$ 5.91	\$ 11.27	
25	over 9,000 gallons		\$ 7.11	\$ 13.41	
26					
27					
28					
29					
30	NT = No Tariff				
31					

Goodman Water Company
 Test Year Ended December 31, 2009
 Present and Proposed Rates

Exhibit
 Rebuttal Schedule H-3
 Page 2

Line No.	Commodity Rates (All Classes)	(Per 1,000 gallons)	
		Present Rate	Proposed Rate
1			
2			
3	Block		
4	1 gallons to 22,500 gallons	\$ 5.91	\$ 11.27
5	over 22,500 gallons	\$ 7.11	\$ 13.41
6			
7			
8	1.5 Inch Meter	\$ 5.91	\$ 11.27
9	1 gallons to 34,000 gallons	\$ 7.11	\$ 13.41
10	over 34,000 gallons		
11			
12	2 Inch Meter	\$ 5.91	\$ 11.27
13	1 gallons to 45,000 gallons	\$ 7.11	\$ 13.41
14	over 45,000 gallons		
15			
16	3 Inch Meter	\$ 5.91	\$ 11.27
17	1 gallons to 68,000 gallons	\$ 7.11	\$ 13.41
18	over 68,000 gallons		
19			
20	4 Inch Meter	\$ 5.91	\$ 11.27
21	1 gallons to 90,000 gallons	\$ 7.11	\$ 13.41
22	over 90,000 gallons		
23			
24	6 Inch Meter	\$ 5.91	\$ 11.27
25	1 gallons to 135,000 gallons	\$ 7.11	\$ 13.41
26	over 135,000 gallons		
27			
28			
29	Construction/Standpipe	\$ 7.11	\$ 13.41
30	All gallons		
31			
32			
33			
34			
35			
36			
37			
38			
39	NT = No Tariff		

Goodman Water Company
 Present and Proposed Rates
 Test Year Ended December 31, 2009

Line No.	Meter and Service Line Charges ¹	Present		Proposed		Total Proposed Charge
		Service Line Charge	Meter Installation Charge	Service Line Charge	Meter Installation Charge	
7	5/8 x 3/4 Inch	\$ 385.00	\$ 135.00	\$ 385.00	\$ 135.00	\$ 520.00
8	3/4 Inch	415.00	205.00	415.00	205.00	620.00
9	1 Inch	465.00	265.00	465.00	265.00	730.00
10	1 1/2 Inch	520.00	475.00	520.00	475.00	995.00
11	2 Inch Turbo	800.00	995.00	800.00	995.00	1,795.00
12	2 Inch, Compound	800.00	1,840.00	800.00	1,840.00	2,640.00
13	3 Inch Turbo	1,015.00	1,620.00	1,015.00	1,620.00	2,635.00
14	3 Inch, compound	1,135.00	2,495.00	1,135.00	2,495.00	3,630.00
15	4 Inch Turbo	1,430.00	2,570.00	1,430.00	2,570.00	4,000.00
16	4 Inch, compound	1,375.00	3,545.00	1,375.00	3,545.00	5,155.00
17	6 Inch Turbo	2,800.00	4,925.00	2,800.00	4,925.00	7,075.00
18	6 Inch, compound	2,800.00	6,820.00	2,800.00	6,820.00	9,090.00

¹ Based on ACC Staff Engineering Memo dated February 21, 2008

Other Charges:

	Current Rates	Proposed Rates
Establishment	\$ 50.00	\$ 50.00
Establishment (After Hours)	\$ 75.00	NT
Reconnection (Delinquent)	\$ 75.00	\$ 75.00
Reconnection (After hours)	\$ 50.00	NT
Meter Test	\$ 20.00	\$ 20.00
Deposit	PER RULE	PER RULE
Deposit Interest	PER RULE	6.00%
Re-establishment (Within 12 months)	PER RULE	PER RULE
NSF Check	\$ 15.00	\$ 15.00
Deferred Payment, per month	1.5%	1.5%
Meter Re-read	\$ 20.00	\$ 20.00
Late Charge	1.5%	1.5%
Customer requested Meter Test	\$ 20.00	\$ 20.00
After hours service charge	\$ 10.00	\$ 50.00
Turn-on/off (at customer request)	NT	NT
Moving Customer Meter (at customer request)	NT	Cost

Establishment (R14-2-403.D.1)
Establishment (After Hours) (R14-2-403.D.2)
Meter Test (R14-2-408.F)
Deposit (R14-2-403.B)
Deposit Interest (R14-2-403.B.3)
Re-establishment (R14-2-403.D.1)
NSF Check (R14-2-409.F.1)
Deferred Payment (R14-2-409.G.6)
Meter Re-read (R14-2-408.C.2)
Moving Meter (R14-2-405.B)

(a) \$ 5.00 minimum or 1.5% of unpaid balance whichever is greater.

