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Transcript Exhibit(s)

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

Exhibit # : A12 - A23, JS8, JS9, JS21

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4	Withdrawn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:

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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-12

EXHIBIT
A-12
ADMITTED

July 12, 2011
Rejoinder 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-10-0382

REJOINDER TESTIMONY OF

THOMAS J. BOURASSA

ON BEHALF OF GOODMAN WATER COMPANY

(RATE BASE, INCOME STATEMENT, RATE DESIGN)

July 12, 2011

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I. INTRODUCTION AND PURPOSE OF TESTIMONY.

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

Q2. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?

A2. On behalf of the applicant, Goodman Water Company ("GWC" or the "Company").

Q3. HAVE YOU PREVIOUSLY SUBMITTED DIRECT AND REBUTTAL TESTIMONY IN THE INSTANT CASE?

A3. Yes, my direct testimony was submitted in support of the initial application in this docket. There were two volumes, one addressing rate base, income statement and rate design, and the other addressing cost of capital. My rebuttal testimony was also submitted in two separate volumes. Each of those testimonies included my associated schedules.

Q4. WHAT IS THE PURPOSE OF THIS REJOINDER TESTIMONY?

A4. I will provide rejoinder testimony in response to the surrebuttal filing by Staff, RUCO and the intervenors Mr. Wawrzyniak and Mr. Schoemperlen. More specifically, this first volume of my rejoinder testimony relates to rate base, income statement and rate design for GWC. In a second, separate volume of my testimony, I also provide rejoinder responses to the surrebuttal testimony by Staff, RUCO and Mr. Schoemperlen on the cost of capital and rate of return applied to the fair value rate base, and the determination of operating income.

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II. SUMMARY OF GWC'S REJOINDER POSITION

Q5. WHAT IS THE REVENUE INCREASE THAT THE COMPANY IS PROPOSING IN THIS REJOINDER TESTIMONY?

A5. The Company is proposing a total revenue requirement of $855,107 which constitutes an increase in revenues of $260,648 or 43.85% over adjusted test year revenues.

Q6. HOW DOES THIS COMPARE WITH THE COMPANY'S REBUTTAL FILING?

A6. In the rebuttal filing, the Company requested a total revenue requirement of $857,176, which required an increase in revenues of $262,717, or 44.19%

Q7. WHAT ARE THE PROPOSED REVENUE REQUIREMENTS AND RATE INCREASES FOR THE COMPANY, STAFF, RUCO, AND INTERVENERS AT THIS STAGE OF THE PROCEEDING?

A7. The proposed revenue requirements and proposed rate increases are as follows:

	Revenue Requirement	Revenue Incr.	% Increase
Company Rebuttal	$ 857,176	$ 262,717	44.19%
RUCO Surrebuttal	$ 603,174	$ 8,715	1.47%
Staff Surrebuttal	$ 775,283	$ 180,824	30.42%
Interveners	$ 498,047	$ (74,704)[1]	-13.04%[2]
Company Rejoinder	$ 855,107	$ 260,648	43.85%

[1] Company proposed direct adjusted test year revenue of $572,751 minus $498,047 as shown in Schoemperlen Surrebuttal Schedule D on page 15 of Surrebuttal Testimony of James Schoemperlen.

[2] $(74,704) divided by $572,751.

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Q8 WHY IS THE REQUESTED REVENUE INCREASE LOWER IN GWC'S REJOINDER FILING COMPARED TO THE REBUTTAL FILING?

A8. The Company has revised its property tax computation to utilize a 20% assessment ratio rather than a 21% assessment ratio. This has reduced the Company proposed adjusted property tax expense and has also resulted in a slight reduction to adjusted test year income taxes. The Company proposed rate base of $2,298,376 and proposed operating expenses other then property taxes and income taxes of $490,461 remains the same as it proposed in its rebuttal filing.

Q9. HAS THE COMPANY REVISED ANY OF ITS REBUTTAL PROPOSED REVENUE AND/OR EXPENSE ADJUSTMENTS OR ADOPTED ANY ADDITIONAL ADJUSTMENTS PROPOSED BY STAFF OR RUCO?

A9. Other than the change to property tax expense and income tax expense mentioned above, the rate base and income statement adjustments are the same. These adjustments were described in detail in my Rebuttal Testimony.

Q10. PLEASE SUMMARIZE THE COMPANY'S OPERATING INCOME ADJUSTMENTS TO ITS INITIAL RECOMMENDATIONS AT THIS STAGE OF THE PROCEEDING AND THE POSITIONS OF STAFF AND RUCO.

A10. The operating income adjustments as follows:

Depreciation Expense - This adjustment increases depreciation expense by $13,620 and reflects the Company's proposed depreciation rates and plant-in-service amounts. The Company agrees with the Staff proposed depreciation rates.[3]

[3] Compare depreciation rates on Company Rejoinder Schedule C-2, page 2 and Staff Surrebuttal Schedule GLF-16.

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It also appears that RUCO utilizes the Staff proposed depreciation rates.[4] Differences in the parties' respective level of depreciation expense are due to differences in each of the parties' recommended plant-in-service amounts.

Property Taxes - This adjustment reduces property tax expense by $2,250 to reflect the application of the modified Arizona Department of Revenue ("ADOR") property tax formula. The Company and Staff agree on the use of the modified ADOR formula and the adjusted test year level of property tax of $19,049.[5] While RUCO utilizes the modified ADOR formulation, RUCO recommends property tax expense of $17,729.[6] RUCO's recommended property tax expense excludes $1,320 of taxes on parcels where as both the Company and Staff recommendations include these property taxes.

Rate Case Expense - This adjustment increases annual rate case expense by $20,000 to $40,000 reflecting the Company's request for $160,000 of rate case expense amortized over 4 years. Staff proposes $160,000 of rate case expense normalized over 4 years or $40,000 annually.[7] RUCO has not proposed any changes to the Company's initial request of $80,000 amortized over 4 years or $20,000 annually.

Revenue Annualization - The Company is proposing a revenue annualization adjustment of $21,708. Both Staff and RUCO have adopted the Company's

[4] Compare depreciation rates on RUCO Surrebuttal Schedule TJC-10 and Staff Surrebuttal Schedule GLF-16.

[5] *See* Company Rejoinder Schedule C-2, page 3 and Staff Surrebuttal Schedule GLF-17.

[6] *See* RUCO Surrebuttal Schedule TJC-11.

[7] Surrebuttal Testimony of Gordon L. Fox ("Fox Sb.") at 26.

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proposed revenue annualization adjustment.[8]

Water Testing – This adjustment increases Water Testing Expense by $1,568 and reflects the adoption of Staff's proposed adjustment and adjusted test year level of expense.[9] RUCO has also adopted Staff proposed adjustment to Water Testing Expense.[10]

Purchased Power Annualization – This adjustment increases Purchase Power Expense by $577 and reflects the increase in pumping power costs for additional gallons to be sold by annualizing revenues to the year-end level of customers. Both Staff and RUCO have adopted the Company's proposed revenue annualization adjustment.[11]

Interest Synchronization – This adjustment increases Interest Expense by $1,613 and reflects interest synchronization with rate base. Both Staff and RUCO propose to interest synchronize interest expense with their respective recommended rate bases.[12]

Income Taxes – This adjustment reduces income taxes by $12,794 reflecting the application of statutory state and federal income tax rates to the Company's adjusted taxable income. Both Staff and RUCO compute income taxes using the

[8] Fox Sb. at 7; Surrebuttal Testimony of Timothy Coley ("Coley Sb.") at 43.
[9] Fox Sb. at 27.
[10] Coley Sb. at 4.
[11] Fox Sb. at 33; Coley Sb. at 4.
[12] *See* Staff Surrebuttal Schedule GLF-2; Coley Sb. at 47.

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applicable state and federal income tax rates to their respective adjusted taxable income.[13]

Q11. PLEASE SUMMARIZE ANY REMAINING OPERATING INCOME ISSUES IN DISPUTE BETWEEN THE PARTIES.

A11. The following areas remain in dispute with RUCO:

Salaries and Wages and related Payroll Taxes – RUCO proposes to reduce Salaries and Wages by $4,986 and Taxes Other Than Income by $372.[14] The Company disagrees with RUCO's proposal.

Contractual Services – RUCO proposes to reduce Contractual Services by $2,493.[15] The Company disagrees with RUCO's proposal.

Q12. PLEASE SUMMARIZE THE COMPANY'S PROPOSED RATE BASE ADJUSTMENTS TO ITS INITIAL RECOMMENDATIONS AND THE POSITIONS OF STAFF AND RUCO AT THIS STAGE OF THE PROCEEDING.

A12. The rate base adjustments proposed by the Company have not changed from its rebuttal filing. They are summarized as follows:

Storage Reservoir Upsizing – The Company proposes the removal of $72,350 of

[13] Fox Sb. at 8; Coley Sb. at 47.

[14] Coley Sb. at 4.

[15] *Id.*

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costs related to upsizing the 530,000 gallon storage tank[16] from Account 330.1 – Storage Tanks. Staff is in agreement with the Company's proposal.

Land – The Company proposes to reduce the land cost by $35,000 based on the appraisal of Company witness, Mr. Ferenchak. Staff proposes to reduce the cost of land by $379,837.[17] Mr. Schoemperlen proposes to reduce the land cost by $369,500.[18]

Plant Reclassification - The Company has adopted Staff's recommendation to reclassify water treatment equipment costs totaling $15,947 from account 320 – Water Treatment Plant to account 320.2 – Chemical Solution Feeders.[19] The Company has also adopted Staff's recommendation 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).[20] The net impact of both of these plant reclassifications on PIS and rate base is zero. RUCO has not adopted Staff's plant reclassification recommendations.

Accumulated Depreciation – The Company proposes to increase accumulated depreciation ("A/D") by $2,510. This adjustment reflects the impacts of a

[16] The actual tank size is 600,000 gallons, but the useable capacity is $530,000 gallons.

[17] Fox Sb. at 18. Staff originally proposed to reduce the land cost by $369,500 (see Direct Testimony, but has revised its recommendation to reduce the land cost by $379,837.

[18] *See* Surrebuttal Testimony of James Schoemperlen ("Schoemperlen Sb.") at 5 and Schoemperlen Schedule M.

[19] Fox Sb. at 4.

[20] *Id. at 6.*

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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. Staff proposes to reduce A/D by $7,910[21] whereas RUCO proposes to reduce A/D by $3,268[22]. Both RUCO and Staff propose A/D balances which reflect their respective recommendations for plant-in-in-service.

Accumulated Deferred Income Taxes – The Company proposes to reduce accumulated deferred income taxes ("ADIT") by $5,713 to reflect the Company's proposed changes to PIS, and A/D. Staff proposes to reduce ADIT by $16,936 whereas RUCO proposes to increase ADIT by $50,545. These are presumably based upon Staff's and RUCO's recommendations to PIS, A/D, and Advances-in-Aid of Construction ("AIAC").

Q13. PLEASE SUMMARIZE ANY REMAINING RATE BASE ISSUES IN DISPUTE BETWEEN THE PARTIES.

A13. The following areas remain in dispute with Staff and RUCO:

Not Used and Useful Plant – Staff proposes to remove $128,600 from transmission mains to reflect lines that Staff has determined to be not used and useful.[23] The Company disagrees with Staff's proposal.

Excess Capacity – RUCO proposes to eliminate $1,360,580 of PIS costs and

[21] Fox Sb. at 21.
[22] Coley Sb. at 2.
[23] Fox Sb. at 20.

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$269,307 of A/D which RUCO deems excess capacity.[24] Mr. Schoemperlen proposes to eliminate of PIS costs $578,003 which Mr. Schoemperlen deems excess capacity.[25] The Company disagrees with both Mr. Schoemperlen's and RUCO's proposals.

Tank Over-Sizing – Mr. Schoemperlen proposes to remove $132,677 of tank over-sizing.[26] The Company disagrees with this amount. The tank over-sizing cost was $72,350 and this is the amount the Company has proposed as an adjustment.

Advances-in-aid of Construction ("AIAC") - Staff proposes to remove $128,600 from AIAC which is related to its recommendation to remove $128,600 of transmission main costs.[27] Although the Company does not agree with the removal of the transmission main costs, if the Commission adopts Staff recommendation regarding transmission mains, then this would be an appropriate adjustment to the AIAC account.

RUCO proposes to remove $497,983 of AIAC which is a related adjustment to RUCO's excess capacity adjustments to PIS.[28] The Company does not agree with the RUCO proposed excess capacity adjustment and therefore does not agree with RUCO's proposed adjustment to AIAC.

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[24] Coley Sb. at 2.

[25] *See* Schoemperlen Schedule M.

[26] *Id.*

[27] Fox Sb. at 22.

[28] Coley Sb. at 3.

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III. RATE BASE

Q14. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE BASE RECOMMENDATIONS?

A14. Yes, the rate bases proposed by the parties at this stage in the proceeding are as follows:

	OCRB	FVRB
Company Rebuttal	$ 2,298,376	$ 2,298,376
RUCO	$ 1,755,188	$ 1,755,118
Staff	$ 1,974,781	$ 1,974,781
Interveners	$ 1,317,239	$ 1,317,239
Company Rejoinder	$ 2,298,376	$ 2,298,376

A. Plant-in-service.

Q15. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED ORIGINAL COST RATE BASE?

A15. The Company's rate base adjustments to OCRB at this stage of the proceeding are detailed on rejoinder schedules B-2, pages 3 through 5. Rejoinder Schedule B-2, page 1 and 2, summarize the Company's proposed adjustments and the rebuttal OCRB.

Rebuttal B-2 adjustment 1, as summarized on Rejoinder Schedule B-2, page 2, consists of two adjustments labeled as "A", "B", and "C" on Rejoinder Schedule B-2, page 3.

Adjustment A, of Rejoinder B-2 adjustment 1, reflects a reclassification of plant costs. The Company proposes to reclassify water treatment equipment costs totaling $15,947 from account 320 – Water Treatment Plant to account 320.2 –

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Chemical Solution Feeders. 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). Both of these reclassifications reflect the adoption of Staff's recommended reclassifications.[29] The net impact of both of these plant reclassifications on PIS and rate base is zero.

Adjustment B reflects a decrease to PIS (Account 330.1 – Storage Tanks) for storage reservoir upsizing costs totaling $72,350. Staff has adopted this adjustment.[30]

Adjustment C reflects a decrease to PIS (Account 3303 – Land and Land Rights) of $35,000 to reflect an appraisal of the land at the time the land parcels were devoted to public service by Mr. Ferenchak.[31]

1. Response to Staff Surrebuttal Testimony on Staff's Proposed Land Adjustment

Q16. BREIFLY SUMMARIZE THE COMPANY AND THE STAFF POSITION REGARDING THE LAND VALUES?

A16. Put simply, it is Staff position that since the NARUC Guidelines for Cost Allocation and Affiliate Transactions (the "Guidelines") generally call for recognizing the land transaction (an affiliate transaction) at the lower of prevailing market price or net book value and since the Company has not provided the book value amount, Staff is proposing to use the 2009 Pinal County Assessor's Full Cash Value ("FCV") as the value of the land for the four parcels.[32]

---

[29] *Id.*

[30] Fox Sb. at 20.

[31] *See* Rebuttal Testimony of John Ferenchak III ("Ferenchak Rb.").

[32] Fox Sb. at 17.

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The Company's position is that the book value of the land of EC development is irrelevant. The value of the land, established by the independent appraisal of Mr. Ferenchak, is the cost to Goodman Water Company at the time the land was devoted to public service which is consistent with the ACC rules.[33] The Guidelines upon which Staff relies were developed for large electric and gas public utility holding companies that provide both regulated and unregulated services and products and were not intended to be rules or regulations.[34] Not only do the Guidelines state this, but the NARUC resolution adopting the Guidelines also states this. I have attached the NARUC resolution at Rejoinder Exhibit TJB-RJ1. I have also attached at Rejoinder Exhibit TJB-RJ2 a copy of a study prepared by Deloitte & Touche back in 1999 when the Guidelines were being drafted by NARUC for electric and gas utilities. This provides a helpful background to the types of cost allocations and transfer pricing and an idea of the range of practices among state public utility commissions. The bottom line is that the Guidelines have never been formally adopted by the Commission for any type of utility (electric, gas, water, and/or wastewater) through proper rule making by this Commission and should not be applied here.

Q17. DO YOU HAVE ANY FURTHER COMMENTS ON THE GUIDELINES AND THE APPLICABILITY OF THOSE GUIDELINES IN THE INSTANT CASE?

A17. Yes. The method for recording the transfer of assets at the lower of cost or market value as prescribed in the Guidelines is not universally accepted. While I have not conducted an exhaustive search, I have found a few examples of policies and/or

[33] *See* Rebuttal Testimony of Thomas J. Bourassa ("Bourassa Rb.") at 5.

[34] *Id.*

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rules adopted by various public utility commissions. The California Public Utility Commission ("CPUC"), for example, requires the transfers of assets from an affiliate to a water utility to be at the fair market value. CPUC Standard Practice U-21-W, Non-Tariffed Service Offerings and Information on Affiliate Transactions states:

> Rule 21. *Transfers Of Tangible and Intangible Assets and Goods to Water Utility.* Any transfer of any tangible or intangible asset or good to Water Utility from any affiliated company or its holding companies shall be in compliance with the applicable provisions of the statutes, law and consistent Commission policies. Unless in conflict with the statutes, law and consistent Commission policies, such asset or goods transferred from an affiliated sister company or its holding companies to Water Utility shall be at **fair market value**. Water Utility may seek prior authorization from the Commission, however, by filing an application or advice letter for a determination of the appropriate value of an asset or good. (emphasis added)

The Oregon Public Utility Commission ("OPUC"), on the other hand, requires that when an asset is transferred to a water utility from an affiliate, the asset shall be recorded as the lower of net book value or fair market value similar to the Guidelines.[35] The Public Utility Commission of Texas does not appear to have a specific rule for water utilities, however, the applicable rule on affiliate asset transfers for electric service providers states:

> **Purchase of products, services, or assets by a utility from its affiliate.** Products, services, and assets shall be priced at levels that are fair and reasonable to the customers of the utility and that reflect the market value of the product, service, or asset.[36]

Q18. PLEASE COMMENT ON STAFF'S DESCRIPTION OF THE CIRCUMSTANCES SURROUNDING THE LAND TRANSACTION?

[35] Oregon Administrative Rule 860-036-0739.3.a.

[36] Public Utility Commission of Texas, Electric Substantive Rules, Chapter 25, Subchapter K, Section (e).

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A18. First, let me state that the Company does not disagree with Staff that non-arm's length transactions require more scrutiny.[37] To that end, Staff has no direct concerns over accepting the appraisal of the land by Mr. Ferenchak or to Mr. Ferenchak's independence or his abilities as an appraiser or his personal integrity.[38] However, because Staff has concerns of the circumstances surrounding the transaction, including the fact that it was not an arm's length transaction, Staff believes that the transaction requires a "healthy level of skepticism".[39] In response to questions raised by Staff related to the valuation date(s) and over the independence of Mr. Naifeh,[40] the Company engaged Mr. Ferenchak to perform an independent appraisal that addressed Staff's concerns.

Q19. WHAT ABOUT THE FAILURE TO RECORD THE LAND TRANSACTION IN A TIMELY MANNER?

A19. The fact that the land transaction was not recorded in a timely manner is not particularly alarming. Bookkeeping mistakes among both small and large utilities are not uncommon. In a recent rate case for a relatively large water utility, Bella Vista Water[41], retirements were not recorded during the period of time from when Liberty Water acquired Bella Vista Water in 2003 to the end of the test year (2009). That said, in my experience there are bookkeeping mistakes identified in most cases which range from simple misclassification of plant assets to failure to record transactions. These mistakes can range for the immaterial to the material.

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[37] Fox Sb. at 16.

[38] Fox Sb. at 15-16.

[39] *Id.* at 16.

[40] Fox Sb. at 15 and 16.

[41] *See* Docket No. W-02465A-09-0411, et al.

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Q20. PLEASE RESPOND TO MR. FOX'S TESTIMONY ON PAGE 16 THAT THE CIRCUMSTANCES PROVIDED THE COMPANY AND INCENTIVE TO OBTAIN A HIGH APPRAISAL VALUATION AND TO SEEK AN APPRAISER THAT WOULD RENDER A FAVORABLE CONCLUSION?

A20. The facts do not support Mr. Fox's assertion. While we can disagree about whether Mr. Naifeh's appraisal was independent, Mr. Naifeh has testified that his appraisal was not influenced by Mr. Shiner or anyone else and not based upon a requested minimum valuation or a specific determination of value.[42] Further, Mr. Naifeh was hired to prepare an appraisal in 2008 shortly after it was discovered that the land was not recorded on the books. There was nothing nefarious about that. Mr. Shiner erred in requesting a June 2008 valuation date. However, this was not an attempt to maximize the land value or obtain a more favorable opinion of value but rather an incorrect assumption on Mr. Shiner's part about the correct valuation date. That said, the question over the value of the land at the time(s) the four parcels were devoted to public service has been resolved by the appraisal by Mr. Ferenchak with whom Staff does not have a concern.

Q21. DOES THE MANNER IN WHICH THE COMPANY PAID FOR THE LAND RAISE ANY SUSPICIONS ABOUT THE TRANSACTION?

A21. No. As Mr. Fox correctly testified, the land was paid for through a combination of stock, cash, and seller short-term financing.[43] This is not unusual nor should it raise any suspicions as Mr. Fox asserts.[44] Mr. Fox does not explain why the

[42] Naifeh Rb. at 8.

[43] Fox Sb. at 16.

[44] *See* Decision 70052 (December 4, 2007). Valley Utilities Water Company purchased land and equipment from an affiliate through a combination of stock and short-term debt.

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method of financing raises suspicions, only that it does. Mr. Fox's unexplained and unsupported assertion, just as his mention of the failure to record that land in a timely fashion, is no more than a distraction. Ultimately, Staff seeks to have the land valued at the lesser of market value or book cost as set forth in the NARUC audit guidelines for affiliate transactions (the "Guidelines"). Mr. Fox admits that even if Mr. Ferenchak's appraisal is an accurate representation of the market value of the land at the times the parcels were devoted to public service, the Guidelines require the land to be recognized at the book value of EC Development.[45]

Q22. SINCE STAFF FILED ITS SURREBUTTAL TESTIMONY HAS THE COMPANY PROVIDED THE BOOK VALUE INFORMATION TO ALL OF THE PARTIES IN THIS CASE?

A22. Yes. Again, while the Company believes that the book value of EC Development is irrelevant, the Company has determined the fully allocated cost (the book value) of the four parcels to be $255,000.[46]

Q23. WHY IS THE MARKET VALUE OF THE LAND THE APPROPRIATE BASIS?

A23. Putting aside that utilizing the market price is consistent with the established ACC Rules,[47] market based transfer prices should be considered by the Commission as fair since the price for a utility/affiliate transaction would be the same as the price for a non-affiliate transaction and avoids confiscation by regulators of property that is devoted to public service.

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[45] *Id.*

[46] *See* Supplemental Response to Intervener Data Request 5.

[47] Bourassa Rb at 5.

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Q24. HAS THE MARKET VALUE OF LAND PURCHASED FROM AN AFFILIATE BEEN RECOGNIZED BY STAFF AND THE COMMISSION IN THE PAST?

A24. Yes. In Decision 70052 (December 4, 2007) the Commission accepted the appraised value of land and other equipment purchased from an affiliate as its cost and accepted the method of financing the purchase. In this financing proceeding, Valley Utilities Water Company ("VUWC") sought approval of the purchase of land and equipment from an affiliate. The transaction involved VUWC using a combination of stock and a short-term note in the purchase.

Q25. WAS THE BOOK VALUE OF THE LAND AND EQUIPMENT EVER AN ISSUE IN THE VUWCO FINANCING CASE?

A25. No. Staff did not even make an inquiry as to the book value of the land.

Q26. WAS THE VALUE OF THE LAND INCLUDED IN THE RATE BASE ADOPTED BY THE COMMISSION IN VUWCO'S SUBSEQUENT RATE CASE?

A26. Yes. I was VUWC's rate consultant in that case and there were no issues related to the land value.[48]

2. Response to Schoemperlen Surrebuttal Testimony on Proposed Land Adjustment

Q27. HAVE YOUR REVIEWED MR. SCHOEMPERLEN'S SURREBUTTAL TESTIMONY REGARDING THE VALUE OF THE LAND? PLEASE

[48] *See* Decision 71482 (February 3, 2010) and Docket No. W-01412A-08-0586.

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COMMENT.

A27. Yes. Like Staff, Mr. Schoemperlen proposes using the lower of book value or market value for the cost of the land as set forth in the NARUC Guidelines. However, the NARUC Guidelines have never been formally established by this Commission as the "rules". Further, as I previously testified this Commission has accepted the market value of property purchased from an affiliate as the basis of cost.

3. Response to Staff Surrebuttal Testimony on Staff's Proposed Not Used and Useful Plant Adjustment

Q28. DO YOU HAVE ANY ADDITIONAL COMMENTS REGARDING STAFF'S DISALLOW CERTAIN MAINS BECAUSE THEY ARE NOT USED AND USEFUL?

A28. Putting aside the fact that these mains were installed with a reasonable expectation of customer growth materializing, Staff's recommendation suffers, in part, from the fact that Staff seeks to eliminate mains that are clearly within the scope of Staff's 5 year planning horizon customer growth computation and as such must be considered used and useful. Let me explain. The Company has installed mains and services for 854 lots[49] which the Company seeks to include in rate base. There are currently 959 platted lots and there are no mains installed to serve 105 of those lots. Staff projects 875 customers through 2014 (using Staff's 5 year planning horizon). So the criteria to evaluate the used and usefulness of plant exceeds the available lots that home can be serviced. Accordingly, these mains should be considered used and useful.

[49] There 837 lots with service lines and 17 without service lines.

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Q29. WHICH MAINS THAT STAFF SEEKS TO DISALLOW SERVE OR WILL SERVE A PORTION OF THE AVAILABLE 854 LOTS?

Q29. First, the section of main along Running Roses Lane (and Center Circle Trail) which Staff seeks to disallow totaling $40,378[50] was part of Phase V and will serve lots 772 through 776, lots 847 and 848, and lots 859 through 865 (14 lots).[51] As a side note, a request for service was received by the owner of Lot 773 just recently (April 2011). Second, the mains and appurtenances along Sparkle Spur Lane will serve lots 708-718 (11 lots).

Q30. CURRENTLY, HOW MANY LOTS WITH METERS ARE THERE?

Q30. 716. That means there are 139 infill lots (854 – 716 + 1) or lots without meters. At the current rate of growth, the 139 lots will be absorbed by the end of 2014.

Q31. WHAT ABOUT THE COST OF THE OTHER MAINS STAFF SEEKS TO DISALLOW?

Q31. The cost of the 12 inch main from Water Plant #1 to the Proposed Well Site #3 totaling $50,586[52] and the 12 inch main from Edwin Road to the end of the line (southwest corner)[53] was prudently installed for the reasons cited by Mr. Taylor.[54] While these mains do not specifically serve individual lots, the cost of these mains were prudently incurred and it is good public policy to recognize these mains.

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[50] *See* Surrebuttal Testimony of Marlin Scott ("Scott Sb.") at 3.

[51] Phase V construction was halted due to the downturn in the economy and the mains planned for lots 777 through 858 (except for 847 and 848) along Running Roses Lane and related side streets were not installed.

[52] Scott Sb. at 3.

[53] *Id.*

[54] See Rebuttal Testimony of Mark Taylor ("Taylor Rb.") at Page 16.

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Q32. WEREN'T ALL OF THESE MAINS FUNDED WITH DEVELOPER ADVANCES?

A32. Yes. Consequently, rate payers have been shielded from the risk of the installation of these mains as the net impact of these mains on rate base is zero.

Q33. ISN'T THERE A DEPRECIATION EXPENSE IMPACT FROM THESE MAINS?

A33. Yes. The impact on annual depreciation expense is about $2,572 ($128,600 times 2%). This translates to about 34 cents per monthly bill based upon the test year end number of customers ($2,572 divided by 626 divided by 12). That said this depreciation expense in rates helps the Company meet its refund obligations.

4. <u>Response to Staff Surrebuttal Testimony on Accumulated Deferred Income Taxes ("ADIT")</u>

Q34. DO YOU HAVE ANY COMMENTS ON STAFF'S COMPUTED ACCUMULATED DEFERRED TAX AMOUNT?

A34. Yes. I believe that Staff's computation contains an error which overstates Staff's proposed ADIT balance. Let me explain. In reviewing Staff's work papers I have found that Staff over adjusted the AIAC balance used in its computation by $128,600. In other words, Staff double counted its disallowance to AIAC of $128,600. The adjusted balance of AIAC set forth in Staff's computation (before adjusting for the unrealized AIAC) is $1,844,705 which is Staff adjusted balance of $1,973,305 less the 128,600. However, the $1,973,305 balance already includes Staff's reduction of $128,600. The $1,973,305 is the Company's proposed balance of $2,101,905 less $128,600.

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Q35. WHAT IS THE CORRECT BALANCE FOR ADIT BASED ON STAFF'S RECOMMENDATIONS?

A35. $85,656 as shown in the ADIT schedule attached at Rejoinder Exhibit TJB-RJ-3. Staff's currently proposed balance of $118,506[55] is incorrect and $32,850 too high.[56]

Q36. ON PAGE 23, MR. FOX TESTIFIED THAT WHILE HE FINDS THE COMPANY'S ADIT METHODLOGY TO BE CORRECT, HE EITHER DOES NOT HAVE OR COULD NOT LOCATE THE DATA NECESSARY TO VERIFY THE TAX BASIS OF PLANT USED IN THE COMPUTATIONS. DO YOU HAVE A COMMENT?

A36. Yes. While I believe this information was provided to Staff earlier in the case, I will forward to Mr. Fox copies of the relevant portions of the Company's 2009 federal tax return which includes the M-1 schedule and the book and tax depreciation schedules. Due to the confidential nature of tax return information I am not including this information as an attachment.

5. Response to RUCO's Surrebuttal Testimony on Excess Capacity

Q37. HAVE YOU REVIEWED RUCO'S MODIFIED EXCESS CAPACITY ADJUSTMENT METHOLODGY AND RATIONALE AND SET FORTH IN MR. COLEY'S SURREBUTTAL TESTIMONY? PLEASE COMMENT.

A37. Yes. I have reviewed the methodology and the rationale underlying that

[55] Fox Sb. at 23.

[56] Accordingly, Staff's proposed rate base is $32,850 too low.

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methodology as presented by Mr. Coley and find that the RUCO approach to excess capacity is contrived and has no rationale relationship to the amount of plant necessary to serve customers. Further, RUCO seeks to change the Commission's long standing policy regarding a 5 year planning horizon which exists, in part, to promote efficient and economical construction of water systems which ultimately results in lower costs to rate payers.

Q38. PLEASE EXPLAIN WHY RUCO'S METHODOLGY HAS NO RATIONAL RELATIONSHIP TO THE AMOUNT OF PLANT NECESSARY TO SERVE CUSTOMERS.

A38. Let's start with the storage tank at Water Plant #3 and assume for the moment that RUCO's 733 customer base is used as the allowed basis of customers including a reserve margin.[57] Following the Staff engineering witness's analysis of required capacity that appears at Exhibit MSJ of Mr. Scott's surrebuttal testimony, and using 733 customers instead of 875 customers, the required capacity for the storage tank is 272,590 gallons which happens to be 91.8% of the usable capacity (8.2% excess). RUCO determined that the used and useful capacity of the storage tank is 64.15% and 35.85% excess capacity.[58]

Q39. PLEASE EXPLAIN HOW YOU DETERMINED THE 272,590 GALLONS OF REQUIRED CAPACITY AND THE 91.8 PERCENT?

A39. Following the analysis in Exhibit MSJ of Mr. Scott's testimony consider the following:

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[57] Coley Sb. at 19.

[58] Coley Sb. at 17.

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1. The required storage capacity is 408,590 gallons. This amount is calculated by the fire flow requirement (240,000 GPD) plus the demand at 733 customers of 168,590 GPD (230 GPD/connection x 733 connections).
2. The entire 400,000 gallon storage tank, with 316,000 gallons of usable capacity, is needed because both wells pump into this tank and this tank serves as the chlorination contact chamber. In addition, this tank serves as the main storage for fire flow protection for the majority of the water system.
3. The estimate of the required storage capacity of 408,590 gallons is more than the 316,000 gallons of usable capacity by 92,590 gallons.
4. To determine how much of the 600,000 gallon storage tank, with 487,000 gallons of usage capacity, is needed, consider the fire flow of 180,000 gallons (1,500 GPM at 2 hours) for the K-Zone customers plus the 92,590 gallons totaling to 272,590 gallons of required capacity.
5. The 272,590 of required capacity is 55.9% of the 487,000 gallons of usable capacity. However, the Company has removed the cost for the 190,000 gallon up-sizing of the storage tank and this capacity is not part of the rate case, which would reduce the usable tank capacity to 297,000 gallons (487,000 – 190,000). The 272,590 gallons required is 91.8% of the 297,000 gallons of usable tank capacity (272,590 / 297,000 x 100).

Q40. HOW MUCH OF THE STORAGE TANK COST DOES RUCO SEEK TO DISALLOW?

A40. $194,456.[59] This represents a disallowance of 35.8% of the storage tank cost ($194,456 / $542,431 x 100). Compare this to the computed "excess" capacity of 8.2% assuming RUCO's 733 customer basis is appropriate, which it is not.

[59] Coley Sb. at 18.

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Q41. PLEASE CONTINUE WITH YOUR EXPLANATION AS TO WHY RUCO'S METHODOLGY HAS NO RATIONAL RELATIONSHIP TO THE AMOUNT OF PLANT NECESSARY TO SERVE CUSTOMERS.

A41. Let's next consider the installed mains. Earlier I testified than water mains have been installed to serve 854 lots. Accepting for the moment RUCO's proposed customer base of 733 which underpins RUCO's excess capacity approach, there are installed mains serving 121 more lots than are required (854 – 733). In other words, 85.8% of the mains are used and useful (733 / 854 x 100) and 14.2% of the mains are considered excess (121 / 854 x 100). However, under the RUCO approach, RUCO seeks to recognize only 66.9% of the cost of the mains. Let me explain. On RUCO Surrebuttal Schedule TJC-5, RUCO computes $1,077,430 as the allowed amount for plant account 331- Transmission and Distribution Mains. The total balance of transmission and distribution mains at the end of the test year was $1,611,321 which is the sum of the $628,673 and $982,648 in column A and column C, respectively, on RUCO Surrebuttal Schedule TJC-5 for account 331 – Transmission and Distribution Mains. The $1,077,430 is 66.9% of the $1,611,321 ($1,077,430/$1,611,321).

The bottom line is that RUCO seeks to disallow 33.1% (100% - 66.9%) of the costs of the mains when rationally only 14.2% of the costs should be considered excess under RUCO"s methodology, assuming that the RUCO's proposed 733 customer base is even accurate, which it is not.

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Q42. DOES RUCO SEEK TO DISALLOW OTHER PLANT AMOUNTS IN ITS EXCESS CAPACITY ADJUSTMENT?

A42. Yes. RUCO, for example, seeks to allow only 84.2% of the pumping equipment costs even though those pumps are currently being used to deliver water to customers. The pumping equipment must exist whether there are 626 customers (the test year-end level of customers) or there are 854 customers (the currently serviceable available lots). As I understand it from my conversation with the engineers at Westland Resources, the number of pumps and the size of the pumps that are required on a small water system are primarily sized based upon fire flow requirements and not the number of customers. Further, there is no evidence that the system has more pumps than are needed nor is there any evidence of over-sizing of the pumping equipment. Put simply, RUCO's excess capacity adjustment for pumping equipment has no merit.

Q43. HOW DID YOU ARRIVE AT THE 84.2 PERCENT FIGURE?

A43. On RUCO Surrebuttal Schedule TJC-5, RUCO computes $815,621 as the allowed amount for plant account 311- Electric Pumping Equipment. The total balance of account 311 - Electric Pumping Equipment at the end of the test year was $968,852, which is the sum of the $686,993 and $281,659 in column A and column C, respectively, on RUCO Surrebuttal Schedule TJC-5 for account 311 – Electric Pumping Equipment. The $815,621 is 84.2% of the $968,852 ($815,621 / $968,852). In other words, RUCO seeks to disallow 15.8% of the pumping equipment costs.

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Q44. HAVE YOU REVIEWED THE SURREBUTTAL TESTIMONY OF MS. JODI JERICH CONCERNING RESERVE MARGINS AND EXCESS CAPACITY? PLEASE COMMENT.

A44. Yes. Ms. Jerich acknowledges that water systems cannot be designed and constructed to serve the exact number of customers in any sort of economically efficient manner.[60] As such, she acknowledges that a reserve margin is necessary to address the "real world dilemma that utilities face in balancing the need to accommodate growth without over building".[61] The Company agrees with Ms. Jerich on these points. Ms. Jerich, however, dismisses the Commission's long-standing 5 year planning horizon policy for determining a reasonable reserve margin as merely representing an "engineering approach".[62] Admittedly, the 5 year planning horizon standard's underpinnings are based upon real world engineering and the practicalities of planning, designing, and constructing water systems. This is how it should be. Otherwise, you end up with contrived and arbitrary methods for determining excess capacity that have no basis in reality. The storage capacity analysis on the storage tank at Water Plant #3 discussed earlier is a perfect example. The real world engineering analysis of the storage tank demonstrates that even using RUCO's so called "reserve margin" customer base of 733 customers (one year post test year end number of customers plus 10 % reserve margin[63]) the required storage capacity is 91.8% of the usable capacity. Yet, RUCO's method allows for 64.2% of the cost of storage capacity.

That said, the 5 year planning horizon standard is more than a mere

[60] See Surrebuttal Testimony of Jodi A. Jerich ("Jerich Sb.") at 13.

[61] *Id.*

[62] Jerich Sb. at 15.

[63] Coley Sb. at 19.

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engineering approach even though its underpinnings are engineering related. There are at least three other important aspects to this standard. First, it encourages utilities to construct plant in a prudent and economically efficient manner which over the long-term reduces costs and ultimately the impact on rate payers. Second, it helps to minimize the uncertainty with respect to the recognition of capital when those investments are made. Finally, it increases the ability of utility companies to raise capital; capital which is needed in order to enable utilities to provide safe and reliable utility service.

Q45. WHAT MESSAGE WOULD IT SEND TO INVESTORS AND UTILITIES IN THIS STATE IF THE COMMISSION ABANDONS IN LONG-STANDING POLICY OF USING A FIVE YEAR PLANNING HORIZON?

A45. As I stated in my rebuttal testimony, such a policy would discourage utilities from making investments to proactively address the needs of its customers. Further, it places utilities in the proverbial "catch-22" whereby regulators (ADEQ, ADWR) and sound engineering practices demand certain investments to be made while this Commission only recognizes a portion of that investment.[64] Just as important, however, is that investors and utilities that have relied on this policy when making investment decisions in the past would be dealt an unfair and dire hand. Arbitrarily changing the rules of the road with respect to utility investment in mid-stream would not only be unfair, but would have drastic consequences on the ability of utilities to raise capital and on the cost of capital itself. Uncertainty on investments increases risk which in turn increases capital costs. Ultimately, it will be the rate payers that will face bearing the higher cost of plant and the higher cost of capital if this policy were simply thrown out the door for expediency.

[64] Bourassa Rb. at 12.

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Q46. HAVE YOU REVIEWED THE SURREBUTTAL TESTIMONY OF MS. JODI JERICH CONCERNING THE CONCEPTS OF PRUDENCY AND USED AND USEFULNESS? PLEASE COMMENT.

A46. Yes. The Company does not disagree with RUCO that the concepts of prudency and used and usefulness are separate concepts. But, these two concepts are interrelated concepts, particularly in the context ratemaking in Arizona and in the context of this rate case. Prudency is typically taken to be synonymous with used and useful. This is what I believe was the basis for the comments from Mr. Olea I quoted in my rebuttal testimony.[65] Let me explain why prudent and use and useful are synonymous in the context of this rate case. It was prudent for the Company to design, plan, and construct its water system in an economic and efficient manner which meets all regulatory requirements and which can reliably and safely serve its customers. Even RUCO does not dispute this. In any case, these objectives are sound and reasonable objectives of all well managed utilities. Prudency demands the use of a reasonable planning horizon in order to accomplish those objectives. The benchmark for a reasonable planning period has historically been 5 years. It is this time period which RUCO appears to dispute and seeks to redefine. Having said that, the 5 year planning horizon policy is where the concept of prudency and the concept of used and usefulness intersect and are interrelated. The Company, having acted prudently using a realistic and reasonable planning horizon, constructed a water system that necessarily has capacity over and above that which was needed to serve the exact number of customers at the end of the test year (but with sufficient capacity to serve customers within a 5 year planning horizon). This does not mean this "extra" capacity is not used and useful capacity. This "extra" capacity is "reserve capacity" which has been deemed used and useful capacity by

[65] Bourassa Rb. at 11.

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this Commission in the past. Any capacity beyond a 5 year planning horizon is "excess capacity" and has been deemed imprudent and not used and useful.

Q47. PLEASE COMMENT ON THE GOLD CANYON SEWER RATE CASE WHICH MS. JERICH DISCUSSES ON PAGE 21 OF HER SURREBUTTAL TESTIMONY.

A47. In the *Gold Canyon Sewer Company* ("Gold Canyon") (Rehearing Decision 70624, November 19, 2008) which Ms. Jerich cites, the Commission determined that there was excess capacity and the excess capacity was disallowed in rate base. [66] The mention of prudency is conspicuously absent from the language in the concluding paragraph in the Decision. By inference, the Commission concluded the excess capacity costs were imprudent. I form this view because in Decision 69664 (June 28, 2007), the Commission rejected RUCO's argument for excess capacity and found that the upgrade costs of the wastewater treatment facility at Gold Canyon were prudent and recognized that investment in rate base. As the Commission stated in that decision:

> Based on the evidence presented in this case, we disagree with RUCO's proposal to disallow a portion of the Company's upgraded treatment plant as excess capacity. Simply put, RUCO cannot have it both ways. If the decision to upgrade the plant to a capacity of 1.9 mgd was prudent, as RUCO concedes, Gold Canyon should not be subjected to a purely mathematical after-the-fact disallowance without consideration of the engineering analyses and the context of the events surrounding the decision to increase plant capacity to its current level.[67]

[66] Decision 70624 at 9.

[67] Decision 69664 at 6-7.

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Q48. PLEASE COMMENT THE ARIZONA WATER COMPANY RATE CASE WHICH MS. JERICH DISCUSSES ON PAGE 21 OF HER SURREBUTTAL TESTIMONY.

A48. The facts and circumstances in the *Arizona Water Company* ("Arizona Water") rate case (Decision 64282, December 8, 2001) have no bearing on the facts and circumstances in the instant case. As I understand it, Arizona Water had installed a new steel casing under a highway to serve a subdivision. However, this casing was not connected to the Company's water system and there was an existing water line in place.[68] Arguably, this plant was not even in service and could not reasonably be considered used and useful.

Q49. PLEASE COMMENT THE PIMA UTILITY COMPANY CASE WHICH MS. JERICH ALSO DISCUSSES ON PAGE 21-22 OF HER SURREBUTTAL TESTIMONY.

A49. Again, the facts and circumstances in the *Pima Utility Company* ("Pima Utility Company") rate case (Decision 58743, August 11, 1994) have no bearing on the facts and circumstances in the instant case. In that case, the Commission addressed the inclusion of CWIP in rate base. CWIP, by its very nature, is a distinct class of plant, and does not provide a relevant comparison to the instant case. Moreover, in that case, the Commission found that the subject plant was built only to serve future customers and that it was not being used at all.[69] In the instant case, the evidence shows that GWC prudently constructed its plant and that plant was in service and serving customers as of the end of the test year.

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[68] Decision 64282 at 9.

[69] Decision No. 58743 at 4-5.

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Q50. PLEASE COMMENT THE LITCHFIED PARK SERVICE COMPANY RATE CASES WHICH MS. JERICH DISCUSSES ON PAGE 22 OF HER SURREBUTTAL TESTIMONY.

A50. RUCO's reliance on *Litchfield Park Service Co.* ("LPSCO") rate case in Decision 50273 (September 20, 1979) also does not support the disallowance of prudently built plant sought in this rate case. There, the Commission issued an accounting order and held that only 50% of the cost of a new treatment facility should be included in rate base because only 50% of the plant was being utilized.[70] There is little discussion and no findings of fact to explain the actions of the utility in building the plant, nor does it appear that the utility disagreed or that the remaining 50% of the plant was used and useful. In fact, nearly 10 years later, LPSCO did not challenge Staff's recommendation (adopted by the Commission) to continue the disallowance because the plant was still not being utilized.[71] Again, the plant at issue in this case was prudently built and is used and useful as it is the capacity needed to service customers over a reasonable planning horizon of five years.

Q51. ULTIMATELY ISN'T RUCO SUGGESTING THE PLANT WAS NOT PRUDENTLY CONSTUCTED AND THEREFORE NOT USED AND USEFUL?

A51. Yes. Despite Ms. Jerich's lengthy discussion on the meaning the terms "prudent" and "used and useful", ultimately it boils down to a question of prudency. This is evidenced by the fact that Mr. Coley questions whether the Company acted prudently when it built the plant.[72] In this case, RUCO ultimately seeks to

[70] Decision No. 50273 at 2.

[71] *Litchfield Park Service Co.*, Decision No. 56362 (February 22, 1989).

[72] Coley Sb. at 34.

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challenge the prudency of the Company's actions with respect to the construction of its system by redefining the measurement of the reserve margin. In other words, RUCO seeks to impose a two year planning horizon using an after-the-fact analysis in place of the long-standing policy of a 5 year planning horizon.

6. Response to Schoemperlen's Surrebuttal Testimony on Excess Capacity

Q52. HAVE YOU REVIEWED MR. SCHOEMPERLEN'S MODIFIED EXCESS CAPACITY ADJUSTMENT METHOLODGY AND RATIONALE AND SET FORTH IN HIS SURREBUTTAL TESTIMONY? PLEASE COMMENT.

A52. Yes. I have reviewed the methodology and the rationale underlying that methodology as presented by Mr. Schoemperlen and find that, like the RUCO approach, his approach to excess capacity has no rationale relationship to the amount of plant necessary to serve customers. Further, like RUCO, Mr. Schoemperlen seeks to change the Commission's long standing policy regarding a 5 year planning horizon which exists, in part, to promote efficient and economical construction of water systems which ultimately results in lower costs to rate payers.

Q53. PLEASE BRIEFLY EXPLAIN MR. SCHOEMPERLEN'S METHODOLGY FOR DETERMINING EXCESS CAPACITY.

A53. Mr. Schoemperlen focuses his adjustment on the Phase IV and V costs and in particular on the Company funded portion of these costs. As shown on Schoemperlen Surrebuttal Schedule M, the total of the apportioned Phase IV and V costs used as the basis of his computation is $755,560. The $755,560 is then multiplied by Mr. Schoemperlen's unused capacity factor of 85% and then multiplied by 90% to account for reserve capacity. Mr. Schoemperlen's computed

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adjustment to PIS is $578,003 ($755,560 x 85% x 90%).

Q54. HOW DID MR. SCHOEMPERLEN'S COMPUTE THE UNUSED CAPACITY OF 85 PERCENT?

A54. First, Mr. Schoemperlen computes the percentage of "used" lots as of February 20, 2011 by dividing the total of the "used" lots for Phase IV-B, IVC, a future phase, and "unplanned capacity" (capacity for Eagle Crest West) or 105 lots by the total lots planned for Phase IV-B, IVC, a future phase, and "unplanned capacity" (capacity for Eagle Crest West) or 701 lots.[73] The percentage of used capacity he computes is 15% (105/701 x 100). The percentage of unused lots is therefore 85% (100% - 15%).

Q55. WHAT'S WRONG WITH THIS METHODOLOGY?

A55. First, Mr. Schoemperlen includes the "unplanned capacity" of 330 lots[74] for the Eagle Crest West development. However, he has already removed the storage tank-upsizing costs which were for this development as part of a separate PIS adjustment that he proposes. Recall the $132,677 of storage tank upsizing cost Mr. Schoemperlen proposes to disallow.[75] That said, the 330 lots should be excluded from his total of 701 planned lots since there is no capacity costs for these lots. Second, Mr. Schoemperlen includes $72,350 of storage tank up-sizing costs in the total of his apportioned costs for Phase IV and V of $755,560. He effectively double counts the costs of the tank over-sizing in his computations.

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[73] *See* Schoemperlen Surrebuttal Schedule N.

[74] The Eagle Crest West Development is a future commercial development with planned required capacity of 330 equivalent dwelling units ("EDU's"). It is assumed that "lots" and "EDU's" as the same for purposes of Mr. Schoemperlen's analysis.

[75] *See* Schoemperlen Surrebuttal Schedule M.

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Q56. PLEASE EXPLAIN WHY MR. SCHOEMPERLEN'S METHODOLGY HAS NO RATIONAL RELATIONSHIP TO THE AMOUNT OF PLANT NECESSARY TO SERVE CUSTOMERS.

A56. Let's start with the storage tank at Water Plant #3 and assume for the moment that Mr. Schoemperlen's customer base of 745 is used as the allowed basis of customers including a reserve margin.[76] Following the Staff engineering witness's analysis of required capacity that appears at Exhibit MSJ of Mr. Scott's surrebuttal testimony, and using 745 customers instead of 875 customers, the required capacity for the storage tank is 275,350 gallons which happens to be 92.7% of the usable capacity (7.3% excess). Based on Mr. Schoemperlen methodology the excess capacity of the storage tank is computed as 76.5% (85% x 90%).

Q57. PLEASE EXPLAIN HOW YOU DETERMINED THE 273,350 GALLONS OF REQUIRED CAPACITY AND THE 92.7 PERCENT?

A57. Similar to the previous analysis of excess capacity described previously and following the analysis in Exhibit MSJ of Mr. Scott's testimony consider the following:

1. The required storage capacity is 411,350. This amount is calculated by the fire flow requirement (240,000 GDP) plus the demand at 745 customers of 171,350 GPD (230 GPD/connection x 745 connections)
2. The entire 400,000 gallon storage tank, with 316,000 of usable capacity, is needed because both wells pump into this tank and this tank serves as the chlorination contact chamber. In addition, this tank serves as the main storage

[76] The 745 is the sum of the 572 used lots for Phase I, II, III, and IVA and the 105 used lots for Phase IVB, IVC, and V and a 10% reserve margin (572 + 105 = 677 plus 677 x 10%).

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for fire flow protection for the majority of the water system.

3. The estimate of the required storage capacity of 411,350 is more than the 316,000 gallons of usable capacity by 95,350 gallons.
4. To determine how much of the 600,000 gallon storage tank, with 487,000 gallons of usage capacity, is needed, consider the fire flow of 180,000 gallons (1,500 GPM at 2 hours) for the K-Zone customers plus the 95,350 gallons totaling to 275,350 gallons of required capacity.
5. The 275,350 of required capacity is 56.5% of the 487,000 gallons of usable capacity. However, the Company has removed the cost for the 190,000 gallon up-sizing of the storage tank and this capacity is not part of the rate case, which would reduce the usable tank capacity to 297,000 gallons (487,000 – 190,000). The 275,350 gallons required is 92.7% of the 297,000 gallons of usable tank capacity (275,350 / 297,000 x 100).

Q58. HOW MUCH OF THE STORAGE TANK COST DOES RUCO SEEK TO DISALLOW?

A58. $414,959. This is the total cost of the storage tank including up-sizing or $542,430 ($470,080 + $72,350)[77] times 76.5%. But remember, as I pointed out earlier Mr. Schoemperlen proposes a separate adjustment for the storage tank up-sizing of $132,677. The total cost Mr. Schoemperlen seeks to remove is $547,636 ($414,958 + $132,677) which is more than the total cost of the storage tank including the upsizing cost of $542,430. Mr. Schoemperlen seeks to remove over 100% of the cost of this storage tank when a real world engineering analysis shows that 92.7% of this tank is used and useful and required to serve customers.

[77] *See* Schoemperlen Surrebuttal Schedule M.

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Q59. WHAT WOULD BE THE TOTAL ADJUSTMENT TO RATE BASE ASSUMING 92.7% USED CAPACITY OR 7.3% UNUSED CAPACITY OF THE STORAGE TANK AT PLANT #3 AND WHAT WOULD THE RATE BASE?

A59. The total of the adjustment would be $122,224 ($34,315 + $15,559 + $72,350). Let me explain. Only 7.3% of the storage tank cost of $470,080 should be removed from rate base or $34,315 (7.3% x 470,080).[78] Further, applying the 7.3% to the $41,624, $171,506 apportioned land and structures and improvement costs, respectively[79], leads to an additional adjustment of $15,559 (7.3% x $41,624 + 7.3% x $171,506). Finally, the $72,350 of tank over-sizing costs should be removed from rate base.

Following the rate base formulation set forth in Mr. Schoemperlen's Surrebuttal Schedule M the rate base would be $1,883,345 and not $1,317,239 as shown on Mr. Schoemperlen's Surrebuttal Schedule M. The computation of the $1,883,345 rate base is as follows:

Re-calculation of Schoemperlen Adjusted Rate Base

Bourassa Calculated Fair Value Rate Base (Sched. A-1, P-1)	$ 2,397,419
Staff Adjustment for GWC error in including ECR-West capacity	$ (72,350)
Staff Adjustment for GWC Non-Arms Length Purchase of Land	$ (369,500)
Excess Capacity Adjustment	$ (122,224)
Net Fair Value Rate Base	$ 1,833,345

[78] *Id.*

[79] *Id.*

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Q60. PLEASE RESPOND TO MR. SHOEMPERLEN'S TESTIMONY THAT THE COMPANY DID NOT ACT PRUDENTLY BECAUSE IT DID NOT PREPARE A FINANCIAL ANALYSIS BEFORE UNDERTAKING OF THE STORAGE TANK COST DOES RUCO SEEK TO DISALLOW?

A60. I am not sure exactly what Mr. Schoemperlen was looking for in terms of a "financial analysis". But, whatever Mr. Schoemperlen is seeking in terms of a financial analysis it does not mean that the Company did not act in a prudent manner. Mr. Shiner describes in detail the planning, designing, funding and the decision making involved in the construction of its water system throughout his rebuttal testimony. Mr. Shiner further addresses this aspect of Mr. Schoemperlen's testimony in his rejoinder testimony.

IV. INCOME STATEMENT

Q61. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED REJOINDER ADJUSTMENTS TO REVENUES AND EXPENSES AND IDENTIFY ANY ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF AND/OR RUCO?

A61. The Company's proposed rejoinder adjustments are detailed on Rejoinder Schedule C-2, pages 1-8. The rejoinder income statement with adjustments is summarized on Rejoinder Schedule C-1, page 1-2. The changes/revisions since the Company's rebuttal filing include a revision to the assessment ratio in the property tax computation.

Rejoinder adjustment 1 increases depreciation and amortization expense. Depreciation and amortization expense reflects the Company's proposed adjustments to plant-in-service.

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Rejoinder adjustment number 2 adjusts property tax expense to reflect the rejoinder adjusted revenues. As mentioned earlier, the assessment ratio was revised from 21% to 20% from the rebuttal filing. The Company's proposed assessment ratio and property tax rates are the same as Staff's. Further, the Company's computed adjusted year property tax expense is the same as Staff's.

Rejoinder adjustment number 3 increases annual rate case expense. The Company is proposing total rate case expense of $160,000 amortized over 4 years or $40,000 per year. Staff has adopted the Company's proposed rate case expense of $160,000, but normalized over 4 years or $40,000 annually.[80] RUCO continues to propose rate case expense of $80,000 amortized over 4 years or $20,000 per year.[81]

Rejoinder adjustment 4 increases revenues to the annualized amount based on the year-end number of customers. Staff and RUCO have adopted the Company proposes revenue annualization adjustment.[82]

Rejoinder adjustment 5 increases water testing expense by $1,568 to the level recommended by Staff.[83] RUO has also adopted this adjustment.

Rejoinder adjustment 6 adjusts purchased power based on the Company's revenue annualization. Both Staff and RUCO have adopted this adjustment.[84]

Rejoinder adjustment 7 synchronizes interest expense with the Company's rebuttal proposed rate base. Both Staff and RUCO interest synchronize interest expense with their respective proposed rate bases.

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[80] Fox Sb. at 26.

[81] Coley Sb. at X.

[82] Fox Sb. at 25; Coley Sb. at 43.

[83] Fox Sb. at 27.

[84] Fox Sb. at 33; Coley Sb. at 43.

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Rejoinder Adjustment 8 computes income taxes based upon the Company proposed rejoinder revenue and expense. As you will recall, in the Company's rebuttal filing, I 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. Response to Staff's Surrebuttal Testimony on Rate Case Expense

Q62. STAFF PROPOSES TO NORMALIZE RATE CASE EXPENSE RATHER THAN AMORTIZE RATE CASE EXPENSE. PLEASE EXPLAN THE DIFFERENCE AND WHY AMORTIZATION IS THE APPROPRIATE METHOD.

A62. Normalization refers to setting an expense level to an amount expected to be incurred on an annual basis. The actual expense incurred may be higher or lower than the normalization amount, but over time it is assumed that average actual expense will converge to the normalized level. Amortization refers the "expensing" of a prepaid asset over the expect benefit period. Amortizing an asset over its expected benefit period insures the proper matching of expenses with revenues. This in essence is the Matching Principle which underlies Generally Accepted Rate making Principle ("GAAP") accrual accounting. Rate case expense is incurred long before the new rates are put into effect. Therefore, rate case expense is a prepaid expense that must be recorded as an asset and amortized. Staff's position in this case is a violation of GAAP and should be rejected.

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B. Response to RUCO's Surrebuttal Testimony on Rate Case Expense

Q63. PLEASE COMMENT ON MS. JERICH'S SURREBUTTAL TESTIMONY REGARDING RATE CASE EXPENSE.

A63. It is unfortunate that Ms. Jerich calls my rebuttal testimony on rate case expense "specious and inflammatory".[85] I simply stated the facts.[86] Let's take them one at a time. First, I stated that the Company's original estimate of $80,000 of rate case expense did not contemplate RUCO's involvement in this case as RUCO typically does not get involved in Class C and smaller rate case.[87] Ms. Jerich does not dispute this statement. Further, I never made any statement about whether or not RUCO could or should intervene in this rate case. Second, I stated that RUCO's intervention has and will cause a significant increase in rate case expense.[88] Ms. Jerich does not dispute this fact. Third, I stated that the Company had incurred more than $84,000 of rate case expense through the end of March 2010.[89] This amount was already higher than the Company's initial estimate of $80,000 for the entire rate case. And, this amount did not include the costs of preparing rebuttal and rejoinder testimony, the hearing as well as post-hearing briefing.[90] Ms. Jerich does not dispute this testimony either.

The facts are that the number of intervenors and the positions of the parties in any given rate case directly impacts the level of rate case expense. Whether the positions of the parties supported by the credible evidence in the case or not, the

[85] Jerich Sb. at 4.
[86] Bourassa Rb. at 33.
[87] *Id.*
[88] *Id.*
[89] *Id.*
[90] *Id.*

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Company must respond in order to protect its rights and the integrity of the process. Further, hearings take longer and are more costly because there are more witnesses to cross examine. In addition, the post-hearing briefings are generally more costly because of the number of issues that remain after hearing. All this additional work directly impacts rate case expense.

Q64. DOES THE COMPANY CONTROL THE PROCESS BY WHICH UTILITY COMPANIES CHANGE THEIR RATES?

A64. No. It is the Commission that dictates the process and the Company has no control over the number of intervenors or the positions that they take. It would be patently unfair for this Commission to deny recovery of a reasonable amount of rate case expense given the facts and circumstances.

Q65. HOW MUCH RATE CASE EXPENSE HAS THE COMPANY INCURRED THUS FAR IN THE RATE CASE?

A65. Through June 15, 2011, the Company has incurred over $155,000 of rate case expense. The Company anticipates that rate case expense with exceed $200,000 so it will absorb a substantial portion of the cost of this rate case.

Q66. SHOULD THE COMPANY HAVE ANTICIPATED THE ISSUE OF EXCESS CAPACITY AND THE INTERVENTION OF RUCO IN ITS INITITAL ESTIMATE?

A66. I don't think it matters whether or not the Company should have anticipated RUCO's involvement or that excess capacity would become a major issue with one of the parties. The fact of the matter is that it did not. Had the Company

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anticipated these events, its initial estimate of rate case expense would have been much higher, perhaps on the order of $150,000 to $200,000.

The Company certainly did not anticipate the involvement of RUCO for the reason stated previously.

A67. DID RUCO PARTICIPATE IN THE COMPANY'S 2005 RATE CASE?

A67. No. In the Company's prior rate case (2005) the Company sought an increase of over 150%.

Q68. PLEASE CONTINUE.

A68. The Company also did not anticipate an issue of over excess capacity. The Company constructed its system in a prudent manner and in conformance with its reasonable expectations of customer growth. As it turns out, Staff finds the storage tank at Water Plant #3 (adjusted for over-sizing) to be used and useful. With respect to some of the mains that Staff seeks to exclude because Staff believes that they are not used and useful. I believe that facts do not support the Staff position. Regardless, at best, Staff is seeking to remove $128,600 of mains under the position that the plant is not used and useful (and by implication excess capacity). But these mains were funded by AIAC and the rate base impact is zero.

Even if the Company should have anticipated an issue with respect to excess capacity, it certainly could not have anticipated RUCO's contrived and unsupported excess capacity adjustment methodology and recommendation.

Q69. PLEASE RESPOND TO MS. JERICH'S SURREBUTTAL TESTIMONY ON PAGE 6 THAT THE STAFF REPORT ON THE HOOK-UP FEES

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INDICATING THAT THE COMPANY HAD CAPACITY TO SERVE 1,800 CUSTOMERS SHOULD HAVE PLACED THE COMPANY ON NOTICE THAT THERE WAS GOING TO BE AN ISSUE OF EXCESS CAPACITY IN THIS RATE CASE.

A69. That's non-sense. First, I point you to my previous testimony on anticipation of excess capacity. Second, the Staff report rejecting the Company's request for a hook-up fee contained no detailed engineering analysis by Staff. I will leave it up to Staff to support this figure. Third, the HUF Application "case" was not litigated. There was no hearing or testimony in that "case". The Company was ordered to file for a HUF.[91] It did not do so voluntarily. Ultimately, the Company did not wish to challenge Staff's recommendation. This was because the Company already had a high proportion of zero cost capital funding its plant and a HUF would undoubtedly increase that proportion which would have been financially unhealthy over the long-term.[92]

Q70. DO YOU HAVE ANY FINAL COMMENTS IN RESPONSE TO MS. JERICH'S SURREBUTTAL TESTIMONY REGARDING RATE CASE EXPENSE.

A70. Yes. An additional fact, which cannot be disputed by RUCO, is that GWC is a small utility that does not have unlimited financial resources. The amount of rate case expense in this case will have a material financial impact on the Company no matter was it is allowed to recover. Rate case expense is paid for upfront before new rates are put into effect and then recovered over a period of years. This has a detrimental impact on cash flows; cash flows that could otherwise be used to pay

[91] Decision 69404 at

[92] Bourassa Rb. 24-25.

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for utility operations and capital projects. The higher the unrecovered portion rate case expense only exacerbates the detrimental financial impact.

Finally, I would note that the Company was authorized rate case expense of $100,000 in it last rate case. While there were different factors at play in that rate case, that rate case was far less controversial than this rate case.

C. Response to RUCO's Surrebuttal Testimony on Salaries and Wages and Contractual Services

Q71. PLEASE COMMENT ON MR. COLEY'S SURRBUTTAL TESTIMONY CONCERNING SALARIES AND WAGES AND CONTRACTUAL SERIVCES.

71. Mr. Coley's position does not rest on whether the compensation levels of both Mr. Sears and Mr. Shiner are reasonable given their respective responsibilities and services to Goodman, rather that RUCO does not like the fact that the increases the Company has proposed amount to 25 percent.[93] This is an absurd standard. It should not matter what percentage of increase is required to bring the compensation to levels that are fair and reasonable. Under RUCO reasoning, if Mr. Sears was paid $39,000 for the test year rather than $32,000 and the Company proposed an increase of $1,000 to $40,000 (the Company proposed amount in the instant case), the percentage of increase would have been only about 2.5 percent. Would that level of increase be acceptable to Mr. Coley?

The fact of the matter is that even at the levels of compensation proposed by the Company in this case, both Mr. Sears and Mr. Shiner are vastly under

[93] Coley Sb. at 46.

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compensated.[94] The levels of compensation proposed by the Company are more than fair and reasonable and should be adopted.

V. RATE DESIGN

Q72. WHAT ARE THE COMPANY'S REJOINDER PROPOSED RATES?

A72. The rejoinder proposed rates are listed below.

All Classes

Meter Size	Monthly Minimum	Gallons included in Monthly Minimum
5/8	$ 52.20	0
3/4	$ 78.30	0
1	$ 130.50	0
1 1/2	$ 261.01	0
2	$ 417.61	0
3	$ 835.22	0
4	$1,305.04	0
6	$2,610.07	0

The commodity charges and tiers by meter size are:

Residential, Commercial and Irrigation Class

Meter Size	Tier (gallons)	Charge per 1,000 gallons
5/8x3/4 Inch	1 to 4,000	$ 6.28
	4,001 to 10,000	$11.27
	Over 10,000	$13.41

[94] Bourassa Rb. at 36-38

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3/4 Inch	1 to 4,000	$ 6.28
	4,001 to 9,000	$11.27
	Over 9,000	$13.41
1 Inch	1 to 22,500	$11.27
	Over 22,500	$13.41
1 ½ Inch	1 to 34,000	$11.27
	Over 34,000	$13.41
2 Inch	1 to 45,000	$11.27
	Over 45,000	$13.41
3 Inch	1 to 68,000	$11.27
	Over 68,000	$13.41
4 Inch	1 to 90,000	$11.27
	Over 90,000	$13.41
6 Inch	1 to 135,000	$11.27
	Over 135,000	$13.41
Standpipe (Construction)		
All Meter Sizes	All gallons	$13.41

Q73. WHAT IS THE IMPACT OF THE COMPANY'S REJOINDER PROPOSED RATES ON AN AVERAGE 5/8x3/4 INCH METERED RESIDENTIAL CUSTOMER?

A73. The present monthly bill for a 5/8x3/4 inch metered residential customer using an average of 5,520 gallons is $66.98. The proposed monthly bill for a 5/8x3/4 inch metered residential customer using an average of 5,520 gallons would be $94.16, an increase of $27.18 or 40.57 percent compared to the present rates.

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Q74. WHAT IS THE IMPACT OF THE COMPANY'S REJOINDER PROPOSED RATES ON AN AVERAGE 3/4 INCH METERED RESIDENTIAL CUSTOMER?

A74. The present monthly bill for a 3/4 inch metered residential customer using an average of 6,028 gallons is $91.08. The proposed monthly bill for a 5/8 inch metered residential customer using an average of 6,028 gallons would be $125.83, an increase of $34.75 or 38.15 percent compared to the present rates.

Q75. PLEASE COMMENT ON THE STAFF PROPOSED RATE DESIGN.

A75. Like the Company, Staff is proposing an inverted three tier design for the smaller metered residential customers (5/8 inch and ¾ inch) and an inverted two tier design for the small commercial metered customers (5/8 inch and ¾ inch), as well as 1 inch and larger metered customers (all classes), with the exception of 1 inch residential and construction water. The break-over points are the same for both Staff and the Company. In terms of revenue recovery from the monthly minimums, the Staff rate design is similar to the Company's, although the Company shifts more revenue recovery to the commodity rates than does Staff's. Under the Staff rate design approximately 57.5% of revenues are recovered from the monthly minimums whereas under the Company proposed rate design approximately 53.3% of revenues are recovered from the monthly minimums. In terms of revenue recovery from the month minimum and the first tier commodity rates, Staff's rate design recovers approximately 75% from the monthly minimum and first tier commodity rate while the Company's rate design recovers approximately 73.9%.

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Q76. PLEASE COMMENT ON THE RUCO PROPOSED RATE DESIGN.

A76. Like the Company, RUCO is proposing an inverted three tier design for the smaller metered residential customers (5/8 inch and ¾ inch) and an inverted two tier design for the small commercial metered customers (5/8 inch and ¾ inch), as well as 1 inch and larger metered customers (all classes), with the exception of 1 inch residential and construction water. The break-over points are the same for both RUCO and the Company. In terms of revenue recovery from the monthly minimums, the RUCO rate design is similar to the Company's although the Company shifts more revenue recovery to the commodity rates than does RUCO's. Under the RUCO rate design approximately 55.4% of revenues are recovered from the monthly minimums, whereas under the Company proposed rate design approximately 53.3% of revenues are recovered from the monthly minimums. In terms of revenue recovery from the month minimum and the first tier commodity rates, RUCO's rate design recovers approximately 76.4% from the monthly minimum and first tier commodity rate while the Company's rate design recovers approximately 73.9%.

Q77. HAVE YOU PREPARED SCHEDULES SHOWING THE REVENUE RECOVERY FROM THE MONTHLY MINIMUMS AND THE COMMODITY RATES UNDETR THE COMPANY'S, STAFF'S, AND RUCO'S PROPOSED RATE DESIGNS?

A77. Yes. Attached hereto at Rejoinder Exhibit TJB-RJ4 are schedules showing the revenues recovered from the monthly minimums and commodity rates for all of the parties rate designs.

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Q78. IS THERE ANY DISAGREEMENT BETWEEN THE STAFF AND THE COMPANY REGARDING SERVICE LINE AND METER INSTALLATION CHARGES?

A78. No.

Q79. IS THERE ANY DISAGREEMENT BETWEEN THE STAFF AND THE COMPANY REGARDING MISCELLANEOUS CHARGES?

A79. No. The Company agrees with Staff to eliminate the turn on/off charge, the Company agrees with Staff's proposal to eliminate the after-hours service charges for establishment and reconnection but increase the after-hours charge for all services to $50 which would apply to both the establishment fee and the reconnection fee.

Q80. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY?

A80. Yes. Although my silence on any issue not discussed herein does not necessarily constitute agreement with Staff, RUCO, Mr. Wawrzyniak or Mr. Schoemperlen as 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)

July 12, 2011

EXHIBIT TJB-RJ1

NARUC

Serving the consumer interest by working to improve the quality and effectiveness of public utility regulation in America.

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Resolution Regarding Cost Allocation Guidelines for the Energy Industry

WHEREAS, There is ongoing concern regarding potential cross-subsidization between the regulated monopoly operations and the non-regulated businesses of electric and gas utilities; and

WHEREAS, Utilities are adopting various business strategies to adjust to the changing retail markets, including forming alliances and creating subsidiaries, divisions and partnerships to participate in non-regulated, competitive markets; and

WHEREAS, State utility commissions are examining and adopting various policies to monitor the competitive activities of regulated energy utilities; and

WHEREAS, State utility commissions are examining and adopting policies and rules concerning potential cross-subsidies between regulated utilities and non-regulated affiliates including pricing of assets, products and services; and

WHEREAS, The National Association of Regulatory Utility Commissioners (NARUC) requeste the Staff Subcommittee on Accounts together with the Staff Subcommittees on Strategic Issu and Gas to prepare for NARUC's consideration, "Guidelines for Energy Cost Allocations"; and

WHEREAS, The Staff Subcommittee on Accounts together with the Staff Subcommittees on Gas and Strategic Issues have prepared for NARUC's consideration "Guidelines for Cost Allocations and Affiliate Transactions"; and

WHEREAS, Each State or Federal Regulatory commission may have unique situations and circumstances that govern affiliate transactions, cost allocations, and/or service or product pricing; and

WHEREAS, The "Guidelines for Cost Allocations and Affiliate Transactions" are to provide guidance to the states and are not intended to be rules or regulations prescribing how cost allocations and affiliate transactions are to be handled; and

WHEREAS, The Staff Subcommittees on Accounts, Strategic Issues and Gas should periodically review the Guidelines for Cost Allocations and Affiliate Transactions, taking into consideration the progression of competition in the electric and gas industries nationally, and report their findings, including proposed changes to the guidelines, if necessary, that promote efficiency in competitive energy markets while guarding against cross-subsidization by monopoly ratepayers; *now therefore be it*

RESOLVED, The Board of Directors of the of the National Association of Regulatory Utility Commissioners (NARUC), convened in its 1999 Summer Meeting in San Francisco, California adopts the attached "Guidelines for Cost Allocations and Affiliate Transactions"; *and be it further*

RESOLVED, The NARUC directs the Staff Subcommittees on Accounts, Strategic Issues and Gas, to review the Guidelines for Cost Allocation and Affiliate Transactions, taking into consideration the progression of competition in the electric and gas industries nationally and report their findings to NARUC, including proposed changes to the guidelines, if necessary, o or before January 1, 2001, and annually thereafter, *and be it further*

RESOLVED, The NARUC applauds and thanks the Staff Subcommittees on Accounts, Gas, and Strategic Issues for their excellent work in developing the guidelines.

Sponsored by the Committees on Electricity and Finance and Technology

Sponsored by the Committees on Electricity and Finance and Technology
Adopted by the NARUC Board of Directors July 28, 1999

NARUC

Serving the consumer interest by seeking to improve the quality and effectiveness of public utility regulation in America.

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Attachment To Resolution Regarding Cost Allocation Guidelines for the Energy Industry "GUIDELINES FOR COST ALLOCATIONS AND AFFILIATE TRANSACTIONS"

"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 jurisdiction 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 embodie in the Guidelines.

The Guidelines acknowledge and reference the use of several different practic and methods. It is intended that there be latitude in the application of these guidelines, subject to regulatory oversight. The implementation and complian with these cost allocations and affiliate transaction guidelines, by regulated utilities under the authority of jurisdictional regulatory commissions, is subjec to Federal and state law. Each state or Federal regulatory commission may hav 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 directe the Staff Subcommittee on Accounts together with the Staff Subcommittees o Strategic Issues and Gas to prepare for NARUC's consideration, "Guidelines f Energy Cost Allocations." In addition, input was requested from other industr 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 documentatic 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 (als 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 allocate 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 authori 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 product 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 entit and the cost allocators and methods used by its affiliates related to the regulat 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 forc 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 possibilit 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 whe 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 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 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 wi 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 allocatic 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 an 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 audi 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-tariffe 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.

Sponsored by the Committees on Electricity and Finance and Technology
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Goodman Water Company
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THOMAS J. BOURASSA
REBUTTAL TESTIMONY
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Cost Allocation and Affiliate Transactions

A Survey and Analysis of State Cost Allocation Issues and Transfer Pricing Policies

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GLOSSARY

1. **Affiliates** - companies that are related to each other due to common ownership or control.

2. **Asymmetric Pricing** - refers to the use of differing pricing methods depending on the direction of the transfer. Specifically, this refers to higher of cost or market being charged for transfers from the regulated utility to the non-regulated affiliate and lower of cost or market being charged for transfers from the non-regulated affiliate to the regulated utility.

3. **Cost Allocation Manual** - an indexed compilation and documentation of a company's cost allocation policies and related procedures.

4. **Cost Allocators** - 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 two 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. **Cross Subsidization** - occurs when a firm, producing more than one product, uses the revenues from the sale of one product to cover the costs of producing another product.

8. **Direct Costs** - costs which can be directly identified with a particular service or product.

9. **Fully Allocated Cost** - fully allocated cost equals the sum of the direct costs plus an appropriate share of indirect costs.

10. **Incremental Pricing** - pricing services or products on a basis of only the incremental costs of their production while one or more pre-existing services or products support the fixed costs.

11. **Indirect Costs** - costs that cannot be identified with a particular service or product. This includes, but is not limited to, overhead costs, administrative and general costs, and taxes.

12. **Negotiated Pricing** - refers to a method or methods of pricing services or products for which the terms have been discussed and agreed upon by the parties involved in the agreement.

13. **Non-Regulated** - refers to services or products that are not subject to price regulation by regulatory authorities.

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14. **Prevailing Market Price** - a generally accepted market value that can be substantiated by clearly comparable transactions, auction prices or appraisal values.

15. **Regulated** - refers to services or products that are subject to regulation by governmental authorities.

16. **Stand-alone Cost** - the cost that an entity would incur in providing a particular service or product itself (*i.e.*, build from the ground up), rather than receiving the service or product from a shared service provider.

17. **Tariff Based Price** - refers to prices that are pre-approved by the regulatory commission and are on file with the commission.

18. **Transfer Pricing** - refers to the pricing of services and products that one segment of an organization or an affiliate supplies to another segment of an organization or an affiliate.

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INTRODUCTION

Restructuring of the electric industry is having profound effects on company structures through reorganizations, mergers and acquisitions and new methods of business operation. As competition develops in wholesale and retail markets, an increasing number of utilities are rapidly moving into non-regulated business operations which will have far-reaching accounting and economic implications for regulated utilities and their non-regulated affiliates. Administrative rules governing the allocation of costs for services and products transferred between regulated utility operations and non-regulated affiliate operations are currently being considered, debated and implemented in state proceedings. In national regulatory arenas, policy guidelines addressing these critical issues are being developed for consideration by state regulatory commissions and their staff. Because of concerns that regulated utilities will cross subsidize affiliate business operations at the expense of consumers of regulated services or harm competition, regulators and competitors seek to impose strict accounting procedures on utilities to ensure that only justified costs are attributed to regulated activities.

Cost Allocation and Transfer Pricing

Historically, cost allocation within a regulated utility was directly related to the regulatory ratemaking process. Typically, costs were allocated to generation, transmission and distribution functions as well as customer classes at highly aggregated levels. In the competitive market, however, more utilities are offering a wider range of services and products, which involve non-regulated affiliates. As a result, costs related to affiliate transactions must be allocated properly between the regulated portion of the business and the non-regulated affiliate without cross subsidizing other business operations. The basic goals of cost allocation methods should be to ensure proper distribution of costs between the regulated utility and their affiliates and to minimize the time and expense necessary to record and audit transactions.

Cost allocation is the process of assigning a single cost to more than one cost object. A cost object can be any physical item, activity, function, process or organizational unit in which a separate measurement of cost is desired. When used in the context of a regulatory proceeding determining revenue requirements for a regulated utility (*i.e.*, a pipes or wires company), the issue of cost allocation refers to a set of accounting practices that correctly assign costs and can be used to prevent cross subsidization between the regulated utility and its non-regulated affiliates.

In theory, if services and products were purchased individually and were used by only one business unit, tracing the flow of costs would be simple. In reality, however, firms rarely operate in this manner for both efficiency purposes and good business practice. Three basic questions are typically answered when making determinations about cost allocations; 1) What basis should be used for cost allocation? 2) Which costs will (or should) be allocated? 3) What procedure will be used to allocate common costs?

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In the utility industry, a variety of methods are used to capture and allocate costs between regulated and non-regulated operations and a variety of methods are also used to price services and products.

The pricing of services and products between one segment of an organization for a service or product that it supplies to another segment of an organization or to an affiliate is referred to as "transfer pricing." Transfer pricing is largely dependent on the types of transactions involved and should be performed on a transactional basis. Transactions may include transfers of services and products for sale, transfers of services and products not for sale, and the transfer of capital assets. When a regulated utility provides services and products to a non-regulated affiliate (and vice-versa), or transfers capital assets to its non-regulated affiliate (or vice-versa), regulator concerns, largely centering on the issue of cross subsidization of affiliate business operations, exist.

A transfer pricing policy which forces transactions between a regulated utility and a non-regulated affiliate at a price which is uneconomic discourages efficient activities that could potentially lower rates for regulated customers. Conversely, a transfer pricing policy that permits a regulated utility to engage in cross subsidization of a non-regulated affiliate harms ratepayers and may harm competition. State or federal law may also restrict the transfer pricing rules that a regulatory agency can implement. For example, pursuant to the Public Utility Holding Company Act of 1935 ("PUHCA"), registered holding companies must comply with rules implemented by the Securities and Exchange Commission ("SEC") which generally require affiliate transactions to be conducted at cost. The various transfer pricing methods in use to price affiliate transactions will be discussed and defined later in this paper.

Codes of Conduct and Standards.

In part, to address these cost allocation and transfer pricing issues, an increasing number of states undergoing restructuring have developed "Codes of Conduct" or "Standards" through regulatory proceedings to govern relationships between regulated utilities and their non-regulated affiliates. Codes of Conduct define permissible relationships between a utility and other market participants, in particular the utility's non-regulated affiliates. Issues that are often covered in Codes of Conduct include: 1) corporate governance, structural separation and affiliate relations; 2) discrimination, subsidization and cost allocation; 3) marketing restrictions; 4) resource restrictions and 5) regulatory oversight. Many of the issues appearing in Codes of Conduct surrounding cost allocation and transfer pricing of affiliate transactions are also being addressed in draft guidelines being put forth by The National Association of Regulatory Utility Commissioners ("NARUC").

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Guidelines for Cost Allocation & Affiliate Transactions

The NARUC, in conjunction with the electric and natural gas industries and other stakeholder groups, is drafting "Guidelines for Cost Allocation & Affiliate Transactions" ("Guidelines"). The draft Guidelines should be viewed in light of accepted accounting policies and procedures for allocating costs and recording transfers of services and products between the utility and its affiliates as well as economic principles for pricing those transfers.

The Guidelines are needed in part to increase the likelihood that state regulatory commissions will adopt effective and adequate safeguards regarding potential cross subsidization between the regulated and non-regulated businesses of electric and gas utilities while avoiding regulatory policy choices that have tended to reduce economic efficiency or harm consumers of regulated services in the long run. The electric and natural gas industries have united views on needed changes to the draft Guidelines. In particular, these changes would focus on areas specific to technical definitions, cost allocation principles, documentation and content of a Cost Allocation Manual ("CAM"), affiliate transaction pricing methods, and audit requirements which include access to affiliate books and records. The research in the following paper will, in part, concentrate on those areas significant, not only to the NARUC project, but also to recent state regulatory proceedings.

Survey of Current State Commission Rules

In order to properly gauge the current status of affiliate rules as well as understand methods already in place at state commissions, a nationwide survey was undertaken by Deloitte & Touche on behalf of the Edison Electric Institute. The survey consisted of a questionnaire put before each of the 51 state commissions (including the District of Columbia). A copy of the questionnaire used is included in *Appendix A*. The questions were designed to obtain feedback on the main issues to be addressed in this paper.

In total, 33 commissions responded directly with either complete or partial answers to the survey questions. Where necessary, follow up calls were made to several of the states responding in order to clarify and deepen the understanding of certain responses. For states not responding, publicly available information, such as state laws, Codes of Conduct or commission orders were reviewed to determine how the commission would have likely responded. For 7 additional states, this resulted in sufficient information to allow the majority of the survey to be completed, for a total of 40 states represented. Remaining states were not included in the formation of the results. A complete matrix indicating the state-by-state responses can be seen at *Appendix B*.

Purpose Of Paper

This paper discusses the basic accounting and economic issues surrounding cost allocation policies and procedures, transfer pricing methods and the relative merits of each. In addition,

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this paper will provide a resource for discussing other issues which are currently under debate in both state and national forums, specifically confidentiality, reporting requirements, and audit requirements which include access to affiliate books and records. Lastly, this paper summarizes the results of the survey performed by Deloitte & Touche on behalf of the Edison Electric Institute ("EEI"), gauging the status of present-day regulatory rules and practices on cost allocations and affiliate transfer pricing policies.

COST ACCUMULATION AND ALLOCATION

Overview of Shared Services

Most companies currently provide both regulated and non-regulated services and products. Unregulated activities can be performed either as part of a utility company (below-the-line income and expense) or through subsidiaries or other affiliated companies. The majority of companies today are organized as holding companies having subsidiaries that are both regulated and non-regulated affiliates. Some holding companies are Registered Holding Companies ("RHC")[1] because they are "registered" or authorized to conduct business in accordance with the PUHCA as administered by the SEC. Other holding companies are Exempt Holding Companies ("EHC")[2] because they are "exempt" from the provisions of PUHCA with the exception of those sections of PUHCA related to the acquisition of securities of public utility companies and the acquisition of foreign (non-US) utility companies. Depending on the type of organization, for accounting, reporting and ratemaking purposes, regulated affiliates fall under the jurisdiction of the Federal Energy Regulatory Commission ("FERC"), state public utility commissions and/or the SEC.

The term "regulated affiliate" usually means the regulated operating utility company(ies) or subsidiary(ies). Sometimes the term "regulated affiliate(s)" is also used to refer to fuel subsidiaries, mining subsidiaries, or other operations that supply services or products exclusively to a regulated utility or another regulated affiliate. The cost of such services and products are passed through (*i.e.*, allowed to be recovered in the utility's(ies') cost of service and rates) after review by the regulator to the utility's(ies') customers, thus the term "regulated affiliate." With industry restructuring and unbundling, the generation function may be deregulated and provided through a non-regulated entity while the transmission and distribution functions may continue to be provided through regulated entities.

Service companies of RHC's are regulated by the SEC as to accounting, reporting, cost allocation and pricing. Service Companies of EHC's are not regulated by the SEC. Service companies of RHC's or EHC's are not directly regulated by the FERC or state public utility commissions. The cost of services and products provided by the service companies of both the RHC and EHC are, however, subject to the same regulatory scrutiny as any other regulated utility costs before such costs are allowed to be included in the utility's cost of service for ratemaking purposes.

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The term "non-regulated affiliate" refers to an affiliated entity or subsidiary that is not regulated by a utility regulator (*i.e.*, the regulator does not have jurisdiction over a non-regulated affiliate). For purposes of the following section, the term "affiliate" will refer to both regulated and non-regulated affiliates unless otherwise stipulated.

Services and products can be delivered to affiliated entities in several ways. One method is to have the parent and/or the utility provide the service or product to or among the affiliated entities. Another method of providing services and products is through the use of a separate service company. For years, RHCs have used service companies authorized by, and under the oversight of the SEC to provide services to affiliates. Industry restructuring, domestic and foreign mergers and acquisitions, and the transition to competition are resulting in the formation of additional holding companies with service companies. Centralization of activities through the creation of service companies results in economies of scale, which cannot be achieved by an affiliate on a stand-alone basis. The provision of shared services to achieve benefits of consolidation and economies of scale, means that the majority of the shared service costs are incurred to provide common services to multiple affiliates which, by definition, requires an allocation of such costs.

The provision of shared service within an affiliated group can take many forms. Services can be provided to domestic utility companies and regulated affiliates including other regulated service companies, to non-regulated affiliates including non-regulated service companies, and to a combination of both regulated and non-regulated affiliates. In addition, there can be provision of services and products between member affiliates. Examples would be the provision of services by one utility operating affiliate to another affiliated operating utility to repair storm damage or for a loan of stores material. Such services are charged or billed directly from one entity to another and are not the focus of this paper.

The provision of services and products is typically covered by service agreements between the service provider and the receiver(s) of the service. The service agreement sets forth the types of shared services to be provided which usually include general and administrative services such as general executive, advisory, administrative, accounting, legal, regulatory, engineering, human resources, and purchasing. The service agreement also sets forth the cost or price to be charged for the service provided as well as how such costs are to be allocated or billed to the receiving entity. The costs of providing such services are accumulated and billed to affiliates using cost-causative principles. Services provided to affiliates by service companies of RHCs are provided to the affiliates at fully allocated cost (break even) as required by the SEC. Also, services provided to affiliates by service companies of exempt holding companies or by a parent or utility affiliate are usually provided at cost, although not required by the SEC. In addition to requiring "at cost" pricing to affiliates, the SEC has responsibility for approving the cost allocation formula or methodologies for the RHCs.

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Cost Accumulation

Affiliate transaction information including the costs of providing both regulated and non-regulated services are captured in accounting systems for accumulation and allocation to the appropriate affiliates. Typically, the primary information systems used for accumulating affiliate costs are: Payroll (time reporting); Accounts Payable (expense accounts and vendor invoices); and General Ledger Journal Entries. Information systems are linked to the General Ledger for recording the accounting information on the books of the affiliate for which the costs were incurred. Implementation of activity-based costing or activity-based management systems have provided utilities with better cost accounting tools for accumulating and assigning costs. These cost accounting systems allow for the accumulation of costs at a fairly low level and, therefore, provide more detailed information for analyzing and assigning costs to the appropriate affiliated company(ies) based on the activities performed.

Cost Allocation Principles

The application of cost allocation principles can result in more accurate product or service costs and information that can be used to manage operations as well as provide more accurate information to regulators. These transaction principles are applied when resources are shared between business units within a company or on an intercompany basis as when capital assets or services and products are utilized between regulated operations and non-regulated affiliate operations.

For allocation purposes, the costs associated with services and products provided to affiliates can be classified as direct, indirect or common costs. Affiliate costs can be either expensed (*i.e.*, income statement item) or capitalized (*i.e.*, balance sheet item) on the receiving company's books.

Direct costs can be identified with a particular service or product and can be incurred on behalf of one or more affiliates. For example, direct costs such as for engineering services incurred for the benefit of only one affiliate can be directly assigned (billed 100%) to that affiliate. Direct costs that benefit more than one affiliate, such as employee benefit administration, must be charged or allocated to the affiliates receiving the service on some cost causative basis such as the number or ratio of employees to total employees. To the maximum extent practicable, in consideration of cost benefit standards, costs should be collected and classified on a direct basis for each service or product provided.

Indirect costs cannot be identified with a particular service or product. Indirect costs include but are not limited to overhead costs (*e.g.*, corporate, departmental, business unit), administrative and general costs, and taxes. Indirect costs are charged to the appropriate product or service to which they relate using relevant cost allocators. An underlying cost accounting principle, and the general method in use, is the fully distributed cost alignment method (fully allocated costs). The fully allocated costing philosophy is based on the premise that both direct and indirect costs are

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identified for services and products and that services and products should bear the sum of the direct costs plus a proportional share of indirect costs. In other words, the costs of services and products should include all costs that would be incurred on a stand-alone basis (*i.e.*, all costs if the affiliate produced the service or products itself), thereby removing any cross subsidization between business profitability (*e.g.*, regulated vs. non-regulated).

Common costs, as distinct from indirect costs, are usually defined as costs associated with services or products that are of joint benefit between regulated and non-regulated business units. 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. An example of a common cost is a corporate headquarters building which houses both regulated and non-regulated business operations. Common building space costs can be allocated to business units based on the amount of square feet occupied by the various business units multiplied by the cost per square foot of the space occupied.

Companies use various methods to identify and record direct costs to regulated and non-regulated affiliates for services and products. One method is to assign costs directly to an account number using the FERC Uniform System of Accounts ("FERC USOA") or the SEC Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies ("SEC USOA") of RHCs. A charge (or entry) to the account on the provider's books would also appear in the same account on the receiving entity's books. Another method is to charge direct costs to a product code, project code, work order or service number. Other methods of assigning direct costs are to identify and charge the costs based on an activity number or a company number. In some cases, deferral accounts and job numbers are used to capture costs. These systems for capturing and recording costs incurred in providing services to affiliates are also used to allocate or bill the costs of the services to the appropriate affiliates. These systems can also contain information for mapping or translating the costs charged to the affiliates to the appropriate account number. For example, a project code may capture the cost of administering the employee benefits program for all the affiliates of an affiliated group. The costs identified by the project code are then allocated to the affiliates receiving the service using the same allocation factor such as the number of employees. In this way each affiliate is charged a proportionate share of the costs associated with administration of the employee benefits program based on the ratio of each affiliate's number of employees to the total number of employees in the affiliated group.

As previously mentioned, indirect costs include costs such as administrative and general costs, sometimes referred to as indirect overhead costs, and cannot be identified with a particular service or product. These indirect or "residual" costs which cannot be specifically attributed to a product, service or affiliate and for which there are no cost causative relationships, are typically accumulated or "pooled" and then allocated in the same ratio as all other costs are assigned or allocated (using a general allocator based on total company expenses). One method for allocating indirect costs would be to spread such costs using a general allocator based on how all operation and maintenance ("O&M") costs are assigned or allocated. Allocation of indirect costs, which have no readily identifiable cost causative relationships, on the basis of how all

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other costs have been allocated on a cost causative basis is a proxy or surrogate for allocating indirect costs on a cost causative basis. Some companies allocate indirect costs using multi-factor allocation formulas based on factors such as labor costs, plant investment or revenues.

Appendix C includes 5 detailed examples of how companies currently assign costs to both regulated and non-regulated affiliates. The examples also reflect how the services are provided (*i.e.*, by the parent and/or utility or through a service company) and how the costs of such services are assigned or allocated.

Cost Allocation Manuals ("CAM's")

CAM's, or comparable written documentation, are used by many investor-owned electric utilities to accurately explain and reflect policies and procedures for allocating costs for services and products between regulated and non-regulated operations. Some regulatory jurisdictions require companies to maintain a CAM for regulatory proceedings. Common contents of a CAM include a listing and description of services and products provided between the regulated utility and non-regulated affiliate, a description of the cost allocators and allocation methods or transfer pricing methods and procedures used, and an organization chart of the holding company depicting all affiliates and regulated entities. NARUC's current Guidelines define a CAM as an indexed compilation of a company's cost allocation policies and related procedures.[6]

In 1986 and in 1996, the Federal Communications Commission ("FCC") issued orders[7] which, in part, mandated the filing and approval of CAM's for all local telephone carriers and dominant inter-exchange carriers with more than $100 million in operating revenue. The action was directed at precluding carriers from imposing costs and risks of non-regulated services and products onto captive ratepayers. Although a CAM is one method for accomplishing this goal, there are alternative reporting requirements, as will be discussed later, which may prove less burdensome and just as effective.

TRANSFER PRICING METHODS

Transfer prices are not a concern in most industries since private firms are generally free to allow one segment of the firm to subsidize another, if they so choose. However, in regulated markets, such as electric power and natural gas, regulators have an interest in establishing policies that protect customers of the regulated portion of a firm from subsidizing non-regulated activities. Regulators want to prevent a utility from exploiting its position as a provider of essential monopoly services to provide a non-regulated affiliate with an unfair competitive advantage. An unfair competitive advantage could be provided through preferential treatment, sharing of customer and retailer information, or other commercially sensitive information.

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As restructuring progresses in the electric power and natural gas industries, and previously regulated segments of the industry become competitive, transfer pricing methods are increasingly gaining the attention of regulators. Specifically, as many utilities transfer generation assets to an unregulated affiliate, either voluntarily or as part of a restructuring proceeding, state regulatory commissions have focussed attention on the price at which such assets are transferred.

Regulators are generally concerned with protecting customers from cross subsidies that could potentially result from affiliate transactions in two directions:

- For the sale of services or products or for the transfer of capital assets from a regulated utility to a non-regulated affiliate, regulators want to ensure that the non-regulated affiliate does not pay less than a price that would be considered fair to ratepayers for the services or products or for the capital asset.

- For the sale of services or products or for the transfer of capital assets from a non-regulated affiliate to a regulated utility, regulators want to ensure that the regulated utility does not pay more than a price that would be considered fair to ratepayers for the services or products or for the capital asset.

Various methods exist for the pricing of a transfer of services and products and capital assets between the regulated utility and its non-regulated affiliates. State regulatory commissions have adopted several of these methods. The methods addressed in this report are:

- Fully allocated cost
- Incremental cost
- Prevailing market price
- Tariff based prices
- Negotiated prices
- Higher of cost or prevailing market
- Lower of cost or prevailing market

The following section will describe the basis and identify the pros and cons for each transfer pricing method identified above.

Methods

Fully Allocated Cost

Historically, fully allocated cost has often been used by regulators to set transfer prices for services and products. Fully allocated cost methods provide that revenues collected from the sale of services and products, or capital assets equals the sum of the direct costs plus an appropriate share of indirect costs. Fully allocated cost pricing results in adequate revenues that cover total

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cost for each service and product. For the transfer of capital assets, fully allocated cost reflects the net book value of the capital asset.

Fully allocated cost pricing results in the regulated utility and non-regulated affiliates paying the same price for shared services or products. Many regulators are comfortable with the fully allocated cost methods and generally believe that it results in a fair outcome for utility customers.

From an economic perspective, fully allocated cost pricing eliminates any cross subsidization since the non-regulated affiliate bears all of the incremental costs plus a proportional share of the fixed costs. The method results in prices that are attributable to identifiable and verifiable costs.

However, some economists believe that incremental cost is the most preferable method for setting transfer prices. Fully allocated cost based transfer prices could prevent or discourage economic transactions if the market price is above incremental cost but below fully allocated cost. Customers of the regulated utility would suffer since they would not realize the benefits of a transaction that is otherwise economically justified.

Incremental Cost

As noted above, some economists believe that incremental cost is the preferable method for pricing affiliate transactions and should be used as the benchmark for identification of cross subsidies.[5] This is because any affiliate transfers at incremental cost do not adversely affect the utility customers and incremental cost based transfer prices will maximize economic efficiency.

Economists Michael A. Crew and Paul R. Kleindorfer have stated: "...the use of consumers' and producers' surplus is now broadly accepted as appropriate for welfare analysis in public utility economics. Maximizing net benefit as measured by this traditional welfare function leads to the efficient outcome that price should equal to marginal costs."[6] Likewise, economist Alfred E. Kahn states that "...society's interest is in having transportation, energy or communications provided at the lowest possible cost...And economic efficiency requires, additionally, that no business be turned away that covers the cost to society of providing that service. These basic goals are served by permitting rates to be set at long-run marginal costs."[7] While both economists were discussing the appropriate method for setting prices for regulated utility rates, the concepts are equally applicable to transfer prices.

Transfer prices based on incremental cost, unlike transfer prices based on fully allocated costs, will not prevent or discourage economically justified transactions. Any transaction at a price that exceeds incremental cost will result in lower costs to all customers as compared to the transaction not occurring. Of course, if the utility has an opportunity to sell a service or product to a non-affiliate at a higher price, it should. However, if the price paid by the affiliate is lower than the price paid by regulated utility customers, the transaction may be perceived by regulators as unfair. This is so, even though it would result in lower prices to the regulated utility customers as compared to if the transaction did not take place.

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Traditional regulatory ratemaking bases rates on average embedded cost. In an embedded cost study the joint and common costs are allocated to customer classes either on the basis of the overall ratios of costs directly assigned, or by a series of allocators that best reflect the cost causation principles.[6] An additional concern with basing transfer prices on incremental cost is that the prices will deviate from those set under traditional ratemaking for utility services.

Prevailing Market Prices

Prevailing market price, when a market price exists for the service or product, is the preferable method for setting transfer prices while maintaining the "arms length" nature of the transactions, since it reflects the value that the market sets for services or products based on actual supply and demand conditions. Market prices promote economic efficiency (in an effective competitive market) since they take into account both the suppliers' cost of production and the buyers' measure of value.[7] Market based transfer prices should be perceived by regulators as fair since the price for a utility/affiliate transaction would be the same as the price for a non-affiliate transaction.

Unfortunately, market prices that are reflective of the value of intra-firm transactions often do not exist. Also, since some of the services now provided by utilities in a competitive market were formerly provided in a regulated market, workable competition for many of these services may not yet exist.

In the absence of actual market price information, state regulatory commissions may consider administratively determined market prices. For example, concerning the transfer of generation assets, commissions could consider forecasts of the future price of electricity, and determine a transfer price based on those forecasts. Or, commissions could look to recent sales of generation assets by other utilities and develop market price forecasts based on a comparison of those sales to the asset being transferred. However, the use of price forecasts or comparable sales as the basis for setting transfer prices is inferior to the use of actual market price.

Tariff Based Pricing

Tariff based pricing refers to prices that are pre-approved by the regulatory commission and are on file with the commission. Tariff based transfer prices allow for regulatory commissions to review the transfer prices for services and products or capital assets prior to transactions taking place. This could involve either a review of the actual costs that prices are based on, or a review of a method that will set prices based on future costs. Tariff based transfer prices allow for the up front resolution of issues concerning the methods or costs.

Tariff based prices are nondiscriminatory since all customers typically pay the same price for any service or product provided under the tariff. However, tariff based transfer prices can be burdensome if they do not allow for prices to be quickly modified to reflect changed circumstances.

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Furthermore, tariffs are set for regulated products and services where regulation is critical to ensure non-discrimination in the provision of essential monopoly services. Tariffs for non-essential services extends regulation into markets that are competitive and do not require regulation. Therefore, tariff based prices treat all products and services as though they were essential monopoly services, which distorts the markets for these products, particularly for non-regulated suppliers.

Negotiated Pricing

Negotiated pricing refers to prices that are based on arms length negotiations between the utility and its affiliates. Negotiated prices allow for real time prices that are reflective of changing market conditions. Negotiated prices avoid distortions created by pre-established transfer prices that are not reflective of current market conditions.

Negotiated prices can lead to different prices for customers that purchase services and products at different points in time. This could be perceived as unfair from a regulatory perspective if an affiliate receives a lower price, even though it may be reflective of lower costs at the time of the purchase.

Asymmetric Pricing - Lower of Cost or Market/Higher of Cost or Market

The lower of cost or market is utilized for transfers from an affiliate to a regulated utility to ensure that the utility is not paying a price more than the regulator would consider fair to ratepayers for the services or products or for the capital asset. By definition, the utility will not pay more than market price and could pay less than market price if the cost is below market.

The higher of cost or market is utilized for transfers from a regulated utility to an affiliate to ensure that the affiliate is not paying a price less than the regulator would consider fair to ratepayers for the services or products or for the asset. For sales from the utility to an affiliate, the utility will be paid at least its costs and could receive payments in excess of its costs if the market price exceeds its costs.

These methods ensure that regulated services are not subsidizing non-regulated services. However, these methods share many of the problems associated with transfer prices based on fully allocated costs. Specifically, while considered fair by regulators since they prevent cross subsidies, these methods may discourage otherwise economic transactions that could lower prices for all customers.

Appendix D contains a chart summarizing the pros and cons associated with the various transfer pricing methodologies.

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Which Method is Best?

Determining the correct method for setting transfer prices requires regulators to balance the dual objective of ensuring that customers of the regulated utility are not subsidizing non-regulated activities and promoting economic efficiency that results in the lowest prices. Some of the methods described above tilt in favor of perceived fairness and ensuring no cross subsidies at the expense of economic efficiency, while some do the opposite and promote economic efficiency while giving less weight to perceived fairness, or the cross subsidy issue. The optimal approach is one that gives regulators the flexibility to match the method for setting transfer prices to the specific set of circumstances presented in each case.

Fully allocated cost does not maximize economic efficiency since it can prevent or discourage otherwise economic transactions. However, fully allocated cost is considered by some as the best method since it fairly allocates costs that are common to the provision of both regulated and non-regulated services and results in both regulated utility and non-regulated affiliates paying the same price for regulated or non-tarriffed services or products that are based on the same concept, (*i.e.* fully allocated cost).

On the opposite end of the range of transfer pricing methodologies is incremental cost. While incremental cost is considered the most economically efficient method for setting transfer prices, it is often perceived as unfair since it could result in an affiliate paying a lower price than a regulated utility for the same services or products, because the affiliate would not be making a contribution towards the regulated utility's fixed costs.

The key for regulators is to find the methodology that minimizes compromises to economic efficiency in the name of fairness. For example, assume that the market price for a service provided by a utility to an affiliate is $10. The incremental cost to the utility to provide the service is $8 and the fully allocated cost is $12. The higher of cost or market method would require the utility to charge its affiliate $12 for the service. However, given that the market price for the service is $10, the transaction would not take place since the affiliate could purchase the service elsewhere at the lower market price.[10]

In this example, basing the transfer price on the market price would have allowed the transaction to take place and would have prevented any subsidies from occurring. Further, customers of the utility would have benefited since the transaction would have resulted in a profit of $2 from the sale of the service that could have been used to offset some of the fixed costs or otherwise reduce the costs of the service. The "higher of" method in this example prevented a transaction from occurring without any sound basis in either economic efficiency or fairness. This conclusion is supported by Kenneth W. Costello in his recent article on pricing utility transactions wherein he stated: "The popular "higher of" and "lower of" (or what is often referred to as "asymmetric pricing") provision contained in some states' rules pertaining to the pricing of affiliate transactions seems unnecessary or counterproductive and fundamentally devoid of any sound economic principle."

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Basing transfer prices on market prices in this example would represent one reasonable approach to balancing economic efficiency and fairness. While any price above incremental cost would be economically justified, basing transfer prices on market values in this example would have protected customers from subsidizing the affiliate, would be perceived as fair, and would have allowed a beneficial transaction to occur that otherwise would not have occurred if a "higher of" policy was in place.

The same result occurs for transactions from an affiliate to a utility. For example, if an affiliate's fully allocated cost to provide a service is $8 and the market price is $10, the lower of cost or market method would require the affiliate to provide the service for $8. However, the transaction would not take place since the affiliate could sell the service to a non-affiliate for $10. If the utility was able to negotiate a price below the prevailing market price, $9 for example, the "lower of" method would prevent the transaction from taking place and the utility customers would be forced to pay a higher price for the service.

Conclusion

For tariffed services, commissions should provide for maximum transfer pricing flexibility. Commissions will have an opportunity to review tariffs and resolve issues prior to the tariffs becoming effective.

For registered holding companies (pursuant to the Public Utility Holding Company Act of 1935), the SEC has implemented rules that require affiliate transactions to generally be conducted at cost (equivalent to fully allocated cost). Ideally, state commission rules should be consistent with the SEC rules.

For non-tariffed services, regulatory policy concerning transfer prices should balance the dual objectives of economic efficiency and fairness. Rigid "higher of" and "lower of" policies do not meet this objective and may prevent transactions from occurring that could be beneficial to ratepayers.

Market prices should be the benchmark for transfer prices whenever they are readily determinable and reflective of a competitive market. Market prices reflect the value the market places on services, products and capital assets and take into account demand and cost aspects of services, products and assets. Market prices meet the fairness test since all similarly situated affiliated and non-affiliated market participants would pay the same prices for the same services.

However, since market prices are not readily available for many affiliate transactions, a cost based approach must be utilized in many cases. The best policy is one that allows a regulatory commission to determine transfer prices based on a combination of market prices, cost and other information specific to the transaction.

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As a general guideline, however, for services and products provided from a regulated utility to a non-regulated affiliate, incremental cost should be considered the *floor price*. Incremental cost based transfer prices ensure that ratepayers are not harmed by the transaction but suffer from criticisms concerning fairness. Regulatory policy should allow transfer prices to be set below fully allocated cost (and above incremental cost) based on consideration of market prices, cost and other information, whenever the resultant transfer price provides benefits to ratepayers and meets the fairness standard. Likewise, for services and products provided from a non-regulated affiliate to a regulated utility, regulatory policy should allow transfer prices to vary from fully allocated cost based on consideration of market prices, cost and other information.

These concepts are similar in nature to those that led regulatory commissions to allow utilities to use flexible pricing to retain customers with competitive options such as self-generation. This practice became prevalent in the 1980's when customers began exploring the installation of cogeneration facilities in response to the Public Utility Regulatory Policy Act ("PURPA"). Commissions recognized that retaining a customer at a rate less than the full tariff rate (presumably based on fully allocated embedded costs), but above incremental cost, could benefit all customers when compared to having the customer leave the utility system. The benefit to other customer's results from the fact that the customer would continue to make a contribution to fixed costs, whereas if the customer left the system, it would make no contribution to fixed costs. Under traditional ratemaking, allowing a customer to leave the utility system could lead to higher costs for all remaining customers since in the next base rate case, remaining costs could be spread over a smaller sales base. Commissions established policies that allowed them to determine prices, sometimes on a case-by-case basis, based on the specific circumstances of situations where other customers would benefit from such discounts and allowed the transactions to occur.

In conclusion, regulatory policies concerning transfer prices should be flexible enough to allow commissions to balance the often-competing objectives of economic efficiency and fairness to ratepayers and competitors of the utility. This requires regulators to make difficult decisions for which no clear answers exist. However, such policies are preferable to policies such as the "higher of" or "lower of" which, while simple and perceived as fair, are not based upon sound economic principles and could prevent otherwise beneficial transactions from occurring.

Current Transfer Pricing Rules - Survey Results

The determination of which transfer pricing method is used by regulated utilities and their non-regulated affiliates is clearly a significant issue with state commissions. Nearly all available documentation governing affiliate transactions discusses cost allocation and transfer pricing issues. However, not all commissions responding mandate a specific pricing method. Many commissions simply stated that no cross subsidies were to exist. The survey differentiated cost allocations between capital asset transfers and service and product transfers. The direction of the transaction was also a differentiating factor (*i.e.*, from the regulated utility to the non-regulated affiliate or vice versa). The survey indicated that 60% of the commissions ordered a specific

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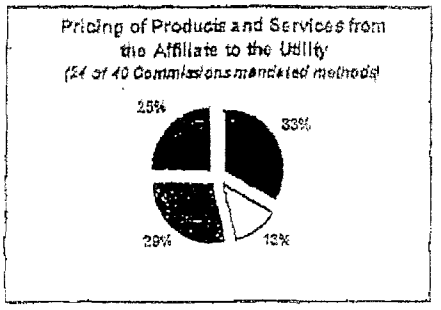
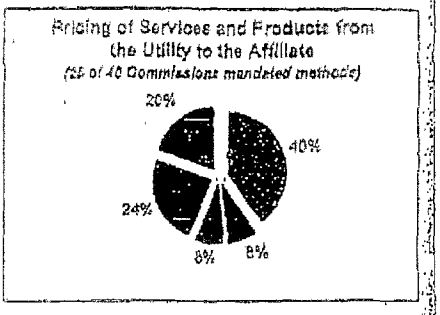
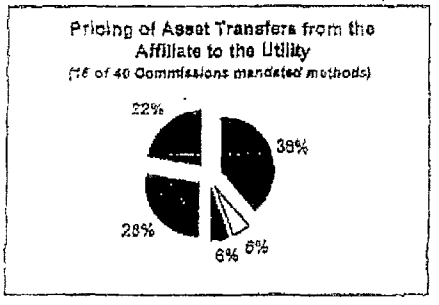
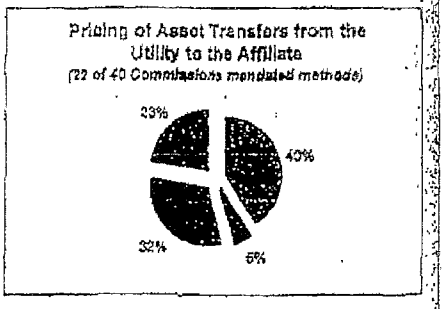
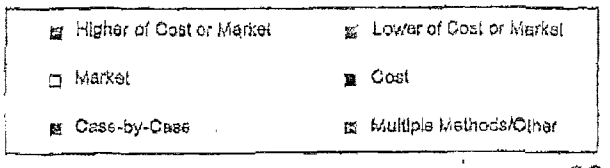
method for pricing of services and products from the non-regulated affiliate to the regulated utility. Similarly, 45% of commissions responding specified a method for the transfers of assets to the regulated utility. For transfers from the regulated utility to the non-regulated affiliates 63% of the responding commissions ordered specific methods of pricing services and product transfers and 55% did the same for capital asset transfers. The following charts indicate the distribution of methods required.











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For purposes of the preceding charts, similar methods such as lower of fully allocated cost plus 5% or market and lower of fully allocated cost or market were counted as lower of cost or market since they are both variations on the same principle. When referring to cost for capital asset transfers, the commissions generally specified net book cost. Also, where "multiple methods/other" is listed, the commission has a requirement that different methods be used depending on the specific nature of the transfer, or there is a tiered requirement (e.g., fair market value should be used unless market value cannot be established, in which case fully allocated cost should be used), or the specific method was not clear.

Transfer pricing methods and their economic benefits have been clearly described in the previous sections of this document. Of the commissions responding that they have some form of mandate in place, 57% require some form of asymmetric pricing. Many states also mandate specific methods on a case-by-case basis, which indicates that a generic rule is not in place and methods are mandated on a utility-by-utility basis. Case-by-case practices are in use by between 24% and 32% of the commissions depending on the direction and type of transfer. As the charts indicate, the use of cost (representing fully allocated cost for services and products and net book value for capital asset transfers) and fair market value were also common means of pricing transfers between the regulated utility and its non-regulated affiliates.

Given the wide range of methods in use and the complexities of the economic characteristics of these methods, caution should be taken before mandating a specific method. Options exist that may be preferable to asymmetric pricing which will satisfy the overriding requirements that cross subsidies be minimized and economic efficiencies be encouraged.

Market and Regulatory Solutions

Despite regulator concerns, protections against cost subsidization and cost shifting activities between regulated utilities and their non-regulated affiliates have been and continue to be in place through checks and balances. One argument which might be used by regulators as a rationale for imposing asymmetric pricing on regulated utilities and their non-regulated affiliates is the presumption that regulated utilities are naturally disposed to shift costs from non-regulated affiliate operations to captive ratepayers. When this presumption is made, it is important to recognize that safeguards are in place to guard against cost shifting, such as existing regulatory accounting, transfer pricing rules, audits and access to books and records of the regulated utility. Non-regulated business operations are not new to the electric utility industry. Regulatory oversight has controlled cross subsidization in the past. State regulators possess significant authority to protect ratepayer interests in activities, which affect the regulated operating utility company and have ratemaking authority over regulated services, which they can, and do, exercise to protect ratepayers from unreasonable costs.

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REPORTING REQUIREMENTS

Given the high level of concern by regulators that affiliate transactions are conducted and regulated adequately, many states have implemented procedures to assist with the monitoring of these transactions. One method for accomplishing this is to establish reporting requirements whereby transactions between the regulated utility and its non-regulated affiliates are reported to the appropriate state commission. Many states have also enacted audit requirements, which will be discussed later, to assist in their monitoring of affiliate transaction activity.

The results of the study indicate the majority, 76% of the states included in the survey responses, have reporting requirements in place. Some additional states (not included in the 76%) that responded they do *not* have requirements in place indicated the ability to request information regarding transactions between the regulated utility and its non-regulated affiliates through rate cases and other means.

Once a commission has determined that a reporting requirement is appropriate, there are several other issues, which will impact both the burden to the utility for reporting and the burden to the commission in their oversight. These issues include: 1) the form of reporting required, 2) the *frequency of reporting, and 3) any materiality threshold for amounts to be reported. Despite the* general consensus among the commissions responding that some form of reporting is beneficial, no consensus appears to exist regarding the specifics of these reporting requirements.

Form of Reporting

States requiring reporting of the transfer of services and products and/or capital assets mandate several different methods of reporting. Generally, these requirements could be divided into two classes, the first being a historical filing and the second being a prospective filing. Historical filings require the utility to inform the commission after the transfer has occurred, while prospective filings require the utility to inform the commission prior to completing a transfer.

In all but a couple of the states responding, historical reporting was required. An example of this requirement is a state such as Massachusetts, which requires the regulated utility to maintain and file with the commission an annual log of transactions with non-regulated affiliates. This type of reporting allows the commission time to review the submitted transactions without adversely affecting or delaying the transaction. In most states the commission would have ample authority to require an appropriate remedy for any transactions that are considered inappropriate. However, the requirement places a burden on the utility to prepare the information in the required format, and burdens the commissions reviewing the information submitted. Adjusting the mandates relating to the remaining issues of frequency and threshold could further reduce this burden.

States requiring a prospective filing mandate that the regulated utility inform the commission of the transfer prior to its commencement. Where used, this method generally relates to the transfer

of capital assets. This can be a broad requirement whereby the utility files, with the commission, a plan for the year with generic details of expected transactions between the utility and its affiliate. As long as transactions are consistent with this pre-filed plan, there are no additional requirements. Further approval is only necessary when the transfer of services and products or capital assets is outside the scope of the plan. Conversely, at least one state requires specific approval of individual transfers as much as thirty days prior to the transaction. The benefit of prospective reporting is that it gives the commissions greater control and reduces the risk of having to go back and "unwind" or otherwise remedy an unacceptable transaction. A downside of this method is the clear potential to interrupt and interfere with the business of the utility. Delays in the approval process or unforeseen transactions could both serve to interrupt business. Additionally, these methods would place a further burden on the commission to act quickly and be responsive to avoid delays.

Frequency of Reporting

Commissions requiring reporting of services and products and/or capital asset transfers used two different frequencies, the most prevalent being annual reporting. Other states require transactional reporting, either before or after the transfer of services and products or capital assets that exceed some threshold amount. To some degree, this decision is influenced by the form of reporting opted by the commission. States requiring historical reporting, generally required the transactions to be reported annually, while states that require prospective reports generally require utilities to report potential transactions each time a new transaction is considered.

Pros and cons exist regarding the frequency of reporting. Reporting on an annual basis is likely a lesser burden to both the utility and the commission than transactional reporting. A drawback to annual reporting from the commission's standpoint could be a perceived loss of control and knowledge of the day-to-day affiliate dealings. Transactional reporting provides more timely knowledge of the affiliate transactions at a cost of increased workload, both in oversight and preparation.

Reporting Threshold

Another issue related to the reporting of services and products or capital asset transfers between the utility and its affiliates is the issue of a reporting threshold. Based on the responses, it would appear that only 30% of the states responding have applied a threshold, below which reporting is not required. *Regardless of the form and frequency of reporting, there are substantial time and* resource commitments required of both the utility and the commissions enacting and overseeing the requirement. Establishing a reasonable threshold is an appropriate means to greatly reduce this commitment while ensuring that material transfers between the utility and its affiliates are reported and being performed in compliance with the rules in place.

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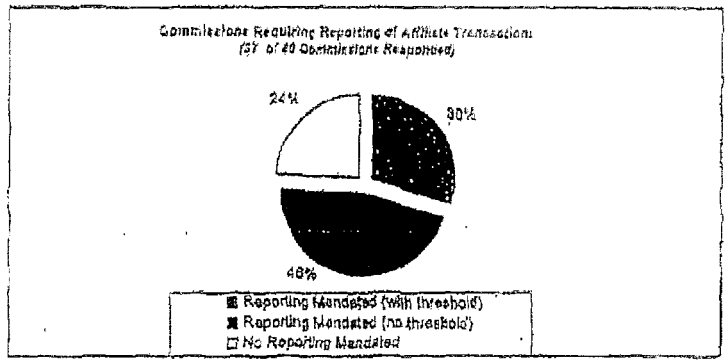

A variety of methods are used in establishing thresholds, some as direct dollar amounts, others as a quantifying ratio. Half the states have also allowed for flexibility in the threshold depending on the nature of the transfer and the size of the entities involved. The variability is largely a reflection of the commissions' desired level of involvement and oversight.

Conclusion

Given the majority of commissions that require some level of reporting of service and product and/or capital asset transfers, it appears that commissions perceive such reporting as a valuable means of ensuring compliance with established affiliate rules. Depending on the level of involvement desired by the commissions, many different methods for implementing this requirement exist. It appears reasonable to implement some materiality threshold on reporting requirements, should a commission determine a need exists. However, a commission should carefully evaluate the efficiency and potential effectiveness of establishing such a requirement considering factors such as resources available for compliance and oversight purposes. This is especially true for states requiring prospective filings where the ability to predict minor transfers in the future may be difficult and processing these transfers may cause unnecessary and potentially costly delays for utility business operations. Historical reporting is preferable to prospective reporting unless the prospective reporting requirement is broad enough to cover the nature of acceptable transfers rather than the specifics of individual transfers. Finally, an annual requirement seems to best satisfy the needs for oversight without creating an undue burden on the utility or commission.

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OTHER MATTERS

Confidentiality - Survey Results

In a competitive marketplace, utilities could potentially be placed at a competitive disadvantage, especially as it pertains to their non-regulated affiliates, if sensitive information is not kept confidential by commissions requesting or mandating disclosure.

Results of the survey indicate that 91% of commissions responding recognize utility concerns regarding confidentiality. The majority of this 91% indicate they have established procedures that allow a utility to file certain information as confidential in order to meet this concern. At least 33% of the states responding also indicate that although confidential status may be requested by utilities, the commission has the power to override and deny the request.

Some commissions may perceive that they should *not* be held responsible for maintaining the confidentiality of information submitted by regulated utilities. It would be unreasonable for a commission to expect a utility to be held responsible for maintaining the confidentiality of this information, once the information has been submitted and is out of their control.

Confidentiality is certainly an issue that needs to be addressed in order to assure regulated utilities and their non-regulated affiliates that sensitive information provided to the commissions will remain confidential and not made public, potentially putting the filing entity at a competitive disadvantage.

Audit Requirements

Access to Affiliate Books and Records - Survey Results

Commission access to the books and records of non-regulated affiliates as they pertain to affiliate transactions often appear in Code of Conduct proceedings. The *level* of access to non-regulated affiliate books and records is a key issue. From a regulator's standpoint, access to transactions between the regulated utility and non-regulated affiliates will ensure oversight authority and help detect possible cross subsidization. For utilities operating in a competitive market, the level of commission access to non-regulated affiliate books and records is particularly sensitive. Non-regulated competitors are not subject to commission oversight and may use information obtained by mandated disclosure to the non-regulated affiliate's competitive disadvantage. Some commissions may contend that open access of all books and records of non-regulated affiliates is necessary and required. Many utilities contend that while the regulatory agency may have access to *jurisdictional* transactions (*i.e.*, those transactions with an impact on the cost of regulated services) between the regulated and non-regulated operations, transactions not pertaining to regulated operations should not be subject to regulator review.

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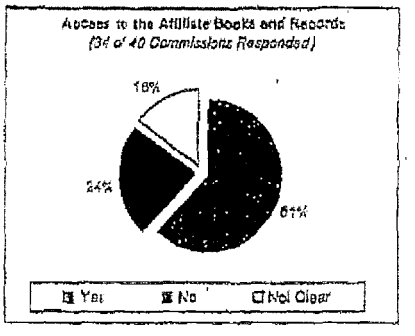
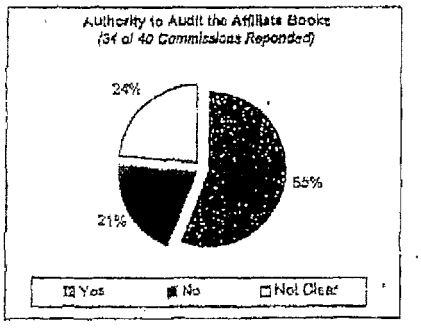
Survey results indicated that while all commissions believe they have authority to access the regulated utility's books and records, significantly less, 61%, indicate they have access to the non-regulated affiliate's books and records with another 15% indicating access authority is not clear.



Audit Authority - Survey Results

To ensure compliance with affiliate rules, the regulator may have the authority to mandate audits of the non-regulated affiliate, either by commission staff or by outside entities such as an independent audit firm. As mentioned previously, while 61% of commissions indicated they have access to a non-regulated affiliate's books and records, only 55% indicated they had the authority to mandate an audit of the affiliate. The states indicating authority to audit the non-regulated affiliate's books and records usually mandate an audit on an annual or biannual basis to ensure compliance with affiliate rules or in conjunction with a rate case.



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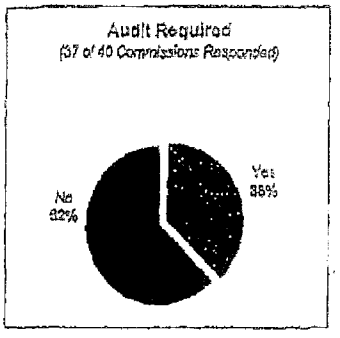
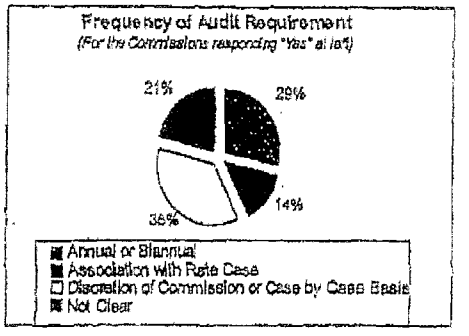
Audit Requirements - Survey Results

Beyond the issue of authority to audit is the actual implementation of audit requirements in many jurisdictions. The survey indicated that 38% of the responding state commissions currently have some form of audit requirement in place. Of these commissions requiring an audit, 29% mandate an annual or biannual independent audit of compliance with affiliate transaction rules. The remaining commissions, which specified a frequency, only require an audit when one is warranted or in conjunction with a rate case.





Defining the Term "Audit"

A further concern relating to the states requiring an audit, is the definition of the term "audit". In the classic sense this term would imply performing procedures on a test basis which would give the auditor an appropriate level of assurance that information is correct. With regards to many aspects of affiliate rules this would be particularly difficult, time consuming and costly. An example would be the requirement found in many states' affiliate rules that employees of the regulated utility and non-regulated affiliate not share marketing information regarding customers. Given that much of this sharing could occur through discussions, it would be very difficult and costly to gain the necessary assurance that these discussions were *not* taking place. There are several other subjective requirements, which would be difficult to "audit".

Certified Public Accounting ("CPA") firms could potentially perform other attestation services under Statements on Standards for Attestation Engagements ("SSAE") 3, *Compliance Attestation*, as amended by SSAE 4, *Agreed-Upon Procedures Engagements*, and issue a report accordingly. Additionally, CPA Firms could perform an audit of a schedule of affiliated transactions under Statements on Auditing Standards ("SAS") 62, *Special Reports*.

00005490

The options for performing attestation services on the company's compliance with the affiliate transaction rules (or management's assertion thereof) would be as follows:

- Report on management's assertion of compliance
  - Agreed-Upon Procedures
  - Examination
  - Combination of above
- Report on management's assertion of the effectiveness of controls over compliance
  - Agreed-Upon Procedures
  - Examination

In all cases above, SSAE 3 requires that the auditor obtain a written assertion from management in order to provide attest services.

Under SAS 62 the auditor could perform an audit of a "Schedule of Affiliated Transactions." This would provide an "audit," as currently requested in some commission orders/proposals, however, this would only address financial concerns. Service under SAS 62 would obviously offer the highest level of assurance, on a limited area of compliance, however, the bulk of the requirements, which are qualitative in nature, would not be addressed. An agreed-upon procedure engagement as described above would remain the best option for addressing these qualitative concerns.

Conclusion

An agreed-upon procedures engagement concerning management's assertions regarding the utility's compliance with affiliate transaction rules is likely the lowest cost and best option, particularly given the possibly qualitative nature of the commission's requirements. The difficulty will be reaching an agreement with the regulators that such an engagement will satisfy the independent "audit" requirement as delineated in the orders/proposals.

A tangible economic cost exists for utilities required to undergo an audit or other procedures surrounding their compliance with affiliate rules, which must be considered. An alternative, which may prove less costly and still address regulator concerns, is utilized by the state of Illinois. The Illinois Commerce Commission requires the utility's internal audit department to perform an internal audit every two years. This provides some level of assurance that there is compliance at a cost to the company that should be less than that of an annual external audit. The policy of requiring audits or other procedures on an "as needed" basis, as adopted by many of the states, would also appear a reasonable and cost effective approach to assessing compliance.

00005491

CONCLUSION

As restructuring of the electric industry continues, an increasing number of utilities will enter competitive markets and engage in non-regulated business operations. Regulatory proceedings addressing issues discussed in this paper, either through Codes of Conduct or through separate rulings, will also increase. This paper is intended to be used as a resource for discussing and communicating the basic accounting and economic issues related to cost allocation policies and procedures and transfer pricing methods.

00005492

REFERENCES

[1] As of June, 1999 there were 19 Registered Public Utility Holding Companies including : Allegheny Energy, Inc.; Ameren; American Electric Power Company; Central and South West Corporation; Cinergy; Columbia Energy Group; Conectiv; Consolidated Natural Gas; Eastern Utilities Associates; Entergy Corporation; General Public Utilities Corporation; Interstate Energy Corporation; National Fuel Gas Company; New Century Energies, Inc.; New England Electric System; Northeast Utilities; PSCO Energy; Southern Company; and Unitil Corporation.

[2] Examples of Exempt Holding Companies include: Duke Energy Corporation, FPL Group, PG&E Corporation, PacifiCorp, Reliant Energy, Sempra Energy, and TXU Corp.

[3] *Resolution Regarding Cost Allocation for the Energy Industry*, March 3, 1998 – NARUC Winter Meetings – Washington D.C.

[4] *Accounting Safeguards Under the Telecommunications Act of 1996*, Report and Order, CC Docket No. 96-150, FCC 96-490 (rel. December 24, 1996). FCC Joint Cost Orders, CC Docket No. 86-111, (December 23, 1986).

[5] Kenneth W Costello; "A Pricing Rule for Affiliate Transactions: Room for Consensus"; *The Electricity Journal*, December 1998.

[6] Michael A Crew and Paul R. Kleindorfer; "The Economics of Public Utility Regulation"; MIT Press, 1986.

[7] Alfred E. Kahn; "The Economics of Regulation, Principles and Institutions", MIT Press, 1998.

[8] National Association of Regulatory Utility Commissioners; Electric Utility Cost Allocation Manual, February, 1991.

[9] Kenneth W Costello; "A Pricing Rule for Affiliate Transactions: Room for Consensus", *The Electricity Journal*, December 1998.

[10] Ibid. A similar example was used in the Costello article.

00005493

U-13000-ST-CB-736

Question:

89. Referring to Mr. Gladney's testimony at page 2, lines 1-6; Is it Mr. Gladney's understanding that the cost of (the) new general office facility is reflected and recovered in the company's cost of service in this rate proceeding?

Response:

Yes, those costs of the new general office facility included in 2002 are considered to be recoverable through this rate proceeding.

Rufus D. Gladney
January 17, 2001

Business Services Department

MICHIGAN PUBLIC SERVICE COMMISSION
FILE U-13000
EXHIBIT NO. S-188
DATE 01/3/02 REPORTER

00005321

Response_1300-ST-CB-736

U-13000-ST-CE-738

Question:

91. Referring to page 3 of Mr. Gladney's testimony, is it Mr. Gladney's position that once the company's operating management approves a construction project or an O&M budget that neither the operating management or any other Consumers management or CMS Energy management will ever revise, reduce, increase or eliminate that project or budget approval?

Response:

I cannot confirm or deny future decisions that may or may not be made. My position is it is our intent that we will execute the project as planned.

Rufus D. Gladney

Rufus D. Gladney
January 24, 2001

Business Services Department

00005761

Response_1300-ST-CE-738

Goodman Water Company
Docket No. W-02500A-10-0382

THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(RATE BASE, INCOME STATEMENT,
RATE DESIGN)

July 12, 2011

EXHIBIT TJB-RJ3

Goodman Water Company
Test Year Ended December 31, 2009
Staff Corrected ADIT Computation

Accumulated Deferred Income Tax as of December 31, 2009

Line No.		Adjusted Book Value	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
6	Plant-in-Service	$ 4,872,974 [1]								
7	Accum. Deprec.	(723,295) [1]								
8	CIAC	(1,381,314) [3]								
9	Fixed Assets	$ 2,768,365	$ 1,949,656 [2]	100.0%	$ (818,709)	37.8%		-		(309,315)
10	AIAC		1,973,305 [4]	30.0%	$ 591,992 [4]	37.8%		$ 223,659		
11	Tax Benefits from O.L. Carry Forward.			100.0%	$ -	37.8%		$ -		
12							$ -	$ 223,659	$ -	$ (309,315)
13										
14	ADIT Net Asset (Liability) per Rebuttal				Net Asset (Liability)		$ (85,656)			
15										
16	ADIT Asset (Liability) per Direct						$ (135,342)			
17										
18	Adjustment to DIT						$ (49,687)			

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	Adjusted land costs not on tax, on books (Staff adjusted Land Value)	114,322		
7	Net Unadjusted Cost tax Basis			$ 5,052,430
8				
9	Basis Reductions/Additions			
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 (after Staff AIAC adj)	(2,707,816)		
12	Accumulated Depreciation 2008 and prior (2009 Tax Depr Report)	(339,352)		
13	Excess capacity Tank	(72,350)		
14	Tax Depreciation related to Excess Capacity - Tank (2008)	4,341		
15	Excess capacity - Mains	128,600		
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			(3,102,774)
19	Net tax value of plant-in-service at December 31, 2008			$ 1,949,656
20				
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 4 below)		$ 1,973,305	
32	Unrealized AIAC Component % (1-Realized AIAC Component)		70.0%	
33				$ 1,381,314
34	Total realizable CIAC			$ 1,381,314
35				
36	[4] **AIAC (including impact of change in probability of realization)**			
37	AIAC (unadjusted)		$ 2,101,905	
38	Less: AIAC disallowed		$ (128,600)	
39	Less: Pre-1996 AIAC included for book and tax purposes		-	
40	Net AIAC before unrealized portion			$ 1,973,305
41	Less: Unrealized AIAC (from Note 4, above)			$ (1,381,314)
42	Net realizable AIAC			$ 591,992
43				
44	[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)

July 12, 2011

EXHIBIT TJB-RJ4

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	$ 439,426
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	$ 3,685	$ 13,685	$ -	$ 21,118
1 1/2 Inch	Commercial	$ 2,538	$ 35	$ -	$ -	$ 2,573
2 Inch	Commercial	$ 8,152	$ 3,809	$ 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 Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
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	$ 428,206	$ 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 Revenue Proof
Revenue Breakdown Summary
Staff Proposed Rates

Exhibit
Page 3

		Present Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8x3/4 Inch	Residential	$ 325,023	$ 102,020	$ 102,203	$ 40,625	$ 569,872
3/4 Inch	Residential	$ 78,948	$ 15,987	$ 19,538	$ 10,594	$ 125,067
1 Inch	Residential	$ 4,608	$ 2,427	$ 1,220	$ -	$ 8,255
Subtotal		$ 408,579	$ 120,435	$ 122,962	$ 51,219	$ 703,194
		56.15%	16.55%	16.90%	7.04%	96.63%
1 Inch	Commercial	$ 4,608	$ 5,996	$ 22,616	$ -	$ 33,220
1 1/2 Inch	Commercial	$ 3,060	$ 59	$ -	$ -	$ 3,119
2 Inch	Commercial	$ 9,792	$ 6,450	$ 8,247	$ -	$ 24,489
Subtotal		$ 17,460	$ 12,504	$ 30,863	$ -	$ 60,828
		2.40%	1.72%	4.24%	0.00%	8.36%
Construction/Standpipe		$ -	$ -	$ -	$ -	$ -
		0.00%	0.00%	0.00%	0.00%	0.00%
	TOTALS	$ 418,371	$ 126,885	$ 131,209	$ 51,219	$ 727,683
	Percent of Total	57.49%	17.44%	18.03%	7.04%	100.00%
	Cummulative %	57.49%	74.93%	92.96%	100.00%	

Goodman Water Company RUCO Revenue 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	$ 242,174	$ 96,707	$ 73,377	$ 30,426	$ 442,683
3/4 Inch	Residential	$ 58,824	$ 15,155	$ 14,028	$ 7,934	$ 95,940
1 Inch	Residential	$ 3,420	$ 1,743	$ 913	$ -	$ 6,076
Subtotal		$ 304,418	$ 113,604	$ 88,318	$ 38,360	$ 544,700
		54.09%	20.19%	15.69%	6.82%	96.78%
1 Inch	Commercial	$ 3,420	$ 4,305	$ 16,938	$ -	$ 24,663
1 1/2 Inch	Commercial	$ 2,280	$ 42	$ -	$ -	$ 2,322
2 Inch	Commercial	$ 7,296	$ 4,631	$ 6,177	$ -	$ 18,103
Subtotal		$ 12,996	$ 8,978	$ 23,115	$ -	$ 45,088
		2.31%	1.60%	4.11%	0.00%	8.01%
Construction/Standpipe		$ -	$ -	$ -	$ -	$ -
		0.00%	0.00%	0.00%	0.00%	0.00%
	TOTALS	$ 311,714	$ 118,235	$ 94,495	$ 38,360	$ 562,803
	Percent of Total	55.39%	21.01%	16.79%	6.82%	100.00%
	Cummulative %	55.39%	76.39%	93.18%	100.00%	

Goodman Water Company
Docket No. W-02500A-10-0382

THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(RATE BASE, INCOME STATEMENT, RATE DESIGN)

July 12, 2011

SCHEDULES

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

Exhibit
Rejoinder Schedule A-1
Page 1
Witness: Bourassa

Line No.			
1	Fair Value Rate Base	$	2,298,376
2			
3	Adjusted Operating Income		74,870
4			
5	Current Rate of Return		3.26%
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	$	152,439
12			
13	Gross Revenue Conversion Factor		1.7098
14			
15	Increase in Gross Revenue		
16	Requirement	$	260,648
17			
18	Adjusted Test Year Revenues	$	594,459
19	Increase in Gross Revenue Revenue Requirement	$	260,648
20	Proposed Revenue Requirement	$	855,107
21	% Increase		43.85%
22			

23	Customer		Present	Proposed	Dollar	Percent
24	Classification		Rates	Rates	Increase	Increase
25	(Residential Commercial, Irrigation)					
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	$ 843,476	$ 260,560	44.70%
39						
40	Other Water Revenues		13,738	13,738	-	0.00%
41	Reconciling Amount		(2,193)	(2,106)	87	-3.97%
42	Rounding				1	0.00%
43	Total of Water Revenues		$ 594,460	$ 855,107	$ 260,648	43.85%
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 Rate Base

Exhibit
Rejoinder Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	$ 5,346,411	$ 5,346,411
3	Less: Accumulated Depreciation	733,716	733,716
4			
5	Net Utility Plant in Service	$ 4,612,695	$ 4,612,695
6			
7	Less:		
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	129,327	129,327
14	Investment tax Credits	-	-
15			
16			
17	Plus:		
18	Unamortized Finance		
19	Charges	-	-
20	Deferred Tax Assets	-	-
21	Allowance for Working Capital	-	-
22			
23			
24	Total Rate Base	$ 2,298,376	$ 2,298,376
25			
26			
27			
28	SUPPORTING SCHEDULES:		
29	B-2		
30	B-3		
31	B-5		
32			
33			

Goodman Water Company
Test Year Ended December 31, 2008
Original Cost Rate Base Proforma Adjustments

Exhibit
Rejoinder Schedule B-2
Page 1
Witness: Bourassa

Line No.		Adjusted at end of Test Year	Proforma Adjustments Amount	Rejoinder Adjusted at end of Test Year
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	733,715
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	$ 2,402,221		$ 2,298,376
33				
34				
35				
36	SUPPORTING SCHEDULES:		RECAP SCHEDULES:	
37	B-2, pages 2		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
Rejoinder Schedule B-2
Page 2
Witness: Bourassa

Line No.		Adjusted at end of Test Year	Proforma Adjustments 1 Plant-in-Service	2 Accumulated Depreciation	3 Accumulated Deferred Income Taxes	4 Intentionally Left Blank	Rejoinder Adjusted at end of Test Year
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	$ (107,350)	$ (2,510)	$ -	$ -	$ 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 (CIAC)	-					-
18							
19	Accumulated Amort of CIAC	-					-
20							
21	Service Line and Installaion Chgs	83,087					83,087
22	Accumulated Deferred Income Taxes	135,342			(6,016)		129,327
23							
24							
25	Plus:						
26	Unamortized Finance						
27	Charges	-					-
28	Prepayments						
29	Materials and Supplies	-					
30	Allowance for Cash Working Capital	-					-
31							
32	Total	$ 2,402,221	$ (107,350)	$ (2,510)	$ 6,016	$ -	$ 2,298,376
33							
34							
35							
36	SUPPORTING SCHEDULES:						
37	B-2, pages 3-5						
38							
39							
40							

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

Exhibit
Rejoinder Schedule B-2
Page 3
Witness: Bourassa

Line No.				Adjustments A	B	C	D	
1	Plant-in-Service							
2								
3	Acct.		Adjusted Orginal		Remove			Rejoinder Adjusted Original
4	No.	Description	Cost	Plant Reclassification	Cost of Tank Oversizing	Land	Intentionally Left Blank	Cost
5	301	Organization Cost	127,103					127,103
6	302	Franchise Cost	-					-
7	303	Land and Land Rights	494,159			(35,000)		459,159
8	304	Structures and Improvements	182,570					182,570
9	305	Collecting and Impounding Res.	-					-
10	306	Lake River and Other Intakes	-					-
11	307	Wells and Springs	386,591					386,591
12	308	Infiltration Galleries and Tunnels	-					-
13	309	Supply Mains	-					-
14	310	Power Generation Equipment	-					-
15	311	Electric Pumping Equipment	968,652					968,652
16	320	Water Treatment Equipment	15,947	(15,947)				0
17	320.1	Water Treatment Plant	-					-
18	320.2	Chemical Solution Feeders	-	15,947				15,947
19	330	Dist. Reservoirs & Standpipe	836,890	(836,890)				0
20	330.1	Storage tanks	-	384,827	(72,350)			312,477
21	330.2	Pressure Tanks	-	452,063				452,063
22	331	Trans. and Dist. Mains	1,611,321					1,611,321
23	333	Services	386,947					386,947
24	334	Meters	94,263					94,263
25	335	Hydrants	161,737					161,737
26	336	Backflow Prevention Devices	-					-
27	339	Other Plant and Misc. Equip.	187,582					187,582
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	$ 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
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.4
Witness: Bourassa

Account No.	Description	Deprec. Rate	Deprec. Rate 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		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%	336,591	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	36,041			-		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		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			2							
	TOTAL WATER PLANT			2,365,813	108,509	331,783	-	331,783	-	2,897,594	15,165

Goodman Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.5
Witness: Bourassa

Account No.	Description	Deprec. Rate	Deprec. Rate After 4/16/2007	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		110,940	-
302	Franchise Cost	0.00%	0.00%			-		-	-
303	Land and Land Rights	0.00%	0.00%			-		-	-
304	Structures and Improvements	2.50%	3.33%			-		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	2.50%	3.33%			-		386,591	9,665
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	17,175
320	Water Treatment Equipment	2.50%	3.33%	266		266		11,319	280
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	7,361
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%			-		751,451	18,786
333	Services	2.50%	3.33%	3		3		146,543	3,664
334	Meters	2.50%	8.33%	270		270		68,037	1,698
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%	13,245		13,245		165,718	3,977
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			18,709	-	18,709	-	2,716,303	64,862

Goodman Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.6
Witness: Bourassa

Account No.	Description	Deprec. Rate	Deprec. Rate After 4/16/2007	2007 Plant Additions	2007 Plant Adjustments[1]	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%			-		-	-
304	Structures and Improvements	2.50%	3.33%			-		11,064	342
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	11,938
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%	2,963		2,963		689,956	65,979
320	Water Treatment Equipment	2.50%	3.33%	4,628		4,628		15,947	421
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%	72,350		72,350		366,810	7,610
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%	685,094		685,094		1,436,546	23,475
333	Services	2.50%	3.33%	143,352		143,352		289,895	6,738
334	Meters	2.50%	8.33%	18,359		18,359	(6,580)	79,816	4,901
335	Hydrants	2.50%	2.00%	43,205		43,205		126,381	2,248
336	Backflow Prevention Devices	2.50%	6.67%			-		-	-
339	Other Plant and Misc. Equip.	2.50%	6.67%	759		759		166,477	9,059
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			977,249	-	977,249	(6,580)	3,686,972	132,711

Woodman Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.7
Witness: Bourassa

Account No.	Description	Deprec. Rate	Deprec. Rate 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%			-		-	-
303	Land and Land Rights	0.00%	0.00%	494,159		494,159		494,159	-
304	Structures and Improvements	2.50%	3.33%	171,506		171,506		182,570	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%	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%	275,541		275,541		965,496	103,486
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%	5.00%			-		-	-
331	Trans. and Dist. Mains	2.50%	2.00%	174,757		174,757		1,611,302	30,475
333	Services	2.50%	3.33%	97,051		97,051		386,947	11,269
334	Meters	2.50%	8.33%	9,299		9,299		89,115	7,036
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								
	TOTAL WATER PLANT			1,737,362	-	1,737,362	-	5,424,334	186,224

Goodman Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.0
Witness: Bourassa

Account No.	Description	Deprec. Rate	Deprec. Rate After 4/16/2007 Rate	2009 Plant Additions	2009 Plant Adjustments	2009 Adjusted Plant Additions	2009 Plant Retirements	2009 Plant Plant Reclass	Plant Land & Tank Upsize	2009 Plant Balance	2009 A/D Reclass	2009 A/D Tank Upsize	2009 Deprec.
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%			-			(35,000)	459,159			-
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%			-				388,591			12,973
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				968,652			120,884
320	Water Treatment Equipment	2.50%	3.33%			-		(15,947)		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)		0	(64,241)		18,579
330.1	Storage tanks	2.50%	2.22%			-		384,827	(72,350)	312,477	29,540	(4,015)	-
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%			-				366,947			12,065
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%	21,105		21,105				187,682			11,808
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			29,426	-	29,426	-	-	(107,350)	5,346,411	-	(4,015)	226,739

Goodman Water Company
Plant Additions and Retirements

Exhibit
Rejoinder Schedule B-2
Page 3.9
Witness: Bourassa

Account No.	Description	Deprec. Rate	Deprec. Rate After 4/16/2007 Rate	Year End Accumulated Depreciation by Account Sept 30 2005	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009
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	2.50%	3.33%	306	371	646	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	2.50%	3.33%	17,925	20,341	30,006	41,944	54,817	67,691
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%	35,041	39,335	56,610	122,488	225,954	346,838
320	Water Treatment Equipment	2.50%	3.33%	345	414	694	1,115	1,646	(0)
320.1	Water Treatment Plant	2.50%	3.33%	-	-	-	-	-	-
320.2	Chemical Solution Feeders	2.50%	20.00%	-	-	-	-	-	2,177
330	Dist. Reservoirs & Standpipe	2.50%	2.22%	15,489	17,329	24,691	32,301	45,662	0
330.1	Storage tanks	2.50%	2.22%	-	-	-	-	-	26,525
330.2	Pressure Tanks	2.50%	5.00%	-	-	-	-	-	34,701
331	Trans. and Dist. Mains	2.50%	2.00%	29,324	33,637	52,423	75,899	108,377	138,603
333	Services	2.50%	3.33%	5,679	6,541	10,204	16,943	28,212	41,098
334	Meters	2.50%	8.33%	2,310	2,733	4,430	2,752	9,788	17,425
335	Hydrants	2.50%	2.00%	2,090	2,497	4,576	6,825	9,706	12,940
336	Backflow Prevention Devices	2.50%	6.67%	-	-	-	-	-	-
339	Other Plant and Misc. Equip.	2.50%	6.67%	-	476	4,454	13,512	24,616	36,424
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			108,509	123,674	188,636	314,767	510,991	733,716

Goodman Water Company
Plant Reconciliation to Prior Rate Case

Exhibit
Rejoinder Schedule B 2
Page 3.10

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
1							
2							
3							
4							
5	301	Organization Cost	104,528				104,528
6	302	Franchise Cost	-				-
7	303	Land and Land Rights	-				-
8	304	Structures and Improvements	9,788				9,788
9	305	Collecting and Impounding Res.	-				-
10	306	Lake River and Other Intakes	-				-
11	307	Wells and Springs	386,591				386,591
12	308	Infiltration Galleries and Tunnels	-				-
13	309	Supply Mains	-				-
14	310	Power Generation Equipment	-				-
15	311	Electric Pumping Equipment	686,993				686,993
16	320	Water Treatment Equipment	11,054				11,054
17	320.1	Water Treatment Plants					-
18	320.2	Chemical Solution Feeders					-
19	330	Distribution Reservoirs & Standpipe	294,460				294,460
20	330.1	Storage tanks					-
21	330.2	Pressure Tanks					-
22	331	Transmission and Distribution Mains	611,348		17,325		628,673
23	333	Services	129,274				129,274
24	334	Meters	56,742	10,755			67,497
25	335	Hydrants	46,955				46,955
26	336	Backflow Prevention Devices	-				-
27	339	Other Plant and Miscellaneous Equipment	-				-
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
39		TOTAL	2,337,731	10,755	17,325	-	2,365,813
40							
41							

42 [1] Company proposed reclassified outside services expense to capital.
43 [2] Staff proposed reclassified outside services expense to capital.