Goodman Water Company
 Bill Comparison of Present and Proposed Rates
 Customer Classification Residential 5/8x3/4 Inch Meter
 Test Year Ended December 31, 2009
 (Excludes all Revenue Related Taxes)

Exhibit
 Schedule H-4
 Page 1
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 42.20	\$ 52.20	\$ 10.00	23.70%
1,000	46.15	58.48	12.33	26.72%
2,000	50.10	64.76	14.66	29.27%
3,000	54.05	71.04	16.99	31.44%
4,000	58.00	77.33	19.33	33.32%
5,000	63.91	88.60	24.69	38.62%
6,000	69.82	99.87	30.05	43.03%
7,000	75.73	111.13	35.40	46.75%
8,000	81.64	122.40	40.76	49.93%
9,000	87.55	133.67	46.12	52.68%
10,000	94.66	147.08	52.42	55.38%
12,000	108.88	173.89	65.01	59.71%
14,000	123.10	200.70	77.60	63.04%
16,000	137.32	227.52	90.20	65.68%
18,000	151.54	254.33	102.79	67.83%
20,000	165.76	281.14	115.38	69.61%
25,000	201.31	348.17	146.86	72.95%
30,000	236.86	415.20	178.34	75.29%
35,000	272.41	482.23	209.82	77.02%
40,000	307.96	549.25	241.29	78.35%
45,000	343.51	616.28	272.77	79.41%
50,000	379.06	683.31	304.25	80.26%
60,000	450.16	817.37	367.21	81.57%
70,000	521.26	951.43	430.17	82.52%
80,000	592.36	1,085.49	493.13	83.25%
90,000	663.46	1,219.54	556.08	83.82%
100,000	734.56	1,353.60	619.04	84.27%
Average Usage	5,520	\$ 94.46	\$ 27.47	41.01%
Median Usage	4,500	\$ 82.96	\$ 22.01	36.10%

Present Rates:
 Monthly Minimum: \$ 42.20
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 4,000 \$ 3.95
 Over 9,000 \$ 5.91
 Over 9,000 \$ 7.11

Proposed Rates:
 Monthly Minimum: \$ 52.20
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 4,000 \$ 6.28
 Up to 9,000 \$ 11.27
 Over 9,000 \$ 13.41

Goodman Water Company
Exhibit
Schedule H-4
Page 2
Witness: Bourassa

Bill Comparison of Present and Proposed Rates
Residential 3/4 Inch Meter
Test Year Ended December 31, 2009
(Excludes all Revenue Related Taxes)

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 63.30	\$ 78.30	\$ 15.00	23.70%
1,000	67.25	84.58	17.33	25.77%
2,000	71.20	90.86	19.66	27.62%
3,000	75.15	97.15	22.00	29.27%
4,000	79.10	103.43	24.33	30.75%
5,000	85.01	114.70	29.69	34.92%
6,000	90.92	125.97	35.05	38.55%
7,000	96.83	137.24	40.41	41.73%
8,000	102.74	148.51	45.77	44.54%
9,000	108.65	159.78	51.13	47.05%
10,000	115.76	173.18	57.42	49.60%
12,000	129.98	199.99	70.01	53.86%
14,000	144.20	226.80	82.60	57.28%
16,000	158.42	253.62	95.20	60.09%
18,000	172.64	280.43	107.79	62.43%
20,000	186.86	307.24	120.38	64.42%
25,000	222.41	374.27	151.86	68.28%
30,000	257.96	441.30	183.34	71.07%
35,000	293.51	508.33	214.82	73.19%
40,000	329.06	575.35	246.29	74.85%
45,000	364.61	642.38	277.77	76.18%
50,000	400.16	709.41	309.25	77.28%
60,000	471.26	843.47	372.21	78.98%
70,000	542.36	977.53	435.17	80.24%
80,000	613.46	1,111.59	498.13	81.20%
90,000	684.56	1,245.64	561.08	81.96%
100,000	755.66	1,379.70	624.04	82.58%
Average Usage	6,028	\$ 126.28	\$ 35.19	38.64%
Median Usage	4,500	\$ 109.06	\$ 27.01	32.91%