Goodman Water Company
A/D Reconciliation to Prior Rate Case

Exhibit
Rejoinder Schedule B-2
Page 3.11

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	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	Checmical 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		2
39								
40		TOTAL	108,511	-	-	108,511	-	108,511
41								
42								

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

Exhibit
Rejoinder Schedule B-2
Page 3.1
Witness: Bourassa

Line No.		
1		
2	Plant Reclassification	
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	$ -
16		
17		
18	SUPPORTING SCHEDULES	
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
Rejoinder Schedule B-2
Page 3.2
Witness: Bourassa

Line No.			
1			
2	Remove costs of 190,000 gallon upsizing to 530,000 gallon storage reservoir		
3			
4			
5	330.1 - Storage Tanks	2007 190,000 gallon upsize cost	$ 72,350
6			
7			
8			
9	Adjustment to 330.1 - Storage Tanks		$ (72,350)
10			
11			
12			
13			
14	Reference		
15	See Testimony		
16			
17			
18			
19			
20			

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

Exhibit
Rejoinder Schedule B-2
Page 3.3
Witness: Bourassa

Line No.			
1			
2	Adjustment to Land		
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	$ 494,159
6			$ (35,000)
7			
8			
9	Adjustment to 303 - Land and Land Rights		$ (35,000)
10			
11			
12			
13			
14	References		
15	See Testimony		
16			
17			
18			
19			
20			

Goodman Water Company
Test Year Ended December 31, 2009
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2

Exhibit
Rejoinder Schedule B-2
Page 4
Witness: Bourassa

Line No.	Plant-In-Service			A	B	C	D	
1				Reclassify	Remove A/D	Difference		Rejoinder
2			Adjusted	A/D	Related to	to	Intentionally	Adjusted
3	Acct.		Accum.	Related to Plant	Storage Tank	Computed	Left	Accum.
4	No.	Description	Depr.	Reclassification	Upsizing	Balance	Blank	Depr.
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			5,737		346,838
16	320	Water Treatment Equipment	2,167	(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	139,059			(456)		138,603
23	333	Services	40,947			151		41,098
24	334	Meters	17,066			359		17,425
25	335	Hydrants	12,984			(44)		12,940
26	336	Backflow Prevention Devices	-			-		-
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, 2008
Original Cost Rate Base Proforma Adjustments
Adjustment Number 2 - A

Exhibit
Rejoinder Schedule B-2
Page 4.1
Witness: Bourassa

Line No.		
1		
2	A/D Reclassification	
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	$ -
16		
17		
18	SUPPORTING SCHEDULES	
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
Rejoinder Schedule B-2
Page 4.2
Witness: Bourassa

Line No.			
1			
2	Remove A/D related to 190,000 gallon upsizing of 530,000 gallon storage reservoir		
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)	$	4,015
10			
11	Adjustment to A/D 330.1 - Storage Tanks	$	(4,015)
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
Rejoinder Schedule B-2
Page 4.3
Witness: Bourassa

Line No.			
1			
2	Remove A/D related to 190,000 gallon upsizing of 530,000 gallon storage reservoir		
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)	$	4,015
10			
11	Adjustment to A/D 330.1 - Storage Tanks	$	(4,015)
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 3

Line No.		Adjusted Book Value	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	**Accumulated Deferred Income Tax as of December 31, 2009**									
6	Plant-in-Service	$ 5,346,411 [1]								
7	Accum. Deprec.	(733,716) [1]								
8	CIAC	(1,471,334) [3]								
9	Fixed Assets	$ 3,141,362	$ 2,168,787 [2]	100.0%	$ (972,575)	37.8%		-		(367,774)
10	AIAC		2,101,905 [4]	30.0%	$ 630,572 [4]	37.8%		$ 238,447		
11	Tax Benefits from O.L. Carry Forward.			100.0%	$ -	37.8%		$ -		
12							$ -	$ 238,447	$ -	$ (367,774)
14	ADIT Net Asset (Liability) per Rejoinder				Net Asset (Liability)		$ (129,327)			
16	ADIT Asset (Liability) per Direct						$ (135,342)			
18	Adjustment to DIT						$ (6,016)			

Footnotes - See page 5.1

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

Exhibit
Rejoinder Schedule B-2
Page 5.1
Witness: Bourassa

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	459,159		
7	Net Unadjusted Cost tax Basis			$ 5,397,267
8				
9	Basis Reductions/Additions			
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	Tank Upsizing B-2 Adjustment	(72,350)		
14	Tax Depreication related to Tank Upsizing	7,235		
15	2009 Current Year Tax Depreciation	(101,491)		
16	Net Basis Reduction 2007 and Prior years			(3,228,480)
17	Net tax value of plant-in-service at December 31, 2008			$ 2,168,787
18				
19	[3] **CIAC (including impact of change to probability of realization)**			
20				
21	Gross CIAC per B-2		$ -	
22	Less: Pre-1996 CIAC		-	
23	A.A per B-2	$ -		
24	A.A on Pre-1996 CIAC	-		
25	A.A. on Post 1996 CIAC		-	
26	Net CIAC before unrealized AIAC			$ -
27				
28	Unrealized AIAC Component			
29	Adjusted Net AIAC (see footnote 5 below)		$ 2,101,905	
30	Unrealized AIAC Component % (1-Realized AIAC Component)		70.0%	
31				$ 1,471,334
32	Total realizable CIAC			$ 1,471,334
33				
34	[4] **AIAC (including impact of change in probability of realization)**			
35	AIAC per B-2		$ 2,101,905	
36	Less: Pre-1996 AIAC included for book and tax purposes		-	
37	Net AIAC before unrealized portion			$ 2,101,905
38	Less: Unrealized AIAC (from Note 4, above)			$ (1,471,334)
39	Net realizable AIAC			$ 630,572
40				
41	[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)	$	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	$	28,820
10			
11			
12	Working Capital Requested	$	-
13			
14			
15	SUPPORTING SCHEDULES:	RECAP SCHEDULES:	
16	C-1	B-1	
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			

Total Operating Expense	519,589
Less:	
Income Tax	10,080
Property Tax	19,049
Depreciation	241,474
Purchased Water	-
Pumping Power	27,642
Allowable Expenses	221,344
1/8 of allowable expenses	27,668

Docket No. W-02500A-10-0382

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

Exhibit
Rejoinder 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	$ 260,648	$ 841,369
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	13,738	-	13,738		13,738
5		$ 572,751	$ 21,708	$ 594,459	$ 260,648	$ 855,107
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	(2,250)	19,049	2,591	21,640
24	Income Tax	22,873	(12,794)	10,080	105,617	115,697
25			-	-		-
26	**Total Operating Expenses**	$ 498,868	$ 20,721	$ 519,589	$ 108,208	$ 627,797
27	**Operating Income**	$ 73,883	$ 987	$ 74,870	$ 152,439	$ 227,309
28	Other Income (Expense)					
29	Interest Income	-	-	-		-
30	Other Income	-	-	-		-
31	Interest Expense	(37,309)	535	(36,774)		(36,774)
32	Other Expense	-	-	-		-
33		-	-	-		-
34	**Total Other Income (Expense)**	$ (37,309)	$ 535	$ (36,774)	$ -	$ (36,774)
35	**Net Profit (Loss)**	$ 36,574	$ 1,523	$ 38,096	$ 152,439	$ 190,535
36						
37	SUPPORTING SCHEDULES:				RECAP SCHEDULES:	
38	C-1, page 2				A-1	
39	E-2					

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

Exhibit
Rejoinder Schedule C-1
Page 2
Witness: Bourassa

Line No.		LABEL>>>>> Test Year Adjusted Results	1 Depreciation	2 Property Taxes	3 Rate Case Expense	4 Revenue Annualization	5 Water Testing	6 Annualize Purchased Power	7 Interest Synch.	8 Income tax	Rejoinder Test Year Adjusted Results	Proposed Rate Increase	Rejoinder Adjusted with Rate Increase
1	Revenues												
2	Metered Water Revenues	$ 559,013				$ 21,708					$ 580,721	$ 260,648	$ 841,369
3	Unmetered Water Revenues	-									-		-
4	Other Water Revenues	13,738									13,738		13,738
5		$ 572,751	$ -	$ -	$ -	$ 21,708	$ -	$ -	$ -	$ -	$ 594,459	$ 260,648	$ 855,107
6	Operating Expenses												
7	Salaries and Wages	$ 40,000									$ 40,000		$ 40,000
8	Purchased Water	-									-		-
9	Purchased Power	27,086						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	Contractual 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	Reg. Comm. Exp. - 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		(2,250)							19,049	2,591	21,640
24	Income Tax	22,873								(12,794)	10,080	105,617	115,697
25													
26	**Total Operating Expenses**	$ 498,888	$ 13,620	$ (2,250)	$ 20,000	$ -	$ 1,568	$ 577	$ -	$ (12,794)	$ 518,589	$ 108,208	$ 627,798
27	**Operating Income**	$ 73,863	$ (13,620)	$ 2,250	$ (20,000)	$ 21,708	$ (1,568)	$ (577)	$ -	$ 12,794	$ 74,870	$ 152,439	$ 227,309
28	**Other Income (Expense)**												
29	Interest Income	-									-		-
30	Other Income	-									-		-
31	Interest Expense	(37,309)							535		(36,774)		(36,774)
32	Other Expense	-									-		-
33													
34	**Total Other Income (Expense)**	$ (37,309)	$ -	$ -	$ -	$ -	$ -	$ -	$ 535	$ -	$ (36,774)	$ -	$ (36,774)
35	**Net Profit (Loss)**	$ 36,574	$ (13,620)	$ 2,250	$ (20,000)	$ 21,708	$ (1,568)	$ (577)	$ 535	$ 12,794	$ 38,096	$ 152,439	$ 190,535
36													
37	SUPPORTING SCHEDULES:										RECAP SCHEDULES:		
38	C-2										C-1, page 1		
39	E-2												
40													

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

Exhibit
Rejoinder Schedule C-2
Page 1
Witness: Bourassa

Line No.		Adjustments to Revenues and Expenses						
		1 Depreciation Expense	2 Property Taxes	3 Rate Case Expense	4 Revenue Annualization	5 Water Testing	6 Annualize Purch. Power	Subtotal
1	Revenues				21,708			21,708
2	Expenses	13,620	(2,250)	20,000		1,568	577	33,515
3	Operating Income	(13,620)	2,250	(20,000)	21,708	(1,568)	(577)	(11,806)
4	Interest Expense							-
5	Other Income / Expense							-
6	Net Income	(13,620)	2,250	(20,000)	21,708	(1,568)	(577)	(11,806)

Line No.		Adjustments to Revenues and Expenses						
		7 Interest Synch.	8 Income Taxes	9	10	11	12	Subtotal
7	Revenues							21,708
8	Expenses		(12,794)					20,721
9	Operating Income	-	12,794	-	-	-	-	987
10	Interest Expense	535						535
11	Other Income / Expense							-
12	Net Income	535	12,794	-	-	-	-	1,523

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

Exhibit
Rejoinder Schedule C-2
Page 2
Witness: Bourasse

Line No.

1 Depreciation Expense

Line No.	Acct. No.	Description	Adjusted Original Cost	Proposed Rates	Depreciation Expense
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%	-
39		TOTALS	$ 5,346,411		$ 241,474
42		Less: Amortization of Contributions	$ -	4.5166%	$ -
46		Total Depreciation Expense			$ 241,474
48		Adjusted Test Year Depreciation Expense per Direct			227,855
50		Increase (decrease) in Depreciation Expense			13,620
52		Adjustment to Revenues and/or Expenses			$ 13,620

54 SUPPORTING SCHEDULE
55 B-2, page 3

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

Exhibit
Rejoinder 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 - 2009	$ 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	855,107
5	Subtotal (Line 4 + Line 5)	1,783,377	2,044,025
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	594,459	681,342
8	Department of Revenue Mutiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	1,188,918	1,362,683
10	Plus: 10% of CWIP - 2005	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	1,188,918	1,362,683
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	237,784	272,537
15	Composite Property Tax Rate - Obtained from ADOR	7.4558%	7.4558%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	$ 17,729	$ 20,320
17	Tax on Parcels	1,320	1,320
18	Total Property Taxes (Line 16 + Line 17)	$ 19,049	
19	Adjusted Test Year Property Taxes per Direct	$ 21,299	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	$ (2,250)	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		$ 21,640
23	Company Test Year Adjusted Property Tax Expense (Line 18)		$ 19,049
24	Increase in Property Tax Due to Increase in Revenue Requirement		$ 2,591
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		$ 2,591
27	Increase in Revenue Requirement		$ 260,648
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		0.99411%
29			
30	REFERENCES:		
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
Rejoinder Schedule C-2
Page 4
Witness: Bourassa

Line No.			
1	Rate Case Expense		
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
Rejoinder Schedule C-2
Page 5
Witness: Bourassa

Line No.			
1	Revenue Annualization		
2			
3			
4	Rebuttal Revenue Annualization	$	14,349
5	Revenue Annualization per Direct		(7,359)
6			
7	Total Revenue from Annualization	$	21,708
8			
9			
10	Adjustment to Revenue and/or Expense	$	21,708
11			
12	SUPPORTING SCHEDULES		
13	Rejoinder C-2 pages 5.1 to 5.7		
14	H-1		
15			
16			
17			
18			
19			

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

Exhibit
Rejoinder 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	Year End Number of Customers	531	531	531	531	531	531	531
2	Actual Customers	531	528	526	524	529	526	524
3	Increase in Number of Customers/Bills	-	3	5	7	2	5	7
4	Average Revenue / Present Rates	$ 62.13	$ 61.06	$ 63.87	$ 65.89	$ 70.92	$ 71.27	$ 71.12
5	Revenue Annualization / Present Rates	$ -	$ 183	$ 319	$ 461	$ 142	$ 356	$ 498
6								
7	Increase in Number of Customers	-	3	5	7	2	5	7
8	Average Revenue / Proposed Rates	$ 85.20	$ 83.16	$ 88.52	$ 92.36	$ 101.96	$ 102.63	$ 102.34
9	Revenue Annualization / Proposed Rates	$ -	$ 249	$ 443	$ 647	$ 204	$ 513	$ 716
10	Additional Gallons to be Produced	-	13,553	24,964	37,341	12,372	31,229	43,540
11								
12								
13								
14		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec		Total Year
15	Year End Number of Customers	531	531	531	531	531		
16	Actual Customers	522	524	527	528	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

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

Residential 3/4 Inch Meter

Exhibit
Rejoinder Schedule
Page 5.2
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	86	86	86	86	86	86	86
2	Actual Customers	69	70	71	71	70	70	71
3	Increase in Number of Customers/Bills	17	16	15	15	16	16	15
4	Average Revenue / Present Rates	$ 83.90	$ 87.33	$ 86.01	$ 89.67	$ 98.01	$ 94.43	$ 98.37
5	Revenue Annualization / Present Rates	$ 1,426	$ 1,397	$ 1,290	$ 1,345	$ 1,568	$ 1,511	$ 1,476
6								
7	Increase in Number of Customers	17	16	15	15	16	16	15
8	Average Revenue / Proposed Rates	$ 112.58	$ 119.13	$ 116.61	$ 123.59	$ 139.49	$ 132.65	$ 140.18
9	Revenue Annualization / Proposed Rates	$ 1,914	$ 1,906	$ 1,749	$ 1,854	$ 2,232	$ 2,122	$ 2,103
10	Additional Gallons to be Produced	81,805	86,294	77,543	86,838	115,208	105,494	108,916
11								

12		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
13							
14							
15	Year End Number of Customers	86	86	86	86	86	
16	Actual Customers	75	80	82	86	86	
17	Increase in Number of Customers/Bills	11	6	4	-	-	131
18	Average Revenue / Present Rates	$ 98.09	$ 90.55	$ 97.12	$ 91.58	$ 79.03	
19	Revenue Annualization / Present Rates	$ 1,079	$ 543	$ 388	$ -	$ -	$ 12,024
20							
21	Increase in Number of Customers	11	6	4	-	-	
22	Average Revenue / Proposed Rates	$ 139.65	$ 125.27	$ 137.79	$ 127.22	$ 103.32	
23	Revenue Annualization / Proposed Rates	$ 1,079	$ 543	$ 388	$ -	$ -	$ 16,719
24	Additional Gallons to be Produced	79,352	35,628	28,197	-	-	805,274

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

Residential 1 Inch Meter

Exhibit
Rejoinder Schedule
Page 5.3
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	3	3	3	3	3	3	3
2	Actual Customers	3	3	3	4	5	5	4
3	Increase in Number of Customers/Bills	-	-	-	(1)	(2)	(2)	(1)
4	Average Revenue / Present Rates	$ 141.95	$ 143.92	$ 145.89	$ 171.99	$ 256.96	$ 178.79	$ 179.38
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ (172)	$ (514)	$ (358)	$ (179)
6								
7	Increase in Number of Customers	-	-	-	(1)	(2)	(2)	(1)
8	Average Revenue / Proposed Rates	$ 200.01	$ 203.76	$ 207.52	$ 257.29	$ 418.94	$ 270.25	$ 271.36
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ (257)	$ (838)	$ (541)	$ (271)
10	Additional Gallons to be Produced	-	-	-	(11,251)	(50,201)	(24,801)	(12,501)
11								
12		Month	Month	Month	Month	Month		Total
13		of	of	of	of	of		Year
14		Aug	Sep	Oct	Nov	Dec		
15	Year End Number of Customers	3	3	3	3	3		
16	Actual Customers	3	3	3	3	3		
17	Increase in Number of Customers/Bills	-	-	-	-	-		(6)
18	Average Revenue / Present Rates	$ 141.95	$ 155.74	$ 159.68	$ 153.77	$ 134.07		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ (1,223)
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 200.01	$ 226.30	$ 233.82	$ 222.55	$ 184.98		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ (1,907)
24	Additional Gallons to be Produced	-	-	-	-	-		(98,753)

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

Commercial 1 Inch Meter

Exhibit
Rejoinder 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	Year End Number of Customers	3	3	3	3	3	3	3
2	Actual Customers	2	2	2	2	2	2	3
3	Increase in Number of Customers/Bills	1	1	1	1	1	1	-
4	Average Revenue / Present Rates	$ 426.89	$ 341.57	$ 524.76	$ 850.33	$ 846.84	$ 545.20	$ 588.76
5	Revenue Annualization / Present Rates	$ 427	$ 342	$ 525	$ 850	$ 847	$ 545	$ -
6								
7	Increase in Number of Customers	1	1	1	1	1	1	-
8	Average Revenue / Proposed Rates	$ 739.33	$ 578.46	$ 923.86	$ 1,537.71	$ 1,531.14	$ 962.40	$ 1,044.54
9	Revenue Annualization / Proposed Rates	$ 739	$ 578	$ 924	$ 1,538	$ 1,531	$ 962	$ -
10	Additional Gallons to be Produced	49,001	37,001	62,765	108,555	108,065	65,640	-
11								
12								
13								
14		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec		Total Year
15	Year End Number of Customers	3	3	3	3	3		
16	Actual Customers	3	3	3	3	3		
17	Increase in Number of Customers/Bills	-	-	-	-	-		6
18	Average Revenue / Present Rates	$ 745.73	$ 928.76	$ 611.97	$ 289.43	$ 260.99		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ 3,536
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 1,340.49	$ 1,685.60	$ 1,088.29	$ 480.15	$ 426.53		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ 6,273
24	Additional Gallons to be Produced	-	-	-	-	-		431,027

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

Commercial 1.5 Inch Meter

Exhibit
Rejoinder Schedule
Page 5.5
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	1	1	1	1	1	1	1
2	Actual Customers	1	1	1	1	1	1	1
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 211.50	$ 211.50	$ 211.50	$ 211.50	$ 232.19	$ 226.28	$ 211.50
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 261.01	$ 261.01	$ 261.01	$ 261.01	$ 300.46	$ 289.19	$ 261.01
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								

Line No.		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec	Total Year
15	Year End Number of Customers	1	1	1	1	1	
16	Actual Customers	1	1	1	1	1	
17	Increase in Number of Customers/Bills	-	-	-	-	-	-
18	Average Revenue / Present Rates	$ 211.50	$ 211.50	$ 211.50	$ 211.50	$ 211.50	
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -
20							
21	Increase in Number of Customers	-	-	-	-	-	
22	Average Revenue / Proposed Rates	$ 261.01	$ 261.01	$ 261.01	$ 261.01	$ 261.01	
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-

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

Commerical 2 Inch Meter

Exhibit
Rejoinder 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
1	Year End Number of Customers	2	2	2	2	2	2	2
2	Actual Customers	2	2	2	2	2	2	2
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	$ 623.41	$ 680.29	$ 712.28	$ 690.95	$ 733.61	$ 599.72	$ 680.29
5	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	$ 958.27	$ 1,065.52	$ 1,125.85	$ 1,085.63	$ 1,166.06	$ 913.49	$ 1,065.52
9	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14		Month of Aug	Month of Sep	Month of Oct	Month of Nov	Month of Dec		Total Year
15	Year End Number of Customers	2	2	2	2	2		
16	Actual Customers	2	2	2	2	2		
17	Increase in Number of Customers/Bills	-	-	-	-	-		-
18	Average Revenue / Present Rates	$ 816.44	$ 542.10	$ 339.68	$ 1,638.71	$ 339.68		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ -
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ 1,322.23	$ 803.60	$ 417.61	$ 2,872.61	$ 417.61		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ -
24	Additional Gallons to be Produced	-	-	-	-	-		-

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

Construction Water

Exhibit
Rejoinder Schedule
Page 5.7
Witness: Bourassa

Line No.		Month of Jan	Month of Feb	Month of Mar	Month of Apr	Month of May	Month of Jun	Month of Jul
1	Year End Number of Customers	-	-	-	-	-	-	-
2	Actual Customers	1	-	1	-	-	-	-
3	Increase in Number of Customers/Bills	(1)	-	(1)	-	-	-	-
4	Average Revenue / Present Rates	$ 2,592.02	$ -	$ 964.12	$ -	$ -	$ -	$ -
5	Revenue Annualization / Present Rates	$ (2,592)	$ -	$ (964)	$ -	$ -	$ -	$ -
6								
7	Increase in Number of Customers	(1)	-	(1)	-	-	-	-
8	Average Revenue / Proposed Rates	$ 4,887.22	$ -	$ 1,817.83	$ -	$ -	$ -	$ -
9	Revenue Annualization / Proposed Rates	$ (4,887)	$ -	$ (1,818)	$ -	$ -	$ -	$ -
10	Additional Gallons to be Produced	(364,560)	-	(135,600)	-	-	-	-
11								
12		Month	Month	Month	Month	Month		Total
13		of	of	of	of	of		Year
14		Aug	Sep	Oct	Nov	Dec		
15	Year End Number of Customers	-	-	-	-	-		
16	Actual Customers	-	-	-	-	-		
17	Increase in Number of Customers/Bills	-	-	-	-	-		(2)
18	Average Revenue / Present Rates	$ -	$ -	$ -	$ -	$ -		
19	Revenue Annualization / Present Rates	$ -	$ -	$ -	$ -	$ -		$ (3,556)
20								
21	Increase in Number of Customers	-	-	-	-	-		
22	Average Revenue / Proposed Rates	$ -	$ -	$ -	$ -	$ -		
23	Revenue Annualization / Proposed Rates	$ -	$ -	$ -	$ -	$ -		$ (6,705)
24	Additional Gallons to be Produced	-	-	-	-	-		(500,160)

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

Exhibit
Rejoinder Schedule C-2
Page 6
Witness: Bourassa

Line No.			
1	Water Testing Expense		
2			
3			
4	Staff Recommended Water Testing Expense	$	2,783
5	Adjusted Test Year Water Testing Expense per Direct		1,215
6			
7			
8	Total	$	1,568
9			
10			
11	Adjustment to Revenue and/or Expense	$	1,568
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
Rejoinder Schedule C-2
Page 7
Witness: Bourassa

Line No.					
1	Annualize power cost for additonal gallons from annualization of revenues				
2					
3	Additonal gallons from annualization (in 1,000's) per Rejoinder		939		
4	Cost per 1,000 gallons	$	0.6145		
5					
6	Additonal Test Year Power Costs per Rejoinder			$	577
7					
8	Additonal gallons from annualization (in 1,000's) per Direct		-		
9	Cost per 1,000 gallons	$	0.6145		
10					
11	Additonal Test Year Power Costs per Direct			$	-
12					
13	Increase (decrease) in additional power costs from revenue annualization			$	577
14					
15					
15	Adjustment to Revenue and/or Expense			$	577
16					
17					
18					
19					
20					
21					

Goodman Water Company
Test Year Ended December 31, 2009
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Rejoinder Schedule C-2
Page 8
Witness: Bourassa

Line No.			
1	Interest Synchronization		
2			
3			
4	Fair Value Rate Base	$ 2,298,376	
5	Weighted Cost of Debt	1.60%	
6	Interest Expense		$ 36,774
7			
8	Test Year Interest Expense		$ 37,309
9			
10	Increase (decrease) in Interest Expense		(535)
11			
12			
13			
14	Adjustment to Revenue and/or Expense		$ 535
15			
16			
17	Weighted Cost of Debt Computation		

Line No.			Amount	Percent	Cost	Weighted Cost
18						
19						
20	Debt	$	507,451	18.27%	8.50%	1.55%
21	Equity	$	2,269,765	81.73%	10.20%	8.34%
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
Rejoinder Schedule C-2
Page 9
Witness: Bourassa

Line No.			Test Year Adjusted Results		Adjusted with Rate Increase	
1	Income Tax Computation					
9	Taxable Income		$ 48,176		$ 306,232	
13	Income Before Taxes		$ 48,176		$ 306,232	
15	Arizona Income Before Taxes		$ 48,176		$ 306,232	
17	Less Arizona Income Tax		$ 3,357		$ 21,338	
18	Rate =	6.97%				
19	Arizona Taxable Income		$ 44,819		$ 284,894	
21	Arizona Income Taxes		$ 3,357		$ 21,338	
23	Federal Income Before Taxes		$ 48,176		$ 306,232	
25	Less Arizona Income Taxes		$ 3,357		$ 21,338	
27	Federal Taxable Income		$ 44,819		$ 284,894	
31	FEDERAL INCOME TAXES:					
32	15% BRACKET		$ 6,723		$ 7,500	
33	25% BRACKET		$ -		$ 6,250	
34	34% BRACKET		$ -	Federal	$ 8,500	Federal
35	39% BRACKET		$ -	Effective	$ 72,109	Effective
36	34% BRACKET		$ -	Tax	$ -	Tax
37				Rate		Rate
38	Federal Income Taxes		$ 6,723	13.95%	$ 94,359	30.81%
41	Total Income Tax		$ 10,080		$ 115,697	
43	Overall Tax Rate		20.92%		37.78%	
45	Income Tax		$ 10,080		$ 115,697	
46	Test Year Income tax Expense		22,873		10,080	
47	Adjustment to Income Tax Expense		$ (12,794)		$ 105,617	

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

Exhibit
Rejoinder Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Combined Federal and State Effective Income Tax Rate	40.93%
2		
3	Property Taxes	0.59%
4		
5		
6	Total Tax Percentage	41.52%
7		
8	Operating Income % = 100% - Tax Percentage	58.48%
9		
10		
11		
12		
13	1 = Gross Revenue Conversion Factor	
14	Operating Income %	1.7098
15		
16	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
17	C-3, page 2	A-1
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		

Goodman Water Company
Test Year Ended December 31, 2009

Exhibit
Rejoinder Schedule C-3
Page 2
Witness: Bourassa

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
	Calculation of Gross Revenue Conversion Factor:						
1	Revenue	100.0000%					
2	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)	41.5152%					
5	Subtota (L3 - L4)	58.4848%					
6	Revenue Conversion Factor (L1 / L5)	1.709848					
	Calculation of Uncollectible Factor:						
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 17)	40.9280%					
9	One Minus Combined Income Tax Rate (L7 - L8)	59.0720%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
	Calculation of Effective Tax Rate:						
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.9680%					
14	Federal Taxable Income (L12 - L13)	93.0320%					
15	Applicable Federal Income Tax Rate (Line 44)	38.5035%					
16	Effective Federal Income Tax Rate (L14 x L15)	33.9600%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		40.9280%				
	Calculation of Effective Property Tax Factor						
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	40.9280%					
20	One Minus Combined Income Tax Rate (L18-L19)	59.0720%					
21	Property Tax Factor	0.9941%					
22	Effective Property Tax Factor (L20*L21)		0.5872%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			41.5152%			
24	Required Operating Income	$ 227,309					
25	AdjustedTest Year Operating Income (Loss)	$ 74,870					
26	Required Increase in Operating Income (L24 - L25)		$ 152,439				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	$ 115,697					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	$ 10,080					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		$ 105,616				
30	Recommended Revenue Requirement	$ 855,107					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L26)	$ -					
33	Adjusted Test Year Uncollectible Expense	$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		$ -				
35	Property Tax with Recommended Revenue	$ 21,640					
36	Property Tax on Test Year Revenue	$ 19,049					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		$ 2,591				
38	Total Required Increase in Revenue (L26 + L29 + L37)		$ 260,646				

		(A)	(B)	(C)	(D)	(E)	(F)
		Test Year			At Proposed Rates		
		Total Goodman Water Company			Total Goodman Water Company		
	Calculation of Income Tax:						
39	Revenue	$ 594,459	$ 594,459		$ 855,107	$ 855,107	
40	Operating Expenses Excluding Income Taxes	$ 509,509	$ 509,509		$ 512,100	$ 512,100	
41	Synchronized Interest (L47)		$ 36,774	$ -	$ 36,774	$ 36,774	
42	Arizona Taxable Income (L39 - L41 - L40)	$ 64,950	$ 48,176	$ -	$ 306,233	$ 306,233	$ -
43	Arizona State Income Tax Rate		6.9680%	6.9680%	6.9680%	6.9680%	6.9680%
44	Arizona Income Tax (L43 x L42)	$ 3,357	$ 3,357	$ -	$ 21,338	$ 21,338	$ -
45	Federal Taxable Income (L43 - L35)	$ 61,593	$ 44,819	$ -	$ 284,895	$ 284,895	$ -
46	Federal Tax on First Income Bracket ($1 - $50,000) @ 15%	$ 6,723	$ 6,723	$ -	$ 7,500	$ 7,500	$ -
47	Federal Tax on Second Income Bracket ($50,001 - $75,000) @ 25%	$ -	$ -	$ -	$ 6,250	$ 6,250	$ -
48	Federal Tax on Third Income Bracket ($75,001 - $100,000) @ 34%	$ -	$ -	$ -	$ 8,500	$ 8,500	$ -
49	Federal Tax on Fourth Income Bracket ($100,001 - $335,000) @ 39%	$ -	$ -	$ -	$ 72,109	$ 72,109	$ -
50	Federal Tax on Fifth Income Bracket ($335,001 -$10,000,000) @ 34%	$ -	$ -	$ -	$ -	$ -	$ -
51	Total Federal Income Tax	$ 6,723	$ 6,723	$ -	$ 94,359	$ 94,359	$ -
52	Combined Federal and State Income Tax (L35 + L42)	$ 10,080	$ 10,080	$ -	$ 115,697	$ 115,697	$ -
53	COMBINED Applicable Federal Income Tax Rate [Col. [D], L51 - Col. [A], L51] / [Col. [D], L45 - Col. [A], L45]		20.92%		43.1054%		
54	WATER Applicable Federal Income Tax Rate [Col. [E], L51 - Col. [B], L51] / [Col. [E], L45 - Col. [B], L45]					38.5035%	
55							

	Calculation of Interest Synchronization:		
56	Rate Base	$ 2,298,376	
57	Weighted Average Cost of Debt	1.60%	
58	Synchronized Interest (L45 X L46)	$ 36,774	

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

Exhibit
Rejoinder 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	$ 435,860	$ 625,588	$ 189,728	43.53%	73.32%	73.16%		
2	3/4 Inch	Residential	84,711	119,680	34,969	41.26%	14.25%	14.00%		
3	1 Inch	Residential	7,230	10,803	3,572	49.41%	1.22%	1.26%		
4										
5										
6	1 Inch	Commercial	17,582	31,159	13,577	77.22%	2.96%	3.64%		
7	1 1/2 Inch	Commercial	2,573	3,200	626	24.33%	0.43%	0.37%		
8	2 Inch	Commercial	17,052	26,887	9,835	57.67%	2.87%	3.14%		
9										
10	Construction/Standpipe		3,556	6,705	3,149	88.55%	0.60%	0.78%		
11										
12	Subtotals of Revenues		$ 568,565	$ 824,021	$ 255,456	44.93%	95.64%	96.36%		
13	Revenue Annualizations:									
14	5/8x3/4 Inch	Residential	$ 3,568	$ 5,074	$ 1,506	42.20%	0.60%	0.59%	52	301,472
15	3/4 Inch	Residential	12,024	16,719	4,694	39.04%	2.02%	1.96%	131	805,274
16	1 Inch	Residential	(1,223)	(1,907)	(684)	55.95%	-0.21%	-0.22%	(6)	(98,753)
17										
18										
19	1 Inch	Commercial	3,536	6,273	2,737	77.42%	0.59%	0.73%	6	431,027
20	1 1/2 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%	-	-
21	2 Inch	Commercial	-	-	-	0.00%	0.00%	0.00%	-	-
22										
23	Construction/Standpipe		(3,556)	(6,705)	(3,149)	88.55%	-0.60%	-0.78%	(2)	(500,160)
24										
25	Subtotal Revenue Annualization		14,349	19,454	5,104	35.57%	2.41%	3.27%	181	938,860
26										
27	Total Revenues w/ Annualization		$ 582,915	$ 843,475	$ 260,560	44.70%	98.06%	98.64%		
28	Misc Revenues		13,738	13,738	-	0.00%	2.31%	1.61%		
29	Reconciling Amount		(2,193)	(2,106)	87	-3.97%	-0.37%	-0.25%		
30	Total Revenues		$ 594,460	$ 855,107	$ 260,647	43.85%	100.00%	100.00%		
31										
32										

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

Exhibit
Rejoinder 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 Consumption	Average Bill Present Rates	Average Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	527	5,520	$ 66.98	$ 94.46	$ 27.47	41.01%	86.21%
2	3/4 Inch	Residential	75	6,028	91.08	126.28	35.19	38.64%	12.29%
3	1 Inch	Residential	4	10,750	169.04	251.66	82.62	48.88%	0.57%
4									
5									
6	1 Inch	Commercial	3	70,291	$ 578.27	$ 1,024.76	$ 446.48	77.21%	0.41%
7	1 1/2 Inch	Commercial	1	500	214.46	266.64	52.19	24.33%	0.16%
8	2 Inch	Commercial	2	56,809	689.59	1,083.06	393.47	57.06%	0.33%
9									
10	Construction/Standpipe		0	250,080	$ 1,778.07	$ 3,352.52	1,574.45	88.55%	0.03%
11									
12									
13									
14									
15	Totals		611						100.00%
16									
17	Actual Year End Number								
18	of Customers:		626						
19									
20									
21									
22									

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

Exhibit
Rejoinder 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 Consumption	Median Bill Present Rates	Median Bill Proposed Rates	Proposed Increase Dollar Amount	Proposed Increase Percent Amount	Percent of Customers
1	5/8x3/4 Inch	Residential	527	4,500	$ 60.96	$ 82.96	$ 22.01	36.10%	86.21%
2	3/4 Inch	Residential	75	4,500	82.06	109.06	27.01	32.91%	12.29%
3	1 Inch	Residential	4	7,000	146.87	209.39	62.52	42.57%	0.57%
4									
5									
6	1 Inch	Commercial	3	46,000	$ 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	33,500	537.67	795.15	257.48	47.89%	0.33%
9									
10	Construction/Standpipe		0	250,080	$ 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								
17	of Customers:		626						
18									
19									
20									
21									

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

Exhibit
Rejoinder Schedule H-3
Page 1

Line No.	Monthly Usage Charge for:	Present Rates	Proposed Rates	Change	Percent Change
1	Meter Size (All Classes):				
2	5/8 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	Gallons In Minimum (All Classes)	-	-		
12					
13			(Per 1,000 gallons)		
14	Commodity Rates		Present	Proposed	
15	(All Classes)	Block	Rate	Rate	
16					
17	5/8 Inch	1 gallons to 4,000 gallons	$ 3.95	$ 6.28	
18		4,001 gallons to 9,000 gallons	$ 5.91	$ 11.27	
19		over 9,000 gallons	$ 7.11	$ 13.41	
20					
21					
22	3/4 Inch Meter	1 gallons to 4,000 gallons	$ 3.95	$ 6.28	
23		4,001 gallons to 9,000 gallons	$ 5.91	$ 11.27	
24		over 9,000 gallons	$ 7.11	$ 13.41	
25					
26					
27					
28					
29					
30	NT = No Tariff				
31					

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

Exhibit
Rejoinder Schedule H-3
Page 2

Line No.				(Per 1,000 gallons) Present Rate		Proposed Rate
1						
2	**Commodity Rates**					
3	**(All Classes)**	**Block**				
4	1 Inch Meter	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	1 gallons to 34,000 gallons	$	5.91	$	11.27
9		over 34,000 gallons	$	7.11	$	13.41
10						
11						
12	2 Inch Meter	1 gallons to 45,000 gallons	$	5.91	$	11.27
13		over 45,000 gallons	$	7.11	$	13.41
14						
15						
16	3 Inch Meter	1 gallons to 68,000 gallons	$	5.91	$	11.27
17		over 68,000 gallons	$	7.11	$	13.41
18						
19						
20	4 Inch Meter	1 gallons to 90,000 gallons	$	5.91	$	11.27
21		over 90,000 gallons	$	7.11	$	13.41
22						
23						
24	6 Inch Meter	1 gallons to 135,000 gallons	$	5.91	$	11.27
25		over 135,000 gallons	$	7.11	$	13.41
26						
27						
28						
29	Construction/Standpipe	All gallons	$	7.11	$	13.41
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

Exhibit
Rejoinder Schedule H-3
Page 3
Witness: Bourassa

Line No.

1 Meter and Service Line Charges[1]

	Present Service Line Charge	Present Meter Install-ation Charge	Total Present Charge	Proposed Service Line Charge	Proposed Meter Install-ation Charge	Total Proposed Charge
5/8 x 3/4 Inch			$ 225.00	$ 385.00	$ 135.00	$ 520.00
3/4 Inch			270.00	415.00	205.00	620.00
1 Inch			300.00	465.00	265.00	730.00
1 1/2 Inch			425.00	520.00	475.00	995.00
2 Inch Turbo			550.00	800.00	995.00	1,795.00
2 Inch, Compound			550.00	800.00	1,840.00	2,640.00
3 Inch Turbo			750.00	1,015.00	1,620.00	2,635.00
3 Inch, compound			750.00	1,135.00	2,495.00	3,630.00
4 Inch Turbo			1,375.00	1,430.00	2,570.00	4,000.00
4 Inch, compound			1,375.00	1,610.00	3,545.00	5,155.00
6 Inch Turbo			2,800.00	2,150.00	4,925.00	7,075.00
6 Inch, compound			2,800.00	2,270.00	6,820.00	9,090.00

[1] Based on ACC Staff Engineering Memo dated Feburary 21, 2008

Other Charges:

	Current Rates	Proposed Rates	
Establishment	$ 50.00	$ 50.00	Establishment (R14-2-403.D.1)
Establishment (After Hours)	$ 75.00	NT	Establishment (After Hours) (R14-2-403.D.2)
Reconnection (Delinquent)	$ 75.00	$ 75.00	Meter Test (R14-2-408.F)
Reconnection (After hours)	$ 50.00	NT	Deposit (R14-2-403.B)
Meter Test	$ 20.00	$ 20.00	Deposit Interest (R14-2-403.B.3)
Deposit	PER RULE	PER RULE	Re-establishment (R14-2-403.D.1)
Deposit Interest	PER RULE	6.00%	NSF Check (R14-2-409.F.1)
Re-establishment (Within 12 months)	PER RULE	PER RULE	Deferred Payment (R14-2-409.G.6)
NSF Check	$ 15.00	$ 15.00	Meter Re-read (R14-2-408.C.2)
Deferred Payment, per month	1.5%	1.5%	Moving Meter (R14-2-405.B)
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	

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

Exhibit
Schedule H-4
Page 1
Witness: Bourassa

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)

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	$ 66.98	$ 94.46	$ 27.47	41.01%
Median Usage 4,500	$ 60.96	$ 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
Bill Comparison of Present and Proposed Rates
Customer Classification Residential 3/4 Inch Meter
Test Year Ended December 31, 2009
(Excludes all Revenue Related Taxes)

Exhibit
Rejoinder Schedule H-4
Page 2
Witness: Bourassa

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	$ 91.08	$ 126.28	$ 35.19	38.64%
Median Usage				
4,500	$ 82.06	$ 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
Customer Classification Residential 1 Inch Meter
Test Year Ended December 31, 2009
(Excludes all Revenue Related Taxes)

Exhibit
Rejoinder Schedule H-4
Page 3
Witness: Bourassa

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				
10,750	$ 169.04	$ 251.66	$ 82.62	48.88%
Median Usage				
7,000	$ 146.87	$ 209.39	$ 62.52	42.57%

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

Exhibit
Rejoinder Schedule H-4
Page 4
Witness: Bourassa

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	$ 578.27	$1,024.76	$ 446.48	77.21%
Median Usage 46,000	$ 405.56	$ 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
Bill Comparison of Present and Proposed Rates
Customer Classification Commercial 1.5 Inch Meter
Test Year Ended December 31, 2009

Exhibit
Rejoinder Schedule H-4
Page 5
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
Rejoinder Schedule H-4
Page 6
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ 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				
56,809	$ 689.59	$1,083.06	$ 393.47	57.06%
Median Usage				
33,500	$ 537.67	$ 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
Customer Classification Construction Water
Test Year Ended December 31, 2009
(Excludes all Revenue Related Taxes)

Exhibit
Rejoinder Schedule H-4
Page 7
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	$ -	$ -	$ -	0.00%
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				
250,080	$ 1,778.07	$ 3,352.52	$ 1,574.45	88.55%
Median Usage				
250,080	$ 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

Exhibit A-13

EXHIBIT
A-13
ADMITTED

July 12, 2011
Rejoinder 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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Attorney for Applicant

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

REJOINDER TESTIMONY OF

THOMAS J. BOURASSA

ON BEHALF OF GOODMAN WATER COMPANY

(COST OF CAPITAL)

July 12, 2011

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I. INTRODUCTION AND PURPOSE OF TESTIMONY

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. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?

A2. I am testifying on behalf of the applicant, Goodman Water Company ("GWC" or the "Company").

Q3. ARE YOU THE SAME THOMAS J. BOURASSA THAT FILED DIRECT AND REBUTTAL TESTIMONY IN THIS DOCKET?

A3. Yes. I am submitting separately bound rejoinder testimony on rate base, income statement, revenue requirement and rate design, along with this rejoinder testimony on the cost of capital

Q4. WHAT IS THE PURPOSE OF THIS VOLUME OF YOUR REJOINDER TESTIMONY?

A4. I will summarize the rejoinder position of the Company and provide a response, as appropriate, to the Surrebuttal Testimony of Mr. Manrique on behalf of Staff, the Surrebuttal Testimony of Mr. Rigsby on behalf of RUCO, and the Surrebuttal Testimony of Mr. Schoemperlen.

II. SUMMARY OF REJOINDER TESTIMONY AND THE PROPOSED COST OF CAPITAL FOR THE COMPANY

A. Summary of Company's Rejoinder Recommendation

Q5. WHAT IS THE COMPANY'S REJOINDER POSITION ON THE COST OF CAPITAL?

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A5. The Company's position regarding the cost of equity has not changed since my rebuttal testimony was filed on May 17, 2011. The Company's proposed capital structure is 18.3 percent debt and 81.7 percent equity. I continue to recommend a cost of equity of 10.2 percent, which results in a weighted cost of capital ("WACC") of 9.89 percent.

As I explained in my rebuttal testimony, I believe that a return on equity of 10.2 percent is fair and reasonable, and properly takes into account GWC's financial and business risk. It is based on applying the Discounted Cash Flow ("DCF") model and the Capital Asset Pricing Model ("CAPM") to the sample group of publicly traded water utilities normally used by Staff and approved by the Commission in setting rates for numerous water and wastewater utilities. The return produced by those models was then adjusted downward by 70 basis points to account for the absence of debt in the Company's capital structure, and then, finally, upward by 100 basis points to account for the Company's extremely small size, lack of investment liquidity, and the additional risk that results from the particular rate-making methods employed in Arizona. The table below summarizes the Company's final position:

Method	Low	High	Midpoint
Range DCF Constant Growth Estimates	8.7%	9.5%	9.1%
Range of CAPM Estimates	10.2%	13.4%	11.8%
Average of DCF and CAPM midpoint estimates	9.4%	11.4%	10.4%
Financial Risk Adjustment	-0.7%	-0.7%	-0.7%
Specific Company Risk Premium	1.0%	1.0%	1.0%
Indicated Cost of Equity	**9.7%**	**11.7%**	**10.7%**

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Recommended Cost of Equity **10.2%**

I am recommending a 10.2% return on equity rather than the indicated 10.7% return on equity in order to help mitigate the impact on rate payers. The schedules containing the cost of capital analysis are attached to my cost of capital rejoinder testimony. There have been no significant changes in the financial markets that affect that analysis, which was performed approximately twelve weeks ago. Economic growth remains sluggish after growing at an anemic rate of about 2.0% during the first half of this year. The unemployment rate remains at over 9.0% and the housing market continues to put a drag on the economy. Consumer confidence is also on the wane.

Q6. PLEASE SUMMARIZE YOUR RECOMMENDED REJOINDER COST OF DEBT AND EQUITY, AND YOUR RECOMMENDED REJOINDER RATE OF RETURN ON RATE BASE.

A6. The Company's recommended capital structure consists of 18.27 percent debt and 81.73 percent common equity as shown on Rejoinder Schedule D-1. Based on my updated cost of capital analysis, I am recommending a cost of equity of 10.2 percent. Based on my 10.2 percent recommended cost of equity and 8.5 percent cost of debt, the Company's weighted cost of capital ("WACC") is 9.89 percent, as shown on Rejoinder Schedule D-1.

B. Summary of the Staff, RUCO, and Schoemperlen Recommendations.

Q7. PLEASE SUMMARIZE THE RESPECTIVE RECOMMENDATIONS OF STAFF, RUCO, AND SCHOEMPERLEN FOR THE RATE OF RETURN

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ON FAIR VALUE RATE BASE.

A7. Staff is recommending a capital structure consisting of 18.6 percent debt and 81.4 percent equity.[1] Staff determined a cost of equity of 9.3 percent based on the average cost of equity produced by its DCF and CAPM models.[2] Staff did not consider firm size and firm-specific risks in it analysis. Staff also determined the cost of debt to be 8.5 percent.[3] Based on its 18.6 percent debt and 81.4 percent equity capital structure, Staff determined the WACC for GWC to be 9.2 percent.[4]

RUCO also did not consider firm-size and firm-specific risks other than financial risk. RUCO determined its recommended cost of equity of 9.0 percent based on the results its DCF and CAPM methods.[5] But, RUCO also recommends a hypothetical capital structure of 40 percent debt and 60 percent equity and a hypothetical cost of debt of 6.13%.[6] Based on its hypothetical 40 percent debt and 60 percent equity capital structure, RUCO determined the WACC for GWC to be 7.85 percent.[7] The hypothetical capital structure and hypothetical debt results in an effective overall return on equity of only 6.6 percent. This return is clearly inadequate and does not meet the just and reasonable standards as set out in *Hope* and *Bluefield*.[8]

Mr. Schoemperlen recommends a cost of equity of 8.02 percent.[9] Like

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[1] *See* Surrebuttal Testimony of Juan C. Manrique ("Manrique Sb.") at 2.

[2] *Id.*

[3] *Id.*

[4] *Id.*

[5] *See* Surrebuttal Testimony of William A. Rigsby ("Rigsby Sb.") at 2.

[6] *Id.*

[7] *Id.*

[8] Bourassa Dt. at 13-14.

[9] *See* Surrebuttal Testimony of James Schoemperlen ("Schoemperlen Sb.") at 11 and Schoemperlen Surrebuttal Schedule L.

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RUCO, Mr. Schoemperlen recommends a hypothetical capital structure of 40 percent debt and 60 percent equity. Mr. Schoemperlen recommends a cost of debt of 5.89 percent which is comprised of 18.32 percent debt at a cost of 8.5 percent and 21.68 percent debt at a cost of 3.68 percent. Based on his hypothetical 40 percent debt and 60 percent equity capital structure, Mr. Schoemperlen determined the WACC for GWC to be 7.17 percent.[10] The hypothetical capital structure and hypothetical debt results in an effective overall return on equity of only 5.89 percent under Mr. Schoemperlen's approach. Like RUCO's low effective return on equity, the 5.89 is clearly inadequate and does not meet the just and reasonable standards as set out in *Hope* and *Bluefield.*

Q8. PLEASE SUMMARIZE THE PARTIES RESPECTIVE COST OF EQUITY ESTIMATES AND RECOMMENDATIONS.

A8. The respective parties' cost of equity recommendations are summarized below:

Party	DCF	CAPM	Avg.	Size& Fin. Risk	Overall	Recommended
GWC	9.1%	11.8%	10.4%	0.3%	10.7%	10.2%
Staff	9.2%	9.3%	9.3%	-	9.3%	9.3%
RUCO	9.2%	5.85%	7.52%	-	7.72%	9.0%
Intervener Schoemperlen						7.17%

III. RESPONSE TO PARTIES' SURREBUTTAL TESTIMONY

A. Response to Surrebuttal Testimony of Staff.

[10] *Id.*

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Q9. PLEASE COMMENT ON MR. MANRIQUE'S SURREBUTTAL TESTIMONY ON PAGE 3 THAT YOU HAVE NOT DEMONSTRATED THAT ANALSYST ESTIMATES ARE WIDELY-HELD BY INVESTORS.

A9. Mr. Manrique states that because investors are keenly aware the published books and articles that case doubt on the accuracy of research analysts' forecasts that investors use other methods to assess future growth.[11] I have three responses. First, if widely-held investor expectations did not reflect analyst widely-held expectations then why is there so much concern over the accuracy of those forecasts. Since 1992, there have been hundreds of papers related to financial analysts appearing in a nearly a dozen major research journals.[12] Researchers routinely assert that analyst forecasts are optimistic, but the evidence supporting overall optimism is contextually confined and sample period specific. Abarbanell and Lehavy note that "[a]fter four decades of research on the rationality of analysts' forecasts it is somewhat disconcerting that the most definitive statements observers and critics of earnings forecasters appear willing to agree on are ones for which there is only tentative support."[13]

Third, Mr. Manrique provides no evidence (either published books or articles) on the extent investors rely other measures of growth.[14] He just assumes that a 50% weighting of historical and future growth rates reflects investor's widely-held expectations. Fourth, and most importantly, he continues to ignore the conclusion of Gordon, Gordon and Gould that analyst growth expectations of

[11] Manrique Sb. at 3.

[12] Ramnath,S, S. Rock & P. Shane. (2008). The financial analyst forecasting literature: A Taxonomy with suggestions for further research, *International Journal of Forecasting*, 24, 35.

[13] Abarbanell J. & . Lehavy. (2003). Biased forecasts or biased earnings? The role of reported earnings in explaining apparent bias and over/underreaction in analysts' earnings forecasts. *Journal of Accounting and Economics*, 36, 105-146.

[14] Bourassa Rb. at 16.

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earnings per share ("EPS") of utility stocks provide the best measure of predicting returns on these stocks.[15]

Finally, at the risk of repeating myself, Mr. Manrique offers no evidence that any of the measures of past growth he has used – historical EPS, historical DPS, historical sustainable growth – provides a better forecast of future growth for utilities than analysts' estimates of growth.[16]

Q10. AREN'T THE COST OF EQUITY ESTIMATES FOR YOUR DCF MODEL SIMILAR TO STAFF?

A10. Yes, the mid-point of the Company's DCF cost of equity estimates is 9.1%[17] whereas Staff's is 9.2%[18]. The difference in the over-all cost of equity estimates between Staff and the Company is primary due to differences in each of the parties respect CAPM estimates. My estimate for the CAPM is 11.8%[19] whereas Staff's is 9.3%.[20]

Q11. WHAT IS CAUSING THE DIFFERENCE IN THE CAPM ESTIMATES?

A11. There are two main differences. First, the Company uses a forecast estimate of the long-term U.S. Treasury yield as a proxy for the risk-free rate in its Historical Market Risk Premium CAPM whereas Staff uses the average of the 5, 7, and 10-year U.S. Treasury bonds. The choice of the risk-free rate alone accounts for the

[15] David A. Gordon, Myron J. Gordon and Lawrence I Gould, "Choice Among Methods of Estimating Share Yield," *Journal of Portfolio Management* (Spring 1989) 50-55.

[16] *See* Rebuttal Testimony of Thomas J. Bourassa - Cost of Capital ("Bourassa Rb.") at 15

[17] *See* Company Rejoinder Schedule D-4.1

[18] *See* Staff Surrebuttal Schedule JCM-3

[19] *See* Company Rejoinder Schedule D-4.1

[20] *See* Staff Surrebuttal Schedule JCM-3

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approximately 220 basis point difference in the Historical Market Risk Premium CAPM estimate between Staff and the Company. Second, while both Staff and the Company use long-term 30-year U.S Treasury bond yields as a proxy for the risk-free rate in the Current Market Risk Premium CAPM, the Company uses a forecast yield estimate of the long-term U.S. Treasury yield whereas Staff uses a spot yield of the long-term U.S. Treasury yield. This accounts for 80 basis points of the approximate 260 basis point difference in the Company's and Staff's respective Current Market Risk Premium CAPM estimate. The remaining 200 basis point difference is due to the Company's and Staff's respective choices on the current market risk premium estimate. The Company uses a recent six month average of current market risk premium estimates whereas Staff uses a spot estimate.

Q12. WHY DOES THE COMPANY USE A LONG-TERM U.S. TREASURY BOND YIELD IN BOTH THE CURRENT AND HISTORICAL MARKET RISK PREMIUM CAPM?

A12. The appropriate proxy for the risk-free rate in the CAPM is the return on the longest term Treasury bond possible. There are a number of reasons for this. First, because common stocks are very long-term instruments they are more like very long-term bonds rather than short-term Treasury bills or intermediate-term Treasury notes. Second, as I explained in my rebuttal testimony, the expected stock return is based upon long-term cash flows because the cash flows to investors are expected to last indefinitely.[21]

[21] Bourassa Rb. at 42.

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Q13. DOES THE INVESTOR'S HOLDING PERIOD MATTER?

A13. No.[22]

Q14. PLEASE CONTINUE?

A14. Third, in a risk premium model, the ideal estimate for the risk-free rate has a term to maturity equal to the security being analyzed. Since common stock is a very long-term investment because the cash flows to investors in the form of dividends last indefinitely, the yield on the longest-term possible government bonds provide the best measure of the risk-free rate for use in the CAPM.

Q15. WHY DO YOU USE A RECENT SIX MONTH AVERAGE OF CURRENT MARKET RISK PREMIUM ESTIMATES INSTEAD OF A SPOT CURRENT MARKET RISK PREMIUM ESTIMATE?

A15. Because it is generally a more stable approach, although it still is more volatile that I would like it to be. Spot estimates of the current market risk premium can result in wild fluctuations in the estimate. In fact, spot estimates separated by just weeks can cause the Current Market Risk Premium to vary by several hundred basis points. For example, if Staff had prepared its current market risk premium just 4 weeks after it prepared its estimate in the middle of May 2011, the spot current market risk premium estimate would be 10.1% rather than the 8.3% shown in Staff Surrebuttal Schedule JCM-3. At that time, Staff Current Market Risk Premium CAPM would have produced a cost of equity of 12.0% rather than the 10.6% as shown in Staff Surrebuttal Schedule JCM-3.

[22] Bourassa Rb. at 42.

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Q16. PLEASE COMMENT ON MR. MANRIQUE'S SURREBUTTAL TESTIMONY ON PAGE 5 THAT WHILE FIRM SIZE MAY BE A SYSTEMATIC FACTOR IN THE COST OF EQUITY ESTIMATION, IT HAS NOT BEEN DEMONSTRATED THAT THIS IS TRUE FOR REGULATED UTILITIES AND THEREFORE STAFF REJECTS THIS ASSERTION.

A16. I find this perplexing. Regulated businesses are not so unique that they are immune from same market and economic forces that impact other non-regulated businesses. While regulated businesses have a protected service territory, their earnings are not guaranteed and they are subject to the same market forces (including inflation, interest rates, economic growth) as all other businesses. Arguably, because of the obligation to serve combined with the inability to change the price of its products/services without a lengthy rate proceeding, some of these forces have a greater impact on small utility companies. And, because of the greater impacts on small utilities they are often precluded from achieving stable and adequate returns; particularly in jurisdictions where historical test years are used with limited out of period adjustments, like Arizona.

Q17. DO THE AUTHORS OF MORNINGSTAR OR THE DUFF&PHELPS STUDY CAUTION USERS NOT TO USE THE SIZE DATA WHEN DEVELOPING DISCOUNT RATES FOR UTLITIY COMPANIES BECAUSE THE RESULTS OF THEIR STUDIES DO NOT APPLY?

A17. No.

Q18. DO OTHER REGULATORS RECOGNIZE THE HIGHER RISK RELATED TO SMALLER WATER UTILITIES?

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A18. Yes. For example, the California Public Utility Commission ("CPUC") recognizes the higher business and operational risks of smaller utilities by allowing higher returns. Attached at Rejoinder Exhibit TJB-RJ1 is a copy of the March 1, 2011 CPUC memo regarding rates of return for Class C and D water utilities. For Class C water utilities (501 to 2,000 customers) the CPUC currently allows returns in the range of 11.125% to 12.25%. For Class B utilities (2001-9,999 customers), the CPUC averages the recently authorized return of the Class A utilities with this of the Class C utilities. So, Class B utilities would receive a return of somewhere between that of a Class A utility and that of a Class C utility. GWC would be classified as a Class C utility under the CPUC guidelines and would be allowed to earn at least 11.25% if it were regulated by the CPUC.

The Florida Public Utility Commission ("FPUC") recognizes in its leverage formula as additions to the cost of equity a small company risk premium of 50 basis points, a private placement debt premium of 50 basis points, and a bond yield differential of 57 basis points.[23]

Q19. DOES MR. MANRIQUE DISPUTE THE RESULTS FOUND IN YOUR COST OF CAPITAL ANALYSIS USING THE DUFF & PHELPS SIZE DATA?

A19. No. It appears it is just easier to discount this analysis on the assertion that it does not apply to small utility companies.

B. <u>Response to RUCO Surrebuttal Testimony</u>

[23] *See* Docket No. 110006-WS – Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

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Q20. PLEASE RESPOND TO MR. RIGSBY SURREBUTTAL TESTIMONY ON PAGE 8 THAT YOUR RESPONSE TO MR. RIGSBY'S PROPOSAL FOR A HYPOTHETICAL CAPITAL STRUCTURE DESCRIBING IT AS A "SLEIGHT OF HAND" AND AS A "WOLF IN SHEEP'S CLOTHING" WAS UNPROFESSIONAL.

A20. It is unfortunate that Mr. Rigsby has taken this view. My intent was to describe Mr. Rigsby's approach as accurately as possible. I believe that these terms are appropriate for an approach that pretends to provide a 9.0 percent return on equity but actually provides a 6.6% ROE on the Company's invested equity capital; a fact that Mr. Rigsby does not disclose.[24]

Q21. WHAT OTHER FACTS DOES MR. RIGSBY NOT DISCLOSE?

Q21. Mr. Rigsby also does not disclose (and does not dispute) is that under his recommendations the Company could not pay dividends from earnings at a level comparable to the publicly traded water utilities.[25] Clearly, his recommendations fail the comparable earnings tests set forth in *Hope* and *Bluefield*. Another fact that Mr. Rigsby does not disclose (and does not dispute) is that an investment in GWC will lose a significant amount of value under his recommendations.[26] In consideration of these facts and in light of the story line Mr. Rigsby constructs surrounding his recommendations I believe my characterization of his approach to the cost of capital recommendation is both accurate and appropriately professional.

Q22. DOES MR. RIGSBY IMPLY THAT HIS RECOMMENDED

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[24] Bourassa Rb. at 50.

[25] *Id.* at 54-57.

[26] *Id.* at 57-58.

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HYPOTHETICAL CAPITAL STRUCTURE IS MEANT TO CORRECT A GROSSLY UNBALANCED CAPITAL STRUCTURE?

Q22. He seems to do so.[27] However, Mr. Rigsby hasn't explained why or provided any evidence that GWC's capital structure is grossly unbalanced and not prudent considering its size. That said, having exposed Mr. Rigsby's prior testimony that he does not recommend hypothetical capital structures when there is existing debt[28], Mr. Rigsby now claims that he makes decisions regarding the use of a hypothetical capital structure on a case-by-case basis and that in this particular case it is appropriate.[29]

Q23. DOES HE EXPLAIN WHY?

Q23. Yes. According to Mr. Rigsby, in this particular case he believes that because GWC's loan is from a related party that GWC has less financial risk than if the debt were owed to bondholders or a third party financial institution such as a bank.[30] I take this to mean that Mr. Rigsby employs a hypothetical capital structure in this rate case in order to account for his opinion that GWC has a lower financial risk than his sample publicly traded water and gas companies.

Q24. DOES MR. RIGSBY ARGUMENT THAT GWC HAS LOWER FINANCIAL RISK BECAUSE THE LOAN IS FROM A RELATED PARTY MAKE SENSE?

Q24. No. In order to buy into Mr. Rigsby argument one must accept the proposition

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[27] Rigsby Sb. at 8.

[28] Bourassa Rb. at 47-47.

[29] Rigsby Sb. at 28.

[30] *Id.* at 29.

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that GWC is less obligated to repay its loan because the loan is from a related party. Or, conversely, that the lender is less entitled to receive payment because the lender is a related party. This is absurd. GWC is obligated to repay its loan just like any other loan and the fact that the loan is from a related party does not mean that the financial risk to the GWC is lower.

Q25. WHAT IS FINANCIAL RISK?

A25. Financial risk is the additional risk common equity holder's bear when a company uses debt financing and it stems from the probability of impairment of a company's ability to provide an adequate return to its equity holders. Remember, dividends common equity holders have only a residual claim on earnings after the debt is paid. In other words, the debt costs must be paid first and the residual earnings may or may not be sufficient to support the common equity capital (provide an adequate return). This is one of the reasons why equity capital more risky than debt.

Q26. PLEASE COMMENT ON MR. RIGSBY'S TESTIMONY THAT A PRUDENT CHIEF FINANCIAL OFFICER WOULD OPT FOR A 40% DEBT AND 60% EQUITY CAPITAL STRUCTURE BECAUSE IT IS MORE PRUDENT?

A26. Mr. Rigsby has not demonstrated that a 40% debt level in the capital structure would be prudent for a small firm like GWC. Further Mr. Rigsby has not quantified or provided any evidence on what the impact on the cost of equity would be at that level of debt for a small firm like GWC. In fact, Mr. Rigsby appears to have little understanding of the fact that the earnings of a company must support both the debt and equity capital. Let me explain. I have shown in my rebuttal, Mr.

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Rigsby's recommendations in this case result in a payout of over 100% of earnings.[31] This is not financially sustainable nor is it comparable to the sample publicly traded water utilities.[32] A prudent chief financial officer would not raise the level of debt to 40% under those circumstances.

Q27. DOESN'T MR. RISGSBY DEMONSTRATE ON PAGE 30 OF HIS SURREBUTTAL TESTIMONY THAT THE COMPANY WILL BE ABLE TO CASH FLOW ITS DEBT AND PAY DIVIDENDS.

A27. Yes. But, this completely misses the point. A company may be able to pay dividends that exceed its earnings from its cash flows from depreciation, but this is not financially sustainable. It is the earnings of a company that supports the invested capital. That is, earnings, not cash flow, must be sufficient to cover the debt costs and the equity costs. If earnings are not sufficient to provide adequate returns to the capital a company, it will not be able to attract capital nor will the company be able to maintain its financial integrity; both of which are key elements of the standards set forth in *Hope* and *Bluefield*. Mr. Rigsby cash flow story line doesn't measure stand up to scrutiny.

Q28. PLEASE COMMENT ON MR. RIGSBY'S HYPOTHETICAL COST OF DEBT.

A28. As already mentioned, Mr. Rigsby's hypothetical cost of debt, applicable to 40 percent of his hypothetical capital structure, is 6.13 percent. He bases this debt cost on the average weighted cost of debt for the large, publicly traded water utilities in his water proxy group. Because of their size and the fact that they issue

[31] Bourassa Rb. at 55-56.

[32] *Id.* at 57.

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debt in the public markets, these utilities have published bond ratings and can generally command low interests. But, as I have shown, even the large water utilities have a wide range of debt costs among their respective debentures ranging from 2.5% to over 10%.[33] Those interest rates reflect, in large part, the timing of when each debenture was issued. GWC issued its debt during a period of relatively high interest rates and should not be second guessed about its debt cost relative to the publicly traded utilities because it has less control of over the timing of issuing debt and it does not have access to the credit markets.[34] I suspect that if the Company were here today with a 100% equity capital structure that Mr. Rigsby would be even more assertive in his push for a hypothetical capital structure. That said, Mr. Rigsby assumes that GWC could raise debt capital at the same cost as these entities. I seriously doubt that it could, and note that Mr. Rigsby has presented no evidence to support his assumption.

Q29. DO THE COMMISSION DECISIONS CITED BY MR. RIGSBY ON PAGE 8 AND 9 OF HIS TESTIMONY SUPPORT THE USE OF A 40% DEBT AND 60% EQUITY HYPOTHETICAL CAPITAL STRUCTURE IN THIS RATE CASE?

A29. No. Let me discuss each one. Mr. Rigsby's first cite is to UniSource Energy Corporation ("UniSource"), the parent company of Tucson Electric Power ("TEP"), Decision No. 67454 (January 4, 2005). This was not a rate case and a hypothetical capital structure was not adopted in that case for any purpose. Decision 67454 does refer to an earlier decision for TEP, Decision No. 58497 (January 13, 1994), in which a hypothetical capital structure was adopted. In

[33] Bourassa Rb. at 63-64

[34] *Id.*

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Decision No. 58497, the Commission recognized that TEP became insolvent and was forced to negotiate a restructuring plan to avoid bankruptcy proceedings.[35] As a result of the restructuring plan, the TEP's capital structure consisted of "over 100 percent debt."[36] Further, the Commission described TEP as "living generally a hand-to-mouth existence."[37] This was truly an extraordinary situation, as the Commission recognized in its decision denying the application of TEP's parent, UniSource Energy Corporation, for approval of its agreement and plan of merger with Saguaro Acquisition Corp. in 2005.[38]

Mr. Rigsby next cites to Southwest Gas Corporation, Decision No. 68487 (February 23, 2006). Southwest Gas is a large, publicly traded gas utility, with operations in three states and an original cost rate base of $923 million.[39] The utility had an actual capital structure consisting of 34.5 percent common equity, 5.3 percent preferred stock, and 60.2 percent debt during the test year ending August 31, 2004, but by June 30, 2005, its common equity ratio had increased to 37 percent.[40] The utility and RUCO recommended increasing Southwest Gas' equity ratio to 42 percent, while Staff recommended increasing Southwest Gas' equity ratio to 40 percent.[41] The Commission adopted Staff's recommendation, but ordered the utility submit a re-capitalization plan explaining how it intends to achieve a common equity ratio of 40 percent before its next rate case.[42] The unique

[35] *Tucson Electric Power Co.*, Decision No. 58497 (Jan. 13, 1994) at 5-6.
[36] *Id.* at 6.
[37] *Id.* at 87.
[38] *See UniSource Energy Corp.*, Decision No. 67454 at 29-31, 47.
[39] *See* Decision No. 68487 at 9-10
[40] *Id.* at 23.
[41] *Id.* at 23-24.
[42] *Id.* at 25.

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facts and circumstance presented in that case are not present here. Of particular note, the hypothetical capital structure that was adopted in that case was only marginally different that the actual capital structure.

In the Arizona-American's Mohave Water and Wastewater Districts rate case, Decision No. 69440 (May 1, 2007), the utility's actual capital structure consisted of 37.2 percent equity and 62.8 percent debt.[43] The utility and RUCO recommended use of a hypothetical capital structure of 40 percent equity and 60 percent debt.[44] The utility argued that the use of a hypothetical capital structure was appropriate "because its shareholder is currently experiencing an economic loss on its Arizona investment and will continue to do so for at least another five years."[45] Under these circumstances, the Commission adopted the hypothetical capital structure proposed by Arizona-American and RUCO, but went on to warn that "we offer no assurance that a similar capital structure will be employed in future cases."[46] Obviously, the unique facts and circumstances presented in that case are not present here. Here again, the hypothetical capital structure was only marginally different that the actual capital structure.

In the recent Rio Rico Utilities, Inc. ("RRUI") rate case, Decision 72059 (January 6, 2011), the utility had a 100 percent equity capital structure at the end of its test year. RRUI is a water and wastewater utility with nearly 6,000 water and wastewater customers. In that case, both RRUI and Staff proposed the use of a 100% capital structure while RUCO proposed a hypothetical capital structure of 40% debt and 60% equity.[47] At the Open Meeting and to help resolve issues in the

[43] *See Arizona-American Water Company*, Decision No. 69440 at 13.

[44] *Id.* at 13.

[45] *Id.*

[46] *Id.* at 14.

[47] *See Rio Rico Utilities, Inc.*, Decision 72059, at 25.

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case, RRUI committed to file a financing application and infuse 20% debt into its capital structure.[48] It should be noted that RRUI is a subsidiary of Liberty Water which is owned by Algonquin Power and Utilities Corp., formerly known as the Algonquin Power Income Fund. Algonquin Power and Utilities Corp. is a large publicly traded company on the Toronto Stock Exchange ("TSX"). Having said that, based on RRUI's commitment, RRUI offered to use a hypothetical capital structure of 20 percent debt and 80 percent equity.[49] The Commission agreed.[50] Again, the unique facts and circumstances presented in that case are not present here.

Q30. ARE THERE ANY OTHER RATE CASES THAT MR. RIGSBY DOES NOT MENTION?

A30. Yes, two. The first involve *Black Mountain Sewer Company* ("BMSC"), Decision 71865, September 1, 2010. In that rate case, BMSC and Staff proposed a 100% equity capital structure and RUCO proposed a hypothetical capital structure consisting of 40% debt and 60% equity. BMSC's actual capital structure was 19.3% debt and 81.7% equity, but because the debt was treated like an operating lease from a prior decision, a 100% capital structure was proposed by BMSC. The Commission adopted a hypothetical capital structure of 20% debt and 80% debt.[51]

The second case involved *Gold Canyon Sewer Company* ("GCSC"), Decision 70624, Nov 19, 2008. In that rate case, GCSC had a 100% capital structure and the Commission adopted a hypothetical 40% debt and 80% equity

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[48] *Id.* at 33.

[49] *Id.*

[50] *Id.*

[51] *See Black Mountain Sewer Company*, Decision 71865, at 29.

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capital structure.[52]

Q31. HAS THIS COMMISSION NORMALLY USED HYPOTHETICAL CAPITAL STRUCTURES IN SETTING RATES?

A31. No. With four exceptions that I am aware of (all of which were discussed above), in recent decisions involving water and sewer utilities, the Commission has used the utility's actual capital structure. To account for difference in financial risk, this Commission has, in some cases, adjusted the return on equity downward to account for financial risk primarily utilizing the Hamada method.

Q32. WHAT IS YOUR ASSESSMENT OF THE AUTHORIZED RETURN COMPARISONS PRESENTED ON PAGES 9 AND 10 OF MR. RIGBSY'S SURREBUTTAL TESTIMONY.

A32. I have a few observations. First, I find Mr. Rigsby's testimony regarding these comparisons a bit petty. While I cannot dispute the fact that my cost of capital recommendations have never been adopted by this Commission, I note that in a majority of the cases listed neither has Mr. Rigsby's cost of capital been adopted. Second, I observe that the average return of all of the water and/or wastewater decisions of 9.3% and are appreciably lower than the currently authorized returns of the sample publicly traded water utilities which are on average over 10.1%.[53] None of the sample publicly traded water utilities currently have operations subject to Arizona regulation which means that the 10.1% is the assessment of other regulatory commissions as to a fair and reasonable cost of capital (at least for large publicly traded water utilities). I should note that I earlier discussed some

[52] *Gold Canyon Sewer Company*, Decision 70624, at 14.

[53] Bourassa Rb. at 11-12.

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examples of regulatory bodies that adopt higher costs of equity for smaller private water utilities. That said, the data suggest that this Commission has a propensity to adopt lower equity returns. While disappointing, it comes as no surprise to me or to investors who already recognize the overall effect of the unfavorable regulatory environment here in Arizona.[54]

Third, the fact that none of the recommendations proffered by me or the other cost of capital witnesses that participated in those rate case were adopted by this Commission says nothing about my credibility, the credibility of the other witnesses, or of the credibility of the evidence underlying each our recommendations. How the Commission weighs that evidence and makes judgments about the appropriate return in each case is beyond my control. Needless to say, I believe my analysis and approach are sound and supported by the empirical financial data and studies. I find some comfort in the fact that I find myself in the same boat with those of respected PhD.'s like Dr. Thomas Zepp who testified in the Arizona Water Company rate case and Dr. Bente Villadsen who testified in the Arizona-American Water Company rate case.

Q33. DOES MR. RIGSBY'S EXAMPLE ON PAGES 18 AND 19 OF HIS SURREBUTTAL TESTIMONY JUSTIFY USING GEOMETRIC ANNUAL AVERAGES TO FORECAST THE FUTURE?

A33. No. His example correctly shows that the geometric annual average is the best way to describe what has happened in the past, but our goal is to forecast what may happen in the future. When we are determining a forecast of the future from past data, we never know what the final outcome will be when we hold risky assets.

[54] *Id.* at 30.

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Therefore, we look at an average of all of the annual returns from the past to try and glean what may happen. If we actually know what is going to happen – as Mr. Rigsby assumes – the asset would be risk-less and not a risky asset like a common stock.

I and other experts would agree with Mr. Rigsby that in evaluating the past performance of an investment the geometric mean is the correct measure. As explained in the excerpt from Dr. Morin's text attached to my rebuttal testimony as Rebuttal Exhibit TJB-RB5, the geometric average "is an excellent measure of *past* performance. However, if our focus is on future performance, then the arithmetic average is the statistic of interest because it is an unbiased estimate of the portfolio's expected future return … ." (italics in text).[55]

Q34. WOULD YOU RECOMMEND ESTIMATING THE EXPECTED RETURN BASED UP TWO YEARS WORTH OF DATA?

A34. No. It would seem that Mr. Rigsby example is a bit contrived.

Q35. AT PAGE 20, MR. RIGSBY CITES A BOOK BY COPELAND, KOLLER AND MURRIN ("CKM") TO SUPPORT HIS CLAIM THAT A TRUE MARKET RISK PREMIUM MAY LIE SOMEWHERE BETWEEN THE ARITHMETIC AND GEOMETRIC ANNUAL AVERAGES. DOES IT?

A35. No. At page 219, the authors state:

> The arithmetic average is the best estimate of future expected returns because all possible paths are given equal weighting. The simple geometric average return is 0 percent [in exhibit 10.6], but this is the historical return along a single path that

[55] *Id.* at 135, quoting Z. Brodie, A. Kane and A.J. Marcus, *Investments* (McGraw-Hill Irwin 6th ed. 2005).

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> was realized by chance. Although the geometric return is the correct measure of historical performance, it is not forward-looking.

Q36. AT PAGE 20, LINES 18-22, MR. RIGSBY ALSO CLAIMS THE CKM BOOK SHOWS THAT YEAR-TO-YEAR RETURNS ARE NOT INDEPENDENT, WHICH MEANS THAT THE ARITHMETIC AVERAGE BASED ON AN AVERAGE OF ANNUAL RETURNS HAS LESS CREDENCE. WHAT DOES CURRENT RESEARCH SHOW ON THIS POINT?

A36. Morningstar provides updated evidence on this point. Morningstar has determined that the yearly difference between the stock market total return and the income return on long-term Treasury securities in any particular year is random, i.e., there is no serial correlation.[56] Therefore, the arithmetic average of those annual returns provides the best estimate of the average of all "possible paths" of concern to CKM. Also, if annual returns are independent of each other, it is appropriate to use annual periods, rather than a longer period such as two years or three years, as is suggested by Mr. Rigsby at page 21, to compute arithmetic averages.

Q37. AT PAGE 20-21 OF HIS TESTIMONY, MR. RIGSBY ALSO DISCUSSES OTHER POTENTIAL DATA PROBLEMS RAISED BY CKM AND STATES THAT AFTER CKM CONSIDERED THOSE PROBLEMS, THEIR ESTIMATE OF THE MRP WAS IN THE RANGE OF 4.0% TO 5.5%. IS HE CORRECT?

A37. No. Based on the data in CKM Exhibit 10.8, they determined that the MRP based on arithmetic annual averages was 7.5%, which is consistent with Morningstar,

[56] Morningstar, *Ibbotson SBBI 2011 Valuation Yearbook* p55.

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Morin and other reliable sources. They then arbitrarily substitute an average based on two-year periods, 6.5%, and combine that average with a negative adjustment of 1.5% to 2.0% to account for their subjective view that U. S. stock markets will not do as well during the next 100 years as they have in the past, to determine a MRP range of 4.5% to 5.0%. Given the updated analysis in Morningstar, which shows that annual market returns are random and are not influenced by returns in the prior year, the correct MRP estimated by these authors is 7.5% if we do not apply their subjective downward adjustment. Mr. Rigsby should have relied upon the 7.5% MRP in his CAPM estimate.

Q38. ARE THERE OTHER PROBLEMS WITH MR. RIGSBY'S CALCULATIONS AT PAGE 21?

A38. Yes. He adds the risk premium range determined by CKM to a 5-year Treasury bond rate, when the MRP range computed by CKM was based on differences between returns for large company stocks and long-term government bonds. This inconsistency must be corrected if data from CKM are used to make the CAPM estimate. Without the correction, his choice of a 5-year Treasury bond rate biases downward the equity cost range.

Q39. WHAT HAPPENS TO HIS CAPM EQUITY COST ESTIMATE AT PAGE 21, LINE 15 IF YOU MAKE THE TWO CORRECTIONS YOU HAVE IDENTIFIED?

A39. It increases the equity cost, which Mr. Rigsby determined to fall in a range of 6.36% to 7.86%[57], to 11.9%. The 11.9% is found by adding together a current

[57] Rigsby Sb. at 21.

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long-term Treasury rate of 4.4% and the 7.5% MRP actually estimated by CKM. Mr. Rigsby notes that since utilities are generally somewhat less risky than the market as a whole and suggests his 9.0% cost of equity is too high.[58] If we combine his beta of 0.75[59] to account for this lower utility risk, his revised CAPM indicates the cost of equity for a typical water utility is 10.6%, found as

$$\text{Equity cost} = 4.4\% + (0.75 \times 7.5\%) = 10.0\%$$

Q40. O YOU HAVE ANYTHING FURTHER TO ADD ON CKM?

A40. Yes. I also reviewed the most current edition of the text, Tim Koller, Marc Goedhart and David Wessels, *Valuation: Measuring and Managing the Value of Companies* (John Wiley & Sons, Inc. 4th ed. 2005). This text does not support Mr. Rigsby's argument. The authors state that for longer intervals (here, a period of 84 years) an arithmetic average should be used. They also state that "[t]o estimate the mean (expectation) for any random variable, well-accepted statistical principles dictate that the arithmetic average is the best unbiased estimator."[60] Mr. Rigsby appears to be confusing the calculation of future cash flows beyond one period, which may be biased upward or downward, with estimating the current cost of equity. I also note that the authors recommend use of a 10-year Treasury as the risk-free rate, while Mr. Rigsby uses a 5-year Treasury, resulting in a lower risk-free rate and a lower cost of equity.

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[58] *Id.*

[59] *See* RUCO Surrebuttal Schedule WAR-7, page 1 of 2.

[60] Koller, *et al.*, *supra*, at 299.

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Q41. MR. RIGSBY ALSO CITES THIS TEXT AS AUTHORITY FOR THE EXISTENCE OF "SURVIVORSHIP BIAS."

A41. The authors briefly discuss survivorship bias, which relates to the fact that over the past 100 years, the U.S. stock market has outperformed markets in foreign countries such as China, Russia and Poland. Since the purpose here is to estimate the cost of equity for GWC by using a proxy group of publicly traded water utilities in the United States, which are treated as being comparable in terms of investment risk, it would be improper to reduce the historic risk premium, which is based on differences between the S&P 500 and U.S. Treasury bond income returns over the past 84 years, to account for a higher incidence of business failures in foreign countries.

Q42. ON PAGE 22 OF HIS TESTIMONY, MR. RIGSBY SUGGESTS THAT YOU WERE INCORRECT IN YOUR CRITICISM OF HIS USE OF TOTAL RETURNS ON BONDS TO COMPUTE HIS MARKET RISK PREMIUM. PLEASE COMMENT.

A42. As I testified, if the total return on a Treasury security is used, additional risk from capital loss or gain is injected into the CAPM estimate, which is inconsistent with treating the Treasury security as a riskless asset.[61] Thus, income returns rather than total returns should be used in the estimation of the equity risk premium.[62] Mr. Rigsby admits that Treasury security income returns ignore the fluctuations in the price of the bonds as a result of interest rate changes - which is exactly what is required for treating the security as a riskless asset. I would note that, in the instant case, Staff does not use a MRP based upon total returns in its CAPM estimates,

[61] Bourassa Rb. at 40-41.

[62] Id. at 41.

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presumably for the same reasons.[63]

Q43. PLEASE RESPOND TO MR. RIGSBY'S TESTIMONY THAT ON THE USE OF GEOMETRIC MEANS AND INCOME RETURNS ARE APPROPROPRIATE BECAUSE THIS INFORMATION IS AVAILABLE TO INVESTORS.

A43. Rather than focusing on what method is conceptually correct[64], Mr. Rigsby contends that if an investor has information available, such information should be used to determine the Company's cost of equity even if its use is improper. For example, that Value Line calculates both historic and prospective growth rates on a geometric or compound growth rate basis. But the Value Line instructions do not explain how Value Line's projections of future growth are actually determined, nor would an investor know what type of average is being used. If the test is simply whether investors have information available, and not whether its use is conceptually correct, then the Commission's prior rejection of methods such as the risk premium method and the comparable earnings method in past cases was improper.[65] In Decision No. 68302 (Arizona Water Company), the Commission stated that the risk premium methodology is based on a "comparable earnings" method that "has long been discredited."[66] Even if true, however, an investor may still rely on that method and, under the logic of Mr. Rigsby, the Commission should have considered it.

Moreover, there are types of information and methods that the Commission

[63] See Direct Testimony of Juan C. Manrique ("Manrique Dt.") at 29. Staff uses historical market risk premium calculated from Ibbotson Associates SBBI 2009 Yearbook data.

[64] Bourassa Rb. at 40.

[65] *See* Arizona Water Company Decision No. 68302 at 37-38.

[66] *Id.* at 37.

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should also consider if it were to accept the arguments of Mr. Rigsby. For example, Value Line reports projected returns on equity (2014 - 2016) for the water utility group and the gas utility group used by Mr. Rigsby in his cost of capital analysis have projected returns of 10.8 percent and 11.6 percent, respectively.

The project Value Line returns are shown below.

RUCO Water Utility Sample Group

Stock Symbol	Company	Value Line Projected Book Return on Equity[67]
AWR	American States Water Co.	12.5
WTR	Aqua America	13.0
CWT	California Water Services Group	10.0
SJW	SJW Corp.	7.5
	Average	10.8

RUCO Gas Utility Sample Group

Stock Symbol	Company	Value Line Projected Book Return on Equity[68]
AGL	AGL Resources, Inc.	12.5
ATO	Atmos Energy Corp.	9.0
LG	Laclede Group, Inc.	10.0
NJR	New Jersey Resources Corp.	13.5
NWN	Northwest Natural Gas	10.0
PNY	Piedmont Natural Gas Company	12.5
SJI	South Jersey Industry	17.5

[67] Value Line Investment Survey April 22, 2011.

[68] *Id.*

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SWX	Southwest Gas Corp.	9.0
WGL	WGL Holdings, Inc.	10.0
	Average	11.6

Value Line's forecasts are widely available and would be considered by investors in evaluating an investment in those utilities. In fact, Mr. Rigsby specifically selected the four water utilities for his proxy group for GWC because Value Line provides long-term estimates of those utilities' return on common equity.[69] Therefore, if the principal criterion for deciding whether to consider a particular equity cost estimate is its availability to investors, the Commission should use Value Line's projected average return of 10.8 percent to estimate GWC's cost of equity.

Similarly, the market-to-book ("M/B") ratios of the sample water utilities are widely available to the investment community, along with the book values of those utilities' stocks. Some authorities believe that it is improper to use a market-based equity return derived by means of the DCF model with an original cost (i.e., net book value) rate base when a utility's stock is trading above book value.[70] Instead, when an original cost rate base is used, the book value of the sample water utilities' stocks should be used to calculate the dividend yield to ensure methodological consistency.[71] The average M/B ratio of the sample water utilities used by Mr. Rigsby is 1.9[72], i.e., the average market price of those utilities' stocks

[69] *See* Direct Testimony of William A Rigsby ("Rigsby Dt.") at 20.

[70] *See, e.g.*, Win Whittaker, *The Discounted Cash Flow Methodology: Its Use in Estimating a Utility's Cost of Equity*, 12 Energy L.J. 265 (1991).

[71] *Id.* at 281-83 (citing *Farmers Union Cent. Exch., Inc. v. FERC*, 734 F.2d 1486 (D.C.Cir. 1984)).

[72] *See* RUCO Surrebuttal Schedule WAR-4, page 2 of 2.

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is nearly two times their book value. That means that the dividend yield calculations made by the parties are understated by over 45 percent. Thus, instead of being in 2.78 percent to 3.35 percent range for the sample water utility group, the dividend yield should be 240 to 290 basis points higher, and the parties' DCF model estimates should likewise be 240 to 290 basis points higher.

The bottom line is that investors may well use data from investment sources such as Value Line and Ibbotson incorrectly, as RUCO contends, or erroneously assume that Value Line's projected earnings and growth rates are based on geometric averages. Investors undoubtedly use (and misuse) a variety of information in deciding whether to invest in securities. But that does not mean the Commission should make the same mistakes in determining the cost of capital for water utilities. For the reasons stated, there is no conceptual basis for using geometric averages to estimate expected returns on equity. Therefore, the cost of equity estimates of Mr. Rigsby should be rejected.

Q44. DOES THE FACT THAT UTILTY RATES ARE NOT SET EVERY THIRTY YEARS HAVE ANYTHING TO DO WITH THE PROPER CHOICE OF THE LENGTH OF THE TREASURY THAT SHOULD BE USED IN THE CAPM AS SUGGESTED BY MR. RISGBY ON PAGE 22 OF HIS TESTIMONY?

A44. No. This is nonsense. As I explained in my rebuttal testimony, the expected stock return is based upon long-term cash flows, regardless of an individual's holding period.[73] Moreover, short term rates are volatile, fluctuate widely, and are subject to more random disturbances leading to volatile and unreliable equity returns.[74]

[73] Bourassa Rb. at 42.

[74] *Id.* at 39.

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Q45. DOES THE ARGUMENT THAT THE ECONOMY IS IMPROVING MAKE THE USE OF A CURRENT MARKET RISK PREMIUM PASSE?

A45. Again, no. I find it odd that Mr. Rigsby now seeks to dismiss any consideration of the current economic conditions.[75] After all, he acknowledges the importance of considering current economic conditions.[76] As I have testified, changes in the current market risk premium have been a significant factor in the cost of equity authorized by the Commission in the past.[77] And, the current market risk premium has had impact on the cost of equity in both directions over the years.[78] My current market equity risk premium of 10.9% in the instant case is lower than current market risk premiums employed by Staff and relied upon when adopting Staff cost of equity in the past.[79] Further, while economic conditions have improved since the start of the recession in 2008, unemployment remains high and the economic outlook is still uncertain. Value Line recently commented that "there is no shortage of unresolved issues as the second half begins – including the unresolved budget talks. However, the key issues remain the domestic economy and, by extension earnings".[80]

Q46. ON PAGE 15 AND 16, MR. RIGSBY STATES HIS RECOLLECTION OF COMMENTS MADE BY PROFESSOR DAMODARAN AND PROFESSOR MARSTON AT A 2007 CONFERENCE HE SAYS HE ATTENDED. DO STUDIES MADE BY THOSE PROFESSORS LEAD YOU TO QUESTION

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[75] Rigsby Sb. at 23.

[76] Id. at 35.

[77] Bourassa Rb. at 43-45.

[78] Id,

[79] Id. at 44.

[80] *See* Value Line *Selection and Opinion*, July 8, 2011.

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WHETHER THEY WOULD ENDORSE A RANGE OF MRPS OF 4.0% TO 5.5% IN 2010?

A46. Yes. I was not at the 2007 conference and do not know what was actually said and in what context. I am also not aware of the studies upon which the panelists relied. I am aware of a 2009 estimate of the current MRP estimated by Professor Damodaran and I am also aware of a paper written by Dr. Marston which suggests these two would not say the current MRP falls in a range of 4.0% to 5.0%. First, with respect to Professor Damodaran, I am aware that his current estimate of the MRP is 6.43%. Work papers supporting that estimate were provided by Department of Ratepayer Advocates witness Professor J.R. Woolridge in California PUC Application 09-05-001, et al., which went to hearing in August 2009. I was a witness in that case for Valencia Water (Application 09-05-002) and reviewed the work papers supporting the Damodaran estimate. It is possible that Professor Damodaran presented a lower MRP estimate in 2007.

Second, with respect to Professor Marston, I am aware of a paper, "Ex Ante Cost of Equity Estimates of S&P 500 Firms: The Choice between Global and Domestic CAPM, published in Financial Management (Autumn 2003), co-authored with Robert Harris, Dev Mishra and Thomas O'Bien, Professor Marston estimated the MRP to be 7.3% based on data for a 16 year period ending in 1998. Given her past published study, I am puzzled she would state that the MRP has dropped to less than 5.5% at a conference. As with Professor Damoradan, it is possible that Professor Martson presented a lower estimate in 2007, but I am not sure on what basis Professor Martson would have based her opinion.

Q47. WERE CURRENT MARKET RISK PREMIUMS LOWER DURING THIS TIME PERIOD?

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A47. As I discussed in my rebuttal testimony, during the Black Mountain Company rate case in 2006, Staff computed a current MRP of 5.7%, which was much lower than earlier estimates which over 13%.[81] The 5.7% is near the range allegedly offered by the panelists mentioned by Mr. Rigsby.

Q48. HAVE YOU REVIEWED DR. DAMODARAN'S UPDATED PAPER TITLED "EQUITY RISK PREMIUM (ERP): DETERMINANTS, ESTIMATION, AND IMPLICATIONS" CITED BY MR. RIGSBY ON PAGE 26 OF HIS SURREBUTTAL TESTIMONY? PLEASE COMMENT.

A48. Yes. Appendix 1 of Dr. Damodaran's February 2011 update shows a market risk premium (arithmetic mean) from 1926 to 2010 of 6.03% which is consistent with Morningstar and much higher than Mr. Rigsby's cited range of 4.5% to 5%. The 6.03% estimate is also based the market risk premium of stock over long-term government bonds not 5-year U.S. Treasury bonds as Mr. Rigsby uses.

Q49. DO YOU HAVE ANY RESPONSE TO THE CAPM CALCULATIONS PRESENTED AT PAGE 25 BY MR. RIGSBY?

A49. Yes. These calculations are simply mechanical applications of the simple version of the CAPM. They rely on the wrong interest rate concept and MRPs attributed to someone who is not a witness in this case. There is no reason to believe the 4% or the 5% MRPs are reasonable at this time. Notwithstanding the fact that there is no support for either of these calculations, there are serious problems with Mr. Rigsby's claim that equity cost estimates of 5.08% and 5.83% are reasonable when the cost of Baa bonds is 5.9%[82]. A reasonable estimate of the cost of equity must

[81] Bourassa Rb. at 45.

[82] Federal Reserve Website July 11, 2011.

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be higher than the cost of Baa bonds.

Q50. BUT MR. RIGSBY IS RECOMMENDING A 9.0% RETURN ON EQUITY. DOESN'T THAT RESOLVE THE MATTER REGARDING MR. RIGSBY'S LOW CAPM RESULTS?

A50. No. Despite Mr. Rigsby's story line that he is recommending a 9.0 return that is 322 to 367 basis points above the current cost of Baa/BBB-rated and A-rated bonds[83], the 9.0% return on equity, like Mr. Rigsby's hypothetical cost of debt of 6.13% cost of debt and hypothetical capital structure, is pure fiction. In reality, Mr. Rigsby transfers over 20% of GWC's equity to debt, provides a low 6.13% return on that equity, and ultimately provides for a mere 6.6% return on the actual invested equity capital in RUCO's proposed rate base for GWC.[84] The 6.6% is 240 basis points lower than his fictional 9.0% and over 100 basis points lower than the average of Mr. Rigsby's DCF and CAPM results of 7.54%. Further, M[85]r. Rigsby leave the door open so to speak on this lower cost of equity estimate.

C. **Responses to the Surrebuttal Testimony of Mr. Schoemperlen.**

Q51. DO YOU HAVE ANY COMMENTS ON MR. SCHOEMPERLEN'S PROJECTIONS OF RETURNS AND HIS CONCLUSIONS?

A51. Mr. Schoemperlen's projections are flawed for several reasons. Among these reasons are:

1. The rate bases are understated because he double counts the tank over-sizing costs.[86]

[83] Rigsby Sb. at 27.

[84] Bourassa Rb. at 9-10, 50.

[85] Rigsby Sb. at 10.

[86] *See* Rejoinder Testimony of Thomas J. Bourassa – Rate Base, Income Statement, and Rate

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2. The revenues are overstated because he does not use half-year convention on revenue growth.

3. The rate of rate base growth is vastly understated because he assumes a total system capacity of 1,291 when the tank over-sizing capacity costs have already been removed. 330 EDU's (customers) should be deducted from the 1,291 EDU's (customers) as a result of the removal of the tank over-sizing costs.

4. The rate of growth in the rate bases base also appears to exclude any reserve margin in each year.

5. The rate bases are additionally understated because the analysis does not reflect the real world engineering analysis that shows that even under Mr. Schoemperlen's assumptions about the reserve maring requirements, the storage tank at water plant #3 is 92.7% used and useful and not 24.5 percent used and useful.[87]

6. The analysis ignores the fact that GWC has committed capital which is not being recognized. There is an significant disparity between the rate bases and the actual total committed capital I GWC. All of the capital in a company must be supported.[88]

Q52. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY ON COST OF CAPITAL?

A52. Yes. Although my silence on any issue not discussed herein does not necessarily constitute agreement with Staff, RUCO, or Mr. Schoemperlen.

Design ("Bourassa Rj. RB.") at 33.

[87] Bourassa Rj. RB at 34.

[88] Bourassa Rb. at 56.

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Goodman Water Company
Docket No. W-02500A-10-0382

THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(COST OF CAPITAL)
July 12, 2011

EXHIBIT TJB-COC-RJ1

STATE OF CALIFORNIA

Edmund G. Brown Jr, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

March 1, 2011

RE: Rates of Return and Rates of Margin for Class C and Class D Water Utilities

TO: COMMISSION

By this memorandum, the Division of Water and Audits (DWA) updates its recommended Rates of Return and Rates of Margin for Class C and D water utilities.[1] These updates have been calculated in accordance with Resolution W-4524, which revised the Standard Practice that addresses how the rate of return and rate of margin are calculated for Class C and D water utilities.

DWA considered a number of factors in determining the rates of return. DWA assessed the movement in actual and forecasted interest rates over the last year's (lower actual rates that are forecast to recover to near recent historical). In addition, DWA took into account the high operational risks faced by Class C and Class D water utilities and the constant level of authorized rates of return for Class A water utilities in 2010 over 2009 (average of 8.94% and 8.51%, respectively).

In determining the rates of margin for Class C and D water utilities, DWA considered the Class B water utilities most recent authorized average rates of return of 10.36%, their most recent authorized equivalent average rate of margin of 20.63%, and the recommended rates of return for Class C and D water utilities, as calculated.

For 2011, DWA recommends that the following rates of return and rates of margin be used for Class C and Class D water utilities informal general rate cases (supporting documentation is attached):

	Rates of Return (ROR)	**Rates of Margin**
Class C	**11.25% to 12.25%**	**23.40%**
Class D	**12.00% to 13.00%**	**24.89%**

If you have any questions regarding the Rates of Return or Rates of Margin recommendations, please contact Raymond Yin of the Division of Water and Audits at (415) 703-1818, or ryy@cpuc.ca.gov.

Sincerely,

Rami Kahlon, Director
Division of Water and Audits

Kayode Kajopaiye, Chief
Utility Audit, Finance, & Compliance Branch

Attachment

[1] As required by D.92-03-093, in Phase I of I.90-11-033 (Water Risk OII).

CALCULATION OF CLASS C & D WATER COMPANY[2] RATES OF RETURN (ROR) & RATES OF MARGIN (ROM)[3]

- Rates are calculated using both return-on-ratebase and rate of margin methods.
- The method that produces the higher result is used.
- ROR is set at a level above or below the recommended ranges, if warranted.
- Where little or no rate base exists, the ROM is used.
- The ROM is applied to Operating Expenses to determine the estimated dollar return, which is then compared with the average dollar ROR on rate base.
- Calculations are based on the assumption that there is a comparable relationship between authorized Class B ROR and ROM and Class C and D ROR and ROM.
- Class C and D water operations, finances, and risks are more similar to those of the Class B water companies, than with Class A water utilities.

Data Used in Determining the Rates of Return and Rates of Margin for Class C and Class D Water Utilities

Year	Recommended ROR Range		Actual Interest Rates from the Federal Reserve U.S. Treasuries			
	Class C Water	Class D Water	90-Day	1-Year	5-Year	30-Year
2009	12.00% - 13.00%	12.75% - 13.75%	0.15%	0.47%	2.20%	4.08%
2010	11.25% - 12.25%	12.00% - 13.00%	0.14%	0.32%	1.93%	4.25%
2011 (As of 02/2011)			0.15%	0.27%	1.99%	4.52%
			Forecast Interest Rates from IHS Global Insight			
Forecast for 2012 (As of 02/2011)			1.47%	1.72%	2.73%	4.68%

Calculation of Rate of Margin ("ROM")	Inputs	ROM	
		Class C	Class D
Average Class B Rate of Margin ("ROM")	20.63%		
Average Class B Rate of Return ("ROR")	10.36%		
Average Class C ROR	11.75%		
Average Class D ROR	12.50%		
Average Class C ROM = Average Class B ROM * (Average Class C ROR/Average Class B ROR)		23.40%	
Average Class D ROM = Average Class B ROM * (Average Class D ROR/Average Class B ROR)			24.89%

[2] Class C water utilities have 501 to 2,000 customers; Class D water utilities have 500 or less customers.
[3] Pursuant to D.92-03-093, Ordering Paragraph 8 and Resolution W-4524.

Goodman Water Company
Docket No. W-02500A-10-0382

THOMAS J. BOURASSA
REBUTTAL TESTIMONY
(COST OF CAPITAL)

July 12, 2011

SCHEDULES

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

Exhibit
Rejoinder Schedule D-1
Page 1
Witness: Bourassa

Line No.	Item of Capital	End of Test Year Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost	End of Projected Year Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost
1	Long-Term Debt	507,451	18.27%	8.50%	1.55%	495,102	16.75%	8.50%	1.42%
2									
3	Stockholder's Equity	2,269,765	81.73%	10.20%	8.34%	2,460,300	83.25%	10.20%	8.49%
4									
5	Totals	2,777,216	100.00%		9.89%	2,955,403	100.00%		9.92%
6									
7									
8									
9									
10									
11	SUPPORTING SCHEDULES:								RECAP SCHEDULES:
12	D-1								
13	D-3								
14	D-4								
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									
32									
33									
34									
35									

Goodman Water Company
Test Year Ended December 31, 2009
Cost of Long Term Debt

Exhibit
Rejoinder Schedule D-2
Page 1
Witness: Bourassa

Line No.	Description of Debt	End of Test Year Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost	End of Projected Year Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost
1									
2	EC Development	507,451	43,133	8.50%	8.50%	495,102	42,084	8.50%	8.50%
3		-	-	0.00%	0.00%	-	-	0.00%	0.00%
4		-	-	0.00%	0.00%	-	-	0.00%	0.00%
5		-	-	0.00%	0.00%	-	-	0.00%	0.00%
6		-	-	0.00%	0.00%	-	-	0.00%	0.00%
7		-	-	0.00%	0.00%	-	-	0.00%	0.00%
8		-	-	0.00%	0.00%	-	-	0.00%	0.00%
9		-	-	0.00%	0.00%	-	-	0.00%	0.00%
10		-	-	0.00%	0.00%	-	-	0.00%	0.00%
11									
12									
13	Totals	$ 507,451	43,133		8.50%	$ 495,102	42,084		8.50%
14									
15	Supporting Schdules:								
16	E-2								
17									
18									
19									
20									
21									

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

Exhibit
Rejoinder Schedule D-3
Page 1
Witness: Bourassa

Line No.		End of Test Year			End of Projected Year		
1							
2							
3	Description	Shares		Dividend	Shares		Dividend
4	of Issue	Outstanding	Amount	Requirement	Outstanding	Amount	Requirement
5							
6							
7	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21	SUPPORTING SCHEDULES:			RECAP SCHEDULES:			
22	E-1			D-1			
23							
24							

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	10.20% .
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17	SUPPORTING SCHEDULES:	RECAP SCHEDULES:
18	D-4.1 to D-4.16	D-1
19		
20		

Goodman Water Company
Summary of Results

Exhibit
Schedule D-4.1

Line No.	Method	Low	High	Midpoint
6	Range DCF Constant Growth Estimates[1]	8.7%	9.5%	9.1%
8	Range of CAPM Estimates[2]	10.2%	13.4%	11.8%
11	Average of DCF and CAPM midpoint estimates	9.4%	11.4%	10.4%
14	Financial Risk Adjustment[3]	-0.7%	-0.7%	-0.7%
16	Small Company Risk Premium[4]	1.0%	1.0%	1.0%
18	Indicated Cost of Equity	9.7%	11.7%	10.7%
22	Recommended Cost of Equity			10.2%

[1] See Schedule D-4-8
[2] See Schedule D-4.12
[3] See Schedule D-4.16
[4] See testimony.

Goodman Water Company
Selected Characteristics of Sample Group of Water Utilities

Exhibit
Schedule D-4.2

Line No.	Company[1]	% Water Revenues	Operating Revenues (millions)	Net Plant (millions)	S&P Bond Rating	Moody's Bond Rating	Allowed ROE
1	1. American States	73%	$ 400.8	$ 855.0	A+	A2	10.20
2	2. Aqua America	98%	$ 726.1	$ 3,469.3	AA-	NR	10.33
3	3. California Water	94%	$ 460.4	$ 1,270.2	AA-	NR	10.20
4	4. Connecticut Water	99%	$ 68.1	$ 344.2	A	NR	9.75
5	5. Middlesex	90%	$ 102.7	$ 398.7	A	NR	10.15
6	6. SJW Corp.	96%	$ 215.6	$ 692.4	A	NR	10.20
7							
8	Average	92%	$ 329.0	$ 1,171.6			10.14
9							
10	Goodman Water Company (as of December 31, 2009)	100%	$ 0.6	$ 4.7	NR	NR	

[1]AUS Utility Reports (April 2011).

Goodman Water Company
Capital Structures

Exhibit
Schedule D-4.3

No.	Company	Book Value[1] Long-Term Debt	Book Value[1] Common Equity	Market Value[1] Long-Term Debt	Market Value[1] Common Equity
1	American States	45.5%	54.5%	32.0%	68.0%
2	Aqua America	56.6%	43.4%	33.7%	66.3%
3	California Water	52.4%	47.6%	38.5%	61.5%
4	Connecticut Water	49.6%	50.4%	33.7%	66.3%
5	Middlesex	43.5%	56.5%	31.7%	68.3%
6	SJW Corp.	53.6%	46.4%	40.9%	59.1%
	Average	50.2%	49.8%	35.1%	64.9%
	Goodman Water Company [2] (Adjusted as of December 31, 2009)	18.3%	81.7%	N/A	N/A

[1] Value Line Analyzer Data (April 21, 2011)
[2] Adjusted Per Schedule D-1

Goodman Water Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Schedule D-4.4

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Five-year historical average annual changes						
8	1. American States	4.19%	5.00%	8.50%	2.50%	5.05%	7.00%	6.02%
9	2. Aqua America	NMF	7.00%	4.50%	8.00%	6.50%	7.44%	6.97%
10	3. California Water	1.41%	5.50%	6.50%	1.00%	3.60%	5.25%	4.43%
11	4. Connecticut Water	5.97%	3.00%	1.50%	1.50%	2.99%	3.50%	3.25%
12	5. Middlesex	4.69%	5.50%	4.50%	1.50%	4.05%	3.00%	3.52%
13	6. SJW Corp.	1.57%	6.50%	NM	5.50%	4.52%	9.67%	7.09%
16	GROUP AVERAGE	3.56%	5.42%	5.10%	3.33%	4.45%	5.98%	5.21%
17	GROUP MEDIAN	4.19%	5.50%	4.50%	2.00%	4.28%	6.13%	5.22%

[1] Average of changes in annual stock prices ending on December 31 through 2010. Data from Yahoo Finance website.
[2] Value Line Analyzer Data, April 21, 2011
[3] See Schedule D-4.6.

Goodman Water Company
Comparisons of Past and Future Estimates of Growth

Exhibit
Schedule D-4.5

Line No.	Company	[1] Price[1]	[2] Book Value[2]	[3] EPS[2]	[4] DPS[2]	[5] Average Col 1-4	[6] Average Future Growth[3]	[7] Average of Future and Historical Growth Col 5-6
		Ten-year historical average annual changes						
7	1. American States	5.75%	4.50%	4.00%	1.50%	3.94%	7.00%	5.47%
8	2. Aqua America	6.93%	9.00%	6.50%	7.50%	7.48%	7.44%	7.46%
9	3. California Water	5.91%	4.50%	3.00%	1.00%	3.60%	5.25%	4.43%
10	4. Connecticut Water	5.69%	4.00%	1.00%	1.50%	3.05%	3.50%	3.27%
11	5. Middlesex	4.50%	4.50%	2.50%	2.00%	3.37%	3.00%	3.19%
12	6. SJW Corp.	4.37%	6.00%	2.00%	5.00%	4.34%	9.67%	7.01%
15	GROUP AVERAGE	5.52%	5.42%	3.17%	3.08%	4.30%	5.98%	5.14%
16	GROUP MEDIAN	5.72%	4.50%	2.75%	1.75%	3.77%	6.13%	4.95%

[1] Average of changes in annual stock prices ending December 31, 2010. Data from Yahoo Finance website.
[2] Value Line Analyzer Data, April 21, 2011
[3] See Rejoinder Schedule D-4.6.

Goodman Water Company
Analysts Forecasts of Earnings Per Share Growth

Exhibit
Schedule D-4.6

Line No.		[1]	[2]	[3]	[4]	[5]
1						
2						
3						
4		ESTIMATES OF EARNINGS GROWTH				Average
5					Value	Growth (G)
6	Company	Zacks[1]	Morningstar[1]	Yahoo[1]	Line[1]	(Cols 1-4)[2]
7	1. American States	11.00%	4.00%	6.00%	7.00%	7.00%
8	2. Aqua America	6.50%	7.50%	6.75%	9.00%	7.44%
9	3. California Water		4.00%	8.25%	3.50%	5.25%
10	4. Connecticut Water	4.00%	3.00%	3.00%	4.00%	3.50%
11	5. Middlesex	3.00%	3.00%	3.00%	3.00%	3.00%
12	6. SJW Corp.		9.00%	14.00%	6.00%	9.67%
13						
14						
15	GROUP AVERAGE	6.13%	5.08%	6.83%	5.42%	5.98%
16	GROUP MEDIAN					6.13%
17						
18						
19	[1] Data as of April 21, 2011					
20	[2] Where no data available or single estimate, average of other utilities assumed to estimate for utility.					
21						
22						
23						
24						
25						
26						
27						
28						

Goodman Water Company
Current Dividend Yields for Water Utility Sample Group

Exhibit
Schedule D-4.7

Line No.	Company	Curent Stock Price (P_0)[1]	Current Dividend (D_0)[1]	Current Dividend Yield (D_0/P_0)[1]	Average Annual Dividend Yield (D_0/P_0)[1,2]
1					
2					
3					
4					
5					
6	1. American States	$ 34.39	$ 1.08	3.14%	2.94%
7	2. Aqua America	$ 21.82	$ 0.63	2.89%	3.09%
8	3. California Water	$ 36.73	$ 1.23	3.35%	3.07%
9	4. Connecticut Water	$ 25.27	$ 0.94	3.70%	4.11%
10	5. Middlesex	$ 18.50	$ 0.73	3.95%	4.71%
11	6. SJW Corp.	$ 22.96	$ 0.69	3.01%	2.84%
12					
13	Average			3.34%	3.46%
14	Median			3.24%	3.08%

15
16 [1] Value Line Analyzer Data. Stock prices as of April 21, 2011.
17 [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,
18 expressed as a percentage. For comparison purposes only.
19
20
21
22
23
24
25

Goodman Water Company
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
Schedule D-4.8

Line No.		[1]	[2]	[3]		[4]
		Average Spot Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]	Growth (g)		Indicated Cost of Equity k=Div Yld + g (Cols 2+3)
8	DCF - Past and Future Growth	3.34%	3.51%	5.21%	[3]	8.7%
10	DCF - Future Growth	3.34%	3.54%	5.98%	[4]	9.5%
13	Average	3.34%	3.53%	5.59%		9.1%

[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		Company	Beta (β)[1]
2	1.	American States	0.75
3	2.	Aqua America	0.65
4	3.	California Water	0.70
5	4.	Connecticut Water	0.80
6	5.	Middlesex	0.75
7	6.	SJW Corp.	0.90
8			
9		Average	**0.76**
10			
11			
12			

13 [1] Value Line Investment Analyzer data (April 21, 2011)

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

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

Exhibit
Schedule D-4.10

Line No.	Description	2012	2013	Average
1				
2				
3				
4	Description	2012	2013	Average
5				
6	Blue Chip Consensus Forecasts[1]	4.9%	5.2%	5.1%
7				
8	Value Line[2]	4.9%	5.2%	5.1%
9				
10	Average			5.1%
11				
12				
13				
14				
15	[1] Dec 2010 Blue Chip Financial Forecasts consensus forecast of 30 Year U.S.Treasury			
16	[2] Value Line Quarterly forecast, dated February 25, 2011, Long-term Treasury			
17				
18				
19				
20				
21				
22				
23				
24				

Goodman Water Company
Computation of Current Market Risk Premium

Exhibit
Schedule D-4.11

Line No.	Month	Dividend Yield (D_0/P_0)[1]	Expected Dividend Yield (D_1/P_0)[2]	+	Growth (g)[3]	=	Expected Market Return (k)	-	Monthly Average 30 Year Treasury Rate[4]	=	Market Risk Premium (MRP)
4	Dec 2009	2.56%	2.88%	+	12.58%	=	15.46%	-	4.35%	=	11.11%
5	Jan 2010	2.64%	3.00%	+	13.71%	=	16.71%	-	4.48%	=	12.23%
6	Feb	2.59%	2.97%	+	14.65%	=	17.62%	-	4.48%	=	13.14%
7	Mar	2.44%	2.75%	+	12.69%	=	15.44%	-	4.48%	=	10.96%
8	April	2.36%	2.63%	+	11.61%	=	14.24%	-	4.69%	=	9.55%
9	May	2.61%	3.00%	+	14.80%	=	17.80%	-	4.29%	=	13.51%
10	June	2.79%	3.30%	+	18.20%	=	21.50%	-	4.13%	=	17.37%
11	July	2.61%	3.03%	+	15.95%	=	18.98%	-	3.99%	=	14.99%
12	Aug	2.65%	3.10%	+	16.83%	=	19.93%	-	3.80%	=	16.13%
13	Sept	2.55%	2.93%	+	15.01%	=	17.94%	-	3.77%	=	14.17%
14	Oct	2.49%	2.85%	+	14.31%	=	17.16%	-	3.87%	=	13.29%
15	Nov	2.43%	2.74%	+	12.89%	=	15.63%	-	4.19%	=	11.44%
16	Dec 2010	2.37%	2.65%	+	11.61%	=	14.26%	-	4.42%	=	9.84%
17	Jan 2011	2.34%	2.60%	+	11.10%	=	13.70%	-	4.52%	=	9.18%
18	Feb	2.41%	2.73%	+	13.16%	=	15.89%	-	4.65%	=	11.24%
19	Mar	2.35%	2.64%	+	12.33%	=	14.97%	-	4.51%	=	10.46%
21	Recommended	2.37%	2.66%	+	12.20%	=	14.85%	-	4.56%	=	10.91%
23	Short-term Trends										
24	Recent Twelve Months Avg	2.50%	2.85%	+	13.98%	=	16.83%	-	4.24%	=	12.60%
25	Recent Nine Months Avg	2.47%	2.81%	+	13.69%	=	16.49%	-	4.19%	=	12.30%
26	Recent Six Months Avg	2.40%	2.70%	+	12.57%	=	15.27%	-	4.36%	=	10.91%
27	Recent Three Months Avg	2.37%	2.66%	+	12.20%	=	14.85%	-	4.56%	=	10.29%

[1] Average Current Dividend Yield (D_0/P_0) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

[2] Expected Dividend Yield (D_1/P_0) 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.

Goodman Water Company
Capital Asset Pricing Model (CAPM)

Exhibit
Schedule D-4.12

Line No.		Rf[1]	+	beta[3]	x	Rp		=	k
1									
2									
3	Historical Market Risk Premium CAPM	5.1%	+	0.76	x	6.7%	[4]	=	10.2%
4									
5	Current Market Risk Premium CAPM	5.1%	+	0.76	x	10.9%	[5]	=	13.4%
6									
7	Average								11.8%
8									
9									
10									
11									

12 [1] Forecasts of long-term treasury yields. See Schedule D-4.10.
13 [2] Value Line Investment Analyzer data. See Schedule D-4.9.
14 [3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2011 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2010
15 [4] Computed using DCF constant growth method to determine current market return onValue Line 1700 stocks
16 and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.11.
17
18
19
20

Goodman Water Company
Financial Risk Computation

Exhibit
Schedule D-4.13

Line No.											
1	**CAPM**										
2		Rf		+	β		x	(Rp)			k
3	Historical Market Risk Premium	5.1%	1	+	0.76	2	x	6.7%	3	=	10.2%
4	Current Market Risk Premium	5.1%	1	+	0.76	2	x	10.9%	4	=	13.4%
5											
6	Average										11.8%
7											
8											
9	**CAPM Relevered Beta**										
10		Rf		+	β		x	(Rp)			k
11	Historical Market Risk Premium	5.1%	1	+	0.68	5	x	6.7%	3	=	9.7%
12	Current Market Risk Premium	5.1%	1	+	0.68	5	x	10.9%	4	=	12.5%
13											
14	Average										11.1%
15											
16	Financial Risk Adjustment										**-0.7%**
17											
18											
19	[1] Forecast of long-term treasury yields. See Schedule D-4.10										
20	[2] Value Line Investment Analyzer data. See Schedule D-4.9										
21	[3] Historical Market Risk Premium from (Rp) MorningStar SBBI 2011 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2010										
22	[4] Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks										
23	and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.11										
24	[5] Relevered bata found on Schedule D-4.15										
25											

Goodman Water Company
Financial Risk Computation
Unlevered Beta

Exhibit
Schedule D-4.14

Line No.		Company	VL Beta β_L [1]	Raw Beta Raw β_L [2]	Tax Rate t [3]	MV Debt D [4]	MV Equity E [4]	Unlevered Raw Beta β_U [5]
5	1.	American States	0.75	0.63	41.0%	32.0%	68.0%	0.49
6	2.	Aqua America	0.65	0.48	39.2%	33.7%	66.3%	0.37
7	3.	California Water	0.70	0.55	39.5%	38.5%	61.5%	0.40
8	4.	Connecticut Water	0.80	0.70	51.2%	33.7%	66.3%	0.56
9	5.	Middlesex	0.75	0.63	32.1%	31.7%	68.3%	0.48
10	6.	SJW Corp.	0.90	0.85	26.9%	40.9%	59.1%	0.56
13		Sample Water Utilitie:	0.76	0.64	38.3%	35.1%	64.9%	0.48

[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, 2010.
[4] See Schedule D-4.3
[5] Raw B_u = Raw B_L/ (1+ (1-t)*D/E)

Goodman Water Company
Financial Risk Computation
Relevered Beta

Exhibit
Schedule D-4.15

Line No.		Unlevered Raw Beta β_U[1]	MV Book Debt BD[2]	MV Equity Capital EC[2]	Tax Rate t[3]	Relevered Raw Beta $\beta_{RL}=\beta_U(1+(1-t)BD/EC))$ β_{RL}	VL Adjusted Relevered Beta .33 + .67(Raw Beta) β_{RL}
5	Goodman Water Company	0.48	10.6%	89.4%	37.81%	0.52	0.68

[1] Unlevered Beta from Schedule D-4.14.

[2] Capital Structure of Company (Projected)

	BV (in Thousands)		MV (in Thousands)	MV %
Long-term Debt	$ 507	1.00	$ 507	10.60%
Preferred Stock	$ -	1.00	-	0.0%
Common Stock	$ 2,270	1.89	(a) 4,298	89.4%
Total Capital	$ 2,777		$ 4,806	100.0%

(a) Current market-to-book ratio of sample water utilities. See work papers.

[3] Current Tax rate based on test year ending 12/31/2009. See Schedule D-1.

Goodman Water Company
Size Premium[1]

Exhibit
Schedule D-4.16

Line No.		Beta(β)	Size Premium	Risk Premium for Small Water Utilities[7]
6	Mid-Cap Companies[2]	1.13	1.00%	
8	Low-Cap Companies[3]	1.26	1.64%	
10	Micro-Cap Companies[4]	1.51	3.00%	
12	Decile 10[5]	1.64	4.74%	2.37%

		Risk Premium for Small Water Utilities
20	Estimated Risk Premium for small water utilities[6]	0.99%

[1] Data from Table 7-11 of Morningstar, *Ibbotson SBBI 2011 Valuation Yearbook.*
[2] Mid-Cap companies includes companies with market capitalization between $1,779 million and $6,794 million.
[3] Low-Cap companies includes companies with market capitalization between $478 million and $1,776 million.
[4] Micro-Cap companies includes companies with market capitalization less than $477 million.
[5] Decile 10 includes companies with market capitalization between $1.2 million and $235 million.
[6] From Table 2, Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited," *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.
[7] Computed as the weighted differences between the Decile 10 risk premium and the inidicated risk premiums for the sample water 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
1.	American States	$ 636	Low-Cap	1.76%	2.98%	0.1666667	0.50%
2.	Aqua America	$ 3,011	Mid-Cap	1.10%	3.64%	0.1666667	0.61%
3.	California Water	$ 764	Low-Cap	1.76%	2.98%	0.1666667	0.50%
4.	Connecticut Water	$ 220	Decile 10	4.78%	-0.04%	0.1666667	-0.01%
5.	Middlesex	$ 289	Micro-Cap	3.07%	1.67%	0.1666667	0.28%
6.	SJW Corp.	$ 427	Low-Cap	1.76%	2.98%	0.1666667	0.50%
	Weighted Size Premium for Small Companies						2.37%

Exhibit A-14

EXHIBIT
Number A-14
ADMITTED

Color Coded Map of Eagle Crest Phases

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

PHASE	DATE OF APPROVAL TO CONSTRUCT	LOTS INCLUDED
I	MAY-02	1-218
II	JUNE-03	219-377
III	APRIL-04	378-477
IV	MAY-06	478-728
V	MARCH-08	729-920

EXHIBIT
A-14
ADMITTED

GOODMAN WATER COMPANY

EAGLE CREST WATER INFRASTRUCTURE
PHASES AND LOTS SERVED

SHEET NUMBER
1

FEB. 18, 2011

m:\projects\292-27\lots served.dwg May 20, 2009 garrick fatford

Thumb/Jump Drive

-Exhibit A-15, 16, 17

Goodman Water Company

TO REVIEW SEE DOCKET SUPERVISOR

DOCKET
W-02500A-10-0382

EXHIBIT
A-
15, 16, 17
ADMITTED

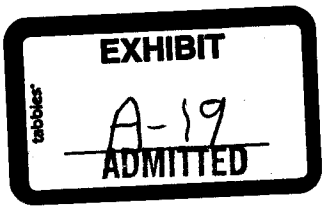
EXHIBIT
A-15, 16, 17
ADMITTED

PENGAD 800-631-6989

Entry	Date	Document	Jl	Description	Debits	Credits	Balance
(260.)		LAND					
	12-31-00	BALANCE FORWARD					$ 4,891,164.72
63	02-08-01	120	C	SUNDANCE STABLES - WATER	1,340.00		4,892,504.72
65	02-16-01	121	C	SUNDANCE STABLES - WATER	1,300.00		4,893,804.72
22	02-28-01	1596	C	HARALSON MILLER PITT MCANALL	4,416.26		4,898,220.98
26	02-28-01	1598	C	PERKOWITZ & RUTH ARCHITECTS	70.88		4,898,291.86
27	02-28-01	1598	C	PERKOWITZ & RUTH ARCHITECTS	1,295.66		4,899,587.52
28	02-28-01	1598	C	PERKOWITZ & RUTH ARCHITECTS	1.06		4,899,588.58
29	02-28-01	1602	C	WESTLAND RESOURCES, INC.	1,627.50		4,901,216.08
30	02-28-01	1597	C	OPW & ASSOCIATES INC	658.00		4,901,874.08
31	02-28-01	1608	C	SUNDANCE TRAINING STABLES	2,600.00		4,904,474.08
32	02-28-01	1604	C	CAMEL WATER SERVICE	650.00		4,905,124.08
35	02-28-01	1606	C	OPW & ASSOCIATES INC	1,266.00		4,906,390.08
111	03-31-01	ADJ 3-1	B	DUE FROM DRHI - 2000		10,213.12	4,896,176.96
112	03-31-01	ADJ 3-1	B	DUE FROM DRHI - 2001		8,780.00	4,887,396.96
68	03-31-01	1614	C	SUNDANCE TRAINING STABLES	1,300.00		4,888,696.96
73	03-31-01	1615	C	WESTLAND RESOURCES, INC.	870.00		4,889,566.96
74	03-31-01	1616	C	WESTLAND RESOURCES INC	2,240.00		4,891,806.96
80	03-31-01	1618	C	COLOR AERIAL PHOTOGRAPHY	180.60		4,891,987.56
82	03-31-01	1621	C	OPW & ASSOCIATES INC	1,505.00		4,893,492.56
163	04-17-01	ADJ 4-1	A	LAND - CAMEL WATER SERVICE	277.02		4,893,769.58
135	04-30-01	1634	C	OPW & ASSOCIATES INC	175.00		4,893,944.58
171	05-31-01	1636	C	ALPHAGRAPHICS	15.62		4,893,960.20
175	05-31-01	1645	C	PERKOWITZ & RUTH ARCHITECTS	2,310.00		4,896,270.20
176	05-31-01	1644	C	OPW & ASSOCIATES INC	2,411.00		4,898,681.20
204	06-30-01	1656	C	PERKOWITZ & RUTH ARCHITECTS	41.11		4,898,722.31
253	07-31-01	1657	C	OPW & ASSOCIATES INC	867.00		4,899,589.31
306	09-30-01	1672	C	OPW & ASSOCIATES INC	1,965.00		4,901,554.31
359	10-31-01	1682	C	OPW & ASSOCIATES INC	160.00		4,901,714.31
418	12-31-01	1693	C	OPW & ASSOCIATES INC	350.00		4,902,064.31
	LAND				$ 29,892.71	$ 18,993.12	$ 4,902,064.31

EXHIBIT
A-18
ADMITTED

4,898,681.20+
4,103,317.90-
795,363.30*



DUQUESNE LIGHT CO. ET AL. v. BARASCH ET AL.

No. 87-1160

SUPREME COURT OF THE UNITED STATES

488 U.S. 299; 109 S. Ct. 609; 102 L. Ed. 2d 646; 1989 U.S. LEXIS 313; 57 U.S.L.W. 4083; 98 P.U.R.4th 253

November 7, 1988, Argued
January 11, 1989, Decided

PRIOR HISTORY: APPEAL FROM THE SUPREME COURT OF PENNSYLVANIA.

DISPOSITION: *516 Pa. 142, 532 A. 2d 325*, affirmed.

CASE SUMMARY:

PROCEDURAL POSTURE: Appellant utilities challenged a decision from the Supreme Court of Pennsylvania holding that Pennsylvania law, requiring that utility rates be fixed without consideration of a utility's expenditures for electrical generating facilities that were planned but never built, did not unconstitutionally take the utilities' property in violation of the *Fifth Amendment Takings Clause*.

OVERVIEW: The state statutory scheme prevented the utilities from including in their rate base capital expenditures that were made toward developing nuclear generating plants that were planned but never built. On appeal, the Court upheld the state supreme court's decision that the law did not take the utilities' property in violation of the *U.S. Const. amend. V*. The Court held that only if the utility rate established by a state did not afford sufficient compensation, the state had taken the use of utility property without paying just compensation and so violated the *Takings Clause*. However, the overall impact of the rate orders at issue was not constitutionally objectionable. Also, state legislatures were competent bodies to set utility rates, and appellee Pennsylvania Public Utility Commission was essentially an administrative arm of the legislature.

OUTCOME: The Court affirmed the state supreme court's decision.

LexisNexis(R) Headnotes

Constitutional Law > Bill of Rights > Fundamental Rights > Eminent Domain & Takings
Energy & Utilities Law > Utility Companies > Rates > General Overview
[HN1] A state scheme of utility regulation does not "take" property, within the meaning of the *Fifth Amendment*, simply because it disallows recovery of capital investments that are not used and useful in service to the public. *66 Pa. Cons. Stat. § 1315* (Supp. 1988).

Civil Procedure > Appeals > Appellate Jurisdiction > General Overview
Civil Procedure > U.S. Supreme Court Review > State Court Decisions
[HN2] See *28 U.S.C.S. § 1257(2)*.

Civil Procedure > Appeals > Appellate Jurisdiction > Final Judgment Rule

Civil Procedure > U.S. Supreme Court Review > State Court Decisions
[HN3] Even though a case has been remanded, the U.S. Supreme Court has jurisdiction pursuant to *28 U.S.C.S. 1257(2)* to review a state court judgment that has finally adjudicated the constitutionality of a state statute such that outcome of further proceedings is preordained.

Energy & Utilities Law > Utility Companies > Service Terminations
[HN4] See *66 Pa. Cons. Stat. § 1501* (1986).

Constitutional Law > Bill of Rights > Fundamental Rights > Eminent Domain & Takings
Energy & Utilities Law > Utility Companies > Rates > General Overview
[HN5] The U.S. Constitution protects utilities from being limited to a charge for their property serving the public which is so "unjust" as to be confiscatory. If the rate does not afford sufficient compensation, the state has taken the use of utility property without paying just compensation and so violated the *Fifth* and *Fourteenth Amendments*.

Energy & Utilities Law > Utility Companies > Rates > General Overview
[HN6] The "fair value" rule is not the only constitutionally acceptable method of fixing utility rates. Historical cost is a valid basis on which to calculate utility compensation. All of the subsidiary aspects of valuation for ratemaking purposes cannot properly be characterized as having a constitutional dimension, despite the fact that they might affect property rights to some degree.

Energy & Utilities Law > Utility Companies > Rates > Ratemaking Factors > Rate of Return
[HN7] It is not theory but the impact of the rate order which counts. If the total effect of the rate order cannot be said to be unreasonable, judicial inquiry is at an end. The fact that the method employed to reach that result may contain infirmities is not then important. This language does not dispense with all of the constitutional difficulties when a utility raises a claim that the rate which it is permitted to charge is so low as to be confiscatory: whether a particular rate is "unjust" or "unreasonable" will depend to some extent on what is a fair rate of return given the risks under a particular rate-setting system, and on the amount of capital upon which the investors are entitled to earn that return. At the margins, these questions have constitutional overtones.

Energy & Utilities Law > Utility Companies > Rates > Ratemaking Factors > Rate Base
[HN8] See *66 Pa. Cons. Stat. § 1311(b)* (1986).

Energy & Utilities Law > Utility Companies > Rates > General Overview
[HN9] State legislatures are competent bodies to set utility rates. And the Pennsylvania Public Utility Commission is essentially an administrative arm of the legislature. The commission must be free, within the limitations imposed by pertinent constitutional and statutory commands, to devise methods of regulation capable of equitably reconciling diverse and conflicting interests. This is not to say that any system of ratemaking applied by a utilities commission, including the specific instructions it has received from its legislature, will necessarily be constitutional. But if the system fails to pass muster, it will not be because the legislature has performed part of the work.

Energy & Utilities Law > Utility Companies > Rates > General Overview
[HN10] An otherwise reasonable utility rate is not subject to constitutional attack by questioning the theoretical consistency of the method that produced it.

Energy & Utilities Law > Utility Companies > Rates > Ratemaking Factors > General Overview
[HN11] One of the elements always relevant to setting the utility rate under Hope is the return investors expect given the risk of the enterprise.

Energy & Utilities Law > Administrative Proceedings > U.S. Federal Energy Regulatory Commission > General Overview
Energy & Utilities Law > Utility Companies > Rates > General Overview
[HN12] A commission is not bound to the use of any single formula or combination of formulae in determining utility rates.

Energy & Utilities Law > Administrative Proceedings >

Ratemaking
Energy & Utilities Law > Utility Companies > Rates > General Overview
[HN13] The U.S. Constitution within broad limits leaves the states free to decide what rate-setting methodology best meets their needs in balancing the interests of the utility and the public.

DECISION:

Pennsylvania statute disallowing utilities' recovery of capital investments in discontinued nuclear power projects held not to "take" utilities' property in violation of *takings clause of Fifth Amendment.*

SUMMARY:

A group of electric utilities in Pennsylvania planned the construction of seven nuclear power plants and incurred millions of dollars in preliminary construction costs, but subsequently cancelled plans for four of the nuclear plants in response to events which changed the outlook for electric power demand and the desirability of nuclear energy. One of the utilities involved sought permission from the Pennsylvania Public Utilities Commission (PUC) to amortize its expenditures for the unbuilt plants over a 10-year period; and the PUC, after receiving an investigative report which concluded that the utilities' decisions to begin and to end construction of the plants had both been reasonable and prudent at the time they were made, granted the utility in question a rate increase which would include additional revenue to cover the first amortization payment (*57 Pa PUC 1, 51 PUR 4th 198*). The Pennsylvania Office of the Consumer Advocate moved for reconsideration of that decision, in the light of a recently enacted state statute which prohibited public utilities from including the cost of construction of a facility in the rate base until the facility was "used and useful in service to the public": but the PUC, interpreting this statute as not barring the recovery of such costs through amortization, reaffirmed its rate order (*57 Pa PUC 177, 52 PUR 4th 644*), and granted a similar rate increase to another utility involved in the plant construction project (*58 Pa PUC 305, 60 PUR 4th 593*). The Commonwealth Court of Pennsylvania, holding that the PUC had correctly interpreted the statute, affirmed the PUC's order as to the first utility, and affirmed the PUC's order as to the second utility in part and reversed in part on other grounds (*90 Pa Cmwlth 98, 494 A2d 58*). The Supreme Court of Pennsylvania reversed the orders of the Commonwealth Court and remanded the cases to the PUC for further proceedings, as it held that (1) the controlling language of the statute prohibited recovery of the construction costs either by inclusion in the rate base or by amortization, and (2) such a statute did not work a confiscation of utility property without just compensation in violation of the state and federal constitutions (*516 Pa 142, 532 A2d 325*).

On appeal, the United States Supreme Court affirmed. In an opinion by Rehnquist, Ch. J., joined by Brennan, White, Marshall, Stevens, O'Connor, Scalia, and Kennedy, JJ., it was held that (1) a state scheme of utility regulation does not "take" a utility's property, within the meaning of the *takings clause* of the *Federal Constitution's Fifth Amendment*, simply because it disallows recovery of capital investments that are not "used and useful in service to the public," and specifically (2) the effect application of the Pennsylvania statute would have on the rate orders in the present case is not constitutionally impermissible where (a) the state's ratemaking methodology has been predominantly, but not entirely, based on the "historical cost" of utility assets, so that the statute's introduction of elements of a "fair value" system of valuation is not an arbitrary departure, and (b) it has not been shown that the resulting rate orders would fail to provide the utilities with a rate of return that would be reasonable given the risks under such a ratemaking methodology.

Scalia, J., joined by White and O'Connor, JJ., concurred, expressing the view that while capital reasonably expended by a utility to meet its legal obligation to assure adequate service need not be taken into account as such in ratemaking formulas, it may need to be taken into account in assessing the constitutionality of the particular consequences produced by those formulas.

Blackmun, J., dissented, expressing the view that the appeal should be dismissed for want of a "final" judgment by the state's highest court.

LAWYERS' EDITION HEADNOTES:

[***LEdHN1]

EMINENT DOMAIN §103

what constitutes taking -- utility rate regulation -- investment in unbuilt facilities --

Headnote:[1A][1B]

A state scheme of utility regulation does not "take" a utility's property, within the meaning of the *takings clause* of the *Federal Constitution's Fifth Amendment*, simply because it disallows recovery of capital investments that are not "used and useful in service to the public"; thus, a state statute requiring that rates for electricity be fixed without consideration of a utility's expenditures for electrical generating facilities which were planned but never built, even though the expenditures were prudent and reasonable when made, does not "take" the utility's property in violation of the *Fifth Amendment*; the statute's effect on rate orders for utilities which had sought to amortize their expenditures on nuclear power plants that were planned but never built is not constitutionally impermissible where (1) the state's ratemaking methodology had been predominantly but not entirely based on the "historical cost" of utility assets, so that the statute's introduction of elements of a "fair value" system of valuation is not an arbitrary departure, and (2) it has not been shown that the resulting rate orders will fail to give a rate of return that is reasonable given the risks under such a methodology.

[***LEdHN2]

PUBLIC SERVICE COMMISSIONS §2

state commission -- statutory authority --

Headnote:[2A][2B]

The authority of the Pennsylvania Public Utilities Commission, which exercises a legislative grant of power to enforce the Pennsylvania public utilities laws, must arise either from the express words of the pertinent statutes or by strong and necessary implication therefrom.

[***LEdHN3]

APPEAL §1333

Supreme Court jurisdiction --

Headnote:[3]

On appeal, the United States Supreme Court must first inquire into its jurisdiction to decide a case, even though the parties have not discussed this issue.

[***LEdHN4]

APPEAL §83.5

Supreme Court jurisdiction -- final judgment of state court -- further state proceedings --

Headnote:[4]

The judgment of a state's highest court, in reviewing rate orders of the state public utilities commission which allowed utilities to receive increased revenues covering amortization payments on the expenses they had incurred in preliminary construction work on nuclear power plants which were later cancelled, that a state law disallowing recovery of such investments by utilities did not constitute a "taking" of the utilities' property without just compensation in violation of the *Federal Constitution's Fifth Amendment*, is a "final" judgment for purposes of the United States Supreme Court's appellate jurisdiction under *28 USCS 1257(2)*, even though the state court remanded the case for further proceedings to revise the relevant rate orders, since the state court has finally adjudicated the constitutionality of the statute in question in the context of otherwise completed rate proceedings and so has left the outcome of further proceedings preordained. (Blackmun, J., dissented from this holding.)

[***LEdHN5]

PUBLIC UTILITIES §16

rate regulation -- right to fair return --

Headnote:[5]

The Federal Constitution protects public utilities from being limited to a charge for their property serving the public which is so unjust as to be confiscatory; if the rate does not afford sufficient compensation, the state has taken the use of utility property without paying just compensation and so has violated the *Fifth* and *Fourteenth Amendments to the Federal Constitution*.

[***LEdHN6]

PUBLIC UTILITIES §17

rate regulation -- fair return -- methodology of rate order --

Headnote:[6A][6B]

In determining whether the rates which a public

utility is allowed to charge are so low as to violate the *Fifth* and *Fourteenth Amendments to the Federal Constitution* by taking utility property without just compensation, it is not theory but the impact of the rate order which counts, so that if the total effect of the rate order cannot be said to be unreasonable, then judicial inquiry is at an end; the Constitution protects the utility from the net effect of the rate order on its property, and inconsistencies in one aspect of the methodology have no constitutional effect on the utility's property if they are compensated by countervailing factors in some other aspect.

[***LEdHN7]

PUBLIC UTILITIES §17

rate regulation -- fair return -- risks --

Headnote:[7]

In determining whether the rates which a public utility is allowed to charge are so low as to violate the *Fifth* and *Fourteenth Amendments to the Federal Constitution* by taking utility property without just compensation, whether a particular rate is unjust or unreasonable will depend to some extent on what is a fair rate of return given the risks under a particular rate-setting system, and on the amount of capital upon which the investors are entitled to earn that return.

[***LEdHN8]

PUBLIC UTILITIES §17

rate regulation -- fair return -- denial of amortization --

Headnote:[8A][8B]

The total effect of a utility rate order which does not allow electrical utility companies to amortize over 10 years their investments in nuclear power plants which were planned but never built is not unjust or unreasonable, so as to violate the *Fifth* and *Fourteenth Amendments to the Federal Constitution* by taking utility property without just compensation, where (1) one of the companies involved was authorized to earn a 16.14 percent return on common equity and an 11.64 percent overall return on a rate base of nearly $ 1.8 billion, its $ 35 million investment in the cancelled plants comprised roughly 1.9 percent of its total base, and the denial of plant amortization would reduce its annual allowance by 0.4 percent; (2) another company involved was allowed a charge of 15.72 percent return on common equity and a 12.02 percent overall return, its investment in the cancelled plants comprised only 2.4 percent of its $ 401.8 million rate base, and the denial of amortized recovery of its $ 9.6 million investment in the cancelled plants would reduce its annual revenue allowance by 0.5 percent; (3) no argument has been made that these slightly reduced rates would jeopardize the financial integrity of the companies, either by leaving them insufficient operating capital or by impeding their ability to raise future capital; and (4) it has not been demonstrated that these rates would be inadequate to compensate current equity holders for the risk associated with their investments, the first company's embedded cost of debt being 9.42 percent while the second company's debt service was at 10.25 percent.

[***LEdHN9]

PUBLIC SERVICE COMMISSIONS §1

ratemaking -- state legislative control --

Headnote:[9A][9B]

The Federal Constitution does not prevent state legislatures from giving specific instructions to their utility commissions; thus, a state statute which requires the state's public utilities commission to fix electricity rates without consideration of a utility's expenditures for generating facilities that were planned but never built does not impermissibly interfere with the commission's duty to balance consumer and investor interests.

[***LEdHN10]

PUBLIC UTILITIES §17

rate regulation -- fair return -- methodology of rate order --

Headnote:[10A][10B][10C]

Because the return investors in a public utility expect given the risk of the enterprise is one of the elements that is always relevant in determining whether the rates which the utility is allowed to charge are so low as to violate the *Fifth* and *Fourteenth Amendments to the Federal Constitution* by taking utility property without just compensation, and because the risks a utility faces are in

large part defined by the rate methodology used, a state's decision to arbitrarily switch back and forth between methodologies in a way which requires investors to bear the risk of bad investments at some times while denying them the benefit of good investments at others would raise serious constitutional questions; however, where a state's method of valuating utility assets for ratemaking purposes has been predominantly but not entirely based on historical cost, and it has not been shown that particular rate orders at issue, as modified by a state statute which disallows recovery of investments in facilities that are not "used and useful in service to the public," fail to give a reasonable rate of return on equity given the risks under such a regime, the theoretical inconsistency of applying the used and useful requirement--which is normally associated with the fair value method of valuation rather than with a historical cost approach--is not an error of constitutional magnitude; the Federal Constitution does not require the adoption of a single theory of valuation for a public utility's assets, but rather leaves the states free, within broad limits, to decide what rate-setting methodology best meets their needs in balancing the interests of the utility and of the public.

[***LEdHN11]

PUBLIC UTILITIES §9

rate regulation --

Headnote:[11]

State legislatures are competent bodies to set utility rates.

[***LEdHN12]

PUBLIC SERVICE COMMISSIONS §1

legislative control --

Headnote:[12]

Under Pennsylvania law, the state Public Utilities Commission is essentially an administrative arm of the state legislature.

SYLLABUS

In 1967, appellant Pennsylvania electric utilities joined a venture to construct seven nuclear generating units. But in 1980, because of intervening events, including the Arab oil embargo and the accident at Three Mile Island, the participants canceled plans for construction of four of the plants. Thereafter appellant Duquesne Light Co. applied to the Pennsylvania Public Utility Commission (PUC) to obtain a rate increase and to amortize its expenditures on the canceled plants over 10 years. The PUC granted a rate increase that included an amount representing the first payment of the 10-year amortized recovery of Duquesne's costs in the aborted plants. Shortly before the close of the rate proceeding, a state law (Act 335) was enacted that provided that an electric utility's cost of construction of a generating facility shall not be made part of a rate base nor otherwise included in rates charged until such time as the facility "is used and useful in service to the public." The State Office of the Consumer Advocate moved the PUC to reconsider in light of this law, but the PUC on reconsideration affirmed its original rate order, reading the new law as excluding the costs of canceled plants from the rate base, but not as preventing their recovery through amortization. Meanwhile, the PUC similarly granted appellant Pennsylvania Power Co. a rate increase and authorized it to amortize its share of the canceled plants over a 10-year period. The Consumer Advocate appealed both PUC decisions to the Pennsylvania Commonwealth Court, which held that the PUC had correctly construed Act 335. The Pennsylvania Supreme Court reversed, holding that Act 335 prohibited recovery of the costs in question either by inclusion in the rate base or by amortization, and that the statute did not take appellants' property in violation of the *Takings Clause of the Fifth Amendment*, applicable to the States under the *Fourteenth Amendment*. The court remanded the case to the PUC for further proceedings to correct its rate orders, giving effect to the exclusion required by Act 335.

Held:

1. This Court has jurisdiction to decide the case under *28 U. S. C. § 1257(2)*, which authorizes the Court to review by appeal "[f]inal judgments . . . rendered by the highest court of a State in which a decision could be had . . . where is drawn in question the validity of a statute of any state on the ground of its being repugnant to the Constitution . . . and the decision is in favor of its validity." Although the Pennsylvania Supreme Court remanded the case for further proceedings to revise the rate orders, that court's judgment is final for purposes of this Court's appellate jurisdiction. The state court's last

word on Act 335's constitutionality has been presented, and all that remains is the straightforward application of its clear directive to otherwise complete rate orders. Pp. 306-307.

2. A state scheme of utility regulation, such as is involved here, does not "take" property simply because it disallows recovery of capital investments that are not "used and useful in service to the public." Pp. 307-316.

(a) Under the "prudent investment" or "historical cost" rule, a utility is compensated for all prudent investments at their actual cost when made (their "historical" cost), irrespective of whether individual investments are deemed necessary or beneficial in hindsight. It was ruled in *FPC v. Hope Natural Gas Co., 320 U.S. 591,* that historical cost was a valid basis on which to calculate utility compensation. Pp. 307-312.

(b) The Constitution does not require that subsidiary aspects of Pennsylvania's ratemaking methodology be examined piecemeal, as appellants argue. State legislatures are competent bodies to set utility rates, and the PUC is essentially an administrative arm of the legislature. Similarly, an otherwise reasonable rate is not subject to constitutional attack by questioning the theoretical consistency of the method that produced it, as appellants do here by noting Act 335's theoretical inconsistency in suddenly and selectively applying the "used and useful requirement," normally associated with the fair value method of ratesetting, in the context of Pennsylvania's system based on historical costs. Pp. 313-314.

(c) In this case, at all relevant times, Pennsylvania's rate system has been predominantly but not entirely based on historical costs, and it has not been shown that the rate orders in question as modified by Act 335 failed to give a reasonable rate of return on equity given the risk under such a regime. Therefore, Act 335's limited effect on those rate orders does not result in constitutionally impermissible rates. Pp. 314-315.

(d) But adoption of the "prudent investment" rule as the single constitutional standard of valuation would be inconsistent with the view of the Constitution that this Court has taken since *Hope Natural Gas* and would unnecessarily foreclose alternatives that could benefit both consumers and investors. The Constitution within broad limits leaves the States free to decide what ratesetting methodology best meets their needs in balancing the interests of the utility and the public. Pp. 315-316.

COUNSEL: Peter Buscemi argued the cause for appellants. With him on the briefs were Alan L. Reed, William E. Zeiter, John F. Stillmun III, James R. Edgerly, Stephen L. Feld, Christine A. Hansen, and Larry R. Crayne.

Irwin A. Popowsky argued the cause for appellees and filed a brief for appellee David M. Barasch. With him on the brief were David M. Barasch, pro se, and Daniel Clearfield. Daniel P. Delaney, Bohdan R. Pankiw, and John A. Levin filed a brief for appellee Pennsylvania Public Utility Commission. *

* Briefs of amici curiae urging reversal were filed for the Edison Electric Institute by Robert L. Baum and Peter B. Kelsey; and for the Pennsylvania Electric Association by Rex E. Lee, David W. Carpenter, Vincent Butler, and David T. Evrard.

Briefs of amici curiae urging affirmance were filed for the Consumer Federation of America et al. by Scott Hempling and Roger Colton; for the National Association of Regulatory Utility Commissioners by William Paul Rodgers, Jr.; for the National Association of State Utility Consumer Advocates by Raymon E. Lark, Jr.; and for the National Governor's Association et al. by Benna Ruth Solomon, Joyce Holmes Benjamin, Beate Bloch, and Brian J. Moline.

H. Lee Roussell and David M. Kleppinger filed a brief for Industrial Energy Consumers of Pennsylvania et al. as amici curiae.

JUDGES: REHNQUIST, C. J., delivered the opinion of the Court, in which BRENNAN, WHITE, MARSHALL, STEVENS, O'CONNOR, SCALIA, and KENNEDY, JJ., joined. SCALIA, J., filed a concurring opinion, in which WHITE and O'CONNOR, JJ., joined, post, p. 317. BLACKMUN, J., filed a dissenting opinion, post, p. 317.

OPINION BY: REHNQUIST

OPINION

[*301] [***653] [**612] CHIEF JUSTICE REHNQUIST delivered the opinion of the Court.

[***LEdHR1A] [1A]Pennsylvania law required that rates for electricity be fixed without consideration of a utility's expenditures for electrical generating facilities which were planned but never built, even though the expenditures were prudent and reasonable when made. The Supreme Court of Pennsylvania held that such a law did not take the utilities' property in violation of the *Fifth Amendment to the United States Constitution.* We agree with that conclusion, and hold that [HN1] a [*302] state scheme of utility regulation does not "take" property simply because it disallows recovery of capital investments that are not "used and useful in service to the public." *66 Pa. Cons. Stat. § 1315* (Supp. 1988).

I

In response to predictions of increased demand for electricity, Duquesne Light Company (Duquesne) and Pennsylvania Power Company (Penn Power) joined a venture in 1967 to build more generating capacity. The project, known as the Central Area Power Coordination Group (CAPCO), involved three other electric utilities and had as its objective the construction of seven large nuclear generating units. In 1980 the participants canceled plans for [**613] construction of four of the plants. Intervening events, including the Arab oil embargo and the accident at Three Mile Island, had radically changed the outlook both for growth in the demand for electricity and for nuclear energy as a desirable way of meeting that demand. At the time of the cancellation, Duquesne's share of the preliminary construction costs associated with the four halted plants was $ 34,697,389. Penn Power had invested $ 9,569,665.

[***LEdHR2A] [2A]In 1980, and again in 1981, Duquesne sought permission from the Pennsylvania Public Utility Commission (PUC) [1] to recoup its expenditures [***654] for the unbuilt plants over a 10-year period. The Commission deferred ruling on the request until it received the report from its investigation of the CAPCO construction. That report was issued in late 1982. The report found that Duquesne and Penn Power could not be faulted for initiating the construction of more nuclear generating capacity at the time they joined the CAPCO project in 1967. The projections at that time indicated a growing demand [*303] for electricity and a cost advantage to nuclear capacity. It also found that the intervening events which ultimately confounded the predictions could not have been predicted, and that work on the four nuclear plants was stopped at the proper time. In summing up, the Administrative Law Judge found "that the CAPCO decisions in regard to the [canceled plants] at every stage to their cancellation, were reasonable and prudent." App. to Juris. Statement 19h. He recommended that Duquesne and Penn Power be allowed to amortize their sunk costs in the project over a 10-year period. The PUC adopted the conclusions of the report. App. to Juris. Statement 1i.

[***LEdHR2B] [2B]

1 The PUC exercises a legislative grant of power to enforce the Pennsylvania public utilities laws. *66 Pa. Cons. Stat. § 501* (1986). "[T]he authority of the Commission must arise either from the express words of the pertinent statutes or by strong and necessary implication therefrom." *Philadelphia v. Philadelphia Electric Co., 504 Pa. 312, 317, 473 A. 2d 997, 999 (1984)* (collecting cases).

In 1982, Duquesne again came before the PUC to obtain a rate increase. Again, it sought to amortize its expenditures on the canceled plants over 10 years. In January 1983, the PUC issued a final order which granted Duquesne the authority to increase its revenues $ 105.8 million to a total yearly revenue in excess of $ 800 million. *Pennsylvania PUC v. Duquesne Light Co., 57 Pa. P. U. C. 1, 51 P. U. R. 4th 198 (1983).* The rate increase included $ 3.5 million in revenue representing the first payment of the 10-year amortization of Duquesne's $ 35 million loss in the CAPCO plants.

The Pennsylvania Office of the Consumer Advocate (Consumer Advocate) moved the PUC for reconsideration in light of a state law enacted about a month before the close of the 1982 Duquesne rate proceeding. The Act, No. 335, 1982 Pa. Laws 1473, amended the Pennsylvania Utility Code by limiting "the consideration of certain costs in the rate base." [2] It [*304] provided that [**614] "the cost of [***655] construction or expansion of a facility undertaken by a public utility producing . . . electricity shall not be made a part of the rate base nor otherwise included in the rates charged by the electric utility until such time as the facility is used and useful in service to the public." *66 Pa. Cons. Stat. § 1315* (Supp. 1988). On reconsideration, the PUC affirmed its original rate order. *Pennsylvania PUC*

v. Duquesne Light Co., 57 Pa. P. U. C. 177, 52 P. U. R. 4th 644 (1983). It read the new law as excluding the costs of canceled plants (obviously not used and useful) from the rate base, but not as preventing their recovery through amortization.

2 Act 335 amended the Pennsylvania Utility Code by adding *66 Pa. Cons. Stat. § 1315.* The relevant parts of Act 335 read as follows:

"AN ACT

"Amending Title 66 (Public Utilities) of the Pennsylvania Consolidated Statutes, providing *a limitation on the consideration of certain costs in the rate base* for electric public utilities.

. . .

"Section 1. Title 66 . . . is amended by adding a section to read:

"*§ 1315.* Limitation on consideration of certain costs for electric utilities.

"Except for such nonrevenue producing, nonexpense reducing investments as may be reasonably shown to be necessary to improve environmental conditions at existing facilities or improve safety at existing facilities or as may be required to convert facilities to the utilization of coal, *the cost of construction or expansion of a facility* undertaken by a public utility producing, generating, transmitting, distributing or furnishing electricity *shall not be made a part of the rate base nor otherwise included in the rates charged by the electric utility until such time as the facility is used and useful in service to the public.* Except as stated in this section, no electric utility property shall be deemed used and useful *until it is presently providing actual utility service to the customers.*

"Section 2. This act shall be applicable to *all proceedings pending before the Public Utility Commission and the courts at this time.* Nothing contained in this act shall be construed to modify or change existing law with regard to rate making treatment of investment in facilities of fixed utilities other than electric facilities.

"Section 3. *This act shall take effect immediately.*

"APPROVED -- The 30th day of December, A. D. 1982." (Emphasis added.)

Meanwhile another CAPCO member, Penn Power, also sought to amortize its share of the canceled CAPCO power-plants over a 10-year period. The PUC granted Penn Power authority to increase its revenues by $ 15.4 million to a total of $ 184.2 million. *Pennsylvania PUC v. Pennsylvania Power Co., 58 Pa. P. U. C. 305, 60 P. U. R. 4th 593 (1984).* Part of [*305] that revenue increase represented $ 956,967 for the first year of the 10-year amortized recovery of Penn Power's costs in the aborted nuclear plants.

The Consumer Advocate appealed both of these decisions to the Commonwealth Court, which by a divided vote held that the Commission had correctly construed *§ 1315. Cohen v. Pennsylvania PUC, 90 Pa. Commw. 98, 494 A. 2d 58 (1985).* The Consumer Advocate then appealed to the Supreme Court of Pennsylvania, and that court reversed. *Barasch v. Pennsylvania PUC, 516 Pa. 142, 532 A. 2d 325 (1987).* That court held that the controlling language of the Act prohibited recovery of the costs in question either by inclusion in the rate base or by amortization. The court rejected appellants' constitutional challenge to the statute thus interpreted, observing that "[t]he 'just compensation' safeguarded to a utility by the *fourteenth amendment of the federal constitution* is a reasonable return on the fair value of its property at the time it is being used for public service." *Id., at 163, 532 A. 2d, at 335.* Since the instant CAPCO investment was not serving the public and did not constitute an operating expense, no constitutional rights to recovery attached to it. The court remanded to the PUC for further proceedings to correct its rate order, giving effect to the exclusion required by Act 335. [3] Duquesne and Penn Power appealed to this Court arguing that the effect of Act 335 excluding their prudently incurred costs from the rate violated the *Takings Clause of the Fifth Amendment*, applicable to the States under the *Fourteenth Amendment.* We noted probable jurisdiction. *485 U.S. 933* [***656] *(1988).*

3 On October 10, 1985, too late to affect this case, the Pennsylvania Legislature enacted Act 1985-62 which added *66 Pa. Cons. Stat. § 520* (Supp. 1988) to the state utility code. Under *§ 520*, the PUC is now authorized to permit amortized recovery of prudently incurred

investment in canceled generating units.

[*306] II

[***LEdHR3] [3] [***LEdHR4] [4]Although the parties have not discussed it, we must first inquire into our jurisdiction to decide this case. See *Jackson* v. *Ashton*, 8 Pet. 148 (1834);*Mansfield C. & L. M. R. Co. v. Swan, 111 U.S. 379 (1884)*. Our jurisdiction here rests on *28 U. S. C. § 1257(2)*, which authorizes this Court to review [HN2] "[f]inal judgments or decrees rendered by the highest Court of a State in which a decision could be had . . . [b]y appeal, where is drawn in question the validity of a statute of any state on the ground of its being repugnant to the Constitution . . . and the decision is in favor of its validity." [HN3] Although this case has been remanded for further proceedings to revise [**615] the relevant rate orders, we hold that for purposes of our appellate jurisdiction the judgment of the Pennsylvania Supreme Court is final.

We have acknowledged that the words of *§ 1257(2)* could well be interpreted to preclude review in this Court as long as any proceedings remain in state court. *Radio Station WOW, Inc. v. Johnson, 326 U.S. 120, 124 (1945)*. In *Cox Broadcasting Corp. v. Cohn, 420 U.S. 469, 477 (1975)*, however, we recognized that in practice the final judgment rule has not been interpreted so strictly. *Cox* outlined four circumstances in which the adjudication of a federal issue in a case by the highest available state court had been reviewed in this Court notwithstanding the prospect of some further state-court proceedings.

This case falls into the first of the four categories. The Pennsylvania Supreme Court has finally adjudicated the constitutionality of Act 335 in the context of otherwise completed rate proceedings and so has left "the outcome of further proceedings preordained." *Cox, supra, at 479*. We do not think that the PUC might undo the effects of Act 335 on remand by allowing recovery of the disputed costs in some other way consistent with state law. The Pennsylvania Supreme Court's interpretation of the Act does not leave its [*307] effect in doubt; the CAPCO related costs may not be "otherwise included in the rates charged." *66 Pa. Cons. Stat. § 1315* (1986). [4] We are satisfied that we are presented with the State's last word on the constitutionality of Act 335 and that all that remains is the straightforward application of its clear directive to otherwise complete rate orders. We therefore have jurisdiction. See *Cox, supra, at 479*; *Mills v. Alabama, 384 U.S. 214 (1966)*.

4 As a result of recent legislation, this Court will not long have appellate jurisdiction over cases of the instant type. Public L. 100-352, 102 Stat. 662, effective September 25, 1988, and applicable to judgments rendered on or after that date, eliminates substantially all of our appellate jurisdiction, including *§ 1257(2)*. Persons aggrieved by state-court judgments should now file a petition for certiorari, rather than appeal. See S. Rep. No. 100-300 (1988); H. R. Rep. No. 100-660 (1988); B. Boskey & E. Gressman, The Supreme Court Bids Farewell to Mandatory Appeals, 109 S. Ct. LXXXI (1988).