Present Rates:
 Monthly Minimum: \$ 63.30
 Gallons in Minimum: -
 Charge Per 1,000 Gallons
 Up to 4,000 \$ 3.95
 Over 9,000 \$ 5.91
 Over 9,000 \$ 7.11

Proposed Rates:
 Monthly Minimum: \$ 78.30
 Gallons in Minimum: -
 Charge Per 1,000 Gallons
 Up to 4,000 \$ 6.28
 Up to 9,000 \$ 11.27
 Over 9,000 \$ 13.41

Goodman Water Company
 Bill Comparison of Present and Proposed Rates
 Residential 1 Inch Meter
 Customer Classification
 Test Year Ended December 31, 2009
 (Excludes all Revenue Related Taxes)

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	Present Rates:
-	\$ 105.50	\$ 130.50	\$ 25.00	23.70%	Monthly Minimum: \$ 105.50
1,000	111.41	141.77	\$ 30.36	27.25%	Gallons in Minimum -
2,000	117.32	153.04	\$ 35.72	30.45%	Charge Per 1,000 Gallons
3,000	123.23	164.31	\$ 41.08	33.34%	Up to 22,500 \$ 5.91
4,000	129.14	175.58	\$ 46.44	35.96%	Over 22,500 \$ 7.11
5,000	135.05	186.85	\$ 51.80	38.36%	
6,000	140.96	198.12	\$ 57.16	40.55%	
7,000	146.87	209.39	\$ 62.52	42.57%	
8,000	152.78	220.66	\$ 67.88	44.43%	
9,000	158.69	231.93	\$ 73.24	46.15%	
10,000	164.60	243.20	\$ 78.60	47.75%	
12,000	176.42	265.74	\$ 89.32	50.63%	
14,000	188.24	288.28	\$ 100.04	53.15%	Proposed Rates:
16,000	200.06	310.82	\$ 110.76	55.38%	Monthly Minimum: \$ 130.50
18,000	211.88	333.36	\$ 121.48	57.33%	Gallons in Minimum -
20,000	223.70	355.90	\$ 132.20	59.10%	Charge Per 1,000 Gallons
25,000	256.25	417.59	\$ 161.34	62.96%	Up to 22,500 \$ 11.27
30,000	291.80	484.62	\$ 192.82	66.08%	Over 22,500 \$ 13.41
35,000	327.35	551.65	\$ 224.30	68.52%	
40,000	362.90	618.68	\$ 255.78	70.48%	
45,000	398.45	685.70	\$ 287.25	72.09%	
50,000	434.00	752.73	\$ 318.73	73.44%	
60,000	505.10	886.79	\$ 381.69	75.57%	
70,000	576.20	1,020.85	\$ 444.65	77.17%	
80,000	647.30	1,154.91	\$ 507.61	78.42%	
90,000	718.40	1,288.97	\$ 570.57	79.42%	
100,000	789.50	1,423.02	\$ 633.52	80.24%	
Average Usage	10,750	\$ 169.04	\$ 251.66	\$ 82.62	48.88%
Median Usage	7,000	\$ 146.87	\$ 209.39	\$ 62.52	42.57%

Goodman Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1 Inch Meter
Test Year Ended December 31, 2009