III

As public utilities, both Duquesne [***657] and Penn Power are under a state statutory duty to serve the public. A Pennsylvania statute provides that [HN4] "[e]very public utility shall furnish and maintain adequate, efficient, safe, and reasonable service and facilities" and that "[s]uch service also shall be reasonably continuous and without unreasonable interruptions or delay." *66 Pa. Cons. Stat. § 1501* (1986). Although their assets are employed in the public interest to provide consumers of the State with electric power, they are owned and operated by private investors. This partly public, partly private status of utility property creates its own set of questions under the *Takings Clause of the Fifth Amendment*.

[***LEdHR5] [5]The guiding principle has been that [HN5] the Constitution protects utilities from being limited to a charge for their property serving the public which is so "unjust" as to be confiscatory. *Covington & Lexington Turnpike Road Co. v. Sandford, 164 U.S. 578, 597 (1896)* (A rate is too low if it is "so unjust as to destroy the value of [the] property for all the purposes for which it was acquired," and in so doing "practically [*308] deprive[s] the owner of property without due process of law"); *FPC v. Natural Gas Pipeline Co., 315 U.S. 575, 585 (1942)* ("By long standing usage in the field of rate regulation, the 'lowest reasonable rate' is one which is not confiscatory in the constitutional sense"); *FPC v. Texaco Inc., 417 U.S. 380, 391-392 (1974)* ("All that is protected against, in a constitutional sense, is that [**616] the rates fixed by the Commission be higher than a confiscatory level"). If the rate does not afford

sufficient compensation, the State has taken the use of utility property without paying just compensation and so violated the *Fifth* and *Fourteenth Amendments*. As has been observed, however, "[h]ow such compensation may be ascertained, and what are the necessary elements in such an inquiry, will always be an embarrassing question." *Smyth v. Ames, 169 U.S. 466, 546 (1898)*. See also *Permian Basin Area Rate Cases, 390 U.S. 747, 790 (1968)* ("[N]either law nor economics has yet devised generally accepted standards for the evaluation of rate-making orders").

At one time, it was thought that the Constitution required rates to be set according to the actual present value of the assets employed in the public service. This method, known as the "fair value" rule, is exemplified by the decision in *Smyth v. Ames, supra*. Under the fair value approach, a "company is entitled to ask . . . a fair return upon the value of that which it employs for the public convenience," while on the other hand, "the public is entitled to demand . . . that no more be exacted from it for the use of [utility property] than the services rendered by it are reasonably worth." *169 U.S., at 547*. In theory the *Smyth* v. *Ames* fair value standard mimics the operation of the competitive market. To the extent utilities' investments in plants are good ones (because their benefits exceed their costs) they are rewarded with an opportunity to earn an "above-cost" return, that is, a fair return on the current "market value" of the plant. To the extent utilities' investments turn out to be bad ones (such as plants that are [***658] canceled and so never used and useful to [*309] the public), the utilities suffer because the investments have no fair value and so justify no return.

Although the fair value rule gives utilities strong incentive to manage their affairs well and to provide efficient service to the public, it suffered from practical difficulties which ultimately led to its abandonment as a constitutional requirement. [5] In response to these problems, Justice Brandeis had advocated an alternative approach as the constitutional minimum, what has become known as the "prudent investment" or "historical cost" rule. He accepted the *Smyth* v. *Ames* eminent domain analogy, but concluded that what was "taken" by public utility regulation is not specific physical assets that are to be individually valued, but the capital prudently devoted to the public utility enterprise by the utilities' owners. *Missouri ex rel. Southwestern Bell Telephone Co. v. Public Service Comm'n, 262 U.S. 276, 291 (1923)* (dissenting opinion). Under the prudent investment rule, the utility is compensated for all prudent investments at their actual cost when made (their "historical" cost), irrespective of whether individual investments are deemed necessary or beneficial in hindsight. The utilities incur fewer risks, but are limited to a standard rate of return on the actual amount of money reasonably invested. [6]

5 Perhaps the most serious problem associated with the fair value rule was the "laborious and baffling task of finding the present value of the utility." *Missouri ex rel. Southwestern Bell Telephone Co. v. Public Service Comm'n, 262 U.S. 276, 292-294 (1923)* (Brandeis, J. dissenting). The exchange value of a utility's assets, such as powerplants, could not be set by a market price because such assets were rarely bought and sold. Nor could the capital assets be valued by the stream of income they produced because setting that stream of income was the very object of the rate proceeding. According to Brandeis, the *Smyth* v. *Ames* test usually degenerated to proofs about how much it would cost to reconstruct the asset in question, a hopelessly hypothetical, complex, and inexact process. *262 U.S., at 292-294*.

6 The system avoids the difficult valuation problems encountered under the *Smyth* v. *Ames* test because it relies on the actual historical cost of investments as the basis for setting the rate. The amount of a utility's actual outlays for assets in the public service is more easily ascertained by a ratemaking body because less judgment is required than in valuing an asset.

[*310] [**617] [***LEdHR6A] [6A] [***LEdHR7] [7]Forty-five years ago in the landmark case of *FPC v. Hope Natural Gas Co., 320 U.S. 591 (1944)*, this Court abandoned the rule of *Smyth* v. *Ames*, and held that [HN6] the "fair value" rule is not the only constitutionally acceptable method of fixing utility rates. In *Hope* we ruled that historical cost was a valid basis on which to calculate utility compensation. *320 U.S., at 605* ("Rates which enable [a] company to operate successfully, to maintain its financial integrity, to attract capital, and to compensate its investors for the risk assumed certainly cannot be condemned as invalid, even though they might

produce only a meager return on the so called 'fair value' rate base"). We also acknowledged in that case that all of the subsidiary aspects of valuation for ratemaking purposes could not properly be characterized as having a constitutional dimension, despite the fact that they might affect property rights to some degree. Today we reaffirm these teachings of *Hope Natural Gas*: [HN7] "[I]t [***659] is not theory but the impact of the rate order which counts. If the total effect of the rate order cannot be said to be unreasonable, judicial inquiry . . . is at an end. The fact that the method employed to reach that result may contain infirmities is not then important." *Id, at 602*. This language, of course, does not dispense with all of the constitutional difficulties when a utility raises a claim that the rate which it is permitted to charge is so low as to be confiscatory: whether a particular rate is "unjust" or "unreasonable" will depend to some extent on what is a fair rate of return given the risks under a particular ratesetting system, and on the amount of capital upon which the investors are entitled to earn that return. At the margins, these questions have constitutional overtones.

[***LEdHR8A] [8A]Pennsylvania determines rates under a slightly modified form of the historical cost/prudent investment system. [7] [**618] Neither [*311] Duquesne nor Penn Power alleges that the total effect of the rate order arrived at within this system is unjust or unreasonable. In fact the overall effect is well within the [*312] bounds of *Hope*, even with total exclusion of the [***660] CAPCO costs. Duquesne was authorized to earn a 16.14% return on common equity and an 11.64% overall return on a rate base of nearly $ 1.8 billion. See *Pennsylvania PUC v. Duquesne Light Co., 57 Pa. P. U. C., at 51, 51 P. U. R. 4th, at 243*. Its $ 35 million investment in the canceled plants comprises roughly 1.9% of its total base. The denial of plant amortization will reduce its annual allowance by 0.4%. Similarly, Penn Power was allowed a charge of 15.72% return on common equity and a 12.02% overall return. Its investment in the CAPCO plants comprises only 2.4% of its $ 401.8 million rate base. See *Pennsylvania PUC v. Pennsylvania Power Co., 58 Pa. P. U. C., at 331-332, 60 P. U. R. 4th, at 618*. The denial of amortized recovery of its $ 9.6 million investment in CAPCO will reduce its annual revenue allowance by only 0.5%.

7 Pennsylvania values property in the rate base according to its historical cost. As provided by [HN8] *66 Pa. Cons. Stat. § 1311(b)* (1986), "[t]he value of the property of the public utility included in the rate base shall be the original cost of the property when first devoted to the public service less the applicable accrued depreciation." Accordingly, the PUC declared in Duquesne's rate proceeding that "we shall adopt as the fair value of the respondent's rate base, the original cost measure of value." *Pennsylvania PUC v. Duquesne Light Co., 57 Pa. P. U. C. 1, 5, 51 P. U. R. 4th 198, 202 (1983)*. It held likewise in Penn Power's case. See *Pennsylvania PUC v. Pennsylvania Power Co., 58 Pa. P. U. C. 305, 310, 60 P. U. R. 4th 593, 597 (1984)* (same).

Having adjusted the historical cost in various ways to account for such things as depreciation and working capital, the PUC proceeds to set a rate of return based largely on the cost of capital to the enterprise. The cost of each component of the utility's capital is considered, *i. e.*, "the cost of debt, the cost of preferred stock, and the cost of common stock[,] [t]he latter being determined by the return required to sell such stock upon reasonable terms in the market." *Pennsylvania PUC v. Duquesne Light Co., supra, at 42, 51 P. U. R. 4th, at 235*; *Bluefield Water Works & Improvement Co. v. Public Service Comm'n of West Virginia, 262 U.S. 679, 692-693 (1923)*. It then exercises "informed judgment" to set the total rate of return based on these component costs of capital. *Ibid.* See also *Pennsylvania PUC v. Pennsylvania Power, supra, at 325-326, 60 P. U. R. 4th, at 611-621*.

The bulk of the rate based on capital, then, represents a return (set by costs of capital) on a rate base (determined by historical cost). These are features of the historical cost/prudent investment system. Pennsylvania has modified the system in several instances, however, when prudent investments will never be used and useful. For such occurrences it has allowed amortization *of* the capital lost, but does not allow the utility to earn a return *on* that investment. See, *e. g., Pennsylvania PUC v. Metropolitan Edison Co., 55 Pa. P. U. C. 478, 486 (1982)* (amortization of company's investment in contaminated Three Mile Island Unit 2); *Philadelphia Electric Co. v. Pennsylvania PUC, 61 Pa. Commw. 325, 433 A. 2d 620 (1981)*

(excluding from the rate base a portion of a utility's generating plant that was excess capacity, but allowing recovery of the operating expenses, including depreciation charges on the entire plants); *UGI Corp. v. Pennsylvania PUC, 49 Pa. Commw. 69, 410 A. 2d 923 (1980)* (permitting amortization of terminated feasibility studies); *Pennsylvania PUC v. Philadelphia Electric Co., 46 Pa. P. U. C. 746, 750 (1973)* (10-year amortization of unusual expenses caused by tropical storm). The loss to utilities from prudent but ultimately unsuccessful investments under such a system is greater than under a pure prudent investment rule, but less than under a fair value approach. Pennsylvania's modification slightly increases the overall risk of investments in utilities over the pure prudent investment rule. Presumably the PUC adjusts the risk premium element of the rate of return on equity accordingly.

[***LEdHR8B] [8B]Given these numbers, it appears that the PUC would have acted within the constitutional range of reasonableness if it had allowed amortization of the CAPCO costs but set a lower rate of return on equity with the result that Duquesne and Penn Power received the same revenue they will under the instant orders on remand. The overall impact of the rate orders, then, is not constitutionally objectionable. No argument has been made that these slightly reduced rates jeopardize the financial integrity of the companies, either by leaving them insufficient operating capital or by impeding their ability to raise future capital. Nor has it been demonstrated that these rates are inadequate to compensate current equity holders for the risk associated with their investments under a modified prudent investment scheme. [8]

8 Duquesne's embedded cost of debt was 9.42%. *Pennsylvania PUC v. Duquesne Light Co., 57 Pa. P. U. C., at 44, 51 P. U. R. 4th, at 237.* Penn Power's debt service was at 10.25%. *Pennsylvania PUC v. Pennsylvania Power Co., 58 Pa. P. U. C., at 332, 60 P. U. R. 4th, at 618.*

[*313] [***LEdHR9A] [9A] [***LEdHR10A] [10A]Instead, appellants argue that the Constitution requires that subsidiary aspects of Pennsylvania's ratemaking methodology be examined piecemeal. One aspect which they find objectionable is the constraint Act 335 places on the PUC's decisions. They urge that such legislative direction to the PUC impermissibly interferes with the PUC's duty to balance consumer and investor interest under *Permian Basin, 390 U.S., at 792.*Appellants also note the theoretical inconsistency of Act 335, suddenly and selectively applying the used and useful requirement, normally associated with the fair value approach, in the context of Pennsylvania's system based on historical cost. Neither of the errors appellants perceive in this case is of constitutional magnitude.

[***LEdHR9B] [9B] [***LEdHR11] [11] [***LEdHR12] [12]It cannot seriously be contended that the Constitution prevents state legislatures from giving specific instructions to their utility commissions. We have never doubted that [HN9] state legislatures are competent bodies to set utility rates. And the Pennsylvania PUC is essentially an administrative arm of the legislature. See, *e. g., Barasch v. Pennsylvania PUC, 516 Pa., at 171, 532 A. 2d, at 339* ("The Commission is but an instrumentality of the state legislature for the performance of [ratemaking]"); *Minnesota Rate Cases, 230 U.S. 352, 433 (1913)* ("The rate-making power is a legislative power [***661] and necessarily implies a range of legislative discretion"). [9] We stated in *Permian* [**619] *Basin* that the commission "must be free, within the limitations imposed by pertinent constitutional [*314] and *statutory commands*, to devise methods of regulation capable of equitably reconciling diverse and conflicting interests." *390 U.S., at 767* (emphasis added). This is not to say that any system of ratemaking applied by a utilities commission, including the specific instructions it has received from its legislature, will necessarily be constitutional. But if the system fails to pass muster, it will not be because the legislature has performed part of the work.

9 Indeed, the issue of constitutional concern has usually been just the reverse of appellants' objection. Challenges to state and federal laws have been raised on the ground that the legislatures have delegated too much authority and discretion. See *J. W. Hampton, Jr., & Co. v. United States, 276 U.S. 394 (1928)* (federal delegation of authority to set import tariff rates); *York R. Co. v. Driscoll, 331 Pa. 193, 200 A. 864 (1938)* (PUC's authorization to exempt utility securities from reporting and registration

requirements an unconstitutional delegation of legislative power under Pennsylvania Constitution because it allowed the utility to nullify the statutory reporting requirements).

[***LEdHR6B] [6B]Similarly, [HN10] an otherwise reasonable rate is not subject to constitutional attack by questioning the theoretical consistency of the method that produced it. "It is not theory, but the impact of the rate order which counts." *Hope, 320 U.S., at 602.* The economic judgments required in rate proceedings are often hopelessly complex and do not admit of a single correct result. The Constitution is not designed to arbitrate these economic niceties. Errors to the detriment of one party may well be canceled out by countervailing errors or allowances in another part of the rate proceeding. The Constitution protects the utility from the net effect of the rate order on its property. Inconsistencies in one aspect of the methodology have no constitutional effect on the utility's property if they are compensated by countervailing factors in some other aspect.

[***LEdHR1B] [1B] [***LEdHR10B] [10B]Admittedly, the impact of certain rates can only be evaluated in the context of the system under which they are imposed. [HN11] One of the elements always relevant to setting the rate under *Hope* is the return investors expect given the risk of the enterprise. *Id., at 603* ("[R]eturn to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks"); *Bluefield Water Works & Improvement Co. v. Public Service Comm'n of West Virginia, 262 U.S. 679, 692-693 (1923)* ("A public utility is entitled to such rates as will permit it to earn a return . . . equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by [*315] corresponding risks and uncertainties"). The risks a utility faces are in large part defined by the rate methodology because utilities are virtually always public monopolies dealing in an essential service, and so relatively immune to the usual market risks. Consequently, a State's decision to arbitrarily switch back and forth between methodologies in a way which required investors to bear the risk of bad investments at some times while denying them the benefit of good investments at others would raise serious constitutional questions. But the instant case does not present this question. [***662] At all relevant times, Pennsylvania's rate system has been predominantly but not entirely based on historical cost and it has not been shown that the rate orders as modified by Act 335 fail to give a reasonable rate of return on equity given the risks under such a regime. We therefore hold that Act 335's limited effect on the rate order at issue does not result in a constitutionally impermissible rate.

[***LEdHR10C] [10C]Finally we address the suggestion of the Pennsylvania Electric Association as *amicus* that the prudent investment rule should be adopted as the constitutional standard. We think that the adoption of any such rule would signal a retreat from 45 years of decisional law in this area which would be as unwarranted as it would be unsettling. *Hope* clearly held that [HN12] "the Commission was not bound to the use of [**620] any single formula or combination of formulae in determining rates." *320 U.S. at 602.* More recently, we upheld the Federal Power Commission's departure from the individual producer cost-of-service (prudent investment) system. In *Wisconsin v. FPC, 373 U.S. 294 (1963)*, the FPC had concluded after extensive hearings that "the individual company cost-of-service method, based on theories of original cost and prudent investment, was not a workable or desirable method for determining the rates of independent producers and that the 'ultimate solution' lay in what has become to be known as the area rate approach: 'the determination of fair prices . . . based on reasonable financial requirements of the industry.'" [*316] *Id., at 298-299.* In upholding the FPC's area rate methodology against the argument that the individual company prudent investment rule was constitutionally required, the Court observed:

> "[T]o declare that a particular method of rate regulation is so sanctified as to make it highly unlikely that any other method could be sustained would be wholly out of keeping with this Court's consistent and clearly articulated approach to the question of the Commission's power to regulate rates. It has repeatedly been stated that no single method need be followed by the Commission in considering the justness and reasonableness of rates." *Id., at 309* (collecting cases).

See also *FPC v. Texaco Inc., 417 U.S. at 387-390.*

The adoption of a single theory of valuation as a constitutional requirement would be inconsistent with the view of the Constitution this Court has taken since *Hope Natural Gas, supra.* As demonstrated in *Wisconsin* v. *FPC*, circumstances may favor the use of one ratemaking procedure over another. The designation of a single theory of ratemaking as a constitutional requirement would unnecessarily foreclose alternatives which could benefit both consumers and investors. [10] [HN13] The Constitution [***663] within broad limits leaves the States free to decide what ratesetting methodology best meets their needs in balancing the interests of the utility and the public.

10 For example, rigid requirement of the prudent investment rule would foreclose hybrid systems such as the one Pennsylvania used before the effective date of Act 335 and now uses again. See n. 4, *supra.* It would also foreclose a return to some form of the fair value rule just as its practical problems may be diminishing. The emergent market for wholesale electric energy could provide a readily available objective basis for determining the value of utility assets.

Affirmed.

CONCUR BY: SCALIA

CONCUR

[*317] JUSTICE SCALIA, with whom JUSTICE WHITE and JUSTICE O'CONNOR join, concurring.

I join the Court in reaffirming our established rule that no single ratemaking methodology is mandated by the Constitution, which looks to the consequences a governmental authority produces rather than the techniques it employs. See, *e. g., FPC v. Texaco Inc., 417 U.S. 380, 387-390 (1974)*; *Wisconsin v. FPC, 373 U.S. 294, 309 (1963)*; *FPC v. Hope Natural Gas Co., 320 U.S. 591, 602 (1944).* I think it important to observe, however, that while "prudent investment" (by which I mean capital reasonably expended to meet the utility's legal obligation to assure adequate service) need not be taken into account as such in ratemaking formulas, it may need to be taken into account in assessing the constitutionality of the particular consequences produced by those formulas. We cannot determine whether the payments a utility has been allowed to collect constitute a fair return on investment, and thus whether the government's action is confiscatory, unless we agree upon what the relevant "investment" is. For that purpose, all prudently incurred investment may well have to be counted. As the Court's opinion describes, that question is not presented in the [**621] present suit, which challenges techniques rather than consequences.

DISSENT BY: BLACKMUN

DISSENT

JUSTICE BLACKMUN, dissenting.

The Court, I fear, because of what it regards as the investment of time in having this case argued and briefed, is strong-arming the finality concept and finding a *Cox* exception that does not exist. We have jurisdiction, under *28 U. S. C. § 1257*, only if there is a "final judgment" by the "highest court of a State" in which a decision could be had. To be sure, we have interpreted *§ 1257* somewhat flexibly to the effect that the finality requirement is satisfied in four discrete situations despite the need of further proceedings in the state courts: *Cox Broadcasting Corp. v. Cohn, 420 U.S. 469, 477 (1975).*

[*318] The Court here concludes that this case falls within the first of the four *Cox* exceptions ("the outcome of further proceedings preordained," *id., at 479*). With all respect, I disagree, for this case concerns rates, and there is no rate order whatsoever before this Court. The Supreme Court of Pennsylvania invalidated the rate orders set by the Pennsylvania Commission, and remanded the cases for further ratemaking. The Court deludes itself when it speaks of preordination of the Commission's further action. New rates will be set, based upon factors we do not as yet know, and only then will a final [***664] judgment possibly emerge in due course.

I therefore would dismiss the appeal for want of the final judgment that *§ 1257* requires.

REFERENCES

26 Am Jur 2d, Eminent Domain 157-160; *64 Am Jur 2d, Public Utilities 79, 88, 89, 126, 127, 138, 144-153, 189-206, 240*

20 Am Jur Pl & Pr Forms (Rev), Public Utilities, Forms 35-37, 92-95

15 Am Jur Legal Forms 2d, Public Utilities 215:14

USCS, *Constitution, Amendment 5*

US L Ed Digest, Eminent Domain 103; Public Utilities 17

Index to Annotations, Electricity and Electric Companies; Eminent Domain; Public Service Commissions; Rates and Charges; Utilities

Annotation References:

Supreme Court's views as to what constitutes "taking," within meaning of *Fifth Amendment's* prohibition against taking of private property for public use without just compensation. *89 L Ed 2d 977.*

What judgment or decree of state court in civil cases is final for purpose of review by United States Supreme Court under *28 USCS 1257* and similar predecessors. *29 L Ed 2d 872.*

EXHIBIT
A-20
ADMITTED

GOODMAN WATER COMPANY

PROPOSED SETTLEMENT AGREEMENT

DOCKET NO. W-02500A-10-0382

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The purpose of this Settlement Agreement ("Agreement") is to settle identified disputed issues related to Docket No. W-02500A-10-0382, Goodman Water Company's ("Goodman" or "Company") application to increase rates. This Agreement is entered into by the following entities:

Goodman Water Company

James Schoemperlen

Lawrence Wawrzyniak

Residential Utility Consumer Office

These entities shall be referred to collectively as "Signatory Parties."

TERMS AND CONDITIONS

The following numbered paragraphs comprise the Signatory Parties' Agreement.

I. RECITALS

1.1 Docket No. W-02500A-10-0382 was commenced by the filing of a rate application by Goodman on September 17, 2010. In its initial application, Goodman was requesting an increase in revenues equal to $291,083, or 50.82 percent, for a total revenue requirement of $863,834, and a FVRB of $2,397,419.

1.2 On November 8, 2010, the Residential Utility Consumer Office ("RUCO") filed an Application to Intervene. On November 24, 2010, Mr. Lawrence Wawrzyniak and Mr. James Schoemperlen, residents of the Eagle Crest Ranch subdivision ("Eagle Crest") and customers of Goodman, filed an Application to Intervene.

1.3 The Commission approved the applications to intervene filed by RUCO, and James Schoemperlen and Lawrence Wawrzyniak, (collectively "Individual Intervenors").

1.4 The Commission scheduled an evidentiary hearing on the rate application to commence on June 14, 2011.

1.5 In an Open Meeting on February 2, 2011, the Commission voted to hold a public comment meeting in this matter for the residents of Eagle Crest and interested parties in or near the local service area.

1.6 On February 15, 2010, the Commission issued a Procedural Order scheduling a public comment meeting for May 18, 2011 at the Desertview Performing Arts Center in Saddlebrooke, Arizona.

1.7 Numerous residents and interested parties attended the public comment meeting and voiced their concern and anger towards the Company for the proposed rate increase. According to public comment, given the difficult economic times, a proposed rate increase of over 50% would cause great economic hardship on the residents of Eagle Crest. In addition, the filing of the requested rate increase has caused a significant rift in the Eagle Crest community as residents looked upon the Company and its requested rate increase with great suspicion, skepticism and resentment.

1.8 On May 27, 2011, the Commission issued a Procedural Order continuing the evidentiary hearing scheduled for June 14, 2011 to July 26, 2011. Because the hearing in this matter has been publicly noticed to commence on June 14, 2011, the Commission conducted public comment on that date. Again, numerous residents and interested parties attended the public comment meeting and voiced their concerns, skepticism and resentment towards the Company and the proposed rate increase.

1.9 The parties' litigation positions for hearing associated with proposed revenue increase and FVRB were as follows:

	Revenue Increase	% Increase	FVRB
Company	$260,649	43.85%	$2,298,376
Staff	$202,604	34.08%	$2,077,253
RUCO	$603,174	1.47%	$1,755,118
Intervenors	$-77,517	-13.04%	$1,317,239
Settlement	**$138,000**	**23.21%**	**$1,755,118**

1.10 The hearing in this matter commenced on July 26, 2011 and continued through July 28, 2011, but did not conclude. At the end of the third day of the hearing, all parties agreed that the matter would reconvene on September 12 and 13, 2011, at the Arizona Corporation Commission's Tucson offices.

1.11 Shortly after the hearing concluded, representatives of Goodman approached RUCO to inquire as to whether RUCO and the Individual Intervenors would be interested in a possible settlement of the issues contested in the rate case. Given the amount of anger and resentment towards the Company in the Eagle Crest Community resulting from the filing of the rate case, the principals of Goodman decided to reach out to the Intervenors and the community, in an effort to reach an agreement that would be acceptable to all interested parties and begin to heal the rift in the Community.

1.12 Given the relative litigation positions of RUCO and the Individual Intervenors (see, paragraph 1.9 above), the Company decided to first explore settlement with those parties before involving the Commission's Staff ("Staff"). It was the Company's rationale that they did not want to waste Staff resources in pursuing settlement if an agreement could not first be reached with RUCO and the Individual Intervenors.

1.13 The Signatory Parties agree that the negotiation process undertaken in this matter was open to all Intervenors and provided all Intervenors with an equal opportunity to participate. All Intervenors were notified of the settlement process and encouraged to participate.

1.14 On or about August 19, 2011, a settlement conference was scheduled at the offices of RUCO. In attendance were representatives of Goodman, RUCO, Mr. Schoemperlen and Mr. Wawrzyniak. On August 26, 2011, a second settlement meeting was held in the vicinity of Eagle Crest with the same parties in attendance. In addition, both principals of Goodman were present. Staff was not yet a party to the settlement negotiations. Subsequently, the Staff was apprised of the contents of the Settlement Agreement and indicated that it did not intend to become a party to the same.

1.15 The points of contention that were discussed were as follows: overall revenue increase; fair value rate base; excess capacity; phase-in of rates; rate design; and stay out provision. The parties present agreed that the settlement would take the form of a "black box" format in which only the specific issues identified herein would be agreed to but that no specific revenue/expense, or rate base adjustments would be specifically delineated.

1.16 The purpose of this Agreement is to settle all issues presented by Docket No. W-02500A-10-0382 ("Rate Case") in a manner that will promote the public interest.

1.17 The Signatory Parties agree that the terms of this Agreement will serve the public interest by providing a just and reasonable resolution of the issues presented by Goodman's rate case, Docket No. W-02500A-10-0382. The adoption of this Agreement will further serve the public interest by allowing all parties to avoid the expense and delay associated with continued protracted litigation; and, by allowing the residents of the Eagle Crest community and the Company to heal the rift which had developed between them for the benefit of all concerned.

II. REVENUE REQUIREMENT/RATE BASE

2.1 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that GWC will receive a total increase of $138,000 and a total revenue requirement of 732,459.

2.2 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree for purposes of Docket No. W-02500-10-0382 that fair value rate base is $1,755,118.

2.3 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that as a condition of approval of this Agreement, the Commission will authorize Goodman to defer $269,307 of accumulated depreciation through the end of the test year and to defer the recording of annual depreciation of $44,136 on utility plant currently in service, which is not included in rate base for purposes of this rate case, during the "Stay Out" period set forth in paragraph 2.8 below.

2.4 For ratemaking purposes and for the purposes of this Agreement, the Company agrees that there will be no interest recovered on the deferred depreciation expense described in paragraph 2.3 above.

2.5 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties reach no conclusion as to whether or not any "excess" capacity may or may not exist at this time on the Company's system. Any determination of "excess" capacity, if raised as

an issue in a future rate proceeding, will be determined on the basis of the then existing circumstances.

2.6 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree to the following three (3) year phase-in of the Company's new rates, with (i) no compounding between annual increases, and (ii) the Company waiving its right to foregone revenues and any interest thereon:

Year 1:	11.60%
Year 2:	5.80%
Year 3:	5.80%

2.7 For ratemaking purposes and for the purposes of this Agreement, phased-in rates shall adjust as described in paragraph 2.6 above no earlier than 12 months after new rates go into effect. This translates to 50 percent of the revenue increase included in rates in Year 1, an additional 25% of the revenue increase included in rates in Year 2, and 25% of the revenue increase included in rates in Year 3.

2.8 For ratemaking purposes and for the purposes of this Agreement, the Company agrees not to file for another permanent increase in its rates for water service until at least January 1, 2015, using a test year no earlier than the twelve (12) months ended December 31, 2014. The Company retains the right to file for interim "emergency" rates, if necessary.

2.9 For ratemaking purposes and for the purposes of this Agreement, the Company's new rates shall be based upon the rate design proposed in the Commission Staff's Surrebuttal Testimony.

2.10 The rate design schedule and its average monthly impact on customers is attached hereto and made a part hereof as Exhibit A. For a 5/8 x 3/4-inch meter residential customer, consuming 5,520 gallons, the average monthly impact under the settlement will be $7.57 or 11.3 percent in the first year of the proposed phase-in period. For a ¾ inch meter residential customer, consuming 6,028 gallons, the average monthly impact under the settlement will be $8.21 or 9.0 percent in the first year of the proposed phase-in period.

III. COMMISSION EVALUATION OF PROPOSED SETTLEMENT

3.1 This Agreement shall serve as a procedural device by which the Signatory Parties will submit their proposed settlement of Goodman's pending rate case, Docket No. W-

02500A-10-0382, to the Commission. This Agreement will not have any binding force or effect until its provisions are adopted as an order of the Commission.

3.2 The Signatory Parties recognize that the Commission will independently consider and evaluate the terns of this Agreement.

3.3 If the Commission issues an order adopting all material terms of this Agreement, such action shall constitute Commission approval of the Agreement. Thereafter, the Signatory Parties shall abide by the terms as approved by the Commission.

3.4 The Signatory Parties agree to defend the Settlement Agreement and agree to waive their rights to appeal a Commission decision approving the same, provided that the Commission approves all material provisions of the Settlement Agreement.

3.5 Within sixty days after the Commission issues an order in this matter, the Company shall file compliance tariffs for Staff review and approval. Subject to such review and approval, such compliance tariffs will become effective upon filing for billing cycles on and after that date.

3.6 If the Commission fails to issue an order adopting all material terms of this Agreement or adds material terms to this Agreement, any or all of the Signatory Parties may withdraw from this Agreement, and such Signatory Party or Parties may pursue without prejudice their respective remedies at law. For the purposes of this Agreement, whether a term is material shall be left to the discretion of the Signatory Party choosing to withdraw from the Agreement. If a Signatory Party withdraws from the Agreement pursuant to this paragraph and files an application for rehearing, the other Signatory Parties shall support the application for rehearing by filing a document to that effect with the Commission.

IV. MISCELLANEOUS PROVISIONS

4.1 Nothing in this Agreement shall be construed as an admission by any of the Signatory Parties that any of the positions taken by any Signatory Party in this proceeding is unreasonable or unlawful. In addition, acceptance of this Agreement by any of the Signatory Parties is without prejudice to any position taken by any party in these proceedings.

4.2 This Agreement represents the Signatory Parties' mutual desire to compromise and settle disputed issues in a manner consistent with the public interest. None of the positions taken in this Agreement by any of the Signatory Parties may be referred to, cited, or relied upon as precedent in any proceeding before the Commission, any other regulatory agency, or any court for any purpose except in furtherance of this Agreement.

4.3 This case presents a unique set of circumstances and has attracted a large number of ratepayers and residents. To achieve consensus for settlement, participants may be

accepting positions that, in any other circumstances, they would be unwilling to accept. They are doing so because the Agreement, as a whole, with its various provisions for settling the unique issues presented by this case, is consistent with their long-term interests and with the broad public interest. The acceptance by any Signatory Party of a specific element of this Agreement shall not be considered as precedent for acceptance of that element in any other context.

4.4 All negotiations relating to this Agreement are privileged and confidential. No Signatory Party is bound by any position asserted in negotiations, except as expressly stated in this Agreement. Evidence of conduct or statements made in the course of negotiating this Agreement shall not be admissible before this Commission, any other regulatory agency, or any court.

4.5 This Agreement shall be adopted by the Commission in an order that approves all material terms of the Agreement, including all modifications made by the Commission and approved by the Signatory Parties in such an order.

4.6 Each of the terms and conditions of the Agreement is in consideration and support of all other terms. A ccordingly, the terms are not severable.

4.7 The Signatory Parties shall make reasonable and good faith efforts necessary to obtain a Commission Order approving this Agreement. The Signatory Parties shall support and defend this Agreement before the Commission. If the Commission adopts an order approving all material terms of this Agreement, the Parties will support and defend the Commission's order before any court or regulatory agency in which it may be at issue.

4.8 This Agreement may be executed in any number of counterparts and by each individual Signatory Party on separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument. This Agreement may also be executed electronically or by facsimile.

Executed this 15th day of September, 2011.

GOODMAN WATER COMPANY

By _____
James A.Shiner
Goodman Water Company
President

RESIDENTIAL UTUILITY CONSUMER OFFICE

By _____
Jodi A. Jerich, Esq.
Residential Utility Consumer Office
Attorneys for Residential Utility
Consumer Office

INTERVENOR

By _____ 9/15/11
James Schoemperlen

INTERVENOR

By Lawrence Wawrzyniak

Lawrence Wawrzyniak

EXHIBIT A

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
RESIDENTIAL & COMMERCIAL RATE DESIGN IN YEAR 1 OF SETTLEMENT PHASE-IN

DOCKET NO. W-02500A-10-0382

LINE NO.	DESCRIPTION					PRESENT RATES	COMPANY PROPOSED	PROPOSED SETTLEMENT AGREEMENT
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**							
2								
3	(RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS)							
4	5/8 - INCH					$42.20	$52.20	$40.94
5	3/4 - INCH					63.30	78.30	61.41
6	1 - INCH					105.50	130.50	102.35
7	1 1/2 - INCH					211.50	261.01	204.70
8	2 - INCH					339.68	417.61	327.52
9	3 - INCH					675.20	835.22	614.10
10	4 - INCH					1,055.00	1,305.04	1,023.50
11	6 - INCH					2,110.00	2,610.07	2,047.00
12	8 - INCH					0.00	0.00	4,094.00
13	10 - INCH					0.00	0.00	8,188.00
14								
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**							
16								
17	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS					0	0	0
18								
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**							
20								
21	5/8 - INCH							
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	3,000	GALLONS:	$ 3.95	$ 6.28	$ 4.140
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	3,001	TO	9,000	GALLONS:	$ 5.91	$ 11.27	$ 8.410
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		9,000	GALLONS:	$ 7.11	$ 13.41	$ 9.481
25								
26	3/4 - INCH							
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	3,000	GALLONS:	$ 3.95	$ 6.28	$ 4.140
28	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		9,000	GALLONS:	$ 5.91	$ 11.27	$ 8.410
29	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		9,000	GALLONS:	$ 7.11	$ 13.41	$ 9.481
30								
31	1 - INCH							
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	22,500	GALLONS:	$ 5.91	$ 11.27	$ 8.410
33	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.41	$ 9.481
34	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ -	$ 13.41	$ -
35								
36	1 1/2 - INCH							
37	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	34,000	GALLONS:	$ 5.91	$ 11.27	$ 8.410
38	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.41	$ 9.481
39	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
40								
41	2 - INCH							
42	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	45,000	GALLONS:	$ 5.91	$ 11.27	$ 8.410
43	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	45,001	TO	999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.41	$ 9.481
44	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
45								
46	3 - INCH							
47	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	68,000	GALLONS:	$ 5.91	$ 11.27	$ 8.410
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	68,001	TO	999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.41	$ 9.481
49	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
50								
51	4 - INCH							
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	90,000	GALLONS:	$ 5.91	$ 11.27	$ 8.410
53	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	90,001	TO	999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.41	$ 9.481
54	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
55								
56	6 - INCH							
57	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	135,000	GALLONS:	$ 5.91	$ 11.27	$ 8.410
58	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	135,001	TO	999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.41	$ 9.481
59	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
60								
61	8 - INCH							
62	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:	$ 5.91	$ 10.92	$ 8.410
63	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.13	$ 9.481
64	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
65								
66	10 - INCH							
67	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:	$ 5.91	$ 10.92	$ 8.410
68	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.13	$ 9.481
69	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
RESIDENTIAL & COMMERCIAL RATE DESIGN IN YEAR 2 OF SETTLEMENT PHASE-IN

DOCKET NO. W-02500A-10-0382

LINE NO.	DESCRIPTION	PRESENT RATES	COMPANY PROPOSED	PROPOSED SETTLEMENT AGREEMENT
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**			
2				
3	(RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS)			
4	5/8 - INCH	$42.20	$52.20	$43.19
5	3/4 - INCH	63.30	78.30	64.79
6	1 - INCH	105.50	130.50	107.98
7	1 1/2 - INCH	211.50	261.01	215.95
8	2 - INCH	339.68	417.61	345.52
9	3 - INCH	675.20	835.22	647.85
10	4 - INCH	1,055.00	1,305.04	1,079.75
11	6 - INCH	2,110.00	2,610.07	2,159.50
12	8 - INCH	0.00	0.00	4,319.00
13	10 - INCH	0.00	0.00	8,638.00
14				
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**			
16				
17	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS	0	0	0
18				
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**			
20				
21	5/8 - INCH			
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 3,000 GALLONS:	$ 3.95	$ 6.28	$ 4.350
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - 3,001 TO 9,000 GALLONS:	$ 5.91	$ 11.27	$ 8.830
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 9,000 GALLONS:	$ 7.11	$ 13.41	$ 9.993
25				
26	3/4 - INCH			
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 3,000 GALLONS:	$ 3.95	$ 6.28	$ 4.350
28	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 9,000 GALLONS:	$ 5.91	$ 11.27	$ 8.830
29	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 9,000 GALLONS:	$ 7.11	$ 13.41	$ 9.993
30				
31	1 - INCH			
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 22,500 GALLONS:	$ 5.91	$ 11.27	$ 8.830
33	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 999,999,999,999,999,000 GALLONS:	$ 7.11	$ 13.41	$ 9.993
34	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 999,999,999,999,999,000 GALLONS:	$ -	$ 13.41	$ -
35				
36	1 1/2 - INCH			
37	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 34,000 GALLONS:	$ 5.91	$ 11.27	$ 8.830
38	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 999,999,999,999,999,000 GALLONS:	$ 7.11	$ 13.41	$ 9.993
39	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 999,999,999,999,999,000 GALLONS:	$ -	$ -	$ -
40				
41	2 - INCH			
42	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 45,000 GALLONS:	$ 5.91	$ 11.27	$ 8.830
43	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - 45,001 TO 999,999,999,999,999,000 GALLONS:	$ 7.11	$ 13.41	$ 9.993
44	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 999,999,999,999,999,000 GALLONS:	$ -	$ -	$ -
45				
46	3 - INCH			
47	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 68,000 GALLONS:	$ 5.91	$ 11.27	$ 8.830
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - 68,001 TO 999,999,999,999,999,000 GALLONS:	$ 7.11	$ 13.41	$ 9.993
49	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 999,999,999,999,999,000 GALLONS:	$ -	$ -	$ -
50				
51	4 - INCH			
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 90,000 GALLONS:	$ 5.91	$ 11.27	$ 8.830
53	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - 90,001 TO 999,999,999,999,999,000 GALLONS:	$ 7.11	$ 13.41	$ 9.993
54	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 999,999,999,999,999,000 GALLONS:	$ -	$ -	$ -
55				
56	6 - INCH			
57	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 135,000 GALLONS:	$ 5.91	$ 11.27	$ 8.830
58	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - 135,001 TO 999,999,999,999,999,000 GALLONS:	$ 7.11	$ 13.41	$ 9.993
59	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 999,999,999,999,999,000 GALLONS:	$ -	$ -	$ -
60				
61	8 - INCH			
62	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 0 GALLONS:	$ 5.91	$ 10.92	$ 8.830
63	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 999,999,999,999,999,000 GALLONS:	$ 7.11	$ 13.13	$ 9.993
64	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 999,999,999,999,999,000 GALLONS:	$ -	$ -	$ -
65				
66	10 - INCH			
67	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - ZERO TO 0 GALLONS:	$ 5.91	$ 10.92	$ 8.830
68	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 999,999,999,999,999,000 GALLONS:	$ 7.11	$ 13.13	$ 9.993
69	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) - OVER 999,999,999,999,999,000 GALLONS:	$ -	$ -	$ -

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
RESIDENTIAL & COMMERCIAL RATE DESIGN IN YEAR 3 OF SETTLEMENT PHASE-IN

DOCKET NO. W-02500A-10-0382

LINE NO.	DESCRIPTION						PRESENT RATES	COMPANY PROPOSED	PROPOSED SETTLEMENT AGREEMENT
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**								
2									
3	(RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS)								
4	5/8 - INCH						$42.20	$52.20	$45.25
5	3/4 - INCH						63.30	78.30	67.88
6	1 - INCH						105.50	130.50	113.13
7	1 1/2 - INCH						211.50	261.01	226.25
8	2 - INCH						339.68	417.61	362.00
9	3 - INCH						675.20	835.22	678.75
10	4 - INCH						1,055.00	1,305.04	1,131.25
11	6 - INCH						2,110.00	2,610.07	2,262.50
12	8 - INCH						0.00	0.00	4,525.00
13	10 - INCH						0.00	0.00	9,050.00
14									
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**								
16									
17	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS						0	0	0
18									
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**								
20									
21	5/8 - INCH								
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	3,000	GALLONS:		$ 3.95	$ 6.28	$ 4.560
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	3,001	TO	9,000	GALLONS:		$ 5.91	$ 11.27	$ 9.300
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		9,000	GALLONS:		$ 7.11	$ 13.41	$ 10.600
25									
26	3/4 - INCH								
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	3,000	GALLONS:		$ 3.95	$ 6.28	$ 4.560
28	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		9,000	GALLONS:		$ 5.91	$ 11.27	$ 9.300
29	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		9,000	GALLONS:		$ 7.11	$ 13.41	$ 10.600
30									
31	1 - INCH								
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	22,500	GALLONS:		$ 5.91	$ 11.27	$ 9.300
33	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:		$ 7.11	$ 13.41	$ 10.600
34	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:		$ -	$ 13.41	$ -
35									
36	1 1/2 - INCH								
37	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	34,000	GALLONS:		$ 5.91	$ 11.27	$ 9.300
38	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:		$ 7.11	$ 13.41	$ 10.600
39	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:		$ -	$ -	$ -
40									
41	2 - INCH								
42	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	45,000	GALLONS:		$ 5.91	$ 11.27	$ 9.300
43	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	45,001	TO	999,999,999,999,999,000	GALLONS:		$ 7.11	$ 13.41	$ 10.600
44	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:		$ -	$ -	$ -
45									
46	3 - INCH								
47	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	68,000	GALLONS:		$ 5.91	$ 11.27	$ 9.300
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	68,001	TO	999,999,999,999,999,000	GALLONS:		$ 7.11	$ 13.41	$ 10.600
49	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:		$ -	$ -	$ -
50									
51	4 - INCH								
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	90,000	GALLONS:		$ 5.91	$ 11.27	$ 9.300
53	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	90,001	TO	999,999,999,999,999,000	GALLONS:		$ 7.11	$ 13.41	$ 10.600
54	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:		$ -	$ -	$ -
55									
56	6 - INCH								
57	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	135,000	GALLONS:		$ 5.91	$ 11.27	$ 9.300
58	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	135,001	TO	999,999,999,999,999,000	GALLONS:		$ 7.11	$ 13.41	$ 10.600
59	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:		$ -	$ -	$ -
60									
61	8 - INCH								
62	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:		$ 5.91	$ 10.92	$ 9.300
63	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:		$ 7.11	$ 13.13	$ 10.600
64	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:		$ -	$ -	$ -
65									
66	10 - INCH								
67	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:		$ 5.91	$ 10.92	$ 9.300
68	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:		$ 7.11	$ 13.13	$ 10.600
69	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:		$ -	$ -	$ -

Goodman Water Company
Test Year Ended December 31, 2009

Docket No. W-02500A-10-0382

PROPOSED SETTLEMENT AGREEMENT TYPICAL BILL ANALYSIS
Residential, Commercial and Misc. 5/8 X 3/4 - Inch Meter - Year 1 of Phase-In

Average Number of Customers: 531

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,520	$66.98	$94.45	$27.47	41.0%
Median Usage	4,500	$60.96	$82.96	$22.00	36.1%
Proposed Settlement Agreement					
Average Usage	5,520	$66.98	$74.55	$7.57	11.3%
Median Usage	4,500	$60.96	$65.98	$5.02	8.2%

Present & Proposed Rates (Without Taxes)
Residential, Commercial and Misc. 5/8 X 3/4 - Inch Meter - Year 1 of Phase-In

Gallons of Consumption	Present Rates	Company Proposed Rates	% Increase	Proposed Settlement Agreement Rates	% Increase
0	$42.20	$52.20	23.7%	$40.94	-3.0%
1,000	46.15	58.48	26.7%	45.08	-2.3%
2,000	50.10	64.76	29.3%	49.22	-1.8%
3,000	54.05	71.04	31.4%	53.36	-1.3%
4,000	58.00	77.32	33.3%	61.77	6.5%
4,500	60.96	82.96	36.1%	65.98	8.2%
5,000	63.91	88.59	38.6%	70.18	9.8%
5,520	66.98	94.45	41.0%	74.55	11.3%
6,000	69.82	99.86	43.0%	78.59	12.6%
7,000	75.73	111.13	46.7%	87.00	14.9%
8,000	81.64	122.40	49.9%	95.41	16.9%
9,000	87.55	133.67	52.7%	103.82	18.6%
10,000	94.66	147.08	55.4%	113.30	19.7%
11,000	101.77	160.49	57.7%	122.78	20.6%
12,000	108.88	173.90	59.7%	132.26	21.5%
13,000	115.99	187.31	61.5%	141.74	22.2%
14,000	123.10	200.72	63.1%	151.23	22.8%
15,000	130.21	214.13	64.4%	160.71	23.4%
16,000	137.32	227.54	65.7%	170.19	23.9%
17,000	144.43	240.95	66.8%	179.67	24.4%
18,000	151.54	254.36	67.9%	189.15	24.8%
19,000	158.65	267.77	68.8%	198.63	25.2%
20,000	165.76	281.18	69.6%	208.11	25.5%
25,000	201.31	348.23	73.0%	255.52	26.9%
30,000	236.86	415.28	75.3%	302.92	27.9%
35,000	272.41	482.33	77.1%	350.33	28.6%
40,000	307.96	549.38	78.4%	397.73	29.2%
45,000	343.51	616.43	79.5%	445.14	29.6%
50,000	379.06	683.48	80.3%	492.54	29.9%
75,000	556.81	1,018.73	83.0%	729.57	31.0%
100,000	734.56	1,353.98	84.3%	966.59	31.6%

Goodman Water Company
Test Year Ended December 31, 2009

Docket No. W-02500A-10-0382

PROPOSED SETTLEMENT AGREEMENT TYPICAL BILL ANALYSIS
Residential, Commercial and Misc. 5/8 X 3/4 - Inch Meter - Year 2 of Phase-In

Average Number of Customers: 531

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,520	$66.98	$94.45	$27.47	41.0%
Median Usage	4,500	$60.96	$82.96	$22.00	36.1%
Proposed Settlement Agreement					
Average Usage	5,520	$66.98	$78.49	$11.51	17.2%
Median Usage	4,500	$60.96	$69.49	$8.53	14.0%

Present & Proposed Rates (Without Taxes)
Residential, Commercial and Misc. 5/8 X 3/4 - Inch Meter - Year 2 of Phase-In

Gallons of Consumption	Present Rates	Company Proposed Rates	% Increase	Proposed Settlement Agreement Rates	% Increase
0	$42.20	$52.20	23.7%	$43.19	2.3%
1,000	45.95	58.48	27.3%	47.54	3.5%
2,000	49.90	64.76	29.8%	51.89	4.0%
3,000	53.85	71.04	31.9%	56.24	4.4%
4,000	57.80	77.32	33.8%	65.07	12.6%
4,500	60.96	82.96	36.1%	69.49	14.0%
5,000	63.91	88.59	38.6%	73.90	15.6%
5,520	66.98	94.45	41.0%	78.49	17.2%
6,000	69.82	99.86	43.0%	82.73	18.5%
7,000	75.73	111.13	46.7%	91.56	20.9%
8,000	81.64	122.40	49.9%	100.39	23.0%
9,000	87.55	133.67	52.7%	109.22	24.8%
10,000	94.66	147.08	55.4%	119.21	25.9%
11,000	101.77	160.49	57.7%	129.21	27.0%
12,000	108.88	173.90	59.7%	139.20	27.8%
13,000	115.99	187.31	61.5%	149.19	28.6%
14,000	123.10	200.72	63.1%	159.19	29.3%
15,000	130.21	214.13	64.4%	169.18	29.9%
16,000	137.32	227.54	65.7%	179.17	30.5%
17,000	144.43	240.95	66.8%	189.16	31.0%
18,000	151.54	254.36	67.9%	199.16	31.4%
19,000	158.65	267.77	68.8%	209.15	31.8%
20,000	165.76	281.18	69.6%	219.14	32.2%
25,000	201.31	348.23	73.0%	269.11	33.7%
30,000	236.86	415.28	75.3%	319.07	34.7%
35,000	272.41	482.33	77.1%	369.04	35.5%
40,000	307.96	549.38	78.4%	419.00	36.1%
45,000	343.51	616.43	79.5%	468.97	36.5%
50,000	379.06	683.48	80.3%	518.93	36.9%
75,000	556.81	1,018.73	83.0%	768.76	38.1%
100,000	734.56	1,353.98	84.3%	1,018.58	38.7%

Goodman Water Company
Test Year Ended December 31, 2009

Docket No. W-02500A-10-0382

PROPOSED SETTLEMENT AGREEMENT TYPICAL BILL ANALYSIS
Residential, Commercial and Misc. 5/8 X 3/4 - Inch Meter - Year 3 of Phase-In

Average Number of Customers: 531

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,520	$66.98	$94.45	$27.47	41.0%
Median Usage	4,500	$60.96	$82.96	$22.00	36.1%
Proposed Settlement Agreement					
Average Usage	5,520	$66.98	$82.37	$15.38	23.0%
Median Usage	4,500	$60.96	$72.88	$11.93	19.6%

Present & Proposed Rates (Without Taxes)
Residential, Commercial and Misc. 5/8 X 3/4 - Inch Meter - Year 3 of Phase-In

Gallons of Consumption	Present Rates	Company Proposed Rates	% Increase	Proposed Settlement Agreement Rates	% Increase
0	$42.20	$52.20	23.7%	$45.25	7.2%
1,000	45.95	58.48	27.3%	49.81	8.4%
2,000	49.90	64.76	29.8%	54.37	9.0%
3,000	53.85	71.04	31.9%	58.93	9.4%
4,000	57.80	77.32	33.8%	68.23	18.0%
4,500	60.96	82.96	36.1%	72.88	19.6%
5,000	63.91	88.59	38.6%	77.53	21.3%
5,520	66.98	94.45	41.0%	82.37	23.0%
6,000	69.82	99.86	43.0%	86.83	24.4%
7,000	75.73	111.13	46.7%	96.13	26.9%
8,000	81.64	122.40	49.9%	105.43	29.1%
9,000	87.55	133.67	52.7%	114.73	31.0%
10,000	94.66	147.08	55.4%	125.33	32.4%
11,000	101.77	160.49	57.7%	135.93	33.6%
12,000	108.88	173.90	59.7%	146.53	34.6%
13,000	115.99	187.31	61.5%	157.13	35.5%
14,000	123.10	200.72	63.1%	167.73	36.3%
15,000	130.21	214.13	64.4%	178.33	37.0%
16,000	137.32	227.54	65.7%	188.93	37.6%
17,000	144.43	240.95	66.8%	199.53	38.1%
18,000	151.54	254.36	67.9%	210.13	38.7%
19,000	158.65	267.77	68.8%	220.73	39.1%
20,000	165.76	281.18	69.6%	231.33	39.6%
25,000	201.31	348.23	73.0%	284.33	41.2%
30,000	236.86	415.28	75.3%	337.33	42.4%
35,000	272.41	482.33	77.1%	390.33	43.3%
40,000	307.96	549.38	78.4%	443.33	44.0%
45,000	343.51	616.43	79.5%	496.33	44.5%
50,000	379.06	683.48	80.3%	549.33	44.9%
75,000	556.81	1,018.73	83.0%	814.33	46.2%
100,000	734.56	1,353.98	84.3%	1,079.33	46.9%

Goodman Water Company
Test Year Ended December 31, 2009

Docket No. W-02500A-10-0382

PROPOSED SETTLEMENT AGREEMENT TYPICAL BILL ANALYSIS
Residential, Commercial and Misc. 3/4 - Inch Meter - Year 1 of Phase-In

Average Number of Customers: 86

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	6,028	$91.09	$126.28	$35.19	38.6%
Median Usage	4,500	$82.06	$109.06	$27.00	32.9%
Proposed Settlement Agreement					
Average Usage	6,028	$91.09	$99.30	$8.21	9.0%
Median Usage	4,500	$82.06	$86.45	$4.39	5.4%

Present & Proposed Rates (Without Taxes)
Residential, Commercial and Misc. 3/4 - Inch Meter - Year 1 of Phase-In

Gallons of Consumption	Present Rates	Company Proposed Rates	% Increase	Proposed Settlement Agreement Rates	% Increase
0	$63.30	$78.30	23.7%	$61.41	-3.0%
1,000	67.15	84.58	26.0%	65.55	-2.4%
2,000	71.20	90.86	27.6%	69.69	-2.1%
3,000	75.15	97.14	29.3%	73.83	-1.8%
4,000	79.10	103.42	30.7%	82.24	4.0%
4,500	82.06	109.06	32.9%	86.45	5.4%
5,000	85.01	114.69	34.9%	90.65	6.6%
6,000	90.92	125.96	38.5%	99.06	9.0%
6,028	91.09	126.28	38.6%	99.30	9.0%
7,000	96.83	137.23	41.7%	107.47	11.0%
8,000	102.74	148.50	44.5%	115.88	12.8%
9,000	108.65	159.77	47.1%	124.29	14.4%
10,000	115.76	173.18	49.6%	133.77	15.6%
11,000	122.87	186.59	51.9%	143.25	16.6%
12,000	129.98	200.00	53.9%	152.73	17.5%
13,000	137.09	213.41	55.7%	162.21	18.3%
14,000	144.20	226.82	57.3%	171.70	19.1%
15,000	151.31	240.23	58.8%	181.18	19.7%
16,000	158.42	253.64	60.1%	190.66	20.3%
17,000	165.53	267.05	61.3%	200.14	20.9%
18,000	172.64	280.46	62.5%	209.62	21.4%
19,000	179.75	293.87	63.5%	219.10	21.9%
20,000	186.86	307.28	64.4%	228.58	22.3%
25,000	222.41	374.33	68.3%	275.99	24.1%
30,000	257.96	441.38	71.1%	323.39	25.4%
35,000	293.51	508.43	73.2%	370.80	26.3%
40,000	329.06	575.48	74.9%	418.20	27.1%
45,000	364.61	642.53	76.2%	465.61	27.7%
50,000	400.16	709.58	77.3%	513.01	28.2%
75,000	577.91	1,044.83	80.8%	750.04	29.8%
100,000	755.66	1,380.08	82.6%	987.06	30.6%

Goodman Water Company
Test Year Ended December 31, 2009

Docket No. W-02500A-10-0382

PROPOSED SETTLEMENT AGREEMENT TYPICAL BILL ANALYSIS
Residential, Commercial and Misc. 3/4 - Inch Meter - Year 2 of Phase-In

Average Number of Customers: 86

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	6,028	$91.09	$126.28	$35.19	38.6%
Median Usage	4,500	$82.06	$109.06	$27.00	32.9%
Proposed Settlement Agreement					
Average Usage	6,028	$91.09	$104.58	$13.49	14.8%
Median Usage	4,500	$82.06	$91.09	$9.03	11.0%

Present & Proposed Rates (Without Taxes)
Residential, Commercial and Misc. 3/4 - Inch Meter - Year 2 of Phase-In

Gallons of Consumption	Present Rates	Company Proposed Rates	% Increase	Proposed Settlement Agreement Rates	% Increase
0	$63.30	$78.30	23.7%	$64.79	2.4%
1,000	67.15	84.58	26.0%	69.14	3.0%
2,000	71.20	90.86	27.6%	73.49	3.2%
3,000	75.15	97.14	29.3%	77.84	3.6%
4,000	79.10	103.42	30.7%	86.67	9.6%
4,500	82.06	109.06	32.9%	91.09	11.0%
5,000	85.01	114.69	34.9%	95.50	12.3%
6,000	90.92	125.96	38.5%	104.33	14.7%
6,028	91.09	126.28	38.6%	104.58	14.8%
7,000	96.83	137.23	41.7%	113.16	16.9%
8,000	102.74	148.50	44.5%	121.99	18.7%
9,000	108.65	159.77	47.1%	130.82	20.4%
10,000	115.76	173.18	49.6%	140.81	21.6%
11,000	122.87	186.59	51.9%	150.81	22.7%
12,000	129.98	200.00	53.9%	160.80	23.7%
13,000	137.09	213.41	55.7%	170.79	24.6%
14,000	144.20	226.82	57.3%	180.79	25.4%
15,000	151.31	240.23	58.8%	190.78	26.1%
16,000	158.42	253.64	60.1%	200.77	26.7%
17,000	165.53	267.05	61.3%	210.76	27.3%
18,000	172.64	280.46	62.5%	220.76	27.9%
19,000	179.75	293.87	63.5%	230.75	28.4%
20,000	186.86	307.28	64.4%	240.74	28.8%
25,000	222.41	374.33	68.3%	290.71	30.7%
30,000	257.96	441.38	71.1%	340.67	32.1%
35,000	293.51	508.43	73.2%	390.64	33.1%
40,000	329.06	575.48	74.9%	440.60	33.9%
45,000	364.61	642.53	76.2%	490.57	34.5%
50,000	400.16	709.58	77.3%	540.53	35.1%
75,000	577.91	1,044.83	80.8%	790.36	36.8%
100,000	755.66	1,380.08	82.6%	1,040.18	37.7%

Goodman Water Company
Test Year Ended December 31, 2009

Docket No. W-02500A-10-0382

PROPOSED SETTLEMENT AGREEMENT TYPICAL BILL ANALYSIS
Residential, Commercial and Misc. 3/4 - Inch Meter - Year 3 of Phase-In

Average Number of Customers: 86

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	6,028	$91.09	$126.28	$35.19	38.6%
Median Usage	4,500	$82.06	$109.06	$27.00	32.9%
Proposed Settlement Agreement					
Average Usage	6,028	$91.09	$109.72	$18.63	20.5%
Median Usage	4,500	$82.06	$95.51	$13.46	16.4%

Present & Proposed Rates (Without Taxes)
Residential, Commercial and Misc. 3/4 - Inch Meter - Year 3 of Phase-In

Gallons of Consumption	Present Rates	Company Proposed Rates	% Increase	Proposed Settlement Agreement Rates	% Increase
0	$63.30	$78.30	23.7%	$67.88	7.2%
1,000	67.15	84.58	26.0%	72.44	7.9%
2,000	71.20	90.86	27.6%	77.00	8.1%
3,000	75.15	97.14	29.3%	81.56	8.5%
4,000	79.10	103.42	30.7%	90.86	14.9%
4,500	82.06	109.06	32.9%	95.51	16.4%
5,000	85.01	114.69	34.9%	100.16	17.8%
6,000	90.92	125.96	38.5%	109.46	20.4%
6,028	91.09	126.28	38.6%	109.72	20.5%
7,000	96.83	137.23	41.7%	118.76	22.6%
8,000	102.74	148.50	44.5%	128.06	24.6%
9,000	108.65	159.77	47.1%	137.36	26.4%
10,000	115.76	173.18	49.6%	147.96	27.8%
11,000	122.87	186.59	51.9%	158.56	29.0%
12,000	129.98	200.00	53.9%	169.16	30.1%
13,000	137.09	213.41	55.7%	179.76	31.1%
14,000	144.20	226.82	57.3%	190.36	32.0%
15,000	151.31	240.23	58.8%	200.96	32.8%
16,000	158.42	253.64	60.1%	211.56	33.5%
17,000	165.53	267.05	61.3%	222.16	34.2%
18,000	172.64	280.46	62.5%	232.76	34.8%
19,000	179.75	293.87	63.5%	243.36	35.4%
20,000	186.86	307.28	64.4%	253.96	35.9%
25,000	222.41	374.33	68.3%	306.96	38.0%
30,000	257.96	441.38	71.1%	359.96	39.5%
35,000	293.51	508.43	73.2%	412.96	40.7%
40,000	329.06	575.48	74.9%	465.96	41.6%
45,000	364.61	642.53	76.2%	518.96	42.3%
50,000	400.16	709.58	77.3%	571.96	42.9%
75,000	577.91	1,044.83	80.8%	836.96	44.8%
100,000	755.66	1,380.08	82.6%	1,101.96	45.8%

EXHIBIT
A-21
ADMITTED

LAWRENCE V. ROBERTSON, JR.
Attorney At Law
P.O. Box 1448
Tubac, Arizona 85646
(520) 398-0411
Attorney for Applicant

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

PREPARED TESTIMONY OF

JAMES A. SHINER

ON BEHALF OF GOODMAN WATER COMPANY

IN SUPPORT OF THE SETTLEMENT AGREEMENT

October 4, 2011

Q.1 Please state your name and business address.

A.1 My name is James A. Shiner, and my business address is 6340 N. Campbell Avenue, Suite 278, Tucson, Arizona 85718.

Q.2 What is your relationship with Goodman Water Company ("Company")?

A.2 I am President of the Company and a member of the Board of Directors. In addition, I am one of the three (3) owners of the Company; and, in this testimony in support of the proposed Settlement Agreement, dated September 15, 2011 ("Settlement Agreement"), I am speaking on behalf of all of the Company's owners and directors.

Q.3 Are you the same James A. Shiner who has previously testified on behalf of the Company in this proceeding?

A.3 Yes.

Q.4 What is the nature and scope of your testimony at this time?

A.4 I will be discussing those factors which influenced the owners and directors of the Company to agree to the terms of the Settlement Agreement, which reflects significant concessions by the Company vis-à-vis its litigation position(s) during previous stages of the evidentiary hearings in this case. Mr. Thomas J. Bourassa, the Company's utility rate consultant, will be presenting testimony regarding the details of the Settlement Agreement and the ratemaking matters therein addressed.

Q.5 What are the factors which occasioned the willingness of the Company and its owners and directors to (i) enter into settlement negotiations with

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representatives of the Residential Utility Consumer Office ("RUCO") and the Individual Intervenors, James Schoemperlen and Lawrence Wawrzyniak; and, (ii) agree to make the significant concessions to which you previously referred?

A.5 There were two (2) central factors. The first was a genuine desire by the Company's owners and directors to endeavor to address and heal the very severe rift which had developed between the Company and its customers, the residents of the Eagle Crest Ranch community, as a result of the Company's September 17, 2010 rate increase application. While we had an awareness of customer unhappiness with the proposed rate increase shortly after the application was filed, the depth and intensity of that dissatisfaction and its implications for the future relationship between the Company and its customers became increasingly evident with each passing hearing day and public comment session. The Company's owners and directors intend to have a long-term relationship with the Company's customers. Thus, we concluded that it was in the Company's interest (i) to sincerely explore the possibility of a settlement of this rate case; and, (ii) to be willing to make significant concessions vis-à-vis the Company's previous litigation position(s) in this case, as long as we did not jeopardize or unduly burden the Company's near- and long-term financial circumstances.

The second factor influencing the decision to explore and ultimately reach agreement with RUCO and Messrs. Schoemperlen and Wawrzyniak was the realization that the Company would never fully recover the costs of prosecuting this case, even if the Commission's final decision provided for recognition of the $160,000 in rate case expense we had most recently proposed, and the Commission's Staff had supported, amortized over four (4) years. As of mid-

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August of this year, the Company's actual incurred rate case expense was over $250,000. In addition, we were looking at two (2) or more days of evidentiary hearings when we reconvened in September. Further, there would have been additional consultant and attorneys' fees associated with post-hearing briefs, possible Exceptions to the Recommended Opinion and Order ("ROO") and appearing at the Open Meeting at which the ROO would be considered by the Commission and a final decision rendered on the Company's application. In all likelihood, the Company would never recover these additional expenditures, and there was an increasing possibility that they could (if not would) offset (if not eclipse) the Company's requested increase in rates. Thus, the prospect of bringing the rate case to an earlier conclusion was worth pursuing.

In summary, these two (2) factors played a critical role in our decision to participate in the settlement negotiations which thereafter occurred, and in our willingness to make the concessions we made to reach a settlement. I should also note, parenthetically, that the lower rates contained in the proposed settlement agreement, coupled with a more positive community environment has the potential to yield marginally better home sales and additional connections.

Q.6 Which of these two (2) factors was the most important to the Company?

A.6 They were both very important, but for the different reasons I have just described. However, I cannot emphasize enough the desire of the Company's owners and directors to make a genuine effort to try and heal the rift that had developed between the Company and its customers, in order that collectively we might work together to make Eagle Crest Ranch one of southern Arizona's more desirable living areas.

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In that regard, I want to express our deep appreciation for the constructive and forward-looking approach that Messrs. Schoemperlen and Wawrzyniak brought to the settlement negotiations; and, also, our appreciation for the positive and facilitating role which RUCO contributed to the process throughout. The residents of the Eagle Crest Ranch community were very well represented by those three (3) parties.

Q.7 Did you participate in the settlement negotiations?

A.7 Yes, both directly and indirectly. Alexander Sears and I personally participated in the final (and definitive) negotiating session which occurred in the Eagle Crest Ranch vicinity on August 26, 2011. Mr. Sears is the majority shareholder and also Chairman of the Company's Board of Directors. Previously, he and I had been intimately involved with the other members of the Company's settlement negotiating team in (i) developing the Company's initial settlement proposal and (ii) analyzing the responses of Messers. Schoemperlen and Wawrzyniak and RUCO to that proposal. Because Mr. Sears and I were each out-of-state, we were not able to attend the initial settlement negotiation session at RUCO's offices on August 19, 2011.

Q.8 Why was the Commission's Staff not invited to participate initially in the settlement negotiations?

A.8 Basically, there were two (2) circumstances which influenced (from our perspective) the decision not to initially include the Commission Staff in the discussions. The first circumstance was the fact that the Company and the Commission's Staff were not that far apart relatively speaking in terms of the

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amount of rate increase which the Company should be granted, whereas, the Company and RUCO and the Individual Intervenors were the proverbial "miles apart." Accordingly, we decided to focus on ascertaining whether or not that distance could be closed to a mutually acceptable "mid-point."

The second circumstance was the limited timeframe within which we were attempting to arrange for and conduct settlement negotiations. Given previous scheduling commitments of the various people who would be involved, and how those preexisting commitments would in turn limit the days upon which everyone could meet for settlement negotiating purposes, we decided to initially focus on Messrs. Schoemperlen and Wawrzyniak and RUCO for the reason I have previously mentioned.

Third, I was told Commission Staff had no objection to this approach.

Q.9 Did the Company intend to ultimately explore the prospect of settlement of the rate case with the Commission's Staff?

A.9 Yes, that was our intent all along. In that regard, one of our rate case attorneys (Mr. Robertson) orally advised one of the Commission Staff attorneys (Ms. Vohra) sometime in mid-August while he was at the Commission in Phoenix on other business that some preliminary settlement negotiations were about to begin with Messrs. Schoemperlen and Wawrzyniak and RUCO. I have since heard that there may have been a misunderstanding between them as to the scope of matters to be addressed in those negotiations. But, clearly our intent was to advise the Commission's Staff of the pendency of such negotiations.

Finally, I want to emphasize that at no time did the Company or the members of its settlement negotiating team ever intend, in any manner, to offend

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the Commission's Staff or discount its importance in this case; and, if the seriatim approach we took to the settlement negotiations had that unintended effect, I sincerely apologize.

Q.10 Do the Company and its owners and directors believe that the proposed Settlement Agreement should be approved by the Commission?

A.10 Yes, we do and we strongly support the same. I will defer to Messrs. Schoemperlen and Wawrzyniak and RUCO to articulate their respective positions and underlying reasons, but I believe that their support is equally strong.

Q.11 What about the position of the Commission's Staff?

A.11 As of the time of the filing of this testimony, I do not know what position the Commission Staff has decided to adopt. It is my understanding that at a meeting with representatives of RUCO, the Company and Mr. Wawrzyniak on September 8, 2011, the Commission's Staff did indicate that it would not be a signatory party to the Settlement Agreement, since it had not been a participant in the negotiations which resulted in the same.

I understand the position of the Commission's Staff in that regard. However, following evaluation of the Settlement Agreement and testimony of those signatory parties supporting the same, it is the Company's hope that the Commission's Staff will decide to either support or take no position on the Settlement Agreement.

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Q.12 Does this conclude your prepared testimony in support of the Settlement Agreement?

A.12 Yes, it does. As I previously indicated, Mr. Bourassa's prepared testimony in support of the Settlement Agreement will be discussing the details of that document.

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EXHIBIT
A-22
ADMITTED

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Attorney for Applicant

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

PREPARED TESTIMONY OF

THOMAS J. BOURASSA

ON BEHALF OF GOODMAN WATER COMPANY

IN SUPPORT OF THE SETTLEMENT AGREEMENT

October 4, 2011

I. INTRODUCTION AND PURPOSE OF TESTIMONY.

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

Q2. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?

A2. On behalf of the applicant, Goodman Water Company ("GWC" or the "Company").

Q3. HAVE YOU PREVIOUSLY SUBMITTED DIRECT, REBUTTAL, AND REJOINDER TESTIMONY IN THE INSTANT CASE?

A3. Yes, my direct testimony was submitted in support of the initial application in this docket. There were two volumes, one addressing rate base, income statement and rate design, and the other addressing cost of capital. My rebuttal testimony was also submitted in two separate volumes. My rejoinder testimony was also submitted in two volumes. Each of those testimonies included my associated schedules.

Q4. WHAT IS THE PURPOSE OF THIS SETTLEMENT TESTIMONY?

A4. I will provide testimony in support of the proposed Settlement Agreement between the Company, RUCO, and the intervenors; Mr. Wawrzyniak and Mr. Schoemperlen.

Q5. WHAT ARE THE KEY POINTS OF CONTENTION THAT ARE ADDRESSED IN THE PROPOSED SETTLEMENT AGREEMENT?

A5. The proposed Settlement Agreement addresses at least two major points of

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contention. First, the final positions of signatory parties regarding "excess capacity", the revenue requirement, and required increase are significantly different. Second, there is a fair amount of anger and resentment towards the Company in the Eagle Crest Community resulting from the rate case.

Q6. THE SIGNATORIES TO THE SETTLEMENT AGREEMENT AGREED THAT THE SETTLMENT WOULD TAKE THE FORM A "BLACK BOX" SETTLMENT FORMAT. WHAT IS A "BLACK BOX" SETTLEMENT?

A6. A "black box" settlement means that although the parties agree on the revenue requirement, they do not agree on certain principles or positions and therefore do not assign specific amounts to any item or assign specific details on how the revenue requirement was determined.

Q7. UNDER THE "BLACK BOX" SETTLEMENT FORMAT, ONLY THE SPECIFIC ISSUES IDENTIFIED ARE AGREED TO BY THE SIGNATORY PARTIES, BUT NO SPECIFIC REVENUE/EXPENSE, OR RATE BASE ADJUSTMENTS ARE SPECIFICALLY DELINEATED. WHY IS SUCH A FORMAT IN THE PUBLIC INTEREST?

A7. "Black box" settlements are sometimes the only way to resolve issues among parties in a rate case.

Q8. PLEASE IDENTIFY THE TOTAL REVENUE INCREASE AND REVENUE REQUIREMENT AGREED TO IN THE PROPOSED SETTLEMENT AGREEMENT AND HOW DOES IT COMPARE TO THE PARTIES FINAL POSITIONS IN THE CASE?

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A8. The signatory parties agree to a rate increase of $138,000 and a total revenue requirement of $732,459. The positions of the parties at this stage of the proceeding with respect to the revenue requirement and rate increase are:

	Revenue Requirement	Revenue Incr.	% Increase
RUCO	$ 603,174	$ 8,715	1.47%[1]
Staff	$ 775,283	$ 202,604	34.08%[2]
Interveners	$ 498,047	$ (74,704)[3]	-13.04%[4]
Company	$ 855,107	$ 260,648	43.85%[5]

Q9. PLEASE IDENTIFY THE FAIR VALUE RATE BASE AGREED TO IN THE PROPOSED SETTLEMENT AGREEMENT AND HOW DOES IT COMPARE TO THE REJOINDER AND/OR SURREBUTTAL POSITIONS OF THE PARTIES IN THE INSTANT CASE?

A9. The agreed upon fair value rate base ("FVRB") is $1,755,118. The positions of the parties at this stage of the proceeding with respect to the rate base are:

	OCRB	FVRB
RUCO	$ 1,755,188	$ 1,755,118[6]
Staff	$ 2,077,253	$ 2,077,253[7]
Interveners	$ 1,317,239	$ 1,317,239[8]

[1] RUCO Surrebuttal Testimony of Timothy J. Coley.

[2] Staff Revised Schedules of Gordon L. Fox received on August 17, 2011.

[3] Company proposed direct adjusted test year revenue of $572,751 minus $498,047 as shown in Schoemperlen Surrebuttal Schedule D on page 15 of Surrebuttal Testimony of James Schoemperlen.

[4] $(74,704) divided by $572,751.

[5] Goodman Rejoinder Testimony of Thomas J. Bourassa.

[6] RUCO Surrebuttal Testimony of Timothy J. Coley.

[7] Surrebuttal Testimony of James Schoemperlen.

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Company Rejoinder	$ 2,298,376	$ 2,298,376[9]

Q10. IN PARAGRAPH 2.3 OF THE PROPOSED SETTLEMENT AGREEMENT, THE SIGNATORY PARTIES AGREE THAT AS A CONDTION OF APPROVAL OF THIS AGREEMENT, THE COMMISSION SHOULD AUTHORIZE GOODMAN TO DEFER $269,307 OF ACCUMULATED DEPRECIATION THROUGH THE END OF THE TEST YEAR AND TO DEFER ANNUAL DEPRECIATION OF $44,136 ON UTILITY PLANT CURRENTLY IN SERVICE. PLEASE EXPLAIN THIS PROVISION.

A10. This provision recognizes that the agreed upon revenue requirement and lower rate base does not recognize certain plant and equipment constructed since the last rate case. This provision is a key provision as the Company's rates have not and will not include depreciation at least until the next rate case some time after January 1, 2015.

Q11. WILL THE COMPANY BE SEEKING ANY INTEREST ON THE DEFERRED DEPRECIATION EXPENSE DESCRIBED ABOVE?

A11. No.

Q12. IN PARAGRAPH 2.5, THE SIGNATORY PARTIES AGREE TO DEFER THE ISSUE OF EXCESS CAPACITY AT THIS TIME. WHAT IS THE SIGNIFICANCE OF DEFERRING THIS ISSUE?

A12. Since the signatory parties could not agree on the issue of the existence of "excess

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[8] $(74,704) divided by $572,751.

[9] Goodman Rejoinder Testimony of Thomas J. Bourassa.

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capacity", the resolution of this issue is deferred until the next rate case.

Q13. WHAT IS THE TOTAL PERCENT RATE INCREASE AGREED TO BY THE SIGNATORY PARTIES AND HOW DOES THIS COMPARE TO THE REJOINDER AND/OR SURREBUTTAL POSITIONS OF THE PARTIES IN THE INSTANT CASE?

A13. As stated earlier, the rate increase is $138,000 or an increase over the adjusted test year revenues of 23.2%.

Q14. IN PARAGRAPH 2.6, THE SIGNATORY PARTIES AGREE TO A THREE (3) YEAR PHASE-IN OF THE RATE INCREASE. HOW IS THIS A FURTHER BENEFIT TO THE RATE PAYERS?

A14. The phase-in spreads out the overall rate increase of 23.2% over three years mitigating the impact of the rate increase on rate payers. The rate payers will see a rate increase at the average usage of 11.8% in the first year, a 5.8% increase in year two, and a 5.8% increase in year three.

Q15. WILL THE COMPANY BE SEEKING RECOVERY OF THE FOREGONE REVENUES AND INTEREST ASSOCIATED WITH THOSE REVENUES?

A15. No. This is another benefit to rate payers as there will be no "hang-over" effect at the end of the phase-in period. Typically, recovery of the foregone revenues requires a rather substantial increase in rates for some period of time at the end of the phase-in period. This provision will result in a savings to rate payers.

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Q16. IN PARAGRAPH 2.8, THE COMPANY AGREES NOT TO FILE FOR ANOTHER PERMANENT INCREASE IN RATES FOR WATER SERVICE UNTIL AT LEAST JANUARY 1, 2015, USING A TEST YEAR NO EARLIER THAN THE 12 MONTHS ENDED DECEMBER 31, 2014. IS THIS ALSO A BENEFIT TO RATE PAYERS?

A16. Absolutely. The rate payers will have the assurance that the Company will not seek additional revenue until at least 2015.

Q17. PLEASE INDENTIFY THE RATES UNDER THE PROPOSED SETTLEMENT AGREEMENT?

A17. The final proposed rates are:

All Classes

Meter Size	Monthly Minimum	Gallons included in Monthly Minimum
5/8	$ 45.25	0
3/4	$ 67.88	0
1	$ 113.13	0
1 1/2	$ 226.25	0
2	$ 362.00	0
3	$ 678.75	0
4	$1,131.25	0
6	$2,282.50	0

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The commodity charges and tiers by meter size are:

Residential, Commercial and Irrigation Class

Meter Size	Tier (gallons)	Charge per 1,000 gallons
5/8x3/4 Inch	1 to 3,000	$ 4.560
	3,001 to 10,000	$ 9.300
	Over 10,000	$10.600
3/4 Inch	1 to 3,000	$ 4.560
	3,001 to 9,000	$ 9.300
	Over 9,000	$10.600
1 Inch	1 to 22,500	$ 9.300
	Over 22,500	$10.600
1 ½ Inch	1 to 34,000	$ 9.300
	Over 34,000	$10.600
2 Inch	1 to 45,000	$ 9.300
	Over 45,000	$10.600
3 Inch	1 to 68,000	$ 9.300
	Over 68,000	$10.600
4 Inch	1 to 90,000	$ 9.300
	Over 90,000	$10.600
6 Inch	1 to 135,000	$ 9.300
	Over 135,000	$10.600

Standpipe (Construction)

All Meter Sizes	All gallons	$10.600

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The rate will be phased-in as follows:

YEAR 1

All Classes

Meter Size	Monthly Minimum	Gallons included in Monthly Minimum
5/8	$ 40.94	0
3/4	$ 61.41	0
1	$ 102.35	0
1 1/2	$ 204.70	0
2	$ 327.52	0
3	$ 614.10	0
4	$1,023.50	0
6	$2,047.00	0

The commodity charges and tiers by meter size are:

Residential, Commercial and Irrigation Class

Meter Size	Tier (gallons)	Charge per 1,000 gallons
5/8x3/4 Inch	1 to 3,000	$ 4.140
	3,001 to 10,000	$ 8.410
	Over 10,000	$ 9.481
3/4 Inch	1 to 3,000	$ 4.140
	3,001 to 9,000	$ 8.410
	Over 9,000	$ 9.481
1 Inch	1 to 22,500	$ 8.410

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	Over 22,500	$ 9.481
1 ½ Inch	1 to 34,000	$ 8.410
	Over 34,000	$ 9.481
2 Inch	1 to 45,000	$ 8.410
	Over 45,000	$ 9.481
3 Inch	1 to 68,000	$ 8.410
	Over 68,000	$ 9.481
4 Inch	1 to 90,000	$ 8.410
	Over 90,000	$ 9.481
6 Inch	1 to 135,000	$ 8.410
	Over 135,000	$ 9.481
Standpipe (Construction)		
All Meter Sizes	All gallons	$ 9.481

YEAR 2

All Classes

Meter Size	Monthly Minimum	Gallons included in Monthly Minimum
5/8	$ 43.19	0
3/4	$ 64.79	0
1	$ 107.98	0
1 1/2	$ 215.95	0
2	$ 345.52	0
3	$ 647.85	0

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4	$1,079.75	0
6	$2,159.00	0

The commodity charges and tiers by meter size are:

Residential, Commercial and Irrigation Class

Meter Size	Tier (gallons)	Charge per 1,000 gallons
5/8x3/4 Inch	1 to 3,000	$ 4.350
	3,001 to 10,000	$ 8.830
	Over 10,000	$ 9.993
3/4 Inch	1 to 3,000	$ 4.350
	3,001 to 9,000	$ 8.830
	Over 9,000	$ 9.993
1 Inch	1 to 22,500	$ 8.830
	Over 22,500	$ 9.993
1 ½ Inch	1 to 34,000	$ 8.830
	Over 34,000	$ 9.993
2 Inch	1 to 45,000	$ 8.830
	Over 45,000	$ 9.993
3 Inch	1 to 68,000	$ 8.830
	Over 68,000	$ 9.993
4 Inch	1 to 90,000	$ 8.830
	Over 90,000	$ 9.993
6 Inch	1 to 135,000	$ 8.830
	Over 135,000	$ 9.993

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Standpipe (Construction)

All Meter Sizes	All gallons	$ 9.993

YEAR 3

All Classes

Meter Size	Monthly Minimum	Gallons included in Monthly Minimum
5/8	$ 45.25	0
3/4	$ 67.88	0
1	$ 113.13	0
1 1/2	$ 226.25	0
2	$ 362.00	0
3	$ 678.75	0
4	$1,131.25	0
6	$2,282.50	0

The commodity charges and tiers by meter size are:

Residential, Commercial and Irrigation Class

Meter Size	Tier (gallons)	Charge per 1,000 gallons
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	Over 10,000	$10.600
3/4 Inch	1 to 3,000	$ 4.560
	3,001 to 9,000	$ 9.300

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	Over 9,000	$10.600
1 Inch	1 to 22,500	$ 9.300
	Over 22,500	$10.600
1 ½ Inch	1 to 34,000	$ 9.300
	Over 34,000	$10.600
2 Inch	1 to 45,000	$ 9.300
	Over 45,000	$10.600
3 Inch	1 to 68,000	$ 9.300
	Over 68,000	$10.600
4 Inch	1 to 90,000	$ 9.300
	Over 90,000	$10.600
6 Inch	1 to 135,000	$ 9.300
	Over 135,000	$10.600
Standpipe (Construction)		
All Meter Sizes	All gallons	$10.600

Q18. DO YOU BELIEVE THAT THE COMMISSION'S ADOPTION OF THE PROPOSED SETTLEMENT AGREEMENT STRIKES A FAIR BALANCE OF THE INTERESTS BETWEEN THE COMPANY AND RATE PAYERS?

A18. Yes, under the circumstances of the instant case I believe the proposed Settlement Agreement strikes a fair balance between the Company and its rate payers.

Q20. DOES THAT CONCLUDE YOUR TESTIMONY?

A20. Yes.

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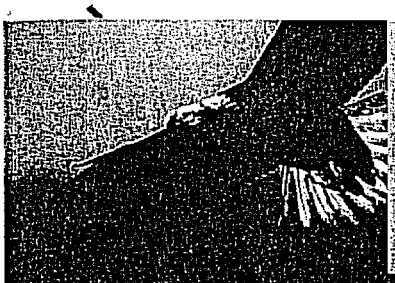
A-23



Eagle Crest Ranch Newsletter

October 2011

Lewis Management Resources Inc. - An Associa Company

EXHIBIT A-23

Sign of the Times...

Some of the residents of Eagle Crest Ranch have lost their homes to foreclosure. These homes are being left vacant and the front yards of these properties are starting to look bad. Weeds are taking over and trash is scattered throughout the yards. Please report vacant homes to Lewis Management Resources. If Lewis Management and the Eagle Crest Homeowners Association can determine the home is indeed vacant, they can have the property cleaned up and charge the owner (bank) the cost of the clean-up.

Is My Tree Coming Back?

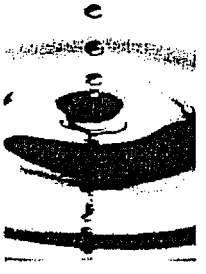
Our Community is dotted with many dead trees and plants from the hard freeze we had in February. These dead plants that are in HOA common area are going to be mapped and removed. The Homeowners Executive Advisory Committee (HEAC) and the landscape committee will be putting a plant replacement plan together in the near future. The goal is to replace these dead plants with a variety that use less water. This will lower the water bill for the HOA.

Dead trees and plants on homeowner property are the property owner's responsibility. The HEAC will be sending out reminder letters to those owners this month. It is the right time in the season to remove plants and replace them with new ones. If you have dead plants on your property and would like to replace them with another species, please fill out an architectural review submittal form and submit it to Lewis Management Resources and they will forward it to the architectural review committee (ARC). Please do not start any landscaping projects or exterior modifications without ARC approval. ARC submittal forms can be downloaded from the HOA web site www.eaglecrestranch.org.

Community Yard Sale

The Eagle Crest Ranch community yard sale will be held on October 29, 2011. This date is in conjunction with the Saddlebrook yard sale. Having the sale at the same time as Saddlebrook will increase traffic for our sale. The Golden Goose resale shop will be driving around after the sale to pick up any unsold items that residents would like to donate. If you have any questions regarding the sale please feel free to contact Lewis Management.

Goodman Water Rate Increase



On Monday, October 3, 2011, the residents of Eagle Crest Ranch had a Town Hall meeting to learn the details of a proposed settlement agreement between the Intervenors and Goodman Water Company (GWC). This agreement is between the Intervenors and GWC. It is not an agreement between Eagle Crest Ranch Homeowners Association (ECR) and GWC. Of course the residents of ECR will benefit if this proposed settlement is approved by the ACC.

The meeting agenda was:

- Introductions / Meeting Procedures
- Intervenors update: Jim Schoemperlen, Larry Wawrzyniak and RUCO

(Continued on page 2)

You can contact Lewis Management Resources at (520) 742-5674 or www.lmri.org. Your association manager is Jason Marx.

Lewis Management and their parent company Associa are offering some services that are very beneficial to you as a homeowner in Eagle Crest Ranch. Associa Advantage (www.associaadvantage.com) offers homeowners exclusive discounts and coupons on merchandise and services that every homeowner can use. Associeerge (www.associerge.com) is a virtual concierge service that is free to all residents in Eagle Crest Ranch. Please check out these free services.

Communications Committee:

Steve Moncure will be assuming responsibility for updating and maintaining the community website by the end of this month, as well as responsibility for maintenance of the-mail list from Wayne and Betsy King. The community thanks them for their service. We hope to minimize any problems that may arise during this transition period. Any resident who would like to submit materiel for possible inclusion on the website or newsletter, please feel free to send them to Steve at smoncure1@msn.com.

Goodman Water Rate Increase

(Continued from page 1)

- Senator Melvin: Legislation Update
- Public Comment Period

The meeting was called to order at 6:30 PM and adjourned at 8:00 PM. Many residents stayed after the meeting to talk with the speakers.

Jim Schoemperlen opened the meeting with a thorough explanation of the pro's and con's of the proposed settlement and detailed the financial implications. Negotiations resulted in a lower proposed rate. Instead of an immediate 49% increase in year 1 there will be a 23.2% increase phased in over 4 years consisting of 11.6% in year 1, 5.8% in years 2 & 3 and 0% year 4. This equates to an effective 4.7% increase annually over the 4 year period).

Larry Wawrzyniak explained what has changed over the last year concerning the analysis by the ACC Staff on the capacity of GWC. He gave a detailed technical explanation of how this analysis effects the perceived and legal position of GWC. He explained how the proposed settlement does not limit ECR from future negotiations on the capacity issue.

The Director of the Residential Utilities Consumer Office (RUCO), Ms. Jodi Jerich, and some of her staff (Mr. Dan Pozefsky, Chief Counsel and Mr. Bill Rigsby, Finance and Rate Base Analyst) drove from Phoenix to support the meeting. The residents of Eagle Crest Ranch were very grateful for their presence at this very important meeting.

Senator Al Melvin spoke on plans for future "Rate Payer Bill of Rights" legislation. He has always and will continue to support our community. His comments were inspiring and set the bar high for all of us.

The majority of the residents were accepting of the settlement proposal that the Interveners and RUCO crafted. Based on the applause and comments after the meeting, the majority of Eagle Crest Ranch residents in attendance want the ACC commissioners to agree with this settlement.

There were 125 residents in attendance. Only three residents spoke against the proposed settlement. One resident even asked "why can't we just agree with GWC and be done with this". After the meeting, another resident that was totally opposed to the agreement, commented he had changed his mind. He said "I am in favor of this agreement after what I heard tonight".

In a follow up action, Senator Melvin has been asked to draft a letter to the ACC commissioners requesting that they approve the settlement

News from the Streets

We are all aware of the street parking problems in Eagle Crest Ranch. This is a safety concern as emergency vehicles have a hard time maneuvering through the neighborhood when cars are parked in the street. Street parking is in violation of the HOA covenants conditions and restrictions (CC&Rs). The safety committee is currently issuing parking violation stickers to those cars parked in the streets. These violators are reported to Lewis Management who will send violation letters to those individuals. This program is working, and will continue to limit street parking within Eagle Crest Ranch.

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED
FEB 02 2006
DOCKETED BY

EXHIBIT
15-8
ADMITTED

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF GOODMAN WATER COMPANY FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-02500A-05-0443

DECISION NO. 68444

OPINION AND ORDER

DATE OF HEARING: December 8, 2005

PLACE OF HEARING: Tucson, Arizona

ADMINISTRATIVE LAW JUDGE: Jane L. Rodda

APPEARANCES: Mr. Michael McNulty, LEWIS & ROCA, LLP, on behalf of Goodman Water Company; and

Ms. Linda Fisher, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

* * * * * * * * * *

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On June 17, 2005, Goodman Water Company ("Goodman" or "Company") filed with the Commission an Application to Extend its Certificate of Convenience and Necessity ("CCN" or "Certificate") in Pinal County.

2. By its application, Goodman is seeking Commission authority to extend its service territory to include a planned development known as Eagle Crest West.

3. On July 12, 2005, Commission Utilities Division Staff ("Staff") notified Goodman

that the application was insufficient pursuant to the requirements of the Arizona Administrative Code.

4. On August 23, 2005, the Company provided additional documentation in support of its application.

5. On September 16, 2005, Staff filed a Sufficiency Letter indicating the application had met the sufficiency requirements of A.A.C. R14-2-402(C).

6. By Procedural Order dated September 22, 2005, the matter was set for hearing in Tucson, Arizona, and procedural guidelines and deadlines were established.

7. On November 18, 2005, Staff filed its Staff Report that recommends approval of the application.

8. The hearing convened as scheduled on December 8, 2005, at the Commission's offices in Tucson, Arizona.

9. Goodman currently provides water utility service to approximately 500 connections in an 800 acre development known as Eagle Crest located near Oracle Junction in Pinal County, Arizona.

10. Goodman was originally incorporated in 1985 as Panarama Properties, Inc. dba Goodman Water Company. The Commission approved a CC&N in Decision No. 56118 (September 15, 1988). Pursuant to Decision No. 65651[1] (February 18, 2003), on March 5, 2003, Goodman filed a Notice of Name Change, indicating that the corporation changed to Goodman Water Company. The only shareholders of Goodman are Mr. James Shiner, President, Mr. Alexander Sears and D.R. Horton, Inc.

11. The proposed extension area will extend the Company's current service territory by approximately 188 acres. The legal description of the proposed extension area is attached hereto, and incorporated by reference, as Exhibit A. The proposed extension area is contiguous to Goodman's current CC&N.

12. Goodman currently has two wells with a total production capacity of 1,240 gallons

[1] Decision No. 65651 authorized Goodman to issue $1,047,680 of common stock.

per minute (gpm), and 400,000 gallons of storage capacity. The existing production and storage can serve approximately 1,000 connections.

13. Based on historical growth rates, Goodman's current CC&N area could have a total of 1,300 customers at the end of five years. The Company predicts 450 additional customers in the proposed extension area at the end of five years.

14. The proposed extension area will be developed in two phases. Ground breaking for the first phase will not occur prior to June 2006. The development will be a mixed use community with approximately 420 residential lots and 27 acres of commercial development. The master developer is Eagle Crest West LLC, which is owned by Mr. Shiner and Mr. Sears.

15. The Company proposes to construct a new 800 gpm well and a 530,000 gallon storage tank in the proposed extension area which will serve customers in the Company's existing CC&N area as well as in the proposed extension area.

16. Staff believes that the existing system has adequate production and storage capacity to serve the existing and proposed CC&N extension area within a conventional five-year planning period and can reasonably be expected to develop additional storage and production as required in the future.

17. Goodman will finance the facilities required for the expansion through a combination of a sale of stock[2] and Developer Line Extension Agreements. Advances in Aid of Construction are often take the form of Main Extension or Line Extension Agreements ("MXAs"). The minimum criteria for MXAs are established by A.A.C. R14-2-406. Usually the agreements require the developer to design, construct and install (or cause to be installed), all facilities to provide adequate service to the development. The developer pays all costs of constructing the required facilities. Upon acceptance of the facilities by the utility, the developer conveys the facilities to the developer through a warranty deed. Utility companies will often refund 10 percent of the annual water revenue associated with development for a period of 10 years. Staff recommends that Goodman file with Docket Control, as a compliance item in this docket, for Staff review and approval, a copy of the

[2] The Company understands that it is required to come to the Commission for financing authority.

fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this matter.

18. The Arizona Department of Environmental Quality ("ADEQ") has determined the Company's existing system is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

19. The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter ("µg/l") to 10 µg/l. The date for compliance with the new MCL is January 23, 2006. The most recent lab analysis by the Company indicates that the arsenic level in its source supply wells in 2 µg/l. Based on this arsenic concentration, the Company is in compliance with the new arsenic MCL.

20. Goodman is within the Tucson Active Management Area. Because Goodman supplies less than 250 acre-feet of water annually for non-irrigation use, it is considered a "small provider" and is not subject to the gallons per capital per day ("GPCD") limit and conservation rules, and is only required to monitor and report water use. ADWR indicates that Goodman is in compliance with its monitoring and reporting requirements.

21. A Curtailment Plan Tariff is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events. Goodman has an approved Curtailment Plan Tariff that has been in effect since February 18, 2003.

22. The Company is current with its property and sales taxes, and is in complaicne with all Commission Orders and rules.

23. Goodman has proposed to provide water utility service to the extension area under its authorized rates and charges. Staff concurs.

24. Every applicant for a CC&N and/or CC&N Extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority. If the applicant operates in an unincorporated area, the company has to obtain a franchise from the county. Staff recommends that Goodman be required to file with Docket Control, as a compliance item in this docket, a copy of the franchise agreement from Pinal

County for the requested area within 365 days of the decision in this matter.

25. At the time of the hearing, Goodman submitted evidence that it had applied to Pinal County for a franchise, but as of the date of this Order, had not submitted a copy of the County franchise as recommended by Staff.

26. Staff further recommends that Goodman file with Docket Control as a compliance item in this docket, a copy of the developer's Certificate of Assured Water Supply for the "Eagle Crest West" extension area, within 365 days of the effective date of this Order.

27. Staff also recommends that the Decision granting the requested CC&N extension be considered null and void should Goodman fail to meet any of Staff's recommended conditions within the times specified.

28. Because an allowance for the property tax expense of Goodman is included in the Company's rates and will be collected from its customers, the Commission seeks assurances from the Company that any taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has come to the Commission's attention that a number of water companies have been unwilling or unable to fulfill their obligation to pay the taxes that were collected from ratepayers, some for as many as twenty years. It is reasonable, therefore, that as a preventive measure Goodman should annually file, as part of its annual report, an affidavit with the Utilities Division attesting that the company is current in paying its property taxes in Arizona.

CONCLUSIONS OF LAW

1. Goodman is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

2. The Commission has jurisdiction over Goodman and the subject matter of the application.

3. Notice of the application was provided in accordance with law.

4. There is a public need and necessity for water service in the proposed extension area set forth in Exhibit A.

5. Goodman is a fit and proper entity to receive a CC&N to provide water service in the proposed extension area.

6. Staff's recommendations contained in Findings of Fact Nos. 17, 23, 24, 26 and 27 are reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that the application of Goodman Water Company for an extension of its Certificate of Convenience and Necessity to provide water service in Pinal County as described in Exhibit A hereto, is approved.

IT IS FURTHER ORDERED that Goodman Water Company shall charge its existing rates and charges within the approved extension area.

IT IS FURTHER ORDERED that Goodman Water Company shall file with Docket Control as a compliance item in this docket, for Staff review and approval, a copy of the fully executed main extension agreement(s) for water facilities for the extension area within 365 days of the effective date of this Order.

IT IS FURTHER ORDERED that Goodman Water Company shall file with Docket Control as a compliance item in this docket, a copy of the developer's Certificate of Assured Water Supply for the "Eagle Crest West" extension area, within 365 days of the effective date of this Order.

IT IS FURTHER ORDERED that Goodman Water Company shall file with Docket Control as a compliance item in this docket a copy of the franchise agreement from Pinal County for the requested area within 365 days of the effective date of this Order.

IT IS FURTHER ORDERED that the Decision granting the requested CC&N extension be considered null and void should Goodman Water Company fail to meet the above conditions within the times specified.

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IT IS FURTHER ORDERED that Goodman Water Company shall annually file as part of its annual report, an affidavit with the Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 2nd day of Feb., 2006.

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

SERVICE LIST FOR: GOODMAN WATER COMPANY

DOCKET NO.: W-02500A-05-0443

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AMENDED EXHIBIT "ONE"

That portion of the West half of Section 32, Township 10 South, Range 14 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, lying West of the following described line:

Commencing at the Northwest corner of said Section 32;

Thence North 89 degrees 07 minutes 49 seconds East, along the North line of said Section 32, a distance of 638.22 feet to a point on a line being 60.00 feet West of and parallel to the existing right of way line of State Highway 77 (also known as U.S. Highway 89) and the POINT OF BEGINNING;

Thence South 10 degrees 44 minutes 03 seconds East, along said parallel line, a distance of 2167 feet;

Thence, along a curve to the left, having a radius of 23,078.31 feet, an arc length of 677.14 feet;

Thence South 12 degrees 24 minutes 55 seconds East, a distance of 1148.18 feet;

Thence South 11 degrees 40 minutes 24 seconds East, a distance of 293.70 feet;

Thence, from a local tangent bearing of South 10 degrees 09 minutes 55 seconds East, along a curve to the right, having a radius of 3659.72 feet, an arc length of 591.48 feet;

Thence South 00 degrees 36 minutes 10 seconds West, a distance of 293.70 feet;

Thence South 01 degrees 20 minutes 41 seconds West, a distance of 210.08 feet to a point on the South line of said Section 32 and the POINT OF TERMINUS.

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HEARING DIVISION

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AZ CORP COMMISSION
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EXHIBIT A

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MEMORANDUM

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Arizona Corporation Commission
DOCKETED
SEP 2 2010
DOCKETED BY

TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

DOCKET CONTROL

ACC

DATE: September 2, 2010

RE: COMPLIANCE ITEM FOR DECISION NO. 69404 - IN THE MATTER OF THE APPLICATION OF GOODMAN WATER COMPANY FOR A RATE INCREASE (DOCKET NO. W-02500A-06-0281)

Introduction

On April 16, 2007, the Commission granted Goodman Water Company ("Company") a rate increase per Decision No. 69404. The Decision ordered:

"...Goodman Water Company shall file a hook-up fee tariff with Docket Control, as a compliance item in this Docket, for Staff's review by July 31, 2007."

Decision No. 69404, Findings of Fact No. 68, stated that in the rate proceeding no party recommended the hook-up fee matter and that the concept of the hook-up fee should be explored and the Company be directed to file a proposed hook-up fee tariff for Staff review.

Company's Filing

On July 31, 2007, the Company filed a hook-up fee ("HUF") tariff under a new docket number, W-02500A-07-0452. This new docket number was issued in error and was administratively closed and the HUF tariff filing was placed in W-02500A-06-0281 as a compliance matter.

In its filing, the Company proposed capital expenditure totaling $940,000 for a new Well #3 and related equipment, including engineering and contingency. The Company further proposed that the proportion of construction costs to be funded by the HUF tariff is 40 percent. As a result, the Company proposed a HUF starting at $500 for a 5/8 x 3/4-inch meter and graduated for larger meter sizes.

Staff's Review

According to the Company's Annual Report, the Company's water system consists of two wells (totaling 1,240 GPM), two storage tanks (totaling 930,000 gallons) and a distribution

system serving 597 customers as of December 2007. Based on these plant capacities, this system can currently serve approximately 1,800 customers.

In its filing, the Company proposed capital expenditure totaling $940,000 for a new Well #3 and related equipment, including engineering and contingency. Through data requests to the Company, Staff discovered that the capital plant and expenditure was not for a new Well #3, but actually for a Water Plant No. 3 site consisting of a 340,000 gallon storage tank and a booster system that will serve only a portion of the water system. Based on this finding, Staff has determined that the proposed Water Plant No. 3 would not meet the HUF tariff requirements because this water plant site would not benefit the entire water system. As a result, Staff concludes that this Company is not a good candidate for a HUF Tariff.

Staff's Recommendation

Staff recommends that the Commission not authorize a HUF tariff for this Company because the proposed water facilities related to the requested HUF Tariff will not benefit the entire water system. In addition, Staff concludes that the water system has sufficient capacity to meet the customer growth through 2019.

SMO:MSJ:lhm

Originator: Marlin Scott, Jr

Service List for: Goodman Water Company
Docket No. W-02500A-06-0281

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Water Infrastructure Finance Authority of Arizona

EXHIBIT
tabbies
JS-21
ADMITTED

2009

Water and Wastewater
Residential Rate Survey for the State of Arizona

Water Infrastructure Finance Authority of Arizona
1110 West Washington, Suite 290
Phoenix, Arizona 85007
Telephone: 602.364.1310
Toll Free: 877.298.0425
Website: www.azwifa.gov

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2009 DRINKING WATER & WASTEWATER RESIDENTIAL RATE SURVEY FOR THE STATE OF ARIZONA

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SECTION 1
Report Summary: 2009 WIFA Residential Rate Survey

Report Summary

INTRODUCTION

The Water Infrastructure Finance Authority of Arizona is pleased to provide this 2009 Residential Rate Survey for drinking water and wastewater systems. This survey provides data on the unit rates and total monthly charges assessed by utilities throughout Arizona for water consumed and/or wastewater discharged. The survey presents system data from fiscal year, or calendar year, 2009 and rate data as of January 1, 2010; where information as of this date was not available, the most recent provided data was utilized.

This survey is limited only to the monthly base and usage charges assessed by Arizona utilities. The sample survey forms for the Drinking Water and Wastewater Residential Rate Surveys are provided in Section 10. No data was collected on other charges involved with the provision of water and wastewater service, such as connection charges, tap fees, impact fees, stand-by charges, late charges, etc. Nor is there any inclusion of sales taxes, sanitation charges, or other fees and surcharges that are sometimes included on a residential monthly water or wastewater bill.

ARIZONA RATE STRUCTURES

There are many different rate structures for water and wastewater systems currently in effect in Arizona. The type of rate structure employed by a utility can have a significant impact on a customer's usage patterns and monthly bill for service. As noted in the American Water Works Association Manual M-1, an authoritative source for ratemaking throughout the United States, the most common types of rate structures include, but are not limited to:

Uniform Volume Charges - a single charge per unit of volume for all water used.

Declining Block Rates - a schedule of rates applicable to blocks of increasing usage in which the usage in each succeeding block is charged at a lower unit rate than in the previous blocks. Generally, each successive block rate is applicable to a greater volume of water delivery than the preceding block.

Increasing Block Rates - a schedule of rates applicable to blocks of increasing usage in which the usage in each succeeding block is charged at a higher unit rate than in the previous blocks. Generally, each successive block rate is applicable to a greater volume of water delivery than the preceding block. The intent of an increasing block rate is to encourage conservation by providing a financial disincentive to consumers for increasing amounts of water use.

Lifeline Rates - rates applicable to usage up to a specified level that are below the cost of service for the purpose of meeting the social goal of providing minimum water requirements to qualified customers at a below-cost price.

Off-Peak Rates - rates charged for usage during designated off-peak periods.

Seasonal Rates - higher rates that may be charged during the summer months when a system peak occurs, which requires facilities, generally not needed, to meet lower winter loads. These rates are based on the cost of service variations with respect to system seasonal requirements.

Flat Monthly Charges - usually applicable to wastewater systems; involves the assessment of a single flat charge for service regardless of the amount of water consumed or wastewater discharged. This charge can also be based several other factors, including the number of drainage fixtures, rooms, or amount of frontal footage of a property.

The type of rate structure implemented by a utility may have significant economic, social, and policy implications for the affected community. For example, a utility that charges for service based on Increasing Block rates will likely have a different total charge for a given level of usage than a utility that charges based on uniform rates. In addition to recovering sufficient revenues to fund operations, specific rate designs can be used to enforce policy goals, such as conservation (Increasing Block rates), system efficiency (Off-Peak rates), or assistance to needy or low-income ratepayers (Lifeline rates).

Furthermore, there are other factors within the type of rate structure implemented that may also have an impact on a customer's monthly charges. For example, some utilities choose to implement a high fixed charge and a lower volumetric rate, while other utilities do the opposite. Certain utilities provide a large allowance of gallons within the monthly minimum charge; others provide a limited allowance; and still others provide no usage allowance at all. On the wastewater side, some utilities charge a volumetric rate based on a "winter average", which sets the usage level at the average of the customer's water usage during the winter months. Other utilities base wastewater charges on a straight percentage of total water volume, while still others use a flat monthly charge.

Many variables effect the determination of a utility's cost of service and the ultimate rate it implements for its consumers. These variables can result in significantly different total costs and rates between even neighboring utilities. These variables include, but are not limited to:

- **Water Source** – Is the utility using ground water, surface water, or a combination? If ground water is used, what is the depth from which the water must be extracted? How extensive a treatment process is required to convert the raw water into potable water for

end users? Is the utility receiving water as a consequence of a federal project, i.e. dam, that would result in lower rates than if the utility had to incur the cost of constructing its own reservoir?

- **Transportation/Distribution** – Is the utility's customer base primarily rural or urban? Is the customer base densely populated or more widely disbursed?
- **System Age** – Is the system older, requiring more repair/replacement expenditures, or newer, installed to service the state's rapid growth in recent decades?
- **Economies of Scale** – Is the system larger and better positioned to take advantage of the economies of scale inherent in water and wastewater systems?
- **Grant Funding** – Is the utility eligible for state and federal grants to offset some of the costs of system repair and expansion?
- **Use of Tax Bonds** – Is the system able to, and does it choose to, finance a percentage of capital expenditures through the issuance of tax bonds (financed through property or sales taxes) as opposed to revenue bonds (financed through user rates)?
- **General Fund Subsidies** – (particularly applicable to municipal utilities) Are the utility's rates being used to offset a portion of the General Fund through contributions? To the contrary, are the utility's rates not covering its cost of service, thus requiring a subsidy from the General Fund in order to meet all expenses?
- **Return on Investment** – (particularly applicable to private sector utilities) What is the utility's allowed rate of return on investment?

Because of these fundamental cost differences between utilities, a high rate or a low rate does not necessarily reflect the efficiency of the utility's operation. Therefore, the results of this survey alone should not be used to judge the effectiveness of the operation of any specific utility. Instead, this survey will be useful by providing general comparisons between systems and communities.

SURVEY METHODOLOGY

The survey form was constructed very similarly for both drinking water and wastewater systems. The questionnaire included eleven questions directed at obtaining contact information, basic system information, and rates and rate structures. In addition to rates, question 10 on each survey requested the monthly residential customer water and wastewater charges, respectively, at specified consumption or demand levels of 5,000 gallons, 7,500 gallons, and 10,000 gallons. This year, another question was included in the survey, which allowed participants to elaborate on responses and asked participants for feedback on the survey or survey experience. WIFA received some useful tips and would like to thank participants for taking the time to provide comments. The sample survey documents are included in Section 10.

Last year marked the first time an online version of the survey was offered for utility participants. This method helped expedite the process as well as conserve resources. Since the online version was well received, the survey was offered online again this year through SurveyMonkey, which is an online surveying tool started in 1999 that assists companies and individuals with surveying needs. WIFA received a similar level of response using the online tool. Additionally, the survey was still offered through traditional mail, fax and email versions. In an effort for a higher participation rate, WIFA worked diligently to enhance the contact list. The utilities were approached via mail, fax, or email, and given approximately 14 weeks to complete the survey.

Survey data is provided for all Arizona Municipal League cities providing water and/or wastewater services, all privately owned water and wastewater providers, and all responding districts. The survey data is a compilation of updated 2009 data and the most recently responded data. The updated 2009 data includes survey responses, rate information from the Arizona Corporation Commission, and research from utilities' websites. The most recent data available, reported in previous surveys, is provided for all other utilities. Entries for all systems are included in Sections 6 and 8 for water and wastewater systems, respectively, to indicate when the data presented was last updated.

This survey was conducted in early 2010. Rate changes may have been implemented since then that are not reflected in this survey, as final approvals for pending rates may not have been obtained prior to submission of the current rates for the study. Survey data on water sold, system revenues, etc. are for 2009 or the most recent fiscal year available. Some utilities did not complete every question and thus the "NR" or "Not Reported" entry was used. We greatly appreciate the cooperation and responsiveness of everyone who provided information for this survey.

BASIS FOR MONTHLY CHARGES AND KEY FINDINGS

A residential household drinking water consumption level of 7,500 gallons per month was included as the representative usage amount for this survey and is also the usage level used as the basis for the Drinking Water Residential Rates Summary in Section 2. This number was derived by utilizing 2.5 persons per household, 100 gallons per capita per day, and 30 days per month. Rates for a lower consumption level of 5,000 gallons per month, and a higher consumption level of 10,000 gallons per month were computed as well.

Residential wastewater rates were calculated in a similar manner using an assumed monthly sewer flow of 5,000 gallons per household, which represents the same amount as used in prior studies, and is the basis for the Wastewater Residential Rates Summary in Section 4. Even though the predominant method of billing for wastewater services continues to be a flat monthly rate regardless of consumption, charges for 5,000 gallons, 7,500 gallons, and 10,000 gallons were computed in this study.

Due to the variety of rate structures currently employed by water providers across the state, a tabulation of methods employed by provider type has again been included as Exhibit D. Also, the method employed by each water provider has been listed in Section 6 in this year's study. As the population of the state increases, drought conditions continue, and more strict federal standards for water quality take effect requiring additional investment in upgraded infrastructure and compliance measures, water and wastewater providers are evaluating and changing their rates on a more frequent basis than seen in the past. The average monthly charge for 7,500 gallons of drinking water has increased by 2.66% since the 2008 survey as shown in Exhibit A, and the average monthly charge for 5,000 gallons of wastewater has increased by 4.82% since the 2008 survey as shown in Exhibit H. Many more municipal providers, in particular, are now adjusting their rates annually in order to keep pace with rising costs.

A total of 440 database entries for drinking water systems in Arizona are presented in this survey. (Some utilities have more than one entry due to seasonal rates or multiple geographic areas.) According to the data collected for these systems, the monthly water charges for 7,500 gallons of water consumption ranged from $5.00 for the Grandview Water Company, to $201.78 for the Highland Pines Drinking Water Improvement District. The average monthly charge for 7,500 gallons of water service was $35.97, up 2.66% from the 2008 survey, and the median monthly charge was $32.96, an increase of 1.14% over the 2008 survey rates.

A total of 134 database entries for wastewater systems in Arizona are presented in this survey. According to the data collected for these systems, the monthly wastewater charges for 5,000 gallons of wastewater ranged from a low of $2.00 for the City of Tolleson to a high of $80.00 for the Kings Ranch Unit II Treatment Plant. The average monthly charge for 5,000 gallons of wastewater service was up 4.82% from the 2008 survey to $27.36, and the median monthly charge was $24.96, an increase of 8.50% from the 2008 survey data.

This Report Summary overview section includes a number of tables and graphs that provide a statistical summary for both the Drinking Water Survey (Section 3) and the Wastewater Survey (Section 5). Both median and average data are provided by:

- Statewide Total
- Ownership Type

- Annual Revenues
- Number of Connections
- County Served

HOW TO USE THE SURVEY

This 2009 Residential Rate Survey report and database is organized into ten sections:

Section 1:	Report Summary
Section 2:	Drinking Water Residential Rates Summary
Section 3:	Drinking Water Survey Key Findings
Section 4:	Wastewater Residential Rates Summary
Section 5:	Wastewater Survey Key Findings
Section 6:	Drinking Water Results: System Data
Section 7:	Drinking Water Results: Residential Rates and Monthly Charges
Section 8:	Wastewater Results: Systems Data
Section 9:	Wastewater Results: Residential Rates and Monthly Charges
Section 10:	Drinking Water and Wastewater Residential Rate Surveys: Sample Forms

Legends explaining the various parameters of the Drinking Water sections and Wastewater sections are provided below in Tables 1 & 2.

Table 1: 2009 Residential Rate Survey Explanation of Data for Drinking Water Systems

Section 6: Drinking Water Results: System Data

Column	Description
Owner	System Name
Ownership Type Code	M=Municipal, D=District/County, A=Association, I=Investor
County	Primary county where system provides service
Watershed	Location of the system (ADWR designation)
Revenue $1,000/Year	System size by annual revenue in 1,000s
Number of Users - Residential	Residential customers on system
Number of Users - Other	All other users (industrial, commercial, other)
Number of Users - Total	Total users on system
Water Sold - Millions of Gallons	Total system annual sales in millions of gallons
Avg. Size Residential Meter	Average meter size of typical residential customer
Water Sold per User - 1,000 Gallons	Average sales per customer in 1,000 gallons
Charges - Base $ / Month	Fixed charges on a monthly residential bill
$ / Month 7,500 Gallons	Total monthly charge for 7,500 gallons
Rate Structure	Rate Structure Method Implemented

Section 7: Drinking Water Results: Residential Rates and Monthly Charges

Column	Description
Owner	System Name
Ownership Type Code	M=Municipal, D=District/County, A=Association, I=Investor
Gallons included in Base	# of gallons included within Base Charge, if any
Base Charge $ / month	Base monthly charge for residential customers
Block #1 - Gallons in Block #1	# of gallons included within Block #1 of use charges
Block #1 - Rate per 1,000 gallons	Charge per 1,000 gallons within Block #1
Block #2 - Gallons in Block #2	# of gallons included within Block #2 of use charges
Block #2 - Rate per 1,000 gallons	Charge per 1,000 gallons within Block #2
Block #3 - Gallons in Block #3	# of gallons included within Block #3 of use charges
Block #3 - Rate per 1,000 gallons	Charge per 1,000 gallons within Block #3
Block #4 - Gallons in Block #4	# of gallons included within Block #4 of use charges
Block #4 - Rate per 1,000 gallons	Charge per 1,000 gallons within Block #4
Block #5 - Gallons in Block #5	# of gallons included within Block #5 of use charges
Block #5 - Rate per 1,000 gallons	Charge per 1,000 gallons within Block #5
Total Monthly Bill - 5,000 Gal.	Total monthly charge for 5,000 gallons
Total Monthly Bill - 7,500 Gal.	Total monthly charge for 7,500 gallons
Total Monthly Bill - 10,000 Gal.	Total monthly charge for 10,000 gallons

Table 2: 2009 Residential Rate Survey Explanation of Data for Wastewater Systems

Section 8: Wastewater Results: System Data

Column	Description
Owner	System Name
Ownership Type Code	M=Municipal, D=District/County, A=Association, I=Investor
County	Primary county where system provides service
Watershed	Location of the system (ADWR designation)
Revenue $1,000/Year	System size by annual revenue in 1,000s
Number of Users - Residential	Residential customers on system
Number of Users - Other	All other users (industrial, commercial, other)
Number of Users - Total	Total users on system
Gal. Effluent Treated Yr. (Millions)	Amount of effluent treated annually in millions of gallons
Charges - Base $ / Month	Fixed charges on a monthly residential bill
Charges - 5,000 Gallons $ / Month	Additional charges for 5,000 gallons of effluent generated
Charges - Total $ / Month	Total monthly charge for 5,000 gallons of effluent generated

Section 9: Wastewater Results: Residential Rates and Monthly Charges

Column	Description
Owner	System Name
Ownership Type Code	M=Municipal, D=District/County, A=Association, I=Investor
Gallons included in Base	# of gallons included within Base Charge, if any
Base Charge $ / month	Base monthly charge for residential customers
Block #1 - Gallons in Block #1	# of gallons included within Block #1 of use charges
Block #1 - Rate per 1,000 gallons	Charge per 1,000 gallons within Block #1
Block #2 - Gallons in Block #2	# of gallons included within Block #2 of use charges
Block #2 - Rate per 1,000 gallons	Charge per 1,000 gallons within Block #2
Total Monthly Bill	Total monthly charge for 5,000 gallons of effluent generated
Basis for Rates	What is the basis for usage charges?

SECTION 2
Drinking Water Residential Rates Summary

System Name	Number of Users	Total $ /Month 7,500 Gals
303 DWID	26	$41.50
A. Peterson Water Co.	46	$31.90
Abra Water Co. Inc.	625	$30.14
Adaman Mututal Water Co.	261	$15.50
Aguila Water Services, Inc.	319	$49.48
Ajo DWID	142	$47.30
Ajo Improvement Co. - Water Div.	1,117	$30.09
Alpine Water System, Inc.	205	$55.55
American Ranch DWID	NR	$53.20
Antelope Lakes Water Company	2	$30.00
Antelope Run Water Company	245	$7.50
Antelope Water Company	63	$21.25
Antelope Water Company - Yarnell	237	$92.53
Anway Manville LLC Water Co.	240	$56.25
Apache Junction Water Utilities CFD	3,748	$40.04
Appaloosa Water Company	236	$41.25
Arivaca Townsite Coop Water Co.	123	$12.38
Ashcreek Water Company	105	$35.03
Ashfork Water Service	212	$41.04
Aubrey Water Company	333	$27.88
Avondale	22,892	$17.88
Avra Water Cooperative, Inc.	2,556	$44.79
AZ -American Water Co. - Agua Fria	36,453	$31.71
AZ -American Water Co. - Anthem	8,615	$32.13
AZ -American Water Co. - Havasu	1,637	$43.43
AZ -American Water Co. - Mohave	15,666	$17.24
AZ -American Water Co. - Paradise Valley	4,770	$33.53
AZ -American Water Co. - Sun City	22,768	$16.13
AZ -American Water Co. - Sun City West	15,379	$34.77
AZ -American Water Co. -Tubac	587	$43.90

System Name	Number of Users	Total $ /Month 7,500 Gals
AZ Water Company - Ajo	679	$59.29
AZ Water Company - Ajo Heights	688	$59.29
AZ Water Company - Apache Junction	19,257	$34.06
AZ Water Company - Bisbee	3,410	$35.78
AZ Water Company - Casa Grande	22,585	$24.36
AZ Water Company - Coolidge	4,582	$24.37
AZ Water Company - Lakeside	4,956	$49.24
AZ Water Company - Miami	3,030	$38.99
AZ Water Company - Oracle	1,526	$56.70
AZ Water Company - Overgaard	4,123	$51.85
AZ Water Company - Pinewood	2,879	$48.14
AZ Water Company - Rim Rock	1,226	$51.58
AZ Water Company - Saddlebrook	51	$45.75
AZ Water Company - San Manuel	1,496	$43.25
AZ Water Company - Sedona	6,309	$31.36
AZ Water Company - Sierra Vista	2,915	$27.49
AZ Water Company - Stanfield	204	$37.42
AZ Water Company - Superior	1,283	$35.80
AZ Water Company - White Tank	1,880	$38.16
AZ Water Company - Winkelman	160	$21.47
Baca Float Water Company	271	$29.50
Bachmann Springs Utility Company	2	$38.75
Beardsley Water Company, Inc.	423	$37.21
Beaver Dam Water Company, Inc.	303	$26.25
Beaver Valley Water Company, Inc.	192	$13.65
Bella Vista Water Company, Inc.	8,520	$25.00
Bellemont Water Co.	5	$42.83
Benson	1,914	$20.50
Bermuda Water Company	7,672	$20.99
Berneil Water Company	529	$8.20

System Name	Number of Users	Total $ /Month 7,500 Gals
Biasi Water Company, Inc.	149	$37.50
Bidegain Water Company	NR	$19.73
Big Park Water Company	3,022	$33.34
Black Canyon DWID	830	$35.00
Blue Hills No. 3	64	$41.25
Bonita Creek Water Co.	43	$86.00
Bowie DWID	350	$35.00
Boynton Canyon Enchantment HOA	101	$53.63
Bradshaw Mountain View Water Co.	575	$32.92
Bradshaw Water Company, Inc.	168	$71.13
Brooke Water LLC - Holiday Harbor	222	$46.38
Brooke Water LLC - Lakeside	851	$46.38
Brooke Water LLC - Marina Village	226	$46.38
Brooke Water LLC - Movalya Keys	551	$46.38
Brooke Water LLC - Parker Dam	187	$46.38
Brooke Water LLC - Payson	1,118	$34.19
Brooke Water LLC - Pine Water Co.	2,011	$52.88
Brooke Water LLC - Rio Lindo	31	$46.38
Brooke Water LLC - Strawberry Water Co.	1,062	$52.88
Brooke Water LLC - Tonto Basin	799	$30.36
Brooke Water LLC -Parent Co.	2,182	$46.38
Buckeye (Sundance)	incl	$34.78
Buckeye (Sunora)	incl	$17.43
Buckeye (Town)	10,998	$31.82
Caballeros Water Company, Inc.	50	$15.50
Cactus-Stellar Limited (May-Sept)	16	$34.50
Cactus-Stellar Limited (Oct - April)	16	$22.50
Camp Verde Water System	1,461	$48.88
Carefree Water Company	1,800	$57.28
Carter's Water Company	13	$20.00

System Name	Number of Users	Total $ /Month 7,500 Gals
Casa Grande South Water Co.	70	$29.83
Casa Grande West Water Co.	283	$24.60
Cave Creek Water Company	2,513	$74.38
C-D Oasis Water Company	11	$32.40
Cedar Grove Water	368	$41.13
Cerbat Water Company	279	$31.88
Chandler (Summer)	73,600	$19.31
Chandler (Winter)	73,600	$19.31
Chaparral City Water Company	13,345	$29.98
Chaparral Water Company	335	$26.55
Chino Meadows II Water Company	889	$39.03
Chino Valley	18,443	$34.39
Chloride DWID	188	$89.00
Cienega Water Company, Inc.	68	$67.50
Circle City Water Company, L.L.C.	186	$21.48
Citrus Park Water Co., Inc.	19	$31.25
Clarkdale	1,780	$49.50
Clay Springs DWID	151	$43.70
Clear Springs Utility Co., Inc.	588	$24.88
Clearwater Utilities Company, Inc.	832	$32.78
Clifton 06-002 - Morenci Water and Electric	709	$17.34
Cloud Nine Water Company Inc.,	52	$14.88
Coldwater Canyon Water Company	399	$18.60
Colorado City	902	$30.25
Community Water Co. of Green Valley	9,997	$22.94
Congress DWID	731	$54.50
Cordes Lakes Water Co.	1,342	$29.85
Cottonwood	8,968	$35.85
CP Water Company	16	$6.25
Cross Creek Ranch Water Company	13	$56.00

System Name	Number of Users	Total $ /Month 7,500 Gals
Dateland Public Service	110	$34.75
Dateland Water	15	$25.00
Dells Water Company	75	$24.38
Desert Hills Water Co., Inc.	1,697	$74.38
Desert Valencia Water System	11	$11.75
Diablo Village Water Company	871	$42.50
Diamond Valley Water Users	631	$71.05
Diversified Water Utilities, Inc.	1,361	$54.88
Doney Park Water (summer)	3,340	$57.53
Doney Park Water (winter)	3,340	$53.20
Double R Water Distributors, Inc.	NR	$26.20
Douglas	5,491	$17.59
Dragoon Water Co., Inc.	137	$66.05
DS Water Company	89	$35.97
Duncan	331	$32.19
Duncan - Hunter Estates	55	$32.19
Eagar	1,931	$20.74
Eagletail Water Company, LC	56	$49.73
East Slope Water Company	822	$17.55
Eden Water Company,Inc.	126	$36.00
Ehrenberg Improvement Assoc.	295	$24.35
El Mirage	11,369	$36.30
El Prado Water Co, Inc.	137	$32.68
Elfrida Domestic Water Users Assoc.	227	$18.25
Eloy	2,651	$25.71
Empirita Water Company, LLC	30	$54.38
Escapees at North Ranch	410	$21.00
F & F Water Company	NR	$5.88
Far West Water & Sewer, Inc.	14,930	$27.81
Farmers Water Company	1,955	$16.38

System Name	Number of Users	Total $ /Month 7,500 Gals
Fisher's Landing Water & Sewer Works	79	$12.00
Flagstaff	18,792	$30.51
Flagstaff Ranch Water Company, Inc.	218	$46.18
Florence	3,955	$26.88
Flowing Wells Irrigation	3,390	$25.50
Fools Hollow Water Company	318	$33.88
Forest Highlands Water Company	722	$54.80
Forest Lake DWID	870	$40.00
Fort Mohave Tribal Utilities Authority	862	$21.00
Francesca Water Co., Inc.	131	$24.35
Fredonia	719	$23.13
Gadsden Water Co., Inc.	196	$14.50
Gila Bend	651	$24.30
Gilbert	69,341	$22.73
Glendale	60,958	$23.59
Globe	3,512	$25.45
Golden Corridor Water Co.	52	$34.75
Golden Shores Water Co., Inc.	1,495	$25.88
Golden Valley DWID	1,528	$36.13
Goodman Water Co.	628	$78.69
Goodyear	12,604	$21.12
Graham County Utilities Inc. - Water	1,203	$35.93
Grand Canyon Caverns & Inn	9	$21.25
Grandview Water Co., Inc.	20	$5.00
Granite Dells Water Co.	12	$14.05
Granite Mountain Water Co., Inc.	96	$53.00
Granite Oaks Water Users Assoc.	452	$31.00
Green Acres Water Company	52	$84.88
Green Valley DWID	4,606	$29.60
Greenehaven Water Co., Inc.	261	$18.75

System Name	Number of Users	Total $ /Month 7,500 Gals
Groom Creek Water Users Assoc.	228	$38.75
H2O, Inc.	6,668	$26.57
Halcyon Acres Annex #2 Water Co.	35	$29.05
Halcyon Acres Water Users Assoc.	77	$10.00
Hatch Valley Water Company	70	$30.63
Havasu Heights DWID	145	$19.13
Hayden	275	$9.63
Heber Domestic DWID	345	$33.75
Heckethorn Water Company	44	$43.40
High Country Pines Water Company	199	$47.63
Highland Pines DWID	349	$201.78
Hillcrest Water Company	197	$37.50
Holbrook -Summer	1,847	$18.13
Holbrook -Winter	1,847	$19.63
Holiday Hills DWID	49	$87.50
Holiday Water Company	157	$29.10
Ho-Tye Water Company	3	$40.88
Huachuca City	775	$21.00
Humboldt Water Systems, Inc.	326	$37.80
ICR Water Users Assoc.	375	$38.20
Indiada Water Company, Inc.	56	$34.25
J.N.J. Enterprises L.L.C.	258	$50.38
Jackson Acres Water District	15	$20.00
Jackson Spring Estates HOA	14	$23.00
Jake's Corner Water System	19	$24.03
Jerome	305	$25.94
Johnson Utilities Company	16,414	$44.00
Joshua Valley Utility Company	995	$40.25
Katherine Resort Water Company	46	$54.73
Kearny	841	$29.70

System Name	Number of Users	Total $ /Month 7,500 Gals
Keaton Development Company	496	$38.50
Kingman	18,519	$26.89
Kohl's Ranch Water Company	123	$7.00
Kokopelli Springs Resort	40	$21.80
La Casita Water Company, Inc.	441	$47.25
Lago Del Oro Water Company	6,046	$22.30
Lagoon Estates Water Company, Inc.	385	$27.25
Lake Havasu City	28,864	$18.70
Lake Verde Water Company	63	$23.50
Lakewood Water Company	302	$20.90
Las Quintas Serenas Water Company	1,019	$29.20
Lazy C Water Service	133	$43.59
Litchfield Park Service Company -Water	15,293	$15.95
Little Park Water Company	68	$28.00
Livco Water Company	373	$28.25
Loma Estate Water Co.	31	$64.00
Loma Linda Water Company	126	$38.61
Lord Arizona Water Systems Inc.	337	$38.12
Los Cerros Water Co., Inc.	816	$30.80
Lucky Hills Water Company	4	$36.38
Lyn-Lee Water	41	$29.63
Mammoth	580	$25.00
Marana	5,284	$32.52
Marana DWID	837	$40.28
Maricopa DWID	383	$33.00
Mayer DWID	575	$43.50
McAdams Water Company	6	$34.25
McNeal Water Company (MWC, Inc.)	25	$43.35
Mesa	134,567	$28.73
Mesaland Water Company	97	$16.20

System Name	Number of Users	Total $ /Month 7,500 Gals
Mescal Lakes Water Systems, Inc.	553	$42.75
Metropolitan DWID (Tucson)	18,230	$32.66
Michael's Ranch Water User's Assoc.	24	$51.53
Mile Post 54 Community Water Well	15	$20.00
Mirabell Water Company, Inc.	61	$39.63
Mohawk Utility Company	137	$29.00
Monte Vista Water Co., L.L.C.	40	$11.50
Montezuma Rimrock Water Co., LLC	206	$43.61
Morenci Water and Electric Company	1,275	$18.73
Mormon Lake Water Co.	140	$101.73
Morristown Water Company	50	$32.50
Mountain Dell Water, Inc.	86	$46.63
Mountain Glen Water Service (consol.)	385	$44.85
Mt. Lemmon DWID	290	$97.35
Mt. Tipton Water Co.	691	$50.00
Naco Water Company, L.L.C.	373	$76.47
Navajo Water Co., Inc.	318	$42.44
New River Utilities Company	2,741	$16.50
Nogales	5,344	$18.38
North Mohave Valley Corporation	1,883	$25.30
Northern Sunrise Water Company	353	$47.87
Oak Creek Public Service Co.	311	$27.15
Oak Creek Utility Corporation	34	$56.70
Oak Creek Water Co., No. 1	694	$21.34
Ojo Bonito Estates DWID	32	$41.50
Orange Grove Water Company	314	$21.00
Oro Valley	18,401	$31.09
Page	2,932	$20.78
Papago Butte DWID, IWDD	166	$34.25
Paradise Trails Pioneer Valley	29	$26.20

System Name	Number of Users	Total $ /Month 7,500 Gals
Park Valley Water Company	510	$33.88
Park Water Company, Inc.	129	$39.30
Parker	1,173	$23.13
Parker Lakeview Estates HOA. Inc.	40	$55.10
Patagonia	400	$19.58
Payson	7,703	$36.35
Peeples Valley Water Company	218	$50.08
Peoria	48,234	$29.53
Phoenix - Spring & Fall Rates	402,926	$15.74
Phoenix - Summer rates	402,926	$7.71
Phoenix - Winter Rates	402,926	$14.21
Picacho Peak Water Company	14	$44.76
Picacho Water Company	147	$37.50
Picacho Water Improvement	136	$22.25
Pima Utility Company	10,150	$11.68
Pine Valley Water Company	163	$49.36
Pine Water Assoc. DWID	60	$100.00
Pinecrest Water Company	37	$64.50
Pinedale DWID	136	$24.25
Pinetop Water Comm. Facilities Dist.	1,237	$39.59
Pineview Water Co.	1,133	$43.70
Poderosa Utility Company	539	$45.75
Ponderosa Park DWID	291	$87.04
Porter Mountain DWID	123	$33.45
Prescott	22,043	$34.53
Prescott Valley	17,997	$29.78
Pueblo Del Sol Water Company	5,062	$28.40
Q Mountain Mobile Home Park	219	$27.00
Q Mountain Water	449	$30.00
Quail Canyon DWID	NR	$75.85

System Name	Number of Users	Total $ /Month 7,500 Gals
Quail Creek Water Company	1,585	$36.00
Quail Ridge DWID	NR	$51.25
Quartzsite	842	$26.50
Queen Creek Water Company	8,770	$20.45
Queen Valley DWID	575	$47.34
RAINDANCE WATER CO-OP	69	$42.63
Rancheros Bonitos Water Co., L.L.C.	38	$20.00
Rancho Del Conejo Water Co-Op	325	$26.25
Rancho Sahuarita Water Co. L.L.C.	4,515	$32.43
Ray Water Company	1,519	$22.78
Red Rock Utilities, LLC.	NR	$44.88
Ridgeview Utility Company	71	$50.58
Rigby Water Company (combined)	337	$22.50
Rillito Water Users Association	53	$10.75
Rim Trail DWID	88	$107.00
Rincon Ranch Estates Water Company	231	$36.40
Rincon Water Company	70	$57.50
Rio Rico Utilities Inc.	6,587	$18.16
Rio Verde Utilities - Water	1,652	$20.93
Roosevelt Lake Resort, Inc.	132	$46.10
Rose Valley Water Company	2,399	$15.98
Sabrosa Water Company	52	$98.00
Safford	7,524	$28.48
Saguaro Acres CFD	73	$29.08
Saguaro Water Company	976	$40.93
Sahuarita Water Company	5,102	$32.43
San Luis	4,738	$14.61
Sandario Water Company	359	$25.03
Santa Cruz Water Company	16,457	$41.90
Scottsdale	87,441	$37.05

System Name	Number of Users	Total $ /Month 7,500 Gals
Serviceberry Water Co. (Vernon Valley)	19	$44.50
Seven Canyons Water Co.	53	$83.75
Seven Ranches DWID	26	$33.00
Shepard Water Company	124	$21.60
Show Low	4,489	$27.24
Sierrita Mountain Water Company	77	$44.85
Signal Peak Water Company, Inc.	36	$28.00
Silverbell Irrigation & Drainage District	110	$36.13
Sitgreaves Water Company	70	$33.00
Sky-Hi DWID	130	$50.25
Sleepy Hollow Mobile Home Estates (s)	106	$14.32
Sleepy Hollow Mobile Home Estates (w)	106	$14.32
Snowflake	1,810	$27.04
SoHi DWID	223	$48.75
Solitude Trails DWID	47	$97.50
Somerton	2,897	$17.75
Sonoita Valley Water Company	97	$59.55
South Rainbow Valley Water Coop.	5	$22.50
Southern Sunrise Water Co	836	$47.87
Southern Water Corporation	38	$33.46
Southland Utilities Company, Inc.	625	$9.98
Spanish Trail Water Co.	396	$23.63
Springerville	766	$19.13
St. David DWID	526	$21.80
St. David Springs	3	$5.88
St. Johns	1,196	$20.25
Starlight Water Company, Inc.	671	$65.20
Sterling Water Company	NR	$33.25
Stoneman Lake Water Company, Inc.	74	$15.00
Sulger Water Company, #2	15	$18.20

System Name	Number of Users	Total $ /Month 7,500 Gals
Sun Leisure Estates Utilities Co., Inc.	57	$21.50
Sun Valley Farms -Unit VI Water Co.	225	$22.50
Sunizona Water Company	34	$33.13
Sunland Water Company	73	$9.63
Sunrise Vistas Utilities Company	666	$34.95
Sunrise Water Company	1,345	$32.75
Surprise	13,133	$31.39
T.K.Water Service	47	$30.85
Tacna Water Company	143	$20.36
Tall Pine Estates Water & Imp. Assoc. Inc.	71	$7.50
Taylor	1,254	$13.15
Tempe	35,877	$19.17
Thim Utility Co.	397	$34.50
Thim Water Corporation	74	$35.00
Thunderbird Farms WID	570	$24.00
Thunderbird Meadows	128	$50.16
Tierra Buena Water Company	126	$26.50
Tierra Linda Homeowners Assoc.	47	$44.33
Tierra Mesa Estates Water Company, Inc.	230	$23.00
Timberalnd Acres DWID	324	$39.25
Tolleson	1,563	$27.48
Tombstone	869	$38.46
Tonto Creek Utility Co.	71	$36.13
Tonto Hills Utility Co.	130	$102.90
Tonto Village Water Company	198	$12.83
Tortolita Water Co., Inc.	2	$55.90
Truxton Canyon Water Company, Inc.	1,056	$31.50
Tubac Water Company, Inc.	NR	$13.50
Tucson	223,614	$19.57
Turner Ranches Water & Sanitation	112	$49.02

System Name	Number of Users	Total $ /Month 7,500 Gals
Utility Source, LLC	332	$62.76
Vail Water Company	3,425	$45.58
Vail Water Company	3,425	$51.00
Valencia Water Co., Greater Buckeye Div.	652	$36.63
Valencia Water Company, Inc.	5,302	$34.45
Valle Verde Water Company	800	$21.50
Valley Pioneers Water Co., Inc.	2,314	$38.25
Valley Utilities Water Co., Inc.	1,403	$31.77
Valley View Water Company, Inc.	NR	$47.38
Verde Lakes Water Corporation	787	$20.45
Verde Lee Water Company	182	$35.25
Verde Santa Fe Water Company, L.L.C.	NR	$15.00
Vernon DWID	30	$40.25
Vernon Valley Water Company	19	$44.50
Villa Grande DWID	99	$51.23
Virgin Mountain Utilities Corporation	1	$42.50
Viva Development Corporation	NR	$10.13
Voyager Water Company	1,027	$26.00
Walden Meadow Comm. Co-op	297	$42.00
Walnut Creek Water Company, Inc.	254	$26.00
Watco, Inc. (prev. Silver Well Svcs)	302	$49.00
Water Utility of Greater Buckeye, Inc.	616	$36.63
Water Utility of Greater Tonopah, Inc.	359	$48.25
Water Utility of Northern Scottsdale	75	$98.00
Wellton	908	$22.70
Wenden DWID	228	$37.99
West End Water Company	233	$42.60
West Village Water Company	55	$63.88
Whetstone DWID	372	$42.88
White Hills Water Co., Inc.	94	$87.25

System Name	Number of Users	Total $ /Month 7,500 Gals
White Mountain Summer Homes WID	468	$56.70
White Mountain Water Company	195	$45.20
Why Utility Company, Inc.	90	$47.00
Wickenburg	2,418	$13.50
Wilhoit Water Company, Inc.	64	$41.25
Willcox	1,907	$26.42
Williams	2,712	$45.70
Willow Lakes Property Owners Assoc.	79	$41.88
Willow Valley Water Company	1,581	$24.50
Winchester Water Company, L.L.C.	137	$20.03
Winslow	3,022	$20.39
Winslow West Water Company, Inc.	10	$8.25
Woodruff DWID	62	$26.88
Woodruff Water Co., Inc. W-04264A	4	$39.24
Worden Water Company	24	$24.75
Yarnell Water Improvement Assn.	619	$53.08
Yavapai Country Club Water Company	36	$63.58
Yavapai Estates	95	$32.53
Yucca Water Association, Inc.	105	$17.50
Yuma	28,500	$29.86

SECTION 3
Drinking Water Survey Key Findings

EXHIBIT A
2009 RESIDENTIAL RATE SURVEY
STATISTICAL SUMMARY

	Comparision of 2006 - 2009 Survey Totals For Arizona Drinking Water Systems			
	Monthly Charges - Varying Levels of Usage			
	Average Monthly Charge	*Median Monthly Charge*	*Highest Monthly Charge*	*Lowest Monthly Charge*
Arizona Survey Total - 2009				
5,000 Gallons	$28.75	$26.74	$123.26	$5.00
7,500 Gallons	$35.97	$32.96	$201.78	$5.00
10,000 Gallons	$43.52	$39.14	$310.50	$5.00
Arizona Survey Total - 2008				
5,000 Gallons	$27.99	$26.25	$123.26	$4.64
7,500 Gallons	$35.04	$32.59	$201.78	$4.64
10,000 Gallons	$42.52	$39.00	$310.50	$5.00
Arizona Survey Total - 2007				
5,000 Gallons	$27.19	$25.40	$123.26	$4.64
7,500 Gallons	$34.02	$30.98	$201.78	$4.71
10,000 Gallons	$41.10	$37.10	$310.50	$6.40
Arizona Survey Total - 2006				
5,000 Gallons	$25.88	$24.00	$86.95	$4.64
7,500 Gallons	$32.26	$29.85	$136.02	$4.71
10,000 Gallons	$39.04	$35.00	$251.27	$6.40
% Change from 2008 to 2009	2.66%	1.14%	0.00%	7.76%
% Change from 2007 to 2008	2.99%	5.20%	0.00%	-1.49%
% Change from 2006 to 2007	5.46%	3.79%	48.35%	0.00%

EXHIBIT B
2009 RESIDENTIAL RATE SURVEY
STATISTICAL SUMMARY

		ARIZONA DRINKING WATER SYSTEMS -- 2009			
		Monthly Charges - Varying Levels of Usage by Ownership			
		Average Monthly Charge	*Median Monthly Charge*	*Highest Monthly Charge*	*Lowest Monthly Charge*
Municipal					
	5,000 Gallons	$20.85	$20.53	$66.25	$6.64
	7,500 Gallons	$25.86	$25.23	$74.38	$7.71
	10,000 Gallons	$31.47	$29.67	$82.50	$11.50
Districts					
	5,000 Gallons	$39.06	$34.24	$123.26	$12.75
	7,500 Gallons	$50.46	$40.25	$201.78	$19.13
	10,000 Gallons	$62.85	$49.00	$310.50	$25.30
Investors					
	5,000 Gallons	$28.91	$27.50	$83.00	$5.00
	7,500 Gallons	$35.89	$33.97	$102.90	$5.00
	10,000 Gallons	$43.01	$40.50	$133.90	$5.00
Associations					
	5,000 Gallons	$28.67	$27.81	$68.50	$7.50
	7,500 Gallons	$36.19	$35.22	$86.00	$10.00
	10,000 Gallons	$44.13	$42.53	$105.00	$12.50
Arizona Survey Total					
	5,000 Gallons	$28.75	$26.74	$123.26	$5.00
	7,500 Gallons	$35.97	$32.96	$201.78	$5.00
	10,000 Gallons	$43.52	$39.14	$310.50	$5.00

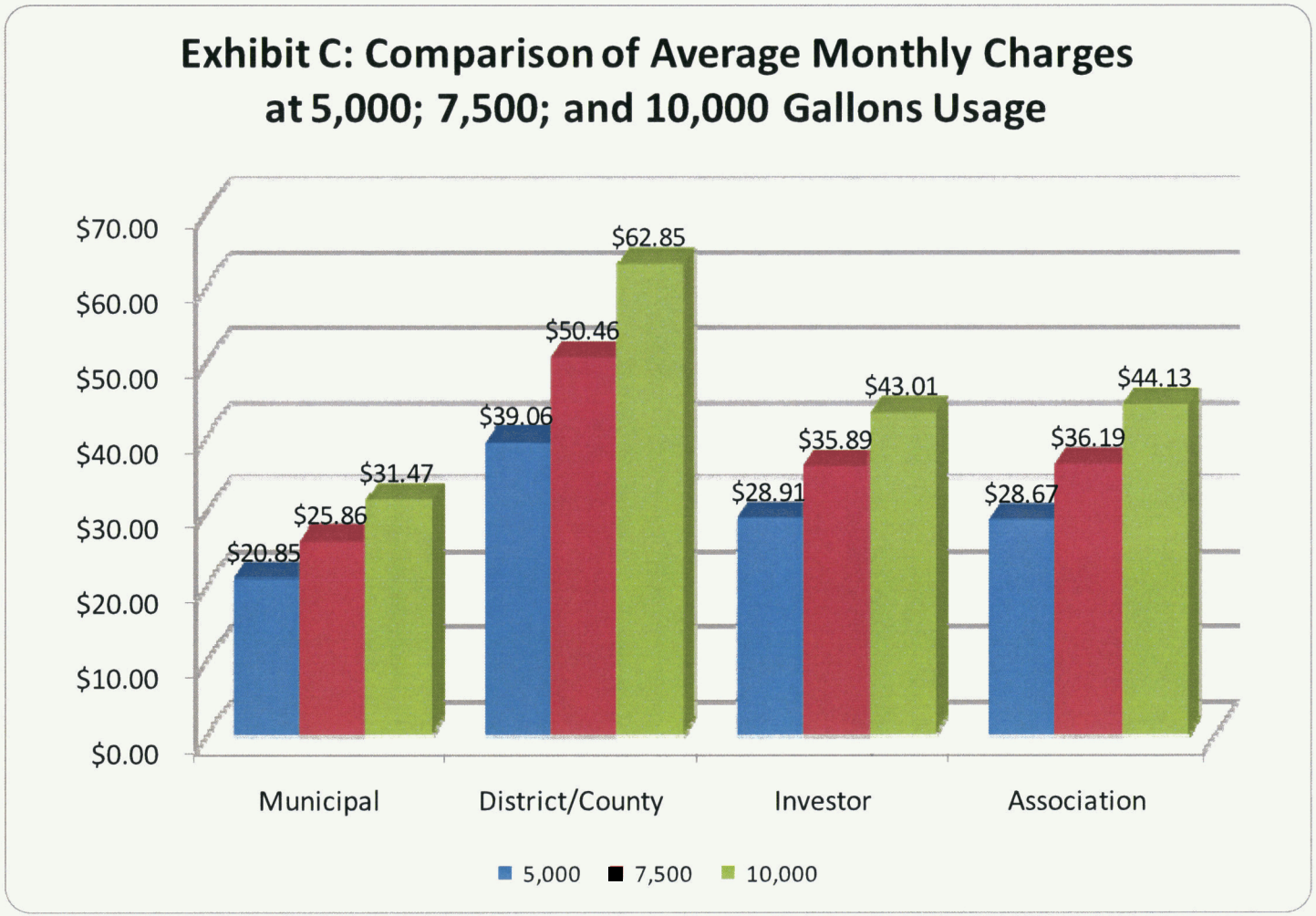
Exhibit C: Comparison of Average Monthly Charges at 5,000; 7,500; and 10,000 Gallons Usage
$70.00
$60.00
$50.00
$40.00
$30.00
$20.00
$10.00
$0.00
$20.85
$25.86
$31.47
$39.06
$50.46
$62.85
$28.91
$35.89
$43.01
$28.67
$36.19
$44.13
Municipal
District/County
Investor
Association
5,000
7,500
10,000

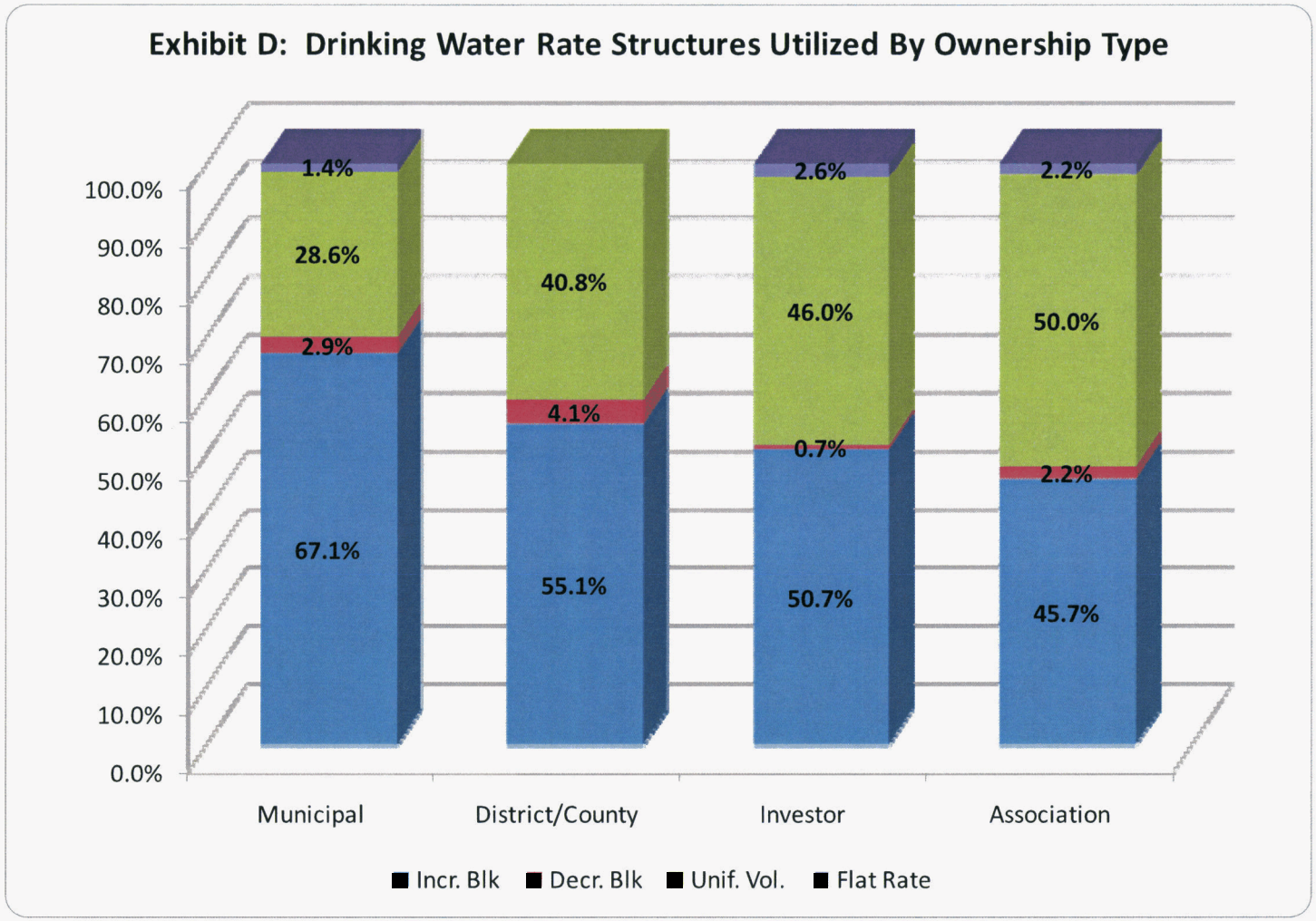
Exhibit D: Drinking Water Rate Structures Utilized By Ownership Type
100.0%
90.0%
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
1.4%
28.6%
2.9%
67.1%
40.8%
4.1%
55.1%
2.6%
46.0%
0.7%
50.7%
2.2%
50.0%
2.2%
45.7%
Municipal
District/County
Investor
Association
Incr. Blk
Decr. Blk
Unif. Vol.
Flat Rate

EXHIBIT E
2009 RESIDENTIAL RATE SURVEY
STATISTICAL SUMMARY

	ARIZONA DRINKING WATER SYSTEMS -- 2009			
	Monthly Charges - Varying Levels of Usage by Connections			
	Average Monthly Charge	*Median Monthly Charge*	*Highest Monthly Charge*	*Lowest Monthly Charge*
Over 50,000 Connections				
5,000 Gallons	$16.24	$15.61	$32.55	$6.64
7,500 Gallons	$20.80	$19.44	$37.05	$7.71
10,000 Gallons	$26.65	$23.85	$45.43	$17.49
10,000-50,000 Connections				
5,000 Gallons	$22.44	$23.70	$38.25	$9.38
7,500 Gallons	$28.04	$29.92	$44.00	$11.68
10,000 Gallons	$34.12	$36.52	$50.25	$13.98
5,000-10,000 Connections				
5,000 Gallons	$21.86	$22.39	$28.60	$13.91
7,500 Gallons	$26.91	$27.49	$36.35	$17.59
10,000 Gallons	$32.01	$31.30	$45.10	$19.64
1,000-5,000 Connections				
5,000 Gallons	$27.66	$26.29	$66.25	$10.90
7,500 Gallons	$34.46	$32.10	$74.38	$13.15
10,000 Gallons	$41.53	$37.44	$82.50	$15.40
500-1,000 Connections				
5,000 Gallons	$29.52	$29.60	$63.91	$6.47
7,500 Gallons	$36.20	$34.98	$78.69	$8.20
10,000 Gallons	$43.27	$40.48	$94.66	$9.92
Under 500 Connections				
5,000 Gallons	$30.78	$28.88	$123.26	$5.00
7,500 Gallons	$38.86	$35.02	$201.78	$5.00
10,000 Gallons	$47.25	$41.96	$310.50	$5.00