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 105.50	\$ 130.50	\$ 25.00	23.70%
1,000	111.41	141.77	\$ 30.36	27.25%
2,000	117.32	153.04	\$ 35.72	30.45%
3,000	123.23	164.31	\$ 41.08	33.34%
4,000	129.14	175.58	\$ 46.44	35.96%
5,000	135.05	186.85	\$ 51.80	38.36%
6,000	140.96	198.12	\$ 57.16	40.55%
7,000	146.87	209.39	\$ 62.52	42.57%
8,000	152.78	220.66	\$ 67.88	44.43%
9,000	158.69	231.93	\$ 73.24	46.15%
10,000	164.60	243.20	\$ 78.60	47.75%
12,000	176.42	265.74	\$ 89.32	50.63%
14,000	188.24	288.28	\$ 100.04	53.15%
16,000	200.06	310.82	\$ 110.76	55.36%
18,000	211.88	333.36	\$ 121.48	57.33%
20,000	223.70	355.90	\$ 132.20	59.10%
25,000	256.25	417.59	\$ 161.34	62.96%
30,000	291.80	484.62	\$ 192.82	66.08%
35,000	327.35	551.65	\$ 224.30	68.52%
40,000	362.90	618.68	\$ 255.78	70.48%
45,000	398.45	685.70	\$ 287.25	72.09%
50,000	434.00	752.73	\$ 318.73	73.44%
60,000	505.10	886.79	\$ 381.69	75.57%
70,000	576.20	1,020.85	\$ 444.65	77.17%
80,000	647.30	1,154.91	\$ 507.61	78.42%
90,000	718.40	1,288.97	\$ 570.57	79.42%
100,000	789.50	1,423.02	\$ 633.52	80.24%
Average Usage	70,291	\$ 1,024.76	\$ 446.48	77.21%
Median Usage	46,000	\$ 699.11	\$ 293.55	72.38%

Present Rates:
Monthly Minimum: \$ 105.50
Gallons in Minimum -
Charge Per 1,000 Gallons
Up to 22,500 \$ 5.91
Over 22,500 \$ 7.11

Proposed Rates:
Monthly Minimum: \$ 130.50
Gallons in Minimum -
Charge Per 1,000 Gallons
Up to 22,500 \$ 11.27
Over 22,500 \$ 13.41

Goodman Water Company
Exhibit
Schedule H-4
Bill Comparison of Present and Proposed Rates
Commercial 1.5 Inch Meter Page 5
Customer Classification
Test Year Ended December 31, 2009
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	
-	\$ 211.50	\$ 261.01	\$ 49.51	23.41%	
1,000	217.41	272.28	\$ 54.87	25.24%	
2,000	223.32	283.55	\$ 60.23	26.97%	
3,000	229.23	294.82	\$ 65.59	28.61%	
4,000	235.14	306.09	\$ 70.95	30.17%	
5,000	241.05	317.36	\$ 76.31	31.66%	
6,000	246.96	328.63	\$ 81.67	33.07%	
7,000	252.87	339.90	\$ 87.03	34.42%	
8,000	258.78	351.17	\$ 92.39	35.70%	
9,000	264.69	362.44	\$ 97.75	36.93%	
10,000	270.60	373.71	\$ 103.11	38.10%	
12,000	282.42	396.24	\$ 113.82	40.30%	
14,000	294.24	418.78	\$ 124.54	42.33%	
16,000	306.06	441.32	\$ 135.26	44.20%	
18,000	317.88	463.86	\$ 145.98	45.92%	
20,000	329.70	486.40	\$ 156.70	47.53%	
25,000	359.25	542.75	\$ 183.50	51.08%	
30,000	388.80	599.10	\$ 210.30	54.09%	
35,000	419.55	657.59	\$ 238.04	56.74%	
40,000	455.10	724.62	\$ 269.52	59.22%	
45,000	490.65	791.64	\$ 300.99	61.35%	
50,000	526.20	858.67	\$ 332.47	63.18%	
60,000	597.30	992.73	\$ 395.43	66.20%	
70,000	668.40	1,126.79	\$ 458.39	68.58%	
80,000	739.50	1,260.85	\$ 521.35	70.50%	
90,000	810.60	1,394.91	\$ 584.31	72.08%	
100,000	881.70	1,528.96	\$ 647.26	73.41%	
Average Usage	500	\$ 214.46	\$ 266.64	\$ 52.19	24.33%
Median Usage	-	\$ 211.50	\$ 261.01	\$ 49.51	23.41%

Present Rates:
 Monthly Minimum: \$ 211.50
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 34,000 \$ 5.91
 Over 34,000 \$ 7.11

Proposed Rates:
 Monthly Minimum: \$ 261.01
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 34,000 \$ 11.27
 Over 34,000 \$ 13.41

Goodman Water Company
Bill Comparison of Present and Proposed Rates
Customer Classification **Commerical 2 Inch Meter**
Test Year Ended December 31, 2009