EXHIBIT F
2009 RESIDENTIAL RATE SURVEY
STATISTICAL SUMMARY

	ARIZONA DRINKING WATER SYSTEMS – 2009			
	Monthly Charges - Varying Levels of Usage by Annual Revenue			
	Average Monthly Charge	*Median Monthly Charge*	*Highest Monthly Charge*	*Lowest Monthly Charge*
Over $5 Million				
5,000 Gallons	$22.19	$23.68	$38.25	$6.64
7,500 Gallons	$27.72	$29.86	$44.00	$7.71
10,000 Gallons	$33.96	$36.25	$50.25	$17.49
$1 Million - $5 Million				
5,000 Gallons	$27.70	$26.25	$66.25	$9.38
7,500 Gallons	$34.27	$32.10	$74.38	$11.68
10,000 Gallons	$41.06	$37.93	$82.50	$13.98
$250,000 - $1 Million				
5,000 Gallons	$30.74	$29.75	$123.26	$6.47
7,500 Gallons	$38.75	$36.13	$201.78	$8.20
10,000 Gallons	$47.39	$43.34	$310.50	$9.92
$50,000-$250,000				
5,000 Gallons	$30.58	$28.65	$83.00	$5.00
7,500 Gallons	$38.46	$35.25	$107.00	$5.88
10,000 Gallons	$46.57	$42.00	$133.90	$6.75
Under $50,000				
5,000 Gallons	$27.30	$25.92	$75.50	$5.00
7,500 Gallons	$34.28	$32.35	$100.00	$5.00
10,000 Gallons	$41.45	$38.08	$147.50	$5.00
Arizona Survey Total				
5,000 Gallons	$28.75	$26.74	$123.26	$5.00
7,500 Gallons	$35.97	$32.96	$201.78	$5.00
10,000 Gallons	$43.52	$39.14	$310.50	$5.00

EXHIBIT G
2009 RESIDENTIAL RATE SURVEY
STATISTICAL SUMMARY

	ARIZONA DRINKING WATER SYSTEMS -- 2009			
	Monthly Charges by County for 7,500 Gallons			
	Average Monthly Charge	*Median Monthly Charge*	*Highest Monthly Charge*	*Lowest Monthly Charge*
Apache County	$35.97	$38.12	$64.50	$19.13
Cochise County	$31.40	$28.75	$76.47	$5.88
Coconino County	$42.48	$45.73	$101.73	$7.50
Gila County	$44.25	$36.35	$107.00	$7.00
Graham County	$33.86	$35.48	$36.00	$28.48
Greenlee County	$29.05	$32.19	$38.61	$17.34
La Paz County	$35.31	$32.25	$67.50	$23.13
Maricopa County	$32.49	$29.76	$102.90	$5.00
Mohave County	$34.63	$30.63	$89.00	$17.24
Navajo County	$36.48	$36.57	$56.70	$13.15
Pima County	$33.89	$32.43	$97.35	$10.00
Pinal County	$34.48	$34.50	$78.69	$6.25
Santa Cruz County	$25.72	$21.50	$43.90	$13.50
Yavapai County	$45.58	$41.38	$201.78	$14.05
Yuma County	$25.78	$22.15	$84.88	$11.75
Arizona Survey Total - 2009 7,500 Gallons	$35.97	$32.96	$201.78	$5.00

SECTION 4
Wastewater Residential Rates Summary

System Name	Number of Users	Total $/Month 5,000 gal
Ajo Improvement Co. (Sewer)	1,145	$9.42
Alpine Sanitary District	315	$20.00
Alpine DWID	205	$53.65
American Ranch Sanitary District	NR	$62.60
Arizona City Sanitary District	4,731	$24.00
Avondale	22,125	$18.93
AZ-Am. - Sewer, Anthem/Agua Fria	13,132	$45.16
AZ-American Water - Sewer, Sun City	21,964	$13.69
AZ-American Water-Sewer, Mohave	1,340	$56.55
AZ-American Water-Sewer, Sun City W.	14,962	$25.01
Baca Float Water Co. (Sewer Div.)	100	$35.00
Bensch Ranch Utilities, LLC	13	$47.00
Benson	1,975	$23.65
Big Park WWID	NR	$24.60
Bisbee	2,724	$32.64
Black Mountain Sewer Corp.	2,130	$45.64
Buckeye	15,097	$22.60
Buckskin Sanitary District	461	$38.00
Bullhead City	17,705	$28.00
Camp Verde Sanitary District	1,354	$31.50
Casa Grande	14,227	$19.18
Casitas Bonitas Sanitary Sewer District	131	$36.06
Cave Creek	487	$45.00
Chandler	69,251	$17.67
Chino Valley	18,443	$24.60
Clarkdale	1,081	$28.00
Clear Springs Utility Company, Inc.	385	$10.75
Clifton	553	$12.88
Cloud Nine Water Company, Inc.- Sewer	175	$12.90
Coolidge	3,720	$15.23

System Name	Number of Users	Total $/Month 5,000 gal
Coronado Utilities, Inc.	1,333	$46.50
Cottonwood	5,407	$16.75
Creekside Sanitary District	67	$31.00
Desert Vista Sanitary District	102	$28.77
Douglas	5,615	$11.75
Duncan	273	$18.04
Eagar	1,194	$24.57
El Mirage	8,259	$29.25
Eloy	1,633	$24.91
Entrada del Oro	243	$70.00
Escapees at North Ranch	392	$14.50
Far West Water & Sewer, Inc.	8,418	$21.75
Fisher's Landing Water & Sewer Works	72	$20.00
Flagstaff	18,669	$15.60
Florence	3,410	$22.96
Fountain Hills Sanitary District	13,585	$22.00
Fredonia	494	$29.50
Gila Bend	435	$9.30
Gilbert	64,484	$22.10
Glendale	59,306	$26.44
Globe	2,747	$15.65
Gold Canyon Sewer Company	6,304	$52.40
Goodyear	12,610	$29.96
Greenehaven Sewer Company, Inc.	244	$12.25
Guadalupe	1,100	$9.40
Hayden	282	$7.75
High Valley Ranch DWWID	NR	$15.00
Hildale/Colorado City Wastewater	632	$46.00
Holbrook	1,847	$20.75
Huachuca City	775	$12.00

System Name	Number of Users	Total $/Month 5,000 gal
Jerome	310	$33.18
Johnson Utilities Company	20,127	$41.60
Kearny	798	$26.55
Kingman	8,888	$28.74
Kings Ranch Unit II Treatment Plant	31	$80.00
Kokopelli Springs Resort	40	$30.95
Lake Havasu City	16,759	$43.66
Litchfield Park Service Co.- Sewer	17,901	$27.20
Little Colorado Sanitary District	535	$15.00
Livco Sewer Company	29	$35.00
Mammoth	577	$14.89
Mesa	116,779	$16.19
Miami	832	$27.30
Naco Sanitary District	239	$17.00
Nogales	5,275	$12.55
Northern Gila County Sanitary District	9,248	$20.00
Oak Creek Utility Corporation	32	$31.25
Page	2,610	$21.10
Palo Verde Utilities Company	16,458	$34.53
Paradise Valley	1,978	$56.25
Patagonia	380	$29.25
Peoria	51,729	$14.86
Phoenix	373,588	$15.60
Picacho Sewer Company	147	$42.00
Pima	580	$17.00
Pima Utility Company	9,963	$22.73
Pine Meadows Utilities, LLC	102	$42.00
Pinetop Lakeside Sanitary District	7,882	$18.00
Pinewood Sanitary District	2,836	$39.57
Prescott	17,528	$26.09

System Name	Number of Users	Total $/Month 5,000 gal
Prescott Valley	15,223	$24.02
Quartzsite	610	$15.00
Queen Creek	5,024	$21.89
Queen Valley Sanitary District	255	$31.00
Rio Rico Utilities Inc.	2,183	$56.36
Rio Verde Utilities - Sewer Div.	1,652	$16.95
Saddlebrooke Utility Company	4,488	$39.30
Safford	3,385	$40.79
Sahuarita	4,778	$25.29
San Luis	4,553	$17.79
Scottsdale	77,577	$14.29
Sedona	4,800	$32.54
Seligman Sanitary District	30	$24.75
Seven Canyons Water Treatment Co.	37	$45.00
Show Low	5,231	$26.00
Sierra Vista	10,600	$13.98
Snowflake	1,434	$38.44
Somerton	2,897	$34.79
Southland Sanitation Co.	282	$10.30
South Grand Canyon Sanitary District	102	$25.00
Springerville	526	$18.00
St. Johns	1,161	$21.21
Sunrise Vistas Utilities Company	666	$35.31
Superior	1,525	$12.00
Superstition Mountains Comm. FD No. 1	6,079	$35.80
Surprise	45,582	$24.78
Sweetwater Creek Utilities, Inc.	588	$31.00
Taylor	916	$38.39
Tempe	35,877	$16.01
Thatcher	1,750	$7.50

System Name	Number of Users	Total $/Month 5,000 gal
The Links at Coyote Wash Utilities, LLC	163	$30.00
The Sedona Venture WW Treatment	272	$54.18
Tolleson	1,425	$2.00
Tombstone	448	$27.72
Tucson (Pima County WW Mgmt.)	263,246	$25.92
Utility Source, LLC	332	$29.20
Verde Sante Fe Wastewater Co., Inc.	935	$40.00
Virgin River WWID	344	$21.32
Wickenburg	1,800	$22.00
Willcox	1,685	$32.13
Williams	2,712	$34.00
Winkelman	199	$17.50
Winslow	3,197	$20.66
Yuma	23,700	$29.46

SECTION 5
Wastewater Survey Key Findings

EXHIBIT H
2009 RESIDENTIAL RATE SURVEY
STATISTICAL SUMMARY

	ARIZONA WASTEWATER SYSTEMS -- 2009 Monthly Charges for 5,000 Gallons of Usage			
	Average Monthly Charge	***Median Monthly Charge***	***Highest Monthly Charge***	***Lowest Monthly Charge***
		ARIZONA SURVEY TOTAL		
Arizona Survey Total - 2009	$27.36	$24.96	$80.00	$2.00
Arizona Survey Total - 2008	$26.10	$23.00	$80.00	$2.00
Arizona Survey Total - 2007	$24.27	$21.26	$80.00	$2.00
Arizona Survey Total - 2006	$22.50	$20.02	$80.00	$2.00
% Change 2008 Survey to 2009	4.82%	8.50%	0.00%	0.00%
% Change 2007 Survey to 2008	7.55%	8.18%	0.00%	0.00%
% Change 2006 Survey to 2007	7.89%	6.17%	0.00%	0.00%

EXHIBIT I
2009 RESIDENTIAL RATE SURVEY
STATISTICAL SUMMARY

	ARIZONA WASTEWATER SYSTEMS – 2009			
	Monthly Charges - Varying Levels of Usage by Ownership			
	Average Monthly Charge	*Median Monthly Charge*	*Highest Monthly Charge*	*Lowest Monthly Charge*
Municipal				
5,000 Gallons	$23.22	$22.35	$56.25	$2.00
7,500 Gallons	$25.39	$25.00	$65.48	$2.00
10,000 Gallons	$28.28	$27.76	$87.31	$2.00
Districts				
5,000 Gallons	$28.85	$24.88	$62.60	$15.00
7,500 Gallons	$29.52	$24.75	$67.35	$15.00
10,000 Gallons	$30.32	$24.75	$77.65	$15.00
Investors				
5,000 Gallons	$34.56	$34.77	$80.00	$9.42
7,500 Gallons	$35.62	$35.31	$80.00	$9.42
10,000 Gallons	$36.49	$35.69	$80.00	$9.42
Arizona Survey Total				
5,000 Gallons	$27.36	$24.96	$80.00	$2.00
7,500 Gallons	$28.99	$27.03	$80.00	$2.00
10,000 Gallons	$30.96	$28.54	$87.31	$2.00

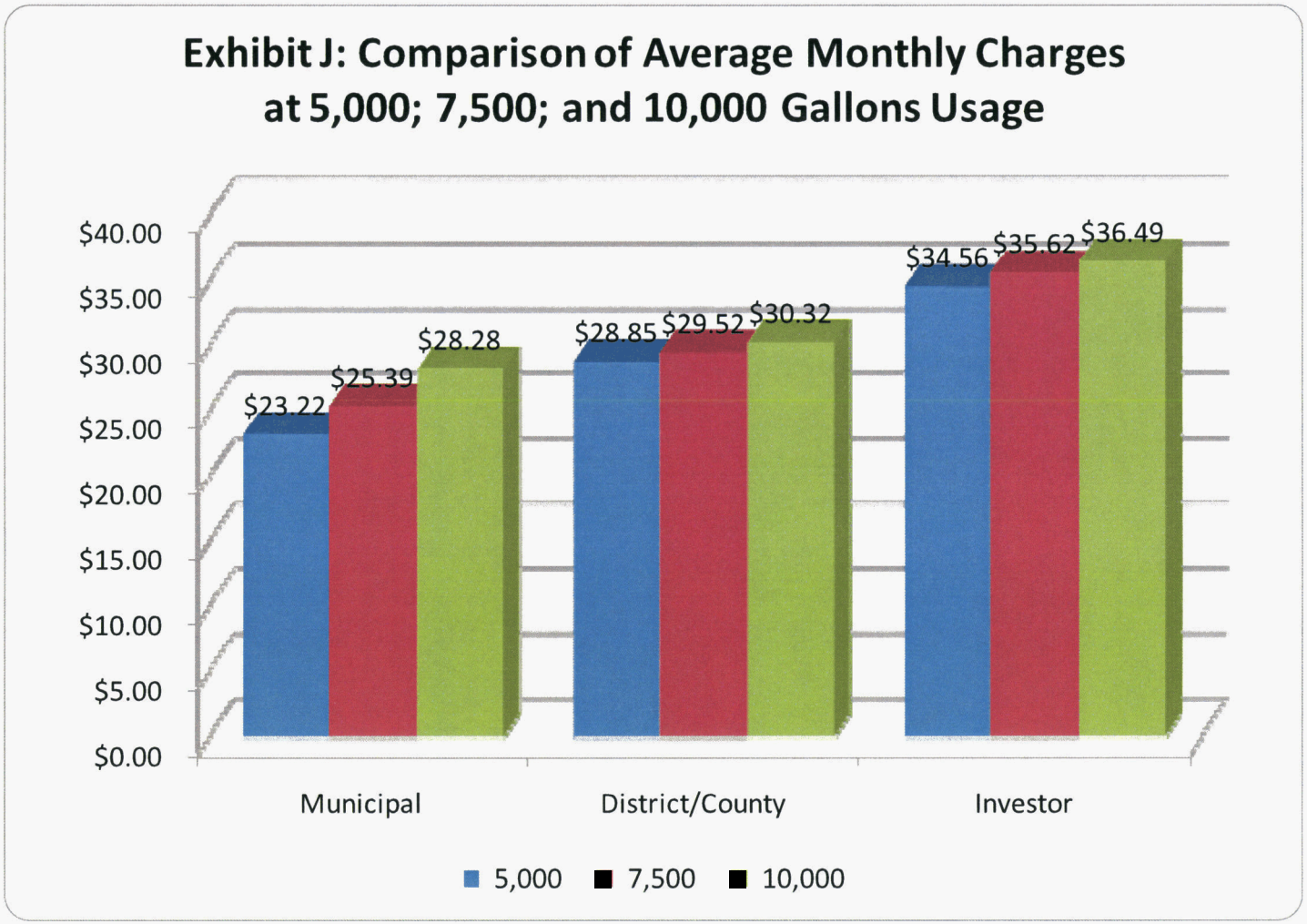
Exhibit J: Comparison of Average Monthly Charges at 5,000; 7,500; and 10,000 Gallons Usage
$40.00
$35.00
$30.00
$25.00
$20.00
$15.00
$10.00
$5.00
$0.00
$23.22
$25.39
$28.28
$28.85
$29.52
$30.32
$34.56
$35.62
$36.49
Municipal
District/County
Investor
5,000
7,500
10,000

EXHIBIT K
2009 RESIDENTIAL RATE SURVEY
STATISTICAL SUMMARY

	ARIZONA WASTEWATER SYSTEMS -- 2009			
	Monthly Charges - Varying Levels of Usage by Connections			
	Average Monthly Charge	*Median Monthly Charge*	*Highest Monthly Charge*	*Lowest Monthly Charge*
Over 50,000 Connections				
5,000 Gallons	$19.13	$16.93	$26.44	$14.29
7,500 Gallons	$24.49	$23.80	$33.97	$17.64
10,000 Gallons	$29.98	$29.15	$42.02	$17.67
10,000-50,000 Connections				
5,000 Gallons	$26.00	$24.78	$45.16	$13.69
7,500 Gallons	$29.48	$26.86	$65.48	$13.69
10,000 Gallons	$32.81	$28.00	$87.31	$13.69
5,000-10,000 Connections				
5,000 Gallons	$24.43	$21.89	$52.40	$11.75
7,500 Gallons	$26.32	$22.73	$52.40	$11.75
10,000 Gallons	$28.21	$22.73	$52.40	$11.75
1,000-5,000 Connections				
5,000 Gallons	$27.83	$24.74	$56.55	$2.00
7,500 Gallons	$28.50	$28.58	$56.55	$2.00
10,000 Gallons	$30.55	$31.02	$57.20	$2.00
500-1,000 Connections				
5,000 Gallons	$24.95	$22.28	$46.00	$12.00
7,500 Gallons	$25.22	$24.15	$46.00	$12.00
10,000 Gallons	$25.49	$26.03	$46.00	$12.00
Under 500 Connections				
5,000 Gallons	$30.67	$29.50	$80.00	$7.75
7,500 Gallons	$31.80	$30.00	$80.00	$9.30
10,000 Gallons	$32.94	$30.00	$80.00	$9.30

EXHIBIT L
2009 RESIDENTIAL RATE SURVEY
STATISTICAL SUMMARY

	ARIZONA WASTEWATER SYSTEMS -- 2009			
	Monthly Charges - Varying Levels of Usage by Annual Revenue			
	Average Monthly Charge	*Median Monthly Charge*	*Highest Monthly Charge*	*Lowest Monthly Charge*
Over $5 Million				
5,000 Gallons	$25.15	$25.01	$45.16	$10.75
7,500 Gallons	$29.27	$26.86	$65.48	$12.88
10,000 Gallons	$33.16	$30.00	$87.31	$13.69
$1 Million - $5 Million				
5,000 Gallons	$28.18	$23.48	$56.36	$12.55
7,500 Gallons	$29.29	$29.16	$56.36	$13.98
10,000 Gallons	$31.95	$32.64	$57.20	$13.98
$250,000 - $1 Million				
5,000 Gallons	$29.01	$25.00	$56.55	$11.75
7,500 Gallons	$29.83	$25.84	$56.55	$11.75
10,000 Gallons	$30.83	$28.00	$56.55	$11.75
$50,000-$250,000				
5,000 Gallons	$24.48	$20.66	$70.00	$7.50
7,500 Gallons	$25.30	$21.66	$70.00	$7.50
10,000 Gallons	$26.13	$25.29	$70.00	$7.50
Under $50,000				
5,000 Gallons	$31.43	$30.98	$80.00	$2.00
7,500 Gallons	$32.59	$30.98	$80.00	$2.00
10,000 Gallons	$33.75	$30.98	$80.00	$2.00
Arizona Survey Total				
5,000 Gallons	$27.36	$24.96	$80.00	$2.00
7,500 Gallons	$28.99	$27.03	$80.00	$2.00
10,000 Gallons	$30.96	$28.54	$87.31	$2.00

EXHIBIT M
2009 RESIDENTIAL RATE SURVEY
STATISTICAL SUMMARY

	ARIZONA WASTEWATER SYSTEMS -- 2009 Monthly Charges by County for 5,000 Gallons			
	Average Monthly Charge	*Median Monthly Charge*	*Highest Monthly Charge*	*Lowest Monthly Charge*
Apache County	$26.78	$21.21	$53.65	$15.00
Cochise County	$19.65	$15.49	$32.64	$10.30
Coconino County	$26.39	$29.20	$39.57	$12.25
Gila County	$17.64	$17.50	$27.30	$7.75
Graham County	$21.76	$17.00	$40.79	$7.50
Greenlee County	$15.46	$15.46	$18.04	$12.88
La Paz County	$26.50	$26.50	$38.00	$15.00
Maricopa County	$24.85	$22.05	$56.55	$2.00
Mohave County	$33.84	$32.03	$46.00	$21.32
Navajo County	$27.04	$23.38	$38.44	$18.00
Pima County	$24.98	$25.61	$39.30	$9.42
Pinal County	$31.90	$28.77	$70.00	$12.00
Santa Cruz County	$33.29	$32.13	$56.36	$12.55
Yavapai County	$34.49	$31.00	$80.00	$14.50
Yuma County	$28.35	$29.73	$42.00	$17.79
Arizona Survey Total - 2009 5,000 Gallons	$27.36	$24.96	$80.00	$2.00

SECTION 6
Drinking Water Results: System Data

System Name	Ownership*	County	Watershed	Revenue $1,000/Yr.	Number of Users Residential	Number of Users Other	Number of Users Total	Gallons Sold (Millions)	Avg. Size Residential Meter	Avg. Annual Use/ Acct (000's)	Base $/Month	Total $ /Month 7,500 Gal	Rate Structure	Survey Updated
303 DWID	D	Navajo	Little Colorado	$6.00	26	0	26	1		34.62	$25.00	$41.50	Unif. Vol.	Prior to 2008
A. Peterson Water Co.	I	Navajo	Salt	$18.36	46	0	46	4	5/8"	76.09	$17.50	$31.90	Incr. Blk	2009
Abra Water Co. Inc.	I	Yavapai	Verde	$254.07	625	0	625	56	5/8"	88.86	$11.55	$30.14	Incr. Blk	2008
Adaman Mutual Water Co.	A	Maricopa	Lower Gila	$299.00	220	41	261	12		46.74	$0.50	$15.50	Unif. Vol.	Prior to 2008
Aguila Water Services, Inc.	I	Maricopa	Lower Gila	$207.36	291	28	319	33	5/8"	104.40	$26.00	$49.48	Unif. Vol.	2009
Ajo DWID	D	Pima	Upper Santa Cruz	$77.80	142	0	142	13		92.82	$22.00	$47.30	Unif. Vol.	Prior to 2008
Ajo Improvement Co. - Water Div.	I	Pima	Lower Gila	$616.00	1,011	106	1,117	172		153.89	$9.54	$30.09	Incr. Blk	2008
Alpine Water System, Inc.	A	Apache	Upper Gila	$140.00	195	10	205	20	5/8"	97.56	$34.55	$55.55	Unif. Vol.	2008
American Ranch DWID	D	Yavapai	Upper Agua Fria	NR	NR	NR	NR	NR	NR	NR	$35.00	$53.20	Unif. Vol.	Prior to 2008
Antelope Lakes Water Company	I	Yavapai	Verde	$0.60	2	0	2	0		25.00	$15.00	$30.00	Unif. Vol.	Prior to 2008
Antelope Run Water Company	I	Cochise	San Pedro	$48.48	244	1	245	26	5/8"	106.56	$11.50	$7.50	Unif. Vol.	2008
Antelope Water Company	A	Yuma	Lower Gila	$31.20	63	0	63	15		237.98	$11.50	$21.25	Unif. Vol.	Prior to 2008
Antelope Water Company - Yarnell	I	Yavapai	Verde	$146.60	237	0	237	16		67.51	$35.00	$92.53	Unif. Vol.	Prior to 2008
Anway Manville LLC Water Co.	I	Pima	Upper Santa Cruz	$144.93	239	1	240	16	5/8"	67.92	$30.00	$56.25	Incr. Blk	2009
Apache Junction Water Utilities CFD	D	Pinal	Lower Gila	$2,946.80	3,580	168	3,748	483		128.90	$10.94	$40.04	Incr. Blk	Prior to 2008
Appaloosa Water Company	I	Yavapai	Verde	$132.40	236	0	236	23		97.03	$25.00	$41.25	Unif. Vol.	Prior to 2008
Arivaca Townsite Coop Water Co.	A	Pima	Upper Santa Cruz	$17.70	123	0	123	7		56.02	$8.00	$12.38	Incr. Blk	Prior to 2008
Ashcreek Water Company	I	Graham	Upper Gila	$41.82	105	0	105	8	5/8"	73.87	$18.00	$35.03	Incr. Blk	2008
Ashfork Water Service	A	Yavapai	Verde	$294.00	158	54	212	36	3/4"	169.81	$12.00	$41.04	Incr. Blk	2009
Aubrey Water Company	I	Yavapai	Verde	$131.66	273	60	333	36	5/8"	108.71	$12.50	$27.88	Incr. Blk	2009
Avondale	M	Maricopa	Lower Gila	$11,715.53	21,079	1,813	22,892	3,833	3/4"	167.44	$7.90	$15.98	Incr. Blk	2009
Avra Water Cooperative, Inc.	A	Pima	Upper Santa Cruz	$1,671.43	2,548	8	2,556	333	5/8"	130.21	$28.29	$44.79	Incr. Blk	2008
AZ -American Water Co. - Agua Fria	I	Maricopa	Agua Fria	$20,366.22	35,261	1,192	36,453	5,547	5/8"	152.17	$14.40	$31.71	Incr. Blk	2009
AZ -American Water Co. - Anthem	I	Maricopa	Agua Fria	$7,091.92	8,330	285	8,615	1,476	1"	171.38	$17.53	$32.13	Incr. Blk	2009
AZ -American Water Co. - Havasu	I	Maricopa	Middle Gila	$1,048.71	1,579	58	1,637	219	5/8"	133.89	$23.50	$43.43	Incr. Blk	2009
AZ -American Water Co. - Mohave	I	Mohave	Lower Gila	$4,779.06	14,831	835	15,666	2,023	5/8"	129.14	$9.00	$17.24	Incr. Blk	2009
AZ -American Water Co. - Paradise Valley	I	Santa Cruz	Santa Cruz	$8,907.69	4,439	331	4,770	3,008	1"	630.67	$25.15	$33.53	Incr. Blk	2009
AZ -American Water Co. - Sun City	I	Maricopa	Middle Gila	$9,925.91	21,755	1,013	22,768	4,330	5/8"	190.20	$7.99	$16.13	Incr. Blk	2009
AZ -American Water Co. - Sun City West	I	Maricopa	Middle Gila	$6,654.25	14,894	485	15,379	1,953	5/8"	127.01	$14.80	$34.77	Incr. Blk	2009
AZ -American Water Co. -Tubac	I	Santa Cruz	Santa Cruz	$411.17	505	82	587	86	5/8"	146.47	$24.70	$43.90	Incr. Blk	2009
AZ Water Company - Ajo	I	Pima		$460.00	599	80	679	49	5/8"	72.16	$21.04	$59.29	Incr. Blk	2009
AZ Water Company - Ajo Heights	I	Pima	Lower Gila	$44.99	NR	NR	688	51		74.13	$21.04	$59.29	Incr. Blk	Prior to 2008
AZ Water Company - Apache Junction	I	Maricopa	Middle Gila	$10,000.00	18,622	635	19,257	2,409	5/8"	125.10	$16.02	$34.06	Incr. Blk	2009
AZ Water Company - Bisbee	I	Cochise	San Pedro	$1,700.00	3,103	307	3,410	287	5/8"	84.16	$16.32	$35.78	Incr. Blk	2009
AZ Water Company - Casa Grande	I	Pinal	Lower Gila	$10,250.00	21,135	1,450	22,585	4,428	5/8"	196.06	$13.11	$24.36	Incr. Blk	2009
AZ Water Company - Coolidge	I	Pinal	Lower Gila	$2,100.00	4,172	410	4,582	675	5/8"	147.32	$10.90	$24.37	Incr. Blk	2009
AZ Water Company - Lakeside	I	Navajo	Little Colorado	$2,450.00	4,709	247	4,956	295	5/8"	59.52	$17.81	$49.24	Unif. Vol.	2009
AZ Water Company - Miami	I	Gila	Upper Salt	$1,780.00	2,805	225	3,030	296	5/8"	97.69	$15.44	$38.99	Incr. Blk	2009
AZ Water Company - Oracle	I	Pinal	San Pedro	$1,075.00	1,423	103	1,526	119	5/8"	77.98	$19.31	$56.70	Incr. Blk	2009
AZ Water Company - Overgaard	I	Navajo	Little Colorado	$1,560.00	4,048	75	4,123	135	5/8"	32.74	$18.40	$51.85	Unif. Vol.	2009
AZ Water Company - Pinewood	I	Coconino	Verde	$1,020.00	2,858	21	2,879	87	5/8"	30.22	$19.86	$48.14	Unif. Vol.	2009
AZ Water Company - Rim Rock	I	Yavapai	Verde	$455.00	1,206	20	1,226	84	5/8"	68.52	$23.54	$51.58	Unif. Vol.	2009
AZ Water Company - Saddlebrook	I	Pinal		$70.00	43	8	51	11	5/8"	215.69	$15.00	$45.75	Unif. Vol.	2009
AZ Water Company - San Manuel	I	Pinal	San Pedro	$750.00	1,423	73	1,496	164	5/8"	109.63	$24.45	$43.25	Incr. Blk	2009
AZ Water Company - Sedona	I	Yavapai	Verde	$3,400.00	5,657	652	6,309	1,075	5/8"	170.39	$17.63	$31.36	Unif. Vol.	2009

System Name	Ownership*	County	Watershed	Revenue $1,000/Yr.	Number of Users Residential	Number of Users Other	Number of Users Total	Gallons Sold (Millions)	Avg. Size Resident Meter	Avg. Annual Use/ Acct (000's)	Base $/Month	Total $ /Month 7,500 Gal	Rate Structure	Survey Updated
AZ Water Company - Sierra Vista	I	Cochise	San Pedro	$1,450.00	2,759	156	2,915	393	5/8"	134.82	$15.40	$27.49	Incr. Blk	2009
AZ Water Company - Stanfield	I	Pinal	Lower Gila	$134.00	174	30	204	30	5/8"	147.06	$16.57	$37.42	Incr. Blk	2009
AZ Water Company - Superior	I	Pinal	Lower Gila	$550.00	1,202	81	1,283	113	5/8"	88.07	$16.02	$35.80	Incr. Blk	2009
AZ Water Company - White Tank	I	Maricopa	Lower Gila	$1,300.00	1,830	50	1,880	368	5/8"	195.74	$20.84	$38.16	Incr. Blk	2009
AZ Water Company - Winkelman	I	Gila	Upper Gila	$100.00	140	20	160	36	5/8"	225.00	$12.95	$21.47	Incr. Blk	2009
Baca Float Water Company	I	Santa Cruz	Upper Santa Cruz	$173.30	271	0	271	17		63.47	$15.00	$29.50	Incr. Blk	Prior to 2008
Bachmann Springs Utility Company	I	Cochise	San Pedro	$98.60	0	2	2	0		16.50	$23.25	$38.75	Incr. Blk	Prior to 2008
Beardsley Water Company, Inc.	I	Maricopa	Lower Gila	$313.00	423	0	423	70	3/4"	165.67	$20.00	$37.21	Incr. Blk	2008
Beaver Dam Water Company, Inc.	I	Mohave	Lower Gila	$215.00	303	0	303	18		60.99	$15.00	$26.25	Unif. Vol.	Prior to 2008
Beaver Valley Water Company, Inc.	I	Gila	Verde	$66.00	192	0	192	6		33.33	NR	$13.65	Unif. Vol.	Prior to 2008
Bella Vista Water Company, Inc.	I	Cochise	San Pedro	$3,500.76	7,512	1,008	8,520	1,043	5/8"	122.36	$15.00	$25.00	Incr. Blk	2008
Bellemont Water Co.	I	Coconino	Verde	$24.20	0	5	5	5		912.00	$17.00	$42.83	Incr. Blk	Prior to 2008
Benson	M	Cochise	San Pedro	$745.80	1,560	354	1,914	252		131.89	$8.00	$20.50	Incr. Blk	2009
Bermuda Water Company	I	Mohave	Colorado River	$3,042.00	7,507	165	7,672	1,250		162.93	$11.00	$20.99	Incr. Blk	Prior to 2008
Berneil Water Company	I	Maricopa	Middle Gila	$686.00	471	58	529	42		79.02	$4.40	$8.20	Incr. Blk	Prior to 2008
Biasi Water Company, Inc.	I	Mohave	Colorado River	$68.00	149	0	149	10		67.11	$15.00	$37.50	Unif. Vol.	2009
Bidegain Water Company	I	Apache	Colorado River	NR	NR	NR	NR	NR	NR	NR	$9.00	$19.73	Unif. Vol.	Prior to 2008
Big Park Water Company	I	Yavapai	Verde	$1,386.98	2,790	232	3,022	255	5/8"	84.38	$18.00	$33.34	Incr. Blk	2009
Black Canyon DWID	D	Yavapai	Upper Agua Fria	$390.30	769	61	830	80		96.14	$20.00	$35.00	Incr. Blk	Prior to 2008
Blue Hills No. 3	I	Yavapai		$26.42	63	1	64	7	5/8"	103.41	$12.00	$41.25	Incr. Blk	2009
Bonita Creek Water Co.	A	Gila	Salt	$22.80	43	0	43	1		14.88	$35.00	$86.00	Incr. Blk	Prior to 2008
Bowie DWID	D	Cochise	San Pedro	$76.00	350	0	350	NR		NR	$18.50	$35.00	Unif. Vol.	Prior to 2008
Boynton Canyon Enchantment HOA	A	Yavapai	Verde	$138.30	75	26	101	20		201.98	$24.00	$53.63	Unif. Vol.	Prior to 2008
Bradshaw Mountain View Water Co.	I	Yavapai	Verde	$222.00	572	3	575	49		85.22	$17.00	$32.92	Incr. Blk	Prior to 2008
Bradshaw Water Company, Inc.	I	Yavapai	Verde	$138.09	168	0	168	12	5/8"	70.71	$33.00	$71.13	Incr. Blk	2008
Brooke Water LLC - Holiday Harbor	I	Yavapai	Verde	$990.00	222	0	222	19		86.04	$16.90	$46.38	Unif. Vol.	Prior to 2008
Brooke Water LLC - Lakeside	I	Yavapai	Verde	$990.00	851	0	851	44		51.94	$16.90	$46.38	Unif. Vol.	Prior to 2008
Brooke Water LLC - Marina Village	I	Yavapai	Verde	$990.00	226	0	226	14		61.06	$16.90	$46.38	Unif. Vol.	Prior to 2008
Brooke Water LLC - Movalya Keys	I	Yavapai	Verde	$990.00	551	0	551	26		47.37	$16.90	$46.38	Unif. Vol.	Prior to 2008
Brooke Water LLC - Parker Dam	I	Yavapai	Verde	$990.00	187	0	187	13		68.45	$16.90	$46.38	Unif. Vol.	Prior to 2008
Brooke Water LLC - Payson	I	Gila	Salt	$517.90	1,118	0	1,118	65		58.14	$16.00	$34.19	Incr. Blk	Prior to 2008
Brooke Water LLC - Pine Water Co.	I	Gila	Salt	$847.10	2,011	0	2,011	50		24.66	$18.45	$52.88	Incr. Blk	Prior to 2008
Brooke Water LLC - Rio Lindo	I	Yavapai	Verde	$990.00	31	0	31	2		58.06	$16.90	$46.38	Unif. Vol.	Prior to 2008
Brooke Water LLC - Strawberry Water Co.	I	Gila	Salt	$446.50	1,062	0	1,062	43		40.68	$18.45	$52.88	Incr. Blk	Prior to 2008
Brooke Water LLC - Tonto Basin	I	Gila	Salt	$301.00	799	0	799	60		74.97	$16.00	$30.36	Incr. Blk	Prior to 2008
Brooke Water LLC -Parent Co.	I	Gila	Salt	$990.00	2,081	101	2,182	10		4.45	$16.90	$46.38	Unif. Vol.	Prior to 2008
Buckeye (Sundance)	M	Maricopa	Lower Gila	incl	incl	incl	incl	incl		68.93	$12.70	$34.78	Incr. Blk	Prior to 2008
Buckeye (Sunora)	M	Maricopa	Lower Gila	incl	incl	incl	incl	incl		68.93	$6.35	$17.43	Incr. Blk	Prior to 2008
Buckeye (Town)	M	Maricopa	Lower Gila	$6,209.90	10,333	665	10,998	1,335	1"	121.40	$13.97	$31.82	Incr. Blk	2009
Caballeros Water Company, Inc.	I	Maricopa	Middle Gila	$46.90	47	3	50	31		626.00	$8.00	$15.50	Unif. Vol.	Prior to 2008
Cactus-Stellar Limited (May-Sept)	A	Pima	Santa Cruz	$4.50	16	0	16	1		81.25	$0.00	$34.50	Unif. Vol.	Prior to 2008
Cactus-Stellar Limited (Oct - April)	A	Pima	Santa Cruz	$4.50	16	0	16	1		81.25	$0.00	$22.50	Unif. Vol.	Prior to 2008
Camp Verde Water System	I	Yavapai	Salt Verde	$1,136.53	1,250	211	1,461	150	5/8"	102.71	$23.75	$48.88	Incr. Blk	2009
Carefree Water Company	D	Maricopa	Middle Gila	$2,100.00	1,624	176	1,800	376	5/8"	209.06	$36.05	$57.28	Incr. Blk	2009
Carter's Water Company	I	Pinal	Middle Gila	$3.10	13	0	13	4		276.92	$20.00	$20.00	Flat Rate	Prior to 2008

System Name	Ownership*	County	Watershed	Revenue $1,000/Yr.	Number of Users Residential	Number of Users Other	Number of Users Total	Gallons Sold (Millions)	Avg. Size Resident Meter	Avg. Annual Use/ Acct (000's)	Base $/Month	Total $ /Month 7,500 Gal	Rate Structure	Survey Updated
Casa Grande South Water Co.	I	Pinal	Middle Gila	$44.60	67	3	70	10		138.57	$18.00	$29.83	Unif. Vol.	Prior to 2008
Casa Grande West Water Co.	I	Pinal	Middle Gila	$127.20	280	3	283	29		102.12	$9.00	$24.60	Unif. Vol.	Prior to 2008
Cave Creek Water Company	M	Maricopa	Middle Gila	$4,750.00	2,280	233	2,513	725	1"	288.50	$50.00	$74.38	Unif. Vol.	2009
C-D Oasis Water Company	I	Cochise	San Pedro	NR	11	0	11	NR		NR	$17.00	$32.40	Incr. Blk	Prior to 2008
Cedar Grove Water	A	Apache	Little Colorado	$159.13	367	1	368	20	5/8"	54.35	$20.50	$41.13	Incr. Blk	2009
Cerbat Water Company	I	Mohave	Lower Gila	$110.24	274	5	279	29	3/4"	103.94	$18.00	$31.88	Incr. Blk	2009
Chandler (Summer)	M	Maricopa	Middle Gila	$40.80	69,669	3,931	73,600	17,540		238.32	$6.31	$15.54	Incr. Blk	2009
Chandler (Winter)	M	Maricopa	Middle Gila	$40.80	69,669	3,931	73,600	17,540		238.32	$6.31	$15.54	Incr. Blk	2009
Chaparral City Water Company	I	Maricopa	Middle Gila	$7,755.90	13,119	226	13,345	2,080		155.86	$13.60	$29.98	Incr. Blk	2009
Chaparral Water Company	I	Maricopa	Middle Gila	$155.30	335	0	335	53		157.31	$12.85	$26.55	Incr. Blk	2009
Chino Meadows II Water Company	I	Yavapai	Verde	NR	889	0	889	57	5/8"	64.32	$18.75	$39.03	Unif. Vol.	2009
Chino Valley	M	Yavapai	Verde	$7,150.00	16,433	2,010	18,443	NR		NR	$4.84	$34.39	Incr. Blk	Prior to 2008
Chloride DWID	D	Mohave	Lower Gila	$117.55	187	1	188	5	3/4"	25.32	$38.00	$89.00	Incr. Blk	2008
Cienega Water Company, Inc.	I	La Paz	Lower Gila	$30.30	68	0	68	3		50.00	$30.00	$67.50	Incr. Blk	Prior to 2008
Circle City Water Company, L.L.C.	I	Maricopa	Middle Gila	$70.70	186	0	186	20		108.06	$10.75	$21.48	Unif. Vol.	Prior to 2008
Citrus Park Water Co., Inc.	I	Yuma	Lower Gila	$6.20	19	0	19	1		73.68	$20.00	$31.25	Unif. Vol.	Prior to 2008
Clarkdale	M	Yavapai	Salt Verde	$1,055.00	1,721	59	1,780	130	5/8"	73.26	$23.50	$49.50	Incr. Blk	2009
Clay Springs DWID	D	Navajo	Little Colorado	$72.00	148	3	151	12		76.16	$25.00	$43.70	Decr. Blk	Prior to 2008
Clear Springs Utility Co., Inc.	I	Cochise	San Pedro	$175.23	524	64	588	41	5/8"	69.97	$11.00	$24.88	Incr. Blk	2009
Clearwater Utilities Company, Inc.	I	Maricopa	Middle Gila	$522.00	828	4	832	161	1"	193.51	$20.00	$32.78	Incr. Blk	2008
Clifton 06-002 - Morenci Water and Electric Co.	I	Greenlee	Gila	$154.98	621	88	709	89	5/8"	124.98	$10.00	$17.34	Unif. Vol.	2008
Cloud Nine Water Company Inc.,	I	Cochise	San Pedro	$14.70	52	0	52	18		346.15	$8.00	$14.88	Unif. Vol.	Prior to 2008
Coldwater Canyon Water Company	I	Yavapai	Verde	$91.20	398	1	399	NR		NR	$12.00	$18.60	Unif. Vol.	Prior to 2008
Colorado City	M	Mohave	Virgin River	$830.00	NR	NR	902	437	5/8"	484.48	$22.00	$30.25	Unif. Vol.	2009
Community Water Co. of Green Valley	A	Pima	Santa Cruz	$2,572.00	9,600	397	9,997	867		86.70	$11.00	$22.94	Incr. Blk	Prior to 2008
Congress DWID	D	Yavapai	Bill Williams	$455.05	699	32	731	67	3/4"	91.16	$35.00	$54.50	Unif. Vol.	2009
Cordes Lakes Water Co.	I	Yavapai	Agua Fria	$395.20	1,141	201	1,342	74		55.22	$11.00	$29.85	Unif. Vol.	Prior to 2008
Cottonwood	M	Yavapai	Salt Verde	$3,498.00	7,468	1,500	8,968	1,069		119.20	$17.00	$35.85	Incr. Blk	Prior to 2008
CP Water Company	I	Pinal	Middle Gila	$1.90	16	0	16	2		153.38	$5.00	$6.25	Unif. Vol.	2009
Cross Creek Ranch Water Company	I	Yavapai	Agua Fria	$22.50	13	0	13	2		144.62	$18.00	$56.00	Incr. Blk	Prior to 2008
Dateland Public Service	I	Yuma	Lower Gila	$49.12	110	0	110	10	5/8"	88.29	$26.00	$34.75	Incr. Blk	2009
Dateland Water	I	Yuma	Lower Gila	$3.60	15	0	15	1		69.33	$10.00	$25.00	Unif. Vol.	Prior to 2008
Dells Water Company	I	Yavapai	Verde	$24.78	68	7	75	7	5/8"	98.13	$11.00	$24.38	Unif. Vol.	2009
Desert Hills Water Co., Inc.	I	Maricopa	Lower Gila	$2,075.00	1,680	17	1,697	259	5/8"	152.62	$50.00	$74.38	Unif. Vol.	2009
Desert Valencia Water System	I	Yuma	Lower Gila	$4.90	11	0	11	NR		NR	$6.25	$11.75	Decr. Blk	Prior to 2008
Diablo Village Water Company	I	Pima	Upper Santa Cruz	$518.60	869	2	871	83		95.64	$20.00	$42.50	Unif. Vol.	Prior to 2008
Diamond Valley Water Users	A	Yavapai	Verde	$395.60	631	0	631	30		47.39	$23.80	$71.05	Incr. Blk	Prior to 2008
Diversified Water Utilities, Inc.	I	Pinal	Lower Gila	$945.50	1,350	11	1,361	136	3/4"	99.93	$27.50	$54.88	Unif. Vol.	2008
Doney Park Water (summer)	A	Coconino	Little Colorado	$1,962.12	3,137	203	3,340	237	5/8"	70.85	$18.75	$57.53	Incr. Blk	2009
Doney Park Water (winter)	A	Coconino	Little Colorado	$1,962.12	3,137	203	3,340	237	5/8"	70.85	$18.75	$53.20	Incr. Blk	2009
Double R Water Distributors, Inc.	I	Mohave	Colorado River	$0.30	NR	NR	NR	NR		NR	$13.20	$26.20	Incr. Blk	Prior to 2008
Douglas	M	Cochise	Rio Yaqui	$141.60	5,178	313	5,491	903		164.45	$11.50	$17.59	Incr. Blk	Prior to 2008
Dragoon Water Co., Inc.	I	Cochise	Wilcox Playa	$107.48	135	2	137	11	5/8"	81.75	$32.00	$66.05	Incr. Blk	2009
DS Water Company	I	Mohave	Lower Gila	$47.00	83	6	89	10		114.61	$20.56	$35.97	Incr. Blk	Prior to 2008
Duncan	M	Greenlee	Gila	$128.28	286	45	331	NR	3/4"	NR	$17.83	$32.19	Unif. Vol.	2009

System Name	Ownership*	County	Watershed	Revenue $1,000/Yr.	Number of Users Residential	Number of Users Other	Number of Users Total	Gallons Sold (Millions)	Avg. Size Resident Meter	Avg. Annual Use/ Acct (000's)	Base $/Month	Total $ /Month 7,500 Gal	Rate Structure	Survey Updated
Duncan - Hunter Estates	M	Greenlee		$24.66	55	0	55	NR	3/4"	NR	$17.83	$32.19	Unif. Vol.	2009
Eagar	M	Apache	Upper Little CO	$550.00	1,890	41	1,931	200	3/4"	103.57	$8.80	$20.74	Incr. Blk	2009
Eagletail Water Company, LC	I	Maricopa	Lower Gila	$36.43	56	0	56	NR	3/4"	NR	$21.00	$49.73	Incr. Blk	2009
East Slope Water Company	I	Cochise	San Pedro	$190.70	759	63	822	76	5/8"	92.22	$9.00	$17.55	Unif. Vol.	2008
Eden Water Company,Inc.	A	Graham	Upper Gila	$72.80	123	3	126	17		138.02	$15.75	$36.00	Unif. Vol.	Prior to 2008
Ehrenberg Improvement Assoc.	A	La Paz	Colorado River	$274.00	250	45	295	119	3/4"	402.77	$18.75	$24.35	Unif. Vol.	2009
El Mirage	M	Maricopa	Middle Gila	$6,900.09	10,293	1,076	11,369	1,693	3/4"	148.95	$15.75	$36.30	Incr. Blk	2009
El Prado Water Co, Inc.	I	Yuma	Colorado River	$47.90	137	0	137	115		840.88	$15.00	$32.68	Unif. Vol.	Prior to 2008
Elfrida Domestic Water Users Assoc.	A	Cochise	Whitewater Draw	$55.30	223	4	227	27		117.18	$10.00	$18.25	Unif. Vol.	2008
Eloy	M	Pinal	Lower Gila	$875.00	2,462	189	2,651	262	3/4"	98.75	$11.68	$25.71	Incr. Blk	2009
Empirita Water Company, LLC	I	Cochise	San Pedro	$18.51	30	0	30	2	5/8"	72.77	$30.00	$54.38	Incr. Blk	2009
Escapees at North Ranch	I	Yavapai	Verde	$68.52	409	1	410	15	5/8"	36.59	$12.00	$21.00	Unif. Vol.	2008
F & F Water Company	I	Cochise	San Pedro	$0.30	NR	NR	NR	NR		NR	$5.00	$5.88	Unif. Vol.	Prior to 2008
Far West Water & Sewer, Inc.	I	Yuma	Lower Gila	$5,724.80	13,938	992	14,930	1,721		115.27	$15.53	$27.81	Unif. Vol.	Prior to 2008
Farmers Water Company	I	Pima	Upper Santa Cruz	$467.00	1,737	218	1,955	265		135.50	$6.50	$16.38	Incr. Blk	Prior to 2008
Fisher's Landing Water & Sewer Works	I	Yuma	Lower Gila	$142.40	73	6	79	16		202.53	$12.00	$12.00	Flat Rate	Prior to 2008
Flagstaff	M	Coconino	Little Colorado	$10,384.76	16,875	1,917	18,792	2,478	3/4"	131.86	$6.48	$30.51	Incr. Blk	2009
Flagstaff Ranch Water Company, Inc.	I	Coconino	Lower Little Colorad	$145.00	212	6	218	12	3/4"	55.96	$27.00	$46.18	Unif. Vol.	2009
Florence	M	Pinal	Lower Gila	$2,342.05	3,734	221	3,955	572	5/8"	144.66	$17.50	$26.88	Incr. Blk	2009
Flowing Wells Irrigation	D	Pima	Upper Santa Cruz	$1,985.83	2,872	518	3,390	859	3/4"	253.49	$10.35	$25.50	Unif. Vol.	2009
Fools Hollow Water Company	I	Navajo	Silver Creek	$141.80	316	2	318	21		66.67	$14.00	$33.88	Unif. Vol.	Prior to 2008
Forest Highlands Water Company	I	Coconino	Verde	$521.00	697	25	722	140	3/4"	193.91	$35.00	$54.80	Incr. Blk	2009
Forest Lake DWID	D	Coconino	Colorado River	$292.81	857	13	870	33	5/8"	37.36	$25.00	$40.00	Unif. Vol.	2009
Fort Mohave Tribal Utilities Authority	I	Mohave	Colorado River	$267.00	776	86	862	85		99.15	$12.00	$21.00	Incr. Blk	Prior to 2008
Francesca Water Co., Inc.	I	Pima	Upper Santa Cruz	$54.66	129	2	131	10	5/8"	75.06	$16.35	$24.35	Incr. Blk	2008
Fredonia	M	Coconino	Colorado River	$225.48	682	37	719	177	3/4"	245.48	$16.50	$23.13	Incr. Blk	2009
Gadsden Water Co., Inc.	I	Yuma	Colorado River	$45.04	175	21	196	23	5/8"	119.47	$8.00	$14.50	Unif. Vol.	2009
Gila Bend	M	Maricopa	Middle Gila	$307.00	573	78	651	89		136.25	$17.10	$24.30	Unif. Vol.	Prior to 2008
Gilbert	M	Maricopa	Middle Gila	$37,015.00	65,550	3,791	69,341	15,682	3/4"	226.16	$14.63	$22.73	Incr. Blk	2009
Glendale	M	Maricopa	Middle Gila	$35,539.00	55,617	5,341	60,958	14,632	1"	240.04	$8.47	$18.49	Incr. Blk	2009
Globe	M	Gila	Salt River	$2,024.72	3,030	482	3,512	259	3/4"	73.60	$6.90	$25.45	Incr. Blk	2009
Golden Corridor Water Co.	I	Pinal	Middle Gila	$36.50	52	0	52	7		132.69	$15.25	$34.75	Unif. Vol.	Prior to 2008
Golden Shores Water Co., Inc.	I	Mohave	Lower Gila	$512.50	1,495	0	1,495	160		107.29	$16.05	$25.88	Unif. Vol.	Prior to 2008
Golden Valley DWID	D	Mohave	Sacramento Valley	$620.00	1,518	10	1,528	121	3/4"	79.19	$15.00	$36.13	Incr. Blk	2009
Goodman Water Co.	I	Pinal	Middle Gila	$548.45	628	0	628	54	5/8"	85.99	$42.20	$78.69	Incr. Blk	2008
Goodyear	M	Maricopa	Lower Gila	NR	12,211	393	12,604	2,235		177.31	$9.67	$22.87	Incr. Blk	2009
Graham County Utilities Inc - Water	A	Graham	San Pedro	$640.08	1,128	75	1,203	162	5/8"	134.75	$16.80	$35.93	Unif. Vol.	2009
Grand Canyon Caverns & Inn	I	Coconino	Colorado River	$4.90	0	9	9	1		144.44	$5.00	$21.25	Unif. Vol.	Prior to 2008
Grandview Water Co., Inc.	I	Maricopa	Middle Gila	$1.20	20	0	20	7		350.00	$5.00	$5.00	Flat Rate	2009
Granite Dells Water Co.	I	Yavapai	Verde	$1.90	12	0	12	1		90.00	$4.00	$14.05	Decr. Blk	Prior to 2008
Granite Mountain Water Co., Inc.	I	Yavapai	Verde	NR	96	0	96	9	5/8"	96.77	$23.00	$53.00	Incr. Blk	2009
Granite Oaks Water Users Assoc.	A	Yavapai	Verde	$225.00	452	0	452	64	5/8"	140.49	$20.00	$31.00	Unif. Vol.	2009
Green Acres Water Company	I	Yuma	Lower Gila	$19.90	52	0	52	1		19.23	$38.00	$84.88	Incr. Blk	Prior to 2008
Green Valley DWID	D	Pima	Upper Santa Cruz	$2,210.30	4,516	90	4,606	891	5/8"	193.38	$16.70	$29.60	Incr. Blk	2009
Greenehaven Water Co., Inc.	I	Coconino	Little Colorado	$53.20	261	0	261	34		129.50	$9.00	$18.75	Unif. Vol.	Prior to 2008

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Groom Creek Water Users Assoc.	A	Yavapai	Middle Gila	$192.47	228	0	228	5		20.18	$14.00	$38.75	Incr. Blk	2009
H2O, Inc.	I	Maricopa	Middle Gila	$3,080.30	6,619	49	6,668	868		130.17	$15.00	$26.57	Incr. Blk	2009
Halcyon Acres Annex #2 Water Co.	A	Pima	Santa Cruz	$20.00	35	0	35	8		234.29	$14.00	$29.05	Incr. Blk	Prior to 2008
Halcyon Acres Water Users Assoc.	A	Pima	Santa Cruz	$26.00	77	0	77	21	1"	275.31	$7.50	$10.00	Unif. Vol.	2009
Hatch Valley Water Company	I	Mohave	Lower Gila	$30.90	70	0	70	7		102.86	$16.00	$30.63	Unif. Vol.	Prior to 2008
Havasu Heights DWID	D	Mohave	Lower Gila	$48.86	145	0	145	19	5/8"	130.17	$0.00	$19.13	Incr. Blk	2009
Hayden	M	Gila	Middle Gila	$61.01	256	19	275	30	3/4"	109.53	$7.00	$9.63	Unif. Vol.	2009
Heber Domestic DWID	D	Navajo	Salt	$176.13	300	45	345	44	5/8"	126.45	$20.00	$33.75	Incr. Blk	2009
Heckethorn Water Company	I	Coconino	Colorado River	$29.60	40	4	44	4		90.91	$25.25	$43.40	Unif. Vol.	Prior to 2008
High Country Pines Water Company	I	Navajo	Little Colorado	$80.74	198	1	199	6	3/4"	29.85	$20.00	$47.63	Incr. Blk	2009
Highland Pines DWID	D	Yavapai	Verde	$264.00	349	0	349	NR		NR	$41.00	$201.78	Incr. Blk	Prior to 2008
Hillcrest Water Company	I	La Paz	Colorado River	$5.16	197	0	197	9	3/4"	43.52	$15.00	$37.50	Unif. Vol.	2008
Holbrook -Summer	M	Navajo	Little Colorado	$680.00	1,607	240	1,847	322	3/4"	174.24	$6.50	$18.13	Unif. Vol.	2009
Holbrook -Winter	M	Navajo	Little Colorado	$680.00	1,607	240	1,847	322	3/4"	174.24	$6.50	$19.63	Unif. Vol.	2009
Holiday Hills DWID	D	Yavapai	Verde	NR	46	3	49	2		46.94	$35.00	$87.50	Unif. Vol.	Prior to 2008
Holiday Water Company	I	Cochise	San Pedro	$56.70	157	0	157	15		94.27	$15.00	$29.10	Unif. Vol.	Prior to 2008
Ho-Tye Water Company	I	Mohave	Lower Gila	$1.00	3	0	3	0		73.33	$25.00	$40.88	Incr. Blk	Prior to 2008
Huachuca City	M	Cochise	Upper San Pedro	$179.18	721	54	775	10		12.90	$10.00	$21.00	Unif. Vol.	2009
Humboldt Water Systems, Inc.	I	Yavapai	Verde	$133.00	319	7	326	22		66.56	$21.55	$37.80	Unif. Vol.	Prior to 2008
ICR Water Users Assoc.	A	Yavapai	Verde	$258.00	364	11	375	163		434.40	$20.00	$38.20	Unif. Vol.	Prior to 2008
Indiada Water Company, Inc.	I	Cochise	San Pedro	$25.09	56	0	56	1	5/8"	23.46	$15.00	$34.25	Unif. Vol.	2008
J.N.J. Enterprises L.L.C.	I	Gila	Salt Verde	$79.60	258	0	258	5		18.60	$17.75	$50.38	Incr. Blk	Prior to 2008
Jackson Acres Water District	D	Yavapai	Verde	$8.50	15	0	15	1		80.00	$9.00	$20.00	Incr. Blk	2008
Jackson Spring Estates HOA	A	Apache	Little Colorado	$4.36	14	0	14	0		2.79	$23.00	$23.00	Flat Rate	2009
Jake's Corner Water System	I	Gila	Salt Verde	$1.20	19	0	19	0		5.47	$12.00	$24.03	Unif. Vol.	Prior to 2008
Jerome	M	Yavapai	Verde	NR	240	65	305	NR		NR	$25.94	$25.94	Flat Rate	Prior to 2008
Johnson Utilities Company	I	Pinal	Middle Gila	$11,396.00	16,414	0	16,414	1,647		100.34	$27.00	$44.00	Incr. Blk	2008
Joshua Valley Utility Company	I	Mohave	Colorado River	$310.51	967	28	995	53		52.76	$13.50	$40.25	Incr. Blk	2008
Katherine Resort Water Company	I	Mohave	Colorado River	$26.40	46	0	46	3		61.96	$27.85	$54.73	Incr. Blk	Prior to 2008
Kearny	M	Pinal	Upper Gila	$370.00	802	39	841	126	5/8"	149.71	$25.45	$29.70	Incr. Blk	2009
Keaton Development Company	I	La Paz	Colorado River	$180.00	494	2	496	24	5/8"	47.38	$16.00	$38.50	Incr. Blk	2009
Kingman	M	Mohave	624	$7,322.16	16,953	1,566	18,519	2,606	5/8"	140.72	$12.71	$26.89	Incr. Blk	2009
Kohl's Ranch Water Company	I	Gila	Upper Salt	$10.80	123	0	123	5		44.39	$5.75	$7.00	Unif. Vol.	Prior to 2008
Kokopelli Springs Resort	I	Cochise	San Pedro	$10.52	39	1	40	4		NR	$21.80	$21.80	Flat Rate	2008
La Casita Water Company, Inc.	I	Pima	Upper Santa Cruz	$270.76	441	0	441	52	5/8"	116.89	$21.00	$47.25	Unif. Vol.	2009
Lago Del Oro Water Company	I	Pinal	Upper Santa Cruz	$1,923.00	5,942	104	6,046	899		148.63	$12.40	$22.30	Unif. Vol.	Prior to 2008
Lagoon Estates Water Company, Inc.	I	Mohave	Colorado River	$204.00	383	2	385	40		103.64	$12.25	$27.25	Unif. Vol.	Prior to 2008
Lake Havasu City	M	Mohave	Lower Gila	$10,447.39	26,157	2,707	28,864	4,325	3/4"	149.83	$5.16	$18.70	Incr. Blk	2009
Lake Verde Water Company	I	Yavapai	Verde	$17.00	63	0	63	4		63.49	$10.50	$23.50	Unif. Vol.	Prior to 2008
Lakewood Water Company	I	Pima	Upper Santa Cruz	$94.60	289	13	302	44		145.36	$12.00	$20.90	Incr. Blk	Prior to 2008
Las Quintas Serenas Water Company	I	Pima	Upper Santa Cruz	$353.40	1,009	10	1,019	179		175.96	$21.37	$29.20	Incr. Blk	Prior to 2008
Lazy C Water Service	I	Pima	Upper Santa Cruz	$102.26	133	0	133	17	5/8"	131.02	$19.00	$43.59	Incr. Blk	2008
Litchfield Park Service Company -Water	I	Maricopa	Lower Gila	$6,904.95	14,640	653	15,293	3,559	3/4"	232.73	$8.30	$15.95	Incr. Blk	2008
Little Park Water Company	I	Yavapai	Verde	$49.30	68	0	68	14		204.41	$15.00	$28.00	Unif. Vol.	Prior to 2008
Livco Water Company	I	Apache	Upper Little Colorad	$148.59	346	27	373	35	5/8"	94.64	$15.50	$28.25	Incr. Blk	2009

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Loma Estate Water Co.	I	Yavapai	Lower Gila	$3.60	31	0	31	0		5.00	$22.00	$64.00	Unif. Vol.	Prior to 2008
Loma Linda Water Company	I	Greenlee	Upper Gila	$59.88	126	0	126	12	5/8"	98.71	$16.63	$38.61	Incr. Blk	2008
Lord Arizona Water Systems Inc.	I	Apache	Silver Creek	$123.70	337	0	337	19		56.91	$22.00	$38.12	Unif. Vol.	Prior to 2008
Los Cerros Water Co., Inc.	I	Pima	Upper Santa Cruz	$357.88	804	12	816	88	5/8"	107.84	$12.50	$30.80	Unif. Vol.	2008
Lucky Hills Water Company	I	Cochise	San Pedro	$1.50	4	0	4	0		62.50	$25.00	$36.38	Unif. Vol.	Prior to 2008
Lyn-Lee Water	I	Pima	Upper Santa Cruz	$23.90	41	0	41	0		0.15	$15.00	$29.63	Incr. Blk	Prior to 2008
Mammoth	M	Pinal	Lower San Pedro	$190.40	547	33	580	32		55.17	$10.37	$25.00	Unif. Vol.	Prior to 2008
Marana	M	Pima	Upper Santa Cruz	$2,461.92	4,946	338	5,284	693	5/8"	131.15	$15.12	$32.52	Incr. Blk	2009
Marana DWID	D	Pima	Upper Santa Cruz	$480.01	823	14	837	82	5/8"	98.22	$22.00	$40.28	Incr. Blk	2009
Maricopa DWID	D	Pinal	Middle Gila	$231.94	296	87	383	59	3/4"	153.84	$20.00	$33.00	Unif. Vol.	2009
Mayer DWID	D	Yavapai	Middle Gila	$0.00	NR	NR	575	34	3/4"	58.43	$25.50	$43.50	Incr. Blk	2009
McAdams Water Company	I	Maricopa	Middle Gila	$3.80	6	0	6	1		119.33	$18.00	$34.25	Unif. Vol.	Prior to 2008
McNeal Water Company (MWC, Inc.)	I	Cochise	Whitewater Draw	$7.60	25	0	25	1		56.00	$20.73	$43.35	Unif. Vol.	Prior to 2008
Mesa	M	Maricopa	Middle Gila	$96,008.92	120,065	14,502	134,567	28,599	3/4"	212.53	$11.48	$28.73	Incr. Blk	2009
Mesaland Water Company	A	Pima		$34.20	96	1	97	32	5/8"	325.43	$11.00	$16.20	Incr. Blk	2009
Mescal Lakes Water Systems, Inc.	I	Cochise	Upper Santa Cruz	$202.74	541	12	553	32	5/8"	57.32	$16.50	$42.75	Unif. Vol.	2009
Metropolitan DWID (Tucson)	D	Pima	Upper Santa Cruz	$12,260.07	16,983	1,247	18,230	3,003	5/8"	164.73	$15.03	$32.66	Incr. Blk	2009
Michael's Ranch Water User's Assoc.	A	Yavapai	Verde	$27.80	24	0	24	4		166.67	$18.00	$51.53	Incr. Blk	Prior to 2008
Mile Post 54 Community Water Well	A	Pima		$3.41	15	0	15	NR		NR	$20.00	$20.00	Unif. Vol.	2009
Mirabell Water Company, Inc.	I	Pima	Upper Santa Cruz	$39.80	61	0	61	7		114.75	$22.00	$39.63	Incr. Blk	Prior to 2008
Mohawk Utility Company	I	Yuma	Lower Gila	$53.70	136	1	137	11		78.47	$12.50	$29.00	Unif. Vol.	Prior to 2008
Monte Vista Water Co., L.L.C.	I	Cochise	Whitewater Draw	$6.70	40	0	40	3		75.00	$6.00	$11.50	Unif. Vol.	Prior to 2008
Montezuma Rimrock Water Co., LLC	I	Yavapai	Verde	$95.00	202	4	206	14	5/8"	65.53	$27.25	$43.61	Unif. Vol.	2008
Morenci Water and Electric Company	I	Greenlee	Upper Gila	$633.78	1,200	75	1,275	584	5/8"	457.88	$10.00	$18.73	Unif. Vol.	2008
Mormon Lake Water Co.	I	Coconino	Colorado River	$70.84	139	1	140	1		10.07	$34.50	$101.73	Incr. Blk	2009
Morristown Water Company	I	Maricopa	Middle Gila	$25.70	45	5	50	5		100.00	$16.00	$32.50	Unif. Vol.	Prior to 2008
Mountain Dell Water, Inc.	I	Coconino	Colorado River	$45.60	86	0	86	5		61.63	$19.00	$46.63	Unif. Vol.	Prior to 2008
Mountain Glen Water Service (consol.)	I	Navajo	Salt Verde	$187.00	385	0	385	27	5/8"	70.13	$21.65	$44.85	Incr. Blk	2009
Mt. Lemmon DWID	D	Pima	Upper Santa Cruz	$244.99	288	2	290	3	5/8"	10.34	$41.85	$97.35	Incr. Blk	2009
Mt. Tipton Water Co.	I	Mohave	Colorado River	$380.93	658	33	691	39	5/8"	56.19	$29.00	$50.00	Incr. Blk	2009
Naco Water Company, L.L.C.	I	Cochise	San Pedro	$309.09	344	29	373	4	5/8"	9.38	$32.16	$76.47	Incr. Blk	2009
Navajo Water Co., Inc.	I	Navajo	Colorado River	$126.00	318	0	318	16		50.31	$16.19	$42.44	Unif. Vol.	Prior to 2008
New River Utilities Company	I	Maricopa	Middle Gila	$1,381.00	2,720	21	2,741	694		253.05	$7.50	$16.50	Incr. Blk	2009
Nogales	M	Santa Cruz	Santa Cruz	$2,847.00	4,652	692	5,344	1,283		240.08	$6.00	$18.38	Incr. Blk	Prior to 2008
North Mohave Valley Corporation	I	Mohave	Lower Gila	$1,182.00	1,794	89	1,883	355		188.42	$11.00	$25.30	Incr. Blk	Prior to 2008
Northern Sunrise Water Company	I	Cochise		$189.73	353	0	353	25	5/8"	NR	$31.00	$47.87	Incr. Blk	2008
Oak Creek Public Service Co.	I	Yavapai	Verde	$81.76	311	0	311	20	5/8"	62.74	$12.00	$27.15	Incr. Blk	2009
Oak Creek Utility Corporation	I	Coconino	Verde	$14.27	34	0	34	1	5/8"	26.66	$30.00	$56.70	Incr. Blk	2008
Oak Creek Water Co., No. 1	A	Yavapai	Verde	$271.30	658	36	694	91		131.27	$7.00	$21.34	Incr. Blk	Prior to 2008
Ojo Bonito Estates DWID	I	Yavapai		$19.80	30	2	32	2	1"	52.75	$24.00	$41.50	Incr. Blk	2009
Orange Grove Water Company	I	Yuma	Lower Gila	$92.50	314	0	314	35		111.08	$10.00	$21.00	Unif. Vol.	Prior to 2008
Oro Valley	M	Pima	Santa Cruz	$10,514.07	17,644	757	18,401	2,492	5/8"	135.43	$14.19	$31.09	Incr. Blk	2009
Page	M	Coconino	Little Colorado	$1,563.39	2,547	385	2,932	657	3/4"	224.24	$12.00	$20.78	Unif. Vol.	2008
Papago Butte DWID, IWDD	D	Pinal	Middle Gila	$128.93	166	0	166	18	1"	107.22	$18.00	$34.25	Incr. Blk	2008
Paradise Trails Pioneer Valley	I	Mohave		$8.49	27	2	29	2	5/8"	83.79	$13.20	$26.20	Incr. Blk	2009

System Name	Ownership*	County	Watershed	Revenue $1,000/Yr.	Number of Users Residential	Number of Users Other	Number of Users Total	Gallons Sold (Millions)	Avg. Size Resident Meter	Avg. Annual Use/ Acct (000's)	Base $/Month	Total $ /Month 7,500 Gal	Rate Structure	Survey Updated
Park Valley Water Company	I	Navajo	Little Colorado	$213.00	501	9	510	34		66.27	$14.00	$33.88	Unif. Vol.	Prior to 2008
Park Water Company, Inc.	I	Pinal	Middle Gila	$71.20	129	0	129	12	5/8"	93.95	$20.00	$39.30	Incr. Blk	2009
Parker	M	La Paz	Colorado River	$625.32	932	241	1,173	256	3/4"	218.24	$10.00	$23.13	Incr. Blk	2009
Parker Lakeview Estates HOA. Inc.	A	Cochise	Lower Gila	$14.82	39	1	40	0	5/8"	10.00	$33.50	$55.10	Unif. Vol.	2009
Patagonia	M	Santa Cruz	Upper San Pedro	$53.86	375	25	400	38	3/4"	95.00	$13.25	$19.58	Incr. Blk	2008
Payson	M	Gila	Verde	$3,399.76	7,105	598	7,703	540	5/8"	70.10	$19.65	$36.35	Incr. Blk	2009
Peeples Valley Water Company	I	Yavapai	Bill Williams	$105.40	213	5	218	15		66.51	$23.75	$50.08	Incr. Blk	Prior to 2008
Peoria	M	Maricopa	Middle Gila	$31,630.75	45,566	2,668	48,234	8,674	1"	179.84	$16.84	$29.53	Incr. Blk	2009
Phoenix - Spring & Fall Rates	M	Maricopa	Middle Gila	$297,025.00	368,867	34,059	402,926	92,560	5/8"	229.72	$4.64	$15.88	Unif. Vol.	2009
Phoenix - Summer rates	M	Maricopa	Middle Gila	$297,025.00	368,867	34,059	402,926	92,560	5/8"	229.72	$4.64	$4.64	Unif. Vol.	2009
Phoenix - Winter Rates	M	Maricopa	Middle Gila	$297,025.00	368,867	34,059	402,926	92,560	5/8"	229.72	$4.64	$14.08	Unif. Vol.	2009
Picacho Peak Water Company	I	Pinal	Middle Gila	$55.00	6	8	14	5	3/4"	321.43	$15.00	$44.76	Incr. Blk	2009
Picacho Water Company	I	Pinal	Middle Gila	$185.50	127	20	147	75		507.48	$15.00	$37.50	Unif. Vol.	Prior to 2008
Picacho Water Improvement	I	Pinal	Middle Gila	$59.60	130	6	136	30		220.59	$14.00	$22.25	Unif. Vol.	Prior to 2008
Pima Utility Company	I	Maricopa	Middle Gila	$1,989.00	9,840	310	10,150	2,216		218.33	$5.70	$11.68	Incr. Blk	Prior to 2008
Pine Valley Water Company	I	Yavapai	Verde	$96.10	156	7	163	13		80.61	$18.65	$49.36	Incr. Blk	Prior to 2008
Pine Water Assoc. DWID	D	Gila	Upper Salt	$43.20	33	27	60	3	5/8"	50.00	$25.00	$100.00	Incr. Blk	2009
Pinecrest Water Company	I	Apache	Upper Little Colorada	$18.90	37	0	37	1		26.92	$30.00	$64.50	Incr. Blk	Prior to 2008
Pinedale DWID	D	Navajo	Silver Creek	$43.00	134	2	136	14	3/4"	102.94	$18.00	$24.25	Unif. Vol.	2008
Pinetop Water Comm. Facilities Dist.	D	Navajo	Silver Creek	$686.96	1,036	201	1,237	NR	5/8"	NR	$15.96	$39.59	Unif. Vol.	2009
Pineview Water Co.	I	Navajo	Little Colorado	$675.25	1,028	105	1,133	10	5/8"	8.38	$17.93	$43.70	Incr. Blk	2008
Poderosa Utility Company	I	Coconino	Verde	$260.00	524	15	539	25		45.77	$21.00	$45.75	Unif. Vol.	Prior to 2008
Ponderosa Park DWID	D	Yavapai	Agua Fria	$241.00	291	0	291	NR		NR	$41.79	$87.04	Incr. Blk	Prior to 2008
Porter Mountain DWID	D	Navajo	Upper Salt	$40.34	123	0	123	NR	3/4"	NR	$19.95	$33.45	Decr. Blk	2009
Prescott	M	Yavapai	Verde	$11,900.00	20,652	1,391	22,043	2,084	5/8"	94.53	$6.60	$34.53	Incr. Blk	2009
Prescott Valley	M	Yavapai	Agua Fria	$6,530.00	17,100	897	17,997	1,561	5/8"	86.74	$9.00	$29.78	Incr. Blk	2009
Pueblo Del Sol Water Company	I	Cochise	San Pedro	$1,940.82	4,988	74	5,062	447	5/8"	88.34	$13.45	$28.40	Incr. Blk	2009
Q Mountain Mobile Home Park	I	La Paz	Colorado River	$51.80	219	0	219	8		37.44	$12.00	$27.00	Unif. Vol.	Prior to 2008
Q Mountain Water	I	Yuma	Colorado River	$122.20	449	0	449	17	5/8"	38.93	$15.00	$30.00	Unif. Vol.	2008
Quail Canyon DWID	D	Yavapai	Upper Agua Fria	NR	NR	NR	NR	NR		NR	$57.00	$75.85	Incr. Blk	Prior to 2008
Quail Creek Water Company	I	Pima	Upper Santa Cruz	$670.00	1,580	5	1,585	127		79.94	$15.00	$36.00	Unif. Vol.	Prior to 2008
Quail Ridge DWID	D	Yavapai	Upper Agua Fria	NR	NR	NR	NR	NR		NR	$35.00	$51.25	Incr. Blk	Prior to 2008
Quartzsite	M	La Paz	Colorado River	$293.00	654	188	842	1,805		2,143.71	$16.00	$26.50	Decr. Blk	Prior to 2008
Queen Creek Water Company	I	Maricopa	Salt River Basin	$4.90	8,639	131	8,770	2		0.23	$12.00	$20.45	Incr. Blk	Prior to 2008
Queen Valley DWID	D	Pinal	Middle Gila	$304.00	569	6	575	45	5/8"	77.86	$36.31	$47.34	Incr. Blk	2009
RAINDANCE WATER CO-OP	A	Pima		$25.15	69	0	69	4,678,415	5/8"	NR	$10.00	$42.63	Unif. Vol.	2008
Rancheros Bonitos Water Co., L.L.C.	I	Yuma	Colorado River	$12.20	38	0	38	NR		NR	$20.00	$20.00	Flat Rate	Prior to 2008
Rancho Del Conejo Water Co-Op	A	Pima	Upper Santa Cruz	$150.80	325	0	325	38	5/8"	NR	$14.00	$26.25	Incr. Blk	2009
Rancho Sahuarita Water Co. L.L.C.	I	Pima	Santa Cruz	$2,187.74	4,496	19	4,515	459	5/8"		$16.00	$32.43	Incr. Blk	2008
Ray Water Company	I	Pima	Upper Santa Cruz	$654.70	1,506	13	1,519	239		157.34	$11.15	$22.78	Unif. Vol.	Prior to 2008
Red Rock Utilities, LLC	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	$25.00	$44.88	Incr. Blk	Prior to 2008
Ridgeview Utility Company	I	Maricopa	Lower Gila	$206.10	68	3	71	153		2,156.34	$25.00	$50.58	Unif. Vol.	Prior to 2008
Rigby Water Company (combined)	I	Maricopa	Lower Gila	$134.73	333	4	337	46	5/8"	135.90	$9.50	$22.50	Incr. Blk	2008
Rillito Water Users Association	A	Pima	Upper Santa Cruz	$15.00	53	0	53	6		115.09	$8.50	$10.75	Unif. Vol.	Prior to 2008
Rim Trail DWID	D	Gila	Verde	$58.23	88	0	88	1	3/4"	11.72	$59.00	$107.00	Incr. Blk	2008