Exhibit
Schedule H-4
Page 6
Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 339.68	\$ 417.61	\$ 77.93	22.94%
1,000	345.59	428.88	\$ 83.29	24.10%
2,000	351.50	440.15	\$ 88.65	25.22%
3,000	357.41	451.42	\$ 94.01	26.30%
4,000	363.32	462.69	\$ 99.37	27.35%
5,000	369.23	473.96	\$ 104.73	28.36%
6,000	375.14	485.23	\$ 110.09	29.35%
7,000	381.05	496.50	\$ 115.45	30.30%
8,000	386.96	507.77	\$ 120.81	31.22%
9,000	392.87	519.04	\$ 126.17	32.11%
10,000	398.78	530.31	\$ 131.53	32.98%
12,000	410.60	552.85	\$ 142.25	34.64%
14,000	422.42	575.39	\$ 152.97	36.21%
16,000	434.24	597.93	\$ 163.69	37.70%
18,000	446.06	620.47	\$ 174.41	39.10%
20,000	457.88	643.01	\$ 185.13	40.43%
25,000	487.43	699.36	\$ 211.93	43.48%
30,000	516.98	755.71	\$ 238.73	46.18%
35,000	546.53	812.05	\$ 265.52	48.58%
40,000	576.08	868.40	\$ 292.32	50.74%
45,000	605.63	924.75	\$ 319.12	52.69%
50,000	641.18	991.78	\$ 350.60	54.68%
60,000	712.28	1,125.84	\$ 413.56	58.06%
70,000	783.38	1,259.90	\$ 476.52	60.83%
80,000	854.48	1,393.96	\$ 539.48	63.13%
90,000	925.58	1,528.01	\$ 602.43	65.09%
100,000	996.68	1,662.07	\$ 665.39	66.76%
Average Usage	689.59	\$ 1,083.06	\$ 393.47	57.06%
Median Usage	33,500	\$ 795.15	\$ 257.48	47.89%

Present Rates:
 Monthly Minimum: \$ 339.68
 Gallons in Minimum: -
 Charge Per 1,000 Gallons
 Up to 45,000 \$ 5.91
 Over 45,000 \$ 7.11

Proposed Rates:
 Monthly Minimum: \$ 417.61
 Gallons in Minimum: -
 Charge Per 1,000 Gallons
 Up to 45,000 \$ 11.27
 Over 45,000 \$ 13.41

Goodman Water Company
 Bill Comparison of Present and Proposed Rates
 Construction Water
 Customer Classification
 Test Year Ended December 31, 2009
 (Excludes all Revenue Related Taxes)

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1,000	7.11	13.41	6.30	88.55%
2,000	14.22	26.81	12.59	88.55%
3,000	21.33	40.22	18.89	88.55%
4,000	28.44	53.62	25.18	88.55%
5,000	35.55	67.03	31.48	88.55%
6,000	42.66	80.43	37.77	88.55%
7,000	49.77	93.84	44.07	88.55%
8,000	56.88	107.25	50.37	88.55%
9,000	63.99	120.65	56.66	88.55%
10,000	71.10	134.06	62.96	88.55%
12,000	85.32	160.87	75.55	88.55%
14,000	99.54	187.68	88.14	88.55%
16,000	113.76	214.49	100.73	88.55%
18,000	127.98	241.30	113.32	88.55%
20,000	142.20	268.12	125.92	88.55%
25,000	177.75	335.15	157.40	88.55%
30,000	213.30	402.17	188.87	88.55%
35,000	248.85	469.20	220.35	88.55%
40,000	284.40	536.23	251.83	88.55%
45,000	319.95	603.26	283.31	88.55%
50,000	355.50	670.29	314.79	88.55%
60,000	426.60	804.35	377.75	88.55%
70,000	497.70	938.41	440.71	88.55%
80,000	568.80	1,072.46	503.66	88.55%
90,000	639.90	1,206.52	566.62	88.55%
100,000	711.00	1,340.58	629.58	88.55%
Average Usage	\$ 1,778.07	\$ 3,352.52	\$ 1,574.45	88.55%
Median Usage	\$ 1,778.07	\$ 3,352.52	\$ 1,574.45	88.55%

Present Rates:
 Monthly Minimum:
 Gallons in Minimum
 Charge Per 1,000 Gallons \$ -
 All Gallons \$ 7.11

Proposed Rates:
 Monthly Minimum:
 Gallons in Minimum
 Charge Per 1,000 Gallons \$ -
 All Gallons \$ 13.41