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Rincon Ranch Estates Water Company	I	Pima	Upper Santa Cruz	$183.60	224	7	231	41		177.92	$13.15	$36.40	Incr. Blk	Prior to 2008
Rincon Water Company	I	Pima	Upper Santa Cruz	$53.00	70	0	70	7	1"	100.00	$20.00	$57.50	Unif. Vol.	2009
Rio Rico Utilities Inc.	I	Santa Cruz	Upper Santa Cruz	$1,852.05	6,353	234	6,587	735	1"	111.65	$6.45	$18.16	Incr. Blk	2008
Rio Verde Utilities - Water	I	Maricopa	Lower Gila	$1,400.00	1,614	38	1,652	219	3/4"	132.34	$9.00	$20.93	Unif. Vol.	2009
Roosevelt Lake Resort, Inc.	I	Gila	Upper Salt	$49.00	132	0	132	6		43.18	$17.00	$46.10	Unif. Vol.	Prior to 2008
Rose Valley Water Company	I	Maricopa	Lower Gila	$1,171.00	2,363	36	2,399	458		190.91	$5.25	$15.98	Incr. Blk	2008
Sabrosa Water Company	I	Maricopa	Lower Gila	$49.00	52	0	52	3		63.46	$39.50	$98.00	Incr. Blk	Prior to 2008
Safford	M	Graham	Upper Gila	$4,364.62	6,739	785	7,524	1,209	5/8"	160.69	$19.18	$28.48	Incr. Blk	2009
Saguaro Acres CFD	D	Maricopa	Middle Gila	$51.00	73	0	73	11		150.00	$12.20	$29.08	Unif. Vol.	Prior to 2008
Saguaro Water Company	I	Pima	Upper Santa Cruz	$592.60	976	0	976	89		91.50	$12.00	$40.93	Unif. Vol.	Prior to 2008
Sahuarita Water Company	I	Pima		$2,264.05	4,952	150	5,102	463	5/8"	90.72	$16.00	$32.43	Incr. Blk	2009
San Luis	M	Yuma	Colorado River	$2,000.00	4,458	280	4,738	846		178.56	$7.95	$14.61	Incr. Blk	Prior to 2008
Sandario Water Company	I	Pima	Upper Santa Cruz	$119.72	356	3	359	40		110.31	$13.00	$25.03	Unif. Vol.	2009
Santa Cruz Water Company	I	Pinal	Lower Gila	$9,453.44	16,366	91	16,457	2,067	3/4"	125.60	$25.00	$41.90	Unif. Vol.	2008
Scottsdale	M	Maricopa	Lower Gila	$85,039.19	81,492	5,949	87,441	22,608	1"	258.55	$23.55	$37.05	Incr. Blk	2009
Serviceberry Water Co. (Vernon Valley)	I	Apache	Upper Little Colorada	$10.50	19	0	19	2		83.16	$25.00	$44.50	Unif. Vol.	Prior to 2008
Seven Canyons Water Co.	I	Yavapai	Verde	NR	41	12	53	9	1"	173.64	$50.00	$83.75	Unif. Vol.	2009
Seven Ranches DWID	D	Maricopa	Middle Gila	$46.40	24	2	26	14		553.85	$20.00	$33.00	Unif. Vol.	Prior to 2008
Shepard Water Company	I	Yuma	Colorado River	$42.30	121	3	124	14	3/4"	110.59	$9.75	$21.60	Incr. Blk	2009
Show Low	M	Navajo	Little Colorado	$1,971.23	3,867	622	4,489	104		23.16	$26.17	$27.24	Unif. Vol.	2009
Sierrita Mountain Water Company	A	Pima		$29.47	77	0	77	7	5/8"	94.81	$26.35	$44.85	Incr. Blk	2009
Signal Peak Water Company, Inc.	I	Pinal	Lower Gila	$12.00	36	0	36	4		97.22	$15.00	$28.00	Incr. Blk	Prior to 2008
Silverbell Irrigation & Drainage District	D	Pinal		$95.00	110	0	110	6	3/4"	55.99	$21.50	$36.13	Incr. Blk	2009
Sitgreaves Water Company	I	Navajo	Little Colorado	$21.80	70	0	70	3		35.71	$20.00	$33.00	Unif. Vol.	Prior to 2008
Sky-Hi DWID	D	Navajo	Upper Salt	$36.00	130	0	130	6		46.15	$24.00	$50.25	Unif. Vol.	Prior to 2008
Sleepy Hollow Mobile Home Estates (s)	I	Pima	Santa Cruz	$14.60	106	0	106	55		518.87	$5.00	$14.32	Incr. Blk	Prior to 2008
Sleepy Hollow Mobile Home Estates (w)	I	Pima	Santa Cruz	$14.60	106	0	106	55		518.87	$5.00	$14.32	Unif. Vol.	Prior to 2008
Snowflake	M	Navajo	Little Colorado	$747.70	1,626	184	1,810	303	3/4"	167.40	$16.74	$27.04	Unif. Vol.	2008
SoHi DWID	D	Mohave	Lower Gila	$103.58	223	0	223	12	5/8"	53.32	$20.00	$48.75	Incr. Blk	2008
Solitude Trails DWID	D	Gila	Upper Salt	$25.50	45	2	47	7		142.55	$30.00	$97.50	Incr. Blk	Prior to 2008
Somerton	M	Yuma	Colorado River	$834.48	2,824	73	2,897	365	3/4"	125.99	$11.50	$17.75	Incr. Blk	2009
Sonoita Valley Water Company	I	Cochise	San Pedro	$64.12	59	38	97	8	5/8"	77.84	$24.00	$59.55	Incr. Blk	2009
South Rainbow Valley Water Coop.	A	Maricopa	Middle Gila	$4.00	5	0	5	1		100.00	$20.00	$22.50	Decr. Blk	Prior to 2008
Southern Sunrise Water Co	I	Cochise	San Pedro	$432.72	833	3	836	52	5/8"	62.64	$31.00	$47.87	Incr. Blk	2008
Southern Water Corporation	A	Santa Cruz	Santa Cruz	$24.50	38	0	38	4		105.26	$15.00	$33.46	Unif. Vol.	Prior to 2008
Southland Utilities Company, Inc.	I	Cochise	San Pedro	$134.17	583	42	625	21	5/8"	33.94	$10.00	$9.98	Unif. Vol.	2008
Spanish Trail Water Co.	I	Pima	Santa Cruz	$149.50	390	6	396	55		138.38	$15.00	$23.63	Incr. Blk	2008
Springerville	M	Apache	Little Colorado	$258.90	681	85	766	89		115.54	$9.50	$19.13	Incr. Blk	Prior to 2008
St. David DWID	D	Cochise	San Pedro	$175.50	501	25	526	68		129.47	$15.50	$21.80	Unif. Vol.	Prior to 2008
St. David Springs	I	Cochise		$120.00	3	0	3	NR	5/8"	NR	$5.00	$5.88	Unif. Vol.	2008
St. Johns	M	Apache	Little Colorado	$422.93	1,133	63	1,196	11	3/4"	9.05	$9.00	$20.25	Unif. Vol.	2008
Starlight Water Company, Inc.	I	Coconino	Colorado River	$313.14	667	4	671	27	3/4"	40.76	$33.70	$65.20	Incr. Blk	2008
Sterling Water Company	I	Mohave	Lower Gila	NR	NR	NR	NR	NR		NR	$16.00	$33.25	Unif. Vol.	Prior to 2008
Stoneman Lake Water Company, Inc.	I	Coconino	Colorado River	$58.40	74	0	74	NR		NR	$10.00	$15.00	Unif. Vol.	Prior to 2008
Sulger Water Company, #2	I	Cochise	San Pedro	$2.00	15	0	15	1		56.00	$9.95	$18.20	Unif. Vol.	Prior to 2008

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Sun Leisure Estates Utilities Co., Inc.	I	Yuma	Lower Gila	$13.60	57	0	57	4		70.18	$12.50	$21.50	Unif. Vol.	2009
Sun Valley Farms -Unit VI Water Co.	A	Pinal	Middle Gila	$83.70	225	0	225	45		198.67	$15.00	$22.50	Unif. Vol.	Prior to 2008
Sunizona Water Company	I	Cochise	San Pedro	$13.90	28	6	34	32		941.18	$11.00	$33.13	Unif. Vol.	Prior to 2008
Sunland Water Company	I	Pinal	Middle Gila	$10.00	73	0	73	5	5/8"	61.64	$4.00	$9.63	Unif. Vol.	2009
Sunrise Vistas Utilities Company	I	Mohave	Colorado River	$267.00	666	0	666	51		76.88	$18.45	$34.95	Unif. Vol.	Prior to 2008
Sunrise Water Company	I	Maricopa	Middle Gila	$1,293.00	1,324	21	1,345	387	3/4"	287.55	$17.00	$32.75	Unif. Vol.	2009
Surprise	M	Maricopa	Middle Gila	$6,400.00	12,980	153	13,133	1,684		128.19	$16.82	$26.80	Incr. Blk	2009
T.K.Water Service	A	Apache	Little Colorado	$15.20	47	0	47	3		55.32	$18.50	$30.85	Unif. Vol.	Prior to 2008
Tacna Water Company	I	Yuma	Lower Gila	$27.90	141	2	143	18		125.87	$13.78	$20.36	Incr. Blk	Prior to 2008
Tall Pine Estates Water & Imp. Assoc. Inc.	I	Coconino	Colorado River	$17.20	71	0	71	NR		NR	$7.50	$7.50	Flat Rate	Prior to 2008
Taylor	M	Navajo	Little Colorado	$271.66	1,178	76	1,254	339	5/8"	270.33	$10.00	$13.15	Unif. Vol.	2009
Tempe	M	Maricopa	Middle Gila	$28,185.00	32,272	3,605	35,877	155	5/8"	4.32	$10.24	$19.17	Incr. Blk	2009
Thim Utility Co.	I	Pima	Santa Cruz	$247.40	391	6	397	41		102.52	$15.00	$34.50	Incr. Blk	Prior to 2008
Thim Water Corporation	I	Pima	Santa Cruz	$42.30	68	6	74	8		107.43	$28.00	$35.00	Unif. Vol.	Prior to 2008
Thunderbird Farms WID	D	Pinal	Lower Gila	$184.00	570	0	570	74		129.82	$20.25	$24.00	Unif. Vol.	Prior to 2008
Thunderbird Meadows	I	Yavapai		$51.80	127	1	128	7	5/8"	57.81	$16.50	$50.16	Incr. Blk	2009
Tierra Buena Water Company	I	Maricopa	Middle Gila	$90.00	125	1	126	36	1"	289.20	$13.50	$26.50	Unif. Vol.	2009
Tierra Linda Homeowners Assoc.	A	Pima	Lower Gila	$10.80	47	0	47	4		91.49	$25.00	$44.33	Incr. Blk	Prior to 2008
Tierra Mesa Estates Water Company, Inc.	I	Yuma	Lower Gila	$149.00	230	0	230	57		246.52	$13.25	$23.00	Incr. Blk	Prior to 2008
Timberalnd Acres DWID	D	Navajo		$65.00	324	0	324	13	3/4"	41.38	$34.00	$39.25	Incr. Blk	2009
Tolleson	M	Maricopa	Middle Gila	$3,556.40	1,188	375	1,563	1,255		802.75	$19.42	$27.48	Incr. Blk	Prior to 2008
Tombstone	M	Cochise	San Pedro	$158.50	702	167	869	256		295.10	$18.96	$38.46	Unif. Vol.	2009
Tonto Creek Utility Co.	I	Gila	Upper Salt	$21.00	71	0	71	2		29.58	$19.25	$36.13	Unif. Vol.	Prior to 2008
Tonto Hills Utility Co.	I	Maricopa	Middle Gila	$144.00	130	0	130	10		73.85	$40.00	$102.90	Incr. Blk	2009
Tonto Village Water Company	I	Gila	Upper Salt	$38.90	190	8	198	7		33.33	$6.00	$12.83	Unif. Vol.	Prior to 2008
Tortolita Water Co., Inc.	I	Pima	Upper Santa Cruz	$1.10	2	0	2	0		118.50	$20.00	$55.90	Incr. Blk	Prior to 2008
Truxton Canyon Water Company, Inc.	I	Mohave	Colorado River	$300.97	1,042	14	1,056	63	3/4"	59.66	$19.50	$31.50	Incr. Blk	2009
Tubac Water Company, Inc.	I	Santa Cruz	Upper Santa Cruz	NR	NR	NR	NR	NR		NR	$8.00	$13.50	Unif. Vol.	Prior to 2008
Tucson	M	Pima	Upper Santa Cruz	$103,629.98	208,602	15,012	223,614	34,736	5/8"	155.34	$5.52	$18.62	Incr. Blk	2009
Turner Ranches Water & Sanitation	I	Apache	Upper Gila	$40.63	111	1	112	2	5/8"	19.80	$25.75	$49.02	Unif. Vol.	2008
Utility Source, LLC	A	Coconino	Little Colorado	$243.49	326	6	332	27	3/4"	80.99	$1,850.00	$62.76	Incr. Blk	2008
Vail Water Company	A	Pima	Lower Gila	$2,899.00	3,357	68	3,425	323		94.19	$13.18	$45.58	Unif. Vol.	Prior to 2008
Vail Water Company	I	Pima	Upper Santa Cruz	$2,899.60	3,360	65	3,425	323		94.19	$21.00	$51.00	Unif. Vol.	Prior to 2008
Valencia Water Co., Greater Buckeye Div.	I	Maricopa		$379.15	651	1	652	78	5/8"	NR	$16.00	$36.63	Incr. Blk	2008
Valencia Water Company, Inc.	I	Maricopa	Lower Gila	$3,071.16	5,254	48	5,302	625	5/8"	117.88	$13.00	$34.45	Unif. Vol.	2008
Valle Verde Water Company	I	Santa Cruz	Upper Santa Cruz	$438.25	706	94	800	100	5/8"	125.06	$11.75	$29.43	Incr. Blk	2009
Valley Pioneers Water Co., Inc.	I	Mohave	Lower Gila	$2,161.43	2,233	81	2,314	1,637		707.43	$18.00	$38.25	Incr. Blk	2009
Valley Utilities Water Co., Inc.	I	Maricopa	Lower Gila	$1,100.00	1,260	143	1,403	308	3/4"	219.52	$16.87	$31.77	Incr. Blk	2009
Valley View Water Company, Inc.	I	Maricopa	Lower Gila	NR	NR	NR	NR	NR	5/8"	NR	$30.50	$47.38	Incr. Blk	2009
Verde Lakes Water Corporation	A	Yavapai	Verde	$231.00	787	0	787	63		79.80	$8.75	$20.45	Incr. Blk	Prior to 2008
Verde Lee Water Company	I	Greenlee	Upper Gila	$100.70	182	0	182	20		110.99	$15.00	$35.25	Unif. Vol.	Prior to 2008
Verde Santa Fe Water Company, L.L.C.	I	Yavapai	Verde	NR	NR	NR	NR	NR		NR	$15.00	$15.00	Flat Rate	Prior to 2008
Vernon DWID	D	Apache	Little Colorado	$14.40	28	2	30	3		93.33	$32.00	$40.25	Incr. Blk	Prior to 2008
Vernon Valley Water Company	I	Apache		$10.65	19	0	19	2	5/8"	84.21	$25.00	$44.50	Unif. Vol.	2009
Villa Grande DWID	D	Pinal	Lower Gila	$60.62	99	0	99	11	1"	110.17	$35.00	$51.23	Unif. Vol.	2009

System Name	Ownership*	County	Watershed	Revenue $1,000/Yr.	Number of Users Residential	Number of Users Other	Number of Users Total	Gallons Sold (Millions)	Avg. Size Resident Meter	Avg. Annual Use/ Acct (000's)	Base $/Month	Total $ /Month 7,500 Gal	Rate Structure	Survey Updated
Virgin Mountain Utilities Corporation	I	Mohave	Virgin River	$4.10	1	0	1	0		NR	$20.00	$42.50	Unif. Vol.	Prior to 2008
Viva Development Corporation	I	Pima	Upper Santa Cruz	NR	NR	NR	NR	NR		NR	$6.00	$10.13	Unif. Vol.	Prior to 2008
Voyager Water Company	I	Pima	Upper Santa Cruz	NR	1,024	3	1,027	NR	5/8"	NR	$11.00	$26.00	Unif. Vol.	2008
Walden Meadow Comm. Co-op	I	Yavapai	Verde	$124.34	295	2	297	20	5/8"	65.99	$20.00	$42.00	Unif. Vol.	2009
Walnut Creek Water Company, Inc.	I	Mohave	Colorado River	$101.24	250	4	254	31	5/8"	122.05	$15.00	$26.00	Incr. Blk	2008
Wateo, Inc. (prev. Silver Well Svcs)	I	Navajo	Little Colorado	$154.97	301	1	302	17	5/8"	56.29	$22.00	$49.00	Incr. Blk	2009
Water Utility of Greater Buckeye, Inc.	I	Maricopa	Middle Gila	$415.30	556	60	616	95		154.89	$16.00	$36.63	Incr. Blk	2008
Water Utility of Greater Tonopah, Inc.	I	Maricopa	Middle Gila	$280.86	354	5	359	39	5/8"	108.64	$17.50	$48.25	Incr. Blk	2008
Water Utility of Northern Scottsdale	I	Maricopa	Middle Gila	$105.60	75	0	75	13	1"	173.33	$57.00	$98.00	Incr. Blk	2008
Wellton	M	Yuma	Lower Gila	NR	819	89	908	NR	3/4"	NR	$15.50	$22.70	Decr. Blk	2008
Wenden DWID	D	La Paz	Lower Gila	$99.60	178	50	228	24		107.02	$29.24	$37.99	Incr. Blk	Prior to 2008
West End Water Company	I	Maricopa	Middle Gila	$134.00	231	2	233	26	5/8"	111.59	$16.50	$42.60	Incr. Blk	2009
West Village Water Company	I	Coconino	Colorado River	$31.40	55	0	55	2		34.55	$26.00	$63.88	Unif. Vol.	Prior to 2008
Whetstone DWID	D	Cochise	San Pedro	$170.00	370	2	372	25	5/8"	67.20	$25.00	$42.88	Unif. Vol.	2009
White Hills Water Co., Inc.	I	Mohave	Virgin River	$47.00	94	0	94	3		30.85	$19.00	$87.25	Unif. Vol.	Prior to 2008
White Mountain Summer Homes WID	D	Navajo	Silver Creek	$282.25	467	1	468	27	5/8"	57.91	$30.00	$56.70	Unif. Vol.	2008
White Mountain Water Company	I	Navajo	Upper Salt	$111.80	193	2	195	21		106.15	$17.00	$45.20	Unif. Vol.	Prior to 2008
Why Utility Company, Inc.	I	Pima	Santa Cruz	$66.26	70	20	90	12	5/8"	133.33	$40.00	$47.00	Incr. Blk	2009
Wickenburg	M	Maricopa	Middle Gila	$938.78	1,930	488	2,418	464	5/8"	191.89	$10.00	$13.50	Incr. Blk	2009
Wilhoit Water Company, Inc.	I	Yavapai	Verde	$26.24	63	1	64	4	5/8"	55.67	$12.00	$41.25	Incr. Blk	2008
Willcox	M	Cochise	Wilcox Playa	$714.13	1,570	337	1,907	273	3/4"	143.16	$17.29	$26.42	Incr. Blk	2009
Williams	M	Coconino	Colorado River	$861.03	2,310	402	2,712	200	3/4"	73.75	$10.73	$45.70	Incr. Blk	2009
Willow Lakes Property Owners Assoc.	A	Cochise	San Pedro	$36.70	79	0	79	6		74.68	$25.00	$41.88	Incr. Blk	Prior to 2008
Willow Valley Water Company	I	Mohave	Lower Gila	$482.17	1,565	16	1,581	102	5/8"	64.52	$16.25	$24.50	Incr. Blk	2008
Winchester Water Company, L.L.C.	I	Cochise	San Pedro	$41.37	137	0	137	17	5/8"	127.23	$12.00	$20.03	Incr. Blk	2008
Winslow	M	Navajo	Little Colorado	$1,139.00	2,534	488	3,022	582		192.59	$8.31	$20.39	Unif. Vol.	Prior to 2008
Winslow West Water Company, Inc.	I	Coconino	Colorado River	$3.00	10	0	10	NR		NR	$6.00	$8.25	Unif. Vol.	Prior to 2008
Woodruff DWID	D	Navajo	Little Colorado	$8.30	61	1	62	6		98.39	$10.00	$26.88	Unif. Vol.	Prior to 2008
Woodruff Water Co., Inc. W-04264A	I	Pinal	Lower Gila	$7.10	4	0	4	1		275.00	$20.00	$39.24	Incr. Blk	Prior to 2008
Worden Water Company	I	Pima	Santa Cruz	$9.20	24	0	24	3		120.83	$16.50	$24.75	Unif. Vol.	Prior to 2008
Yarnell Water Improvement Assn.	A	Yavapai	Upper Bill Williams	$253.81	570	49	619	23	5/8"	36.57	$23.00	$53.08	Incr. Blk	2009
Yavapai Country Club Water Company	A	Yavapai		$1.92	36	0	36	1	1"	27.19	$31.08	$63.58	Unif. Vol.	2009
Yavapai Estates	I	Yavapai		$50.53	93	2	95	7	5/8"	75.47	$9.50	$32.53	Incr. Blk	2009
Yucca Water Association, Inc.	A	Mohave	Lower Gila	$38.50	95	10	105	5	3/4"	47.62	$10.00	$17.50	Unif. Vol.	2008
Yuma	M	Yuma	Colorado River	$22,984.28	25,768	2,732	28,500	8,557	5/8"	300.25	$15.68	$29.86	Incr. Blk	2008

SECTION 7
Drinking Water Results: Residential Rates and Monthly Charges

System Name	Gallons in Base	Base $/Month	Gallons in Block #1	Block 1 Charge $/1,000 Gal	Gallons in Block #2	Block 2 Charge $/1,000 Gal	Gallons in Block #3	Block 3 Charge $/1,000 Gal	Gallons in Block #4	Block 4 Charge $/1,000 Gal	Gallons in Block #5	Block 5 Charge $/1,000 Gal	Total $ /Month 5,000 Gals	Total $ /Month 7,500 Gals	Total $ /Month 10,000 Gals
303 DWID	2,000	$25.00	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$34.00	$41.50	$49.00
A. Peterson Water Co.	0	$17.50	3,000	$1.50	6,000	$2.20	Remainder	$2.96	0	$0.00	0	$0.00	$26.40	$31.90	$38.16
Abra Water Co. Inc.	0	$11.55	3,000	$2.37	7,000	$2.55	Remainder	$2.78	0	$0.00	0	$0.00	$23.76	$30.14	$36.51
Adaman Mututal Water Co.	0	$0.50	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$10.50	$15.50	$20.50
Aguila Water Services, Inc.	0	$26.00	Remainder	$3.13	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$41.65	$49.48	$57.30
Ajo DWID	2,000	$22.00	Remainder	$4.60	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$35.80	$47.30	$58.80
Ajo Improvement Co. - Water Div.	0	$9.54	3,000	$2.50	7,000	$2.90	Remainder	$3.30	0	$0.00	0	$0.00	$22.84	$30.09	$37.34
Alpine Water System, Inc.	0	$34.55	Remainder	$2.80	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$48.55	$55.55	$62.55
American Ranch DWID	1,000	$35.00	Remainder	$2.80	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$46.20	$53.20	$60.20
Antelope Lakes Water Company	0	$15.00	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$25.00	$30.00	$35.00
Antelope Run Water Company	0	$11.50	Remainder	$1.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$5.00	$7.50	$10.00
Antelope Water Company	1,000	$11.50	Remainder	$1.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$17.50	$21.25	$25.00
Antelope Water Company - Yarnell	0	$35.00	Remainder	$7.67	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$73.35	$92.53	$111.70
Anway Manville LLC Water Co.	0	$30.00	12,000	$3.50	Remainder	$5.75	0	$0.00	0	$0.00	0	$0.00	$47.50	$56.25	$65.00
Apache Junction Water Utilities CFD	0	$10.94	8,000	$3.88	Remainder	$4.50	0	$0.00	0	$0.00	0	$0.00	$30.34	$40.04	$50.98
Appaloosa Water Company	1,000	$25.00	Remainder	$2.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$35.00	$41.25	$47.50
Arivaca Townsite Coop Water Co.	4,000	$8.00	16,000	$1.25	Remainder	$1.50	0	$0.00	0	$0.00	0	$0.00	$9.25	$12.38	$15.50
Ashcreek Water Company	0	$18.00	3,000	$1.55	6,000	$2.75	Remainder	$3.95	0	$0.00	0	$0.00	$28.15	$35.03	$43.10
Ashfork Water Service	0	$12.00	3,000	$3.35	3,000	$4.00	Remainder	$4.66	0	$0.00	0	$0.00	$30.05	$41.04	$52.69
Aubrey Water Company	0	$12.50	3,000	$1.75	7,000	$2.25	Remainder	$2.70	0	$0.00	0	$0.00	$22.25	$27.88	$33.50
Avondale	0	$12.02	7,000	$0.75	13,000	$1.21	Remainder	$1.83	0	$0.00	0	$0.00	$15.77	$17.88	$20.90
Avra Water Cooperative, Inc.	0	$28.29	8,500	$2.20	8,000	$2.35	Remainder	$2.50	0	$0.00	0	$0.00	$39.29	$44.79	$50.52
AZ -American Water Co. - Agua Fria	0	$14.40	4,000	$1.89	5,000	$2.79	Remainder	$3.34	0	$0.00	0	$0.00	$24.73	$31.71	$38.68
AZ -American Water Co. - Anthem	0	$17.53	4,000	$1.54	6,000	$2.41	Remainder	$3.08	0	$0.00	0	$0.00	$26.10	$32.13	$38.15
AZ -American Water Co. - Havasu	0	$23.50	4,000	$2.34	9,000	$3.02	Remainder	$3.55	0	$0.00	0	$0.00	$35.88	$43.43	$50.98
AZ -American Water Co. - Mohave	0	$9.00	4,000	$0.89	6,000	$1.34	Remainder	$1.61	0	$0.00	0	$0.00	$13.88	$17.24	$20.60
AZ -American Water Co. - Paradise Valley	0	$25.15	5,000	$1.05	10,000	$1.25	25,000	$2.20	40,000	$2.75	Remainder	$3.23	$30.40	$33.53	$36.65
AZ -American Water Co. - Sun City	0	$7.99	3,000	$0.72	7,000	$1.33	Remainder	$1.69	0	$0.00	0	$0.00	$12.81	$16.13	$19.45
AZ -American Water Co. - Sun City West	0	$14.80	4,000	$2.41	11,000	$2.95	Remainder	$3.56	0	$0.00	0	$0.00	$27.39	$34.77	$42.14
AZ -American Water Co. -Tubac	0	$24.70	3,000	$1.90	7,000	$3.00	10,000	$4.00	Remainder	$6.00	0	$0.00	$36.40	$43.90	$51.40
AZ Water Company - Ajo	0	$21.04	3,000	$4.50	7,000	$5.50	Remainder	$6.50	0	$0.00	0	$0.00	$45.54	$59.29	$73.04
AZ Water Company - Ajo Heights	0	$21.04	3,000	$4.50	7,000	$5.50	15,000	$6.50	Remainder	$6.50	0	$0.00	$45.54	$59.29	$73.04
AZ Water Company - Apache Junction	0	$16.02	10,000	$2.41	5,000	$2.90	Remainder	$3.39	0	$0.00	0	$0.00	$28.05	$34.06	$40.08
AZ Water Company - Bisbee	0	$16.32	10,000	$2.59	15,000	$3.24	Remainder	$3.89	0	$0.00	0	$0.00	$29.29	$35.78	$42.26
AZ Water Company - Casa Grande	0	$13.11	3,000	$1.21	7,000	$1.69	Remainder	$1.86	0	$0.00	0	$0.00	$20.12	$24.36	$28.59
AZ Water Company - Coolidge	0	$10.90	3,000	$1.55	7,000	$1.96	Remainder	$2.24	0	$0.00	0	$0.00	$19.47	$24.37	$29.27
AZ Water Company - Lakeside	0	$17.81	Remainder	$4.19	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$38.76	$49.24	$59.71
AZ Water Company - Miami	0	$15.44	10,000	$3.14	15,000	$3.93	Remainder	$4.71	0	$0.00	0	$0.00	$31.14	$38.99	$46.84
AZ Water Company - Oracle	0	$19.31	10,000	$4.99	15,000	$6.23	Remainder	$7.48	0	$0.00	0	$0.00	$44.24	$56.70	$69.16
AZ Water Company - Overgaard	0	$18.40	Remainder	$4.46	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$40.70	$51.85	$63.00
AZ Water Company - Pinewood	0	$19.86	Remainder	$3.77	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$38.71	$48.14	$57.56
AZ Water Company - Rim Rock	0	$23.54	Remainder	$3.74	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$42.23	$51.58	$60.92
AZ Water Company - Saddlebrook	0	$15.00	Remainder	$4.10	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$35.50	$45.75	$56.00
AZ Water Company - San Manuel	0	$24.45	10,000	$2.51	15,000	$2.63	Remainder	$3.06	0	$0.00	0	$0.00	$36.98	$43.25	$49.52
AZ Water Company - Sedona	0	$17.63	Remainder	$1.83	0	$0.00	Remainder	$0.00	0	$0.00	0	$0.00	$26.79	$31.36	$35.94

System Name	Gallons in Base	Base $/Month	Gallons in Block #1	Block 1 Charge $/1,000 Gal	Gallons in Block #2	Block 2 Charge $/1,000 Gal	Gallons in Block #3	Block 3 Charge $/1,000 Gal	Gallons in Block #4	Block 4 Charge $/1,000 Gal	Gallons in Block #5	Block 5 Charge $/1,000 Gal	Total $ /Month 5,000 Gals	Total $ /Month 7,500 Gals	Total $ /Month 10,000 Gals
AZ Water Company - Sierra Vista	0	$15.40	10,000	$1.61	15,000	$2.02	Remainder	$2.42	0	$0.00	0	$0.00	$23.46	$27.49	$31.52
AZ Water Company - Stanfield	0	$16.57	3,000	$2.26	7,000	$3.12	Remainder	$3.83	0	$0.00	0	$0.00	$29.61	$37.42	$45.22
AZ Water Company - Superior	0	$16.02	10,000	$2.64	15,000	$3.19	Remainder	$3.74	0	$0.00	0	$0.00	$29.21	$35.80	$42.39
AZ Water Company - White Tank	0	$20.84	3,000	$1.92	7,000	$2.57	Remainder	$2.87	0	$0.00	0	$0.00	$31.74	$38.16	$44.59
AZ Water Company - Winkelman	0	$12.95	10,000	$1.14	15,000	$1.42	Remainder	$1.70	0	$0.00	0	$0.00	$18.63	$21.47	$24.31
Baca Float Water Company	0	$15.00	5,000	$1.75	Remainder	$2.30	0	$0.00	0	$0.00	0	$0.00	$23.75	$29.50	$35.25
Bachmann Springs Utility Company	0	$23.25	4,000	$1.74	16,000	$2.44	Remainder	$2.92	0	$0.00	0	$0.00	$32.65	$38.75	$44.85
Beardsley Water Company, Inc.	0	$20.00	4,000	$2.16	8,000	$2.45	Remainder	$4.25	0	$0.00	0	$0.00	$31.09	$37.21	$43.34
Beaver Dam Water Company, Inc.	0	$15.00	Remainder	$1.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$22.50	$26.25	$30.00
Beaver Valley Water Company, Inc.	1,000	NR	Remainder	$2.10	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$8.40	$13.65	$18.90
Bella Vista Water Company, Inc.	0	$15.00	5,000	$0.97	20,000	$1.89	Remainder	$2.41	0	$0.00	0	$0.00	$20.00	$25.00	$30.00
Bellemont Water Co.	0	$17.00	4,000	$2.79	Remainder	$4.19	Remainder	$0.00	0	$0.00	0	$0.00	$32.35	$42.83	$53.30
Benson	0	$8.00	3,740	$1.34	3,740	$2.01	14,212	$3.34	Remainder	$4.68	0	$0.00	$16.00	$20.50	$28.00
Bermuda Water Company	0	$11.00	4,000	$1.14	8,000	$1.55	Remainder	$2.20	0	$0.00	0	$0.00	$17.11	$20.99	$24.86
Berneil Water Company	2,000	$4.40	18,000	$0.69	Remainder	$1.53	0	$0.00	0	$0.00	0	$0.00	$6.47	$8.20	$9.92
Biasi Water Company, Inc.	0	$15.00	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$30.00	$37.50	$45.00
Bidegain Water Company	0	$9.00	Remainder	$1.43	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$16.15	$19.73	$23.30
Big Park Water Company	1,000	$18.00	50,000	$2.36	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	$27.44	$33.34	$39.24
Black Canyon DWID	0	$20.00	10,000	$2.00	5,000	$2.50	Remainder	$1.00	0	$0.00	0	$0.00	$30.00	$35.00	$40.00
Blue Hills No. 3	0	$12.00	3,000	$3.00	7,000	$4.50	Remainder	$5.40	0	$0.00	0	$0.00	$30.00	$41.25	$52.50
Bonita Creek Water Co.	0	$35.00	2,000	$6.25	6,000	$7.00	Remainder	$7.75	0	$0.00	0	$0.00	$68.50	$86.00	$105.00
Bowie DWID	2,000	$18.50	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$27.50	$35.00	$42.50
Boynton Canyon Enchantment HOA	0	$24.00	Remainder	$3.95	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$43.75	$53.63	$63.50
Bradshaw Mountain View Water Co.	0	$17.00	3,000	$1.63	7,000	$2.45	Remainder	$2.94	0	$0.00	0	$0.00	$26.79	$32.92	$39.04
Bradshaw Water Company, Inc.	0	$33.00	4,000	$4.50	2,000	$5.75	Remainder	$6.75	0	$0.00	0	$0.00	$56.75	$71.13	$85.50
Brooke Water LLC - Holiday Harbor	0	$16.90	Remainder	$3.93	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$36.55	$46.38	$56.20
Brooke Water LLC - Lakeside	0	$16.90	Remainder	$3.93	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$36.55	$46.38	$56.20
Brooke Water LLC - Marina Village	0	$16.90	Remainder	$3.93	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$36.55	$46.38	$56.20
Brooke Water LLC - Movalya Keys	0	$16.90	Remainder	$3.93	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$36.55	$46.38	$56.20
Brooke Water LLC - Parker Dam	0	$16.90	Remainder	$3.93	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$36.55	$46.38	$56.20
Brooke Water LLC - Payson	0	$16.00	4,000	$1.93	Remainder	$2.99	0	$0.00	0	$0.00	0	$0.00	$26.71	$34.19	$41.66
Brooke Water LLC - Pine Water Co.	0	$18.45	4,000	$3.40	Remainder	$5.95	0	$0.00	0	$0.00	0	$0.00	$38.00	$52.88	$67.75
Brooke Water LLC - Rio Lindo	0	$16.90	Remainder	$3.93	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$36.55	$46.38	$56.20
Brooke Water LLC - Strawberry Water Co.	0	$18.45	4,000	$3.40	Remainder	$5.95	0	$0.00	0	$0.00	0	$0.00	$38.00	$52.88	$67.75
Brooke Water LLC - Tonto Basin	0	$16.00	4,000	$1.55	Remainder	$2.33	0	$0.00	0	$0.00	0	$0.00	$24.53	$30.36	$36.18
Brooke Water LLC -Parent Co.	0	$16.90	Remainder	$3.93	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$36.55	$46.38	$56.20
Buckeye (Sundance)	0	$12.70	5,000	$2.65	4,000	$3.53	Remainder	$5.30	0	$0.00	0	$0.00	$25.95	$34.78	$45.37
Buckeye (Sunora)	0	$6.35	5,000	$1.33	4,000	$1.77	Remainder	$2.65	0	$0.00	0	$0.00	$13.00	$17.43	$22.73
Buckeye (Town)	0	$13.97	6,000	$2.20	4,000	$3.10	5,000	$5.30	Remainder	$7.95	0	$0.00	$24.97	$31.82	$39.57
Caballeros Water Company, Inc.	0	$8.00	Remainder	$1.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$13.00	$15.50	$18.00
Cactus-Stellar Limited (May-Sept)	0	$0.00	Remainder	$4.60	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$23.00	$34.50	$46.00
Cactus-Stellar Limited (Oct - April)	0	$0.00	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$15.00	$22.50	$30.00
Camp Verde Water System	0	$23.75	50,000	$3.35	Remainder	$5.70	0	$0.00	0	$0.00	0	$0.00	$40.50	$48.88	$57.25
Carefree Water Company	0	$36.05	8,000	$2.83	12,000	$3.86	10,000	$5.15	20,000	$6.70	Remainder	$8.76	$50.20	$57.28	$66.41
Carter's Water Company	All	$20.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$20.00	$20.00	$20.00

System Name	Gallons in Base	Base $/Month	Gallons in Block #1	Block 1 Charge $/1,000 Gal	Gallons in Block #2	Block 2 Charge $/1,000 Gal	Gallons in Block #3	Block 3 Charge $/1,000 Gal	Gallons in Block #4	Block 4 Charge $/1,000 Gal	Gallons in Block #5	Block 5 Charge $/1,000 Gal	Total $ /Month 5,000 Gals	Total $ /Month 7,500 Gals	Total $ /Month 10,000 Gals
Casa Grande South Water Co.	1,000	$18.00	Remainder	$1.82	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$25.28	$29.83	$34.38
Casa Grande West Water Co.	1,000	$9.00	Remainder	$2.40	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$18.60	$24.60	$30.60
Cave Creek Water Company	0	$50.00	10,000	$3.25	10,000	$4.50	10,000	$5.75	20,000	$7.50	Remainder	$9.25	$66.25	$74.38	$82.50
C-D Oasis Water Company	2,000	$17.00	6,000	$2.80	Remainder	$3.50	0	$0.00	0	$0.00	0	$0.00	$25.40	$32.40	$40.80
Cedar Grove Water	0	$20.50	3,000	$2.00	6,000	$3.25	Remainder	$4.90	0	$0.00	0	$0.00	$33.00	$41.13	$50.90
Cerbat Water Company	0	$18.00	5,000	$1.65	15,000	$2.25	Remainder	$2.65	0	$0.00	0	$0.00	$26.25	$31.88	$37.50
Chandler (Summer)	0	$8.21	10,000	$1.48	10,000	$1.99	40,000	$2.49	Remainder	$3.11	0	$0.00	$15.61	$19.31	$23.01
Chandler (Winter)	0	$8.21	10,000	$1.48	10,000	$1.83	40,000	$2.29	Remainder	$2.86	0	$0.00	$15.61	$19.31	$23.01
Chaparral City Water Company	1,000	$13.60	3,000	$1.68	6,000	$2.52	Remainder	$3.03	0	$0.00	0	$0.00	$23.68	$29.98	$36.79
Chaparral Water Company	0	$12.85	9,000	$1.80	16,000	$2.00	Remainder	$2.46	0	$0.00	0	$0.00	$21.85	$26.55	$31.05
Chino Meadows II Water Company	1,000	$18.75	Remainder	$3.12	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$31.23	$39.03	$46.83
Chino Valley	0	$4.84	8,000	$3.94	12,000	$4.93	Remainder	$6.90	0	$0.00	0	$0.00	$24.54	$34.39	$46.22
Chloride DWID	2,000	$38.00	1,000	$5.00	1,000	$6.00	1,000	$6.00	Remainder	$11.00	0	$0.00	$55.00	$89.00	$116.00
Cienega Water Company, Inc.	0	$30.00	25,000	$5.00	Remainder	$15.00	0	$0.00	0	$0.00	0	$0.00	$55.00	$67.50	$80.00
Circle City Water Company, L.L.C.	2,000	$10.75	Remainder	$1.95	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$16.60	$21.48	$26.35
Citrus Park Water Co., Inc.	0	$20.00	Remainder	$1.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$27.50	$31.25	$35.00
Clarkdale	1,000	$23.50	9,000	$4.00	10,000	$5.60	Remainder	$7.84	0	$0.00	0	$0.00	$39.50	$49.50	$59.50
Clay Springs DWID	2,000	$25.00	8,000	$3.40	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	$35.20	$43.70	$52.20
Clear Springs Utility Co., Inc.	0	$11.00	3,000	$1.25	7,000	$2.25	Remainder	$3.50	0	$0.00	0	$0.00	$19.25	$24.88	$30.50
Clearwater Utilities Company, Inc.	1,000	$20.00	8,000	$1.45	Remainder	$1.65	0	$0.00	0	$0.00	0	$0.00	$28.93	$32.78	$37.06
Clifton 06-002 - Morenci Water and Electric Co.	3,000	$10.00	Remainder	$1.63	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$13.26	$17.34	$21.41
Cloud Nine Water Company Inc.,	2,000	$8.00	Remainder	$1.25	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$11.75	$14.88	$18.00
Coldwater Canyon Water Company	2,000	$12.00	Remainder	$1.20	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$15.60	$18.60	$21.60
Colorado City	0	$22.00	Remainder	$1.10	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$27.50	$30.25	$33.00
Community Water Co. of Green Valley	0	$11.00	3,000	$1.25	7,000	$1.82	Remainder	$2.20	0	$0.00	0	$0.00	$18.39	$22.94	$27.49
Congress DWID	1,000	$35.00	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$47.00	$54.50	$62.00
Cordes Lakes Water Co.	1,000	$11.00	Remainder	$2.90	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$22.60	$29.85	$37.10
Cottonwood	1,000	$17.00	9,000	$2.90	10,000	$4.06	Remainder	$5.68	0	$0.00	0	$0.00	$28.60	$35.85	$43.10
CP Water Company	5,000	$5.00	Remainder	$0.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$5.00	$6.25	$7.50
Cross Creek Ranch Water Company	0	$18.00	4,000	$4.00	3,000	$6.00	Remainder	$8.00	0	$0.00	0	$0.00	$40.00	$56.00	$76.00
Dateland Public Service	0	$26.00	3,000	$1.00	4,000	$1.25	Remainder	$1.50	0	$0.00	0	$0.00	$31.50	$34.75	$38.50
Dateland Water	0	$10.00	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$20.00	$25.00	$30.00
Dells Water Company	0	$11.00	3,000	$1.37	70,000	$2.06	Remainder	$2.47	0	$0.00	0	$0.00	$19.23	$24.38	$29.53
Desert Hills Water Co., Inc.	0	$50.00	10,000	$3.25	10,000	$4.50	10,000	$5.75	20,000	$7.50	Remainder	$9.25	$66.25	$74.38	$82.50
Desert Valencia Water System	2,000	$6.25	3,000	$1.00	5,000	$0.75	10,000	$0.60	Remainder	$0.50	0	$0.00	$9.25	$11.75	$13.00
Diablo Village Water Company	0	$20.00	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$35.00	$42.50	$50.00
Diamond Valley Water Users	0	$23.80	3,000	$5.40	5,000	$6.90	Remainder	$8.70	0	$0.00	0	$0.00	$53.80	$71.05	$91.90
Diversified Water Utilities, Inc.	0	$27.50	Remainder	$3.65	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$45.75	$54.88	$64.00
Doney Park Water (summer)	1,000	$18.75	4,000	$4.30	Remainder	$8.63	0	$0.00	0	$0.00	0	$0.00	$35.95	$57.53	$79.10
Doney Park Water (winter)	1,000	$18.75	4,000	$4.30	Remainder	$6.90	0	$0.00	0	$0.00	0	$0.00	$35.95	$53.20	$70.45
Double R Water Distributors, Inc.	1,000	$13.20	7,000	$2.00	Remainder	$2.25	0	$0.00	0	$0.00	0	$0.00	$21.20	$26.20	$31.70
Douglas	0	$11.50	3,000	$0.80	27,000	$0.82	Remainder	$0.85	0	$0.00	0	$0.00	$15.54	$17.59	$19.64
Dragoon Water Co., Inc.	0	$32.00	3,000	$3.25	10,000	$5.40	Remainder	$6.80	0	$0.00	0	$0.00	$52.55	$66.05	$79.55
DS Water Company	0	$20.56	4,000	$1.77	46,000	$2.38	Remainder	$2.60	0	$0.00	0	$0.00	$30.02	$35.97	$41.92
Duncan	2,000	$17.83	Remainder	$2.61	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$25.66	$32.19	$38.71

System Name	Gallons in Base	Base $/Month	Gallons in Block #1	Block 1 Charge $/1,000 Gal	Gallons in Block #2	Block 2 Charge $/1,000 Gal	Gallons in Block #3	Block 3 Charge $/1,000 Gal	Gallons in Block #4	Block 4 Charge $/1,000 Gal	Gallons in Block #5	Block 5 Charge $/1,000 Gal	Total $ /Month 5,000 Gals	Total $ /Month 7,500 Gals	Total $ /Month 10,000 Gals
Duncan - Hunter Estates	2,000	$17.83	Remainder	$2.61	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$25.66	$32.19	$38.71
Eagar	2,000	$8.80	Remainder	$2.17	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$15.31	$20.74	$26.16
Eagletail Water Company, LC	0	$21.00	3,000	$3.20	22,000	$4.25	Remainder	$4.85	0	$0.00	0	$0.00	$39.10	$49.73	$60.35
East Slope Water Company	2,000	$9.00	Remainder	$1.71	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$14.13	$17.55	$22.68
Eden Water Company,Inc.	0	$15.75	Remainder	$2.70	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$29.25	$36.00	$42.75
Ehrenberg Improvement Assoc.	4,000	$18.75	Remainder	$1.60	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$20.35	$24.35	$28.35
El Mirage	0	$15.75	5,000	$2.64	10,000	$2.94	10,000	$3.23	Remainder	$3.55	0	$0.00	$28.95	$36.30	$43.65
El Prado Water Co, Inc.	1,000	$15.00	Remainder	$2.72	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$25.88	$32.68	$39.48
Elfrida Domestic Water Users Assoc.	0	$10.00	Remainder	$1.10	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$15.50	$18.25	$21.00
Eloy	0	$11.68	10,000	$1.87	9,000	$2.34	Remainder	$2.73	0	$0.00	0	$0.00	$21.03	$25.71	$30.38
Empirita Water Company, LLC	0	$30.00	3,000	$2.50	6,000	$3.75	Remainder	$4.50	0	$0.00	0	$0.00	$45.00	$54.38	$64.50
Escapees at North Ranch	0	$12.00	Remainder	$1.20	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$18.00	$21.00	$24.00
F & F Water Company	5,000	$5.00	Remainder	$0.35	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$5.00	$5.88	$6.75
Far West Water & Sewer, Inc.	0	$15.53	Remainder	$1.64	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$23.72	$27.81	$31.90
Farmers Water Company	0	$6.50	5,000	$1.25	5,000	$1.45	Remainder	$1.65	0	$0.00	0	$0.00	$12.75	$16.38	$20.00
Fisher's Landing Water & Sewer Works	All	$12.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$12.00	$12.00	$12.00
Flagstaff		$6.48	5,000	$3.02	10,000	$3.57	10,000	$5.03	Remainder	$8.77	0	$0.00	$21.58	$30.51	$39.43
Flagstaff Ranch Water Company, Inc.	1,000	$27.00	Remainder	$2.95	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$38.80	$46.18	$53.55
Florence	0	$17.50	10,000	$1.25	8,700	$1.73	Remainder	$3.08	0	$0.00	0	$0.00	$23.75	$26.88	$30.00
Flowing Wells Irrigation	1,000	$10.35	Remainder	$2.33	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$19.67	$25.50	$31.32
Fools Hollow Water Company	0	$14.00	Remainder	$2.65	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$27.25	$33.88	$40.50
Forest Highlands Water Company	0	$35.00	6,000	$2.50	9,000	$3.20	Remainder	$4.50	0	$0.00	0	$0.00	$47.50	$54.80	$62.80
Forest Lake DWID		$25.00	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$35.00	$40.00	$45.00
Fort Mohave Tribal Utilities Authority	2,000	$12.00	3,000	$1.50	5,000	$1.80	Remainder	$2.20	0	$0.00	0	$0.00	$16.50	$21.00	$25.50
Francesca Water Co., Inc.	0	$16.35	4,000	$2.63	20,000	$3.95	Remainder	$4.73	0	$0.00	0	$0.00	$14.47	$24.35	$34.22
Fredonia	0	$16.50	5,000	$0.85	5,000	$0.95	5,000	$1.05	5,000	$1.15	Remainder	$1.30	$20.75	$23.13	$25.50
Gadsden Water Co., Inc.	1,000	$8.00	Remainder	$1.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$12.00	$14.50	$17.00
Gila Bend	3,000	$17.10	Remainder	$1.60	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$20.30	$24.30	$28.30
Gilbert	0	$14.63	10,000	$1.08	10,000	$1.14	10,000	$1.52	Remainder	$1.80	0	$0.00	$20.03	$22.73	$25.43
Glendale	0	$9.10	6,000	$1.84	9,000	$2.30	15,000	$3.22	Remainder	$4.51	0	$0.00	$18.30	$23.59	$29.34
Globe	0	$6.90	4,000	$2.38	21,000	$2.58	Remainder	$3.24	0	$0.00	0	$0.00	$19.00	$25.45	$31.90
Golden Corridor Water Co.	1,000	$15.25	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$27.25	$34.75	$42.25
Golden Shores Water Co., Inc.	0	$16.05	Remainder	$1.31	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$22.60	$25.88	$29.15
Golden Valley DWID	3,279	$15.00	1,720	$4.58	5,000	$5.30	Remainder	$7.90	0	$0.00	0	$0.00	$22.88	$36.13	$49.38
Goodman Water Co.	0	$42.20	4,000	$3.95	5,000	$5.91	Remainder	$7.11	0	$0.00	0	$0.00	$63.91	$78.69	$94.66
Goodyear	0	$9.69	6,000	$1.27	6,000	$2.54	18,000	$3.81	Remainder	$4.95	0	$0.00	$16.04	$21.12	$27.47
Graham County Utilities Inc. - Water	0	$16.80	Remainder	$2.55	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$29.55	$35.93	$42.30
Grand Canyon Caverns & Inn	1,000	$5.00	Remainder	$2.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$15.00	$21.25	$27.50
Grandview Water Co., Inc.	All	$5.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$5.00	$5.00	$5.00
Granite Dells Water Co.	0	$4.00	2,000	$2.00	8,000	$1.10	40,000	$0.90	Remainder	$0.80	0	$0.00	$11.30	$14.05	$16.80
Granite Mountain Water Co., Inc.	0	$23.00	10,000	$4.00	Remainder	$5.00	0	$0.00	0	$0.00	0	$0.00	$43.00	$53.00	$63.00
Granite Oaks Water Users Assoc.	2,000	$20.00	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$26.00	$31.00	$36.00
Green Acres Water Company	0	$38.00	5,000	$5.50	9,000	$7.75	Remainder	$9.50	0	$0.00	0	$0.00	$65.50	$84.88	$104.25
Green Valley DWID	0	$16.70	20,000	$1.72	10,000	$2.35	10,000	$3.60	Remainder	$4.90	0	$0.00	$25.30	$29.60	$33.90
Greenehaven Water Co., Inc.	1,000	$9.00	Remainder	$1.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$15.00	$18.75	$22.50

System Name	Gallons in Base	Base $/Month	Gallons in Block #1	Block 1 Charge $/1,000 Gal	Gallons in Block #2	Block 2 Charge $/1,000 Gal	Gallons in Block #3	Block 3 Charge $/1,000 Gal	Gallons in Block #4	Block 4 Charge $/1,000 Gal	Gallons in Block #5	Block 5 Charge $/1,000 Gal	Total $ /Month 5,000 Gals	Total $ /Month 7,500 Gals	Total $ /Month 10,000 Gals
Groom Creek Water Users Assoc.	0	$14.00	3,000	$3.00	3,000	$3.50	4,000	$4.00	Remainder	$8.00	0	$0.00	$30.00	$38.75	$49.50
H2O, Inc.	1,000	$15.00	19,000	$1.78	Remainder	$2.11	0	$0.00	0	$0.00	0	$0.00	$22.12	$26.57	$31.02
Halcyon Acres Annex #2 Water Co.	0	$14.00	4,000	$1.75	8,000	$2.30	Remainder	$2.80	0	$0.00	0	$0.00	$23.30	$29.05	$34.80
Halcyon Acres Water Users Assoc.	5,000	$7.50	Remainder	$1.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$7.50	$10.00	$12.50
Hatch Valley Water Company	1,000	$16.00	Remainder	$2.25	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$25.00	$30.63	$36.25
Havasu Heights DWID	0	$0.00	10,000	$2.55	20,000	$2.77	20,000	$2.99	Remainder	$3.69	0	$0.00	$12.75	$19.13	$25.50
Hayden	4,000	$7.00	Remainder	$0.75	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$7.75	$9.63	$11.50
Heber Domestic DWID	0	$20.00	5,000	$1.75	5,000	$2.00	Remainder	$2.25	0	$0.00	0	$0.00	$28.75	$33.75	$38.75
Heckethorn Water Company	0	$25.25	Remainder	$2.42	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$37.35	$43.40	$49.45
High Country Pines Water Company	0	$20.00	2,000	$3.50	8,000	$3.75	Remainder	$4.00	0	$0.00	0	$0.00	$38.25	$47.63	$57.00
Highland Pines DWID	0	$41.00	2,000	$11.62	2,000	$17.43	2,000	$24.16	Remainder	$36.24	0	$0.00	$123.26	$201.78	$310.50
Hillcrest Water Company	0	$15.00	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$30.00	$37.50	$45.00
Holbrook -Summer		$6.50	Remainder	$1.55	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$14.25	$18.13	$22.00
Holbrook -Winter		$6.50	Remainder	$1.75	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$15.25	$19.63	$24.00
Holiday Hills DWID	0	$35.00	Remainder	$7.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$70.00	$87.50	$105.00
Holiday Water Company	0	$15.00	Remainder	$1.88	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$24.40	$29.10	$33.80
Ho-Tye Water Company	0	$25.00	2,000	$1.75	Remainder	$2.25	0	$0.00	0	$0.00	0	$0.00	$35.25	$40.88	$46.50
Huachuca City	2,000	$10.00	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$16.00	$21.00	$26.00
Humboldt Water Systems, Inc.	1,000	$21.55	Remainder	$2.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$31.55	$37.80	$44.05
ICR Water Users Assoc.	1,000	$20.00	Remainder	$2.80	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$31.20	$38.20	$45.20
Indiada Water Company, Inc.	1,000	$15.00	Remainder	$3.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$29.00	$34.25	$46.50
J.N.J. Enterprises L.L.C.	0	$17.75	4,000	$4.00	8,000	$4.75	Remainder	$6.50	0	$0.00	0	$0.00	$38.50	$50.38	$62.25
Jackson Acres Water District	0	$9.00	3,000	$1.60	20,000	$2.25	25,000	$3.25	26,000	$5.00	Remainder	$7.00	$15.10	$20.00	$26.35
Jackson Spring Estates HOA	All	$23.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$23.00	$23.00	$23.00
Jake's Corner Water System	1,000	$12.00	Remainder	$1.85	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$19.40	$24.03	$28.65
Jerome	All	$25.94	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$25.94	$25.94	$25.94
Johnson Utilities Company	0	$27.00	7,000	$2.25	Remainder	$2.50	0	$0.00	0	$0.00	0	$0.00	$38.25	$44.00	$50.25
Joshua Valley Utility Company	0	$13.50	5,000	$3.40	15,000	$3.90	Remainder	$4.25	0	$0.00	0	$0.00	$30.50	$40.25	$50.00
Katherine Resort Water Company	0	$27.85	4,000	$3.00	26,000	$4.25	Remainder	$4.75	0	$0.00	0	$0.00	$44.10	$54.73	$65.35
Kearny	5,000	$25.45	5,000	$5.09	3,000	$1.70	7,000	$2.40	Remainder	$2.95	0	$0.00	$25.45	$29.70	$35.35
Keaton Development Company	0	$16.00	8,000	$3.00	Remainder	$4.25	0	$0.00	0	$0.00	0	$0.00	$31.00	$38.50	$48.50
Kingman	0	$12.71	10,000	$1.89	35,000	$2.38	Remainder	$3.56	0	$0.00	0	$0.00	$22.16	$26.89	$31.61
Kohl's Ranch Water Company	5,000	$5.75	Remainder	$0.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$5.75	$7.00	$8.25
Kokopelli Springs Resort	All	$21.80	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$21.80	$21.80	$21.80
La Casita Water Company, Inc.	0	$21.00	Remainder	$3.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$38.50	$47.25	$56.00
Lago Del Oro Water Company	2,000	$12.40	Remainder	$1.80	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$17.80	$22.30	$26.80
Lagoon Estates Water Company, Inc.	0	$12.25	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$22.25	$27.25	$32.25
Lake Havasu City	0	$5.16	11,221	$1.48	11,221	$1.62	74,805	$1.80	Remainder	$1.96	0	$0.00	$14.19	$18.70	$26.94
Lake Verde Water Company	1,000	$10.50	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$18.50	$23.50	$28.50
Lakewood Water Company	0	$12.00	4,000	$1.00	6,000	$1.40	Remainder	$1.70	0	$0.00	0	$0.00	$17.40	$20.90	$24.40
Las Quintas Serenas Water Company	0	$21.37	4,000	$0.95	19,000	$1.15	Remainder	$1.35	0	$0.00	0	$0.00	$26.32	$29.20	$32.07
Lazy C Water Service	0	$19.00	3,000	$2.45	7,000	$3.83	Remainder	$5.20	0	$0.00	0	$0.00	$34.01	$43.59	$53.16
Litchfield Park Service Company -Water	0	$8.30	5,000	$0.87	Remainder	$1.32	0	$0.00	0	$0.00	0	$0.00	$12.65	$15.95	$19.25
Little Park Water Company	1,000	$15.00	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$23.00	$28.00	$33.00
Livco Water Company	0	$15.50	3,000	$1.25	7,000	$2.00	Remainder	$2.40	0	$0.00	0	$0.00	$23.25	$28.25	$33.25

System Name	Gallons in Base	Base $/Month	Gallons in Block #1	Block 1 Charge $/1,000 Gal	Gallons in Block #2	Block 2 Charge $/1,000 Gal	Gallons in Block #3	Block 3 Charge $/1,000 Gal	Gallons in Block #4	Block 4 Charge $/1,000 Gal	Gallons in Block #5	Block 5 Charge $/1,000 Gal	Total $ /Month 5,000 Gals	Total $ /Month 7,500 Gals	Total $ /Month 10,000 Gals
Loma Estate Water Co.	0	$22.00	Remainder	$5.60	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$50.00	$64.00	$78.00
Loma Linda Water Company	0	$16.63	4,000	$2.37	16,000	$3.57	Remainder	$4.27	0	$0.00	0	$0.00	$29.68	$38.61	$47.53
Lord Arizona Water Systems Inc.	1,000	$22.00	Remainder	$2.48	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$31.92	$38.12	$44.32
Los Cerros Water Co., Inc.	0	$12.50	Remainder	$2.44	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$24.70	$30.80	$36.90
Lucky Hills Water Company	1,000	$25.00	Remainder	$1.75	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$32.00	$36.38	$40.75
Lyn-Lee Water	1,000	$15.00	9,000	$2.25	10,000	$3.00	Remainder	$3.50	0	$0.00	0	$0.00	$24.00	$29.63	$35.25
Mammoth	1,000	$10.37	Remainder	$2.25	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$19.37	$25.00	$30.62
Marana	0	$15.12	10,000	$2.32	10,000	$3.24	10,000	$4.21	10,000	$5.18	Remainder	$7.45	$26.72	$32.52	$38.32
Marana DWID	0	$22.00	1,000	$1.60	1,000	$2.10	5,500	$2.65	75,000	$3.35	Remainder	$4.15	$33.65	$40.28	$48.65
Maricopa DWID	1,000	$20.00	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$28.00	$33.00	$38.00
Mayer DWID	1,000	$25.50	3,000	$2.50	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	$36.00	$43.50	$51.00
McAdams Water Company	1,000	$18.00	Remainder	$2.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$28.00	$34.25	$40.50
McNeal Water Company (MWC, Inc.)	1,000	$20.73	Remainder	$3.48	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$34.65	$43.35	$52.05
Mesa	0	$11.48	12,000	$2.30	12,000	$3.45	Remainder	$3.86	0	$0.00	0	$0.00	$22.98	$28.73	$34.48
Mesaland Water Company	1,000	$11.00	24,000	$0.80	25,000	$1.10	25,000	$1.50	25,000	$2.00	Remainder	$2.75	$14.20	$16.20	$18.20
Mescal Lakes Water Systems, Inc.	0	$16.50	Remainder	$3.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$34.00	$42.75	$51.50
Metropolitan DWID (Tucson)		$15.03	11,000	$2.35	7,000	$3.71	10,000	$4.73	Remainder	$6.35	0	$0.00	$26.78	$32.66	$38.53
Michael's Ranch Water User's Assoc.	0	$18.00	5,000	$3.75	35,000	$5.91	Remainder	$7.00	0	$0.00	0	$0.00	$36.75	$51.53	$66.30
Mile Post 54 Community Water Well	0	$20.00	Remainder	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$20.00	$20.00	$20.00
Mirabell Water Company, Inc.	0	$22.00	4,000	$2.00	8,000	$2.75	Remainder	$3.50	0	$0.00	0	$0.00	$32.75	$39.63	$46.50
Mohawk Utility Company	0	$12.50	Remainder	$2.20	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$23.50	$29.00	$34.50
Monte Vista Water Co., L.L.C.	2,000	$6.00	Remainder	$1.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$9.00	$11.50	$14.00
Montezuma Rimrock Water Co., LLC	1,000	$27.25	Remainder	$1.86	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$38.57	$43.61	$53.00
Morenci Water and Electric Company	3,000	$10.00	Remainder	$1.94	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$13.88	$18.73	$23.58
Mormon Lake Water Co.	0	$34.50	4,000	$7.15	3,000	$10.73	Remainder	$12.87	0	$0.00	0	$0.00	$73.83	$101.73	$133.90
Morristown Water Company	0	$16.00	Remainder	$2.20	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$27.00	$32.50	$38.00
Mountain Dell Water, Inc.	1,000	$19.00	Remainder	$4.25	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$36.00	$46.63	$57.25
Mountain Glen Water Service (consol.)	0	$21.65	5,000	$2.88	10,000	$3.52	Remainder	$4.06	0	$0.00	0	$0.00	$36.05	$44.85	$53.65
Mt. Lemmon DWID	0	$41.85	4,000	$6.00	6,000	$9.00	10,000	$15.00	Remainder	$20.00	0	$0.00	$74.85	$97.35	$119.85
Mt. Tipton Water Co.	0	$29.00	4,000	$2.45	5,000	$3.20	Remainder	$4.20	0	$0.00	0	$0.00	$42.00	$50.00	$59.00
Naco Water Company, L.L.C.	0	$32.16	3,000	$4.54	9,000	$6.82	Remainder	$8.19	0	$0.00	0	$0.00	$59.42	$76.47	$94.89
Navajo Water Co., Inc.	0	$16.19	Remainder	$3.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$33.69	$42.44	$51.19
New River Utilities Company	0	$7.50	12,000	$1.20	6,000	$1.40	Remainder	$1.60	0	$0.00	0	$0.00	$13.50	$16.50	$19.50
Nogales	0	$6.00	3,000	$1.50	5,000	$1.75	5,000	$1.90	Remainder	$2.10	0	$0.00	$14.00	$18.38	$23.05
North Mohave Valley Corporation	1,000	$11.00	19,000	$2.20	Remainder	$3.55	0	$0.00	0	$0.00	0	$0.00	$19.80	$25.30	$30.80
Northern Sunrise Water Company	0	$31.00	5,000	$2.00	5,000	$2.75	Remainder	$3.90	0	$0.00	0	$0.00	$41.00	$47.87	$54.75
Oak Creek Public Service Co.	0	$12.00	4,000	$1.95	8,000	$2.10	Remainder	$2.35	0	$0.00	0	$0.00	$21.90	$27.15	$32.40
Oak Creek Utility Corporation	0	$30.00	3,000	$2.90	12,000	$4.00	Remainder	$5.00	0	$0.00	0	$0.00	$46.70	$56.70	$66.70
Oak Creek Water Co., No. 1	0	$7.00	4,000	$1.73	46,000	$2.12	Remainder	$2.39	0	$0.00	0	$0.00	$16.04	$21.34	$26.64
Ojo Bonito Estates DWID	4,000	$24.00	4,000	NR	6,000	NR	Remainder	NR	0	$0.00	0	$0.00	$29.00	$41.50	$54.00
Orange Grove Water Company	2,000	$10.00	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$16.00	$21.00	$26.00
Oro Valley	0	$14.19	7,000	$2.20	9,000	$2.99	16,000	$4.03	Remainder	$5.38	0	$0.00	$25.19	$31.09	$38.56
Page	3,000	$12.00	Remainder	$1.95	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$15.90	$20.78	$25.65
Papago Butte DWID, IWDD	0	$18.00	7,000	$2.10	16,000	$3.10	Remainder	$0.90	0	$0.00	0	$0.00	$28.50	$34.25	$42.00
Paradise Trails Pioneer Valley	1,000	$13.20	7,000	$2.00	Remainder	$2.25	0	$0.00	0	$0.00	0	$0.00	$21.20	$26.20	$31.70

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Park Valley Water Company	0	$14.00	Remainder	$2.65	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$27.25	$33.88	$40.50
Park Water Company, Inc.	1,000	$20.00	4,000	$2.60	15,000	$3.56	Remainder	$4.25	0	$0.00	0	$0.00	$30.40	$39.30	$48.20
Parker	0	$10.00	25,000	$1.75	Remainder	$2.25	0	$0.00	0	$0.00	0	$0.00	$18.75	$23.13	$27.50
Parker Lakeview Estates HOA. Inc.	0	$33.50	3,000	$2.70	5,000	$3.00	Remainder	$3.25	0	$0.00	0	$0.00	$47.60	$55.10	$63.10
Patagonia	2,000	$13.25	8,000	$1.15	5,000	$1.55	5,000	$1.90	Remainder	$2.15	0	$0.00	$16.70	$19.58	$22.45
Payson	2,000	$19.65	3,000	$2.65	5,000	$3.50	10,000	$4.00	Remainder	$5.00	0	$0.00	$27.60	$36.35	$45.10
Peeples Valley Water Company	0	$23.75	3,000	$2.70	7,000	$4.05	Remainder	$5.00	0	$0.00	0	$0.00	$39.95	$50.08	$60.20
Peoria	1,000	$16.84	4,000	$1.49	5,000	$2.69	15,000	$3.24	Remainder	$3.85	0	$0.00	$22.80	$29.53	$36.25
Phoenix - Spring & Fall Rates	4,488	$4.64	Remainder	$3.09	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$8.02	$15.74	$23.47
Phoenix - Summer rates	7,480	$4.64	Remainder	$3.91	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$6.64	$7.71	$17.49
Phoenix - Winter Rates	4,488	$4.64	Remainder	$2.58	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$7.76	$14.21	$20.66
Picacho Peak Water Company	0	$15.00	3,000	$3.05	7,000	$4.58	Remainder	$5.49	0	$0.00	0	$0.00	$33.31	$44.76	$56.21
Picacho Water Company	0	$15.00	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$30.00	$37.50	$45.00
Picacho Water Improvement	2,000	$14.00	Remainder	$1.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$18.50	$22.25	$26.00
Pima Utility Company	1,000	$5.70	9,000	$0.92	Remainder	$1.08	0	$0.00	0	$0.00	0	$0.00	$9.38	$11.68	$13.98
Pine Valley Water Company	0	$18.65	4,000	$3.32	10,000	$4.98	Remainder	$5.98	0	$0.00	0	$0.00	$36.91	$49.36	$61.81
Pine Water Assoc. DWID	0	$25.00	10,000	$10.00	10,000	$14.00	10,000	$20.00	10,000	$25.00	Remainder	$30.00	$75.00	$100.00	$125.00
Pinecrest Water Company	0	$30.00	3,000	$3.25	Remainder	$5.50	0	$0.00	0	$0.00	0	$0.00	$48.00	$64.50	$75.50
Pinedale DWID	5,000	$18.00	Remainder	$2.25	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$18.00	$24.25	$29.25
Pinetop Water Comm. Facilities Dist.	0	$15.96	Remainder	$3.15	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$31.71	$39.59	$47.46
Pineview Water Co.	0	$17.93	3,000	$3.10	17,000	$3.66	Remainder	$4.20	0	$0.00	0	$0.00	$34.55	$43.70	$52.85
Poderosa Utility Company	0	$21.00	Remainder	$3.30	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$37.50	$45.75	$54.00
Ponderosa Park DWID	500	$41.79	1,500	$2.10	2,000	$4.40	2,000	$7.20	Remainder	$12.60	0	$0.00	$60.94	$87.04	$131.14
Porter Mountain DWID	3,000	$19.95	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$25.95	$33.45	$40.95
Prescott	0	$6.60	3,000	$2.86	7,000	$4.30	10,000	$6.45	Remainder	$12.90	0	$0.00	$23.78	$34.53	$45.28
Prescott Valley	0	$9.00	8,000	$2.77	12,000	$3.32	Remainder	$4.32	0	$0.00	0	$0.00	$22.85	$29.78	$37.80
Pueblo Del Sol Water Company	1,000	$13.45	9,000	$2.30	20,000	$2.80	Remainder	$3.10	0	$0.00	0	$0.00	$22.65	$28.40	$34.15
Q Mountain Mobile Home Park	0	$12.00	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$22.00	$27.00	$32.00
Q Mountain Water	0	$15.00	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$25.00	$30.00	$35.00
Quail Canyon DWID	1,000	$57.00	9,000	$2.90	Remainder	$4.06	0	$0.00	0	$0.00	0	$0.00	$68.60	$75.85	$83.10
Quail Creek Water Company	0	$15.00	Remainder	$2.80	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$29.00	$36.00	$43.00
Quail Ridge DWID	1,000	$35.00	10,000	$2.50	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	$45.00	$51.25	$57.50
Quartzsite	0	$16.00	15,000	$1.40	Remainder	$1.30	0	$0.00	0	$0.00	0	$0.00	$23.00	$26.50	$30.00
Queen Creek Water Company	1,000	$12.00	9,000	$1.30	Remainder	$1.60	0	$1.12	0	$0.00	0	$0.00	$17.20	$20.45	$23.70
Queen Valley DWID	0	$36.31	18,000	$1.47	12,000	$2.92	Remainder	$4.39	0	$0.00	0	$0.00	$43.66	$47.34	$51.01
RAINDANCE WATER CO-OP	0	$10.00	Remainder	$4.35	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$31.75	$42.63	$53.50
Rancheros Bonitos Water Co., L.L.C.	All	$20.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$20.00	$20.00	$20.00
Rancho Del Conejo Water Co-Op	999	$14.00	2,000	$1.40	7,000	$2.10	Remainder	$3.00	0	$0.00	0	$0.00	$21.00	$26.25	$31.50
Rancho Sahuarita Water Co. L.L.C.	0	$16.00	6,000	$2.05	Remainder	$2.75	0	$0.00	0	$0.00	0	$0.00	$26.25	$32.43	$39.30
Ray Water Company	0	$11.15	Remainder	$1.55	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$18.90	$22.78	$26.65
Red Rock Utilities, LLC	0	$25.00	5,000	$2.40	Remainder	$3.15	0	$0.00	0	$0.00	0	$0.00	$37.00	$44.88	$52.75
Ridgeview Utility Company	0	$25.00	Remainder	$3.41	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$42.05	$50.58	$59.10
Rigby Water Company (combined)	1,000	$9.50	11,000	$2.00	Remainder	$2.30	0	$0.00	0	$0.00	0	$0.00	$17.50	$22.50	$27.50
Rillito Water Users Association	5,000	$8.50	Remainder	$0.90	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$8.50	$10.75	$13.00
Rim Trail DWID	1,000	$59.00	1,000	$4.00	1,000	$4.50	1,000	$5.00	1,000	$5.50	Remainder	$6.00	$74.00	$107.00	$131.00

System Name	Gallons in Base	Base $/Month	Gallons in Block #1	Block 1 Charge $/1,000 Gal	Gallons in Block #2	Block 2 Charge $/1,000 Gal	Gallons in Block #3	Block 3 Charge $/1,000 Gal	Gallons in Block #4	Block 4 Charge $/1,000 Gal	Gallons in Block #5	Block 5 Charge $/1,000 Gal	Total $ /Month 5,000 Gals	Total $ /Month 7,500 Gals	Total $ /Month 10,000 Gals
Rincon Ranch Estates Water Company	0	$13.15	10,000	$3.10	15,000	$3.60	Remainder	$4.20	0	$0.00	0	$0.00	$28.65	$36.40	$44.15
Rincon Water Company	0	$20.00	Remainder	$5.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$45.00	$57.50	$70.00
Rio Rico Utilities Inc.	0	$6.45	4,000	$1.44	6,000	$1.70	Remainder	$1.90	0	$0.00	0	$0.00	$13.91	$18.16	$22.41
Rio Verde Utilities - Water		$9.00	Remainder	$1.59	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$16.95	$20.93	$24.90
Roosevelt Lake Resort, Inc.	0	$17.00	Remainder	$3.88	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$36.40	$46.10	$55.80
Rose Valley Water Company	1,000	$5.25	8,000	$1.65	Remainder	$2.30	0	$0.00	0	$0.00	0	$0.00	$11.85	$15.98	$20.75
Sabrosa Water Company	0	$39.50	3,000	$6.00	7,000	$9.00	Remainder	$10.80	0	$0.00	0	$0.00	$75.50	$98.00	$120.50
Safford	0	$19.18	10,000	$1.24	10,000	$1.55	Remainder	$1.94	0	$0.00	0	$0.00	$25.38	$28.48	$31.58
Saguaro Acres CFD	0	$12.20	Remainder	$2.25	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$23.45	$29.08	$34.70
Saguaro Water Company	1,000	$12.00	Remainder	$4.45	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$29.80	$40.93	$52.05
Sahuarita Water Company	0	$16.00	6,000	$2.05	Remainder	$2.75	0	$0.00	0	$0.00	0	$0.00	$26.25	$32.43	$39.30
San Luis	2,000	$7.95	8,000	$1.21	10,000	$1.33	Remainder	$1.33	0	$0.00	0	$0.00	$11.58	$14.61	$17.63
Sandario Water Company	1,000	$13.00	Remainder	$1.85	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$20.40	$25.03	$29.65
Santa Cruz Water Company	1,000	$25.00	Remainder	$2.60	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$35.40	$41.90	$48.40
Scottsdale	0	$23.55	7,500	$1.80	31,500	$3.35	Remainder	$4.60	0	$0.00	0	$0.00	$32.55	$37.05	$45.43
Serviceberry Water Co. (Vernon Valley)	1,000	$25.00	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$37.00	$44.50	$52.00
Seven Canyons Water Co.	0	$50.00	Remainder	$4.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$72.50	$83.75	$95.00
Seven Ranches DWID	1,000	$20.00	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$28.00	$33.00	$39.00
Shepard Water Company	0	$9.75	3,000	$1.25	7,000	$1.80	Remainder	$2.30	0	$0.00	0	$0.00	$17.10	$21.60	$26.10
Show Low	7,000	$26.17	Remainder	$2.13	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$26.17	$27.24	$32.56
Sierrita Mountain Water Company	2,632	$26.35	7,367	$3.80	5,000	$4.00	Remainder	$4.20	0	$0.00	0	$0.00	$35.35	$44.85	$54.35
Signal Peak Water Company, Inc.	1,000	$15.00	9,000	$2.00	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	$23.00	$28.00	$33.00
Silverbell Irrigation & Drainage District	1,000	$21.50	24,000	$2.25	Remainder	$4.00	0	$0.00	0	$0.00	0	$0.00	$30.50	$36.13	$41.75
Sitgreaves Water Company	1,000	$20.00	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$28.00	$33.00	$38.00
Sky-Hi DWID	0	$24.00	Remainder	$3.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$41.50	$50.25	$59.00
Sleepy Hollow Mobile Home Estates (s)	3,000	$5.00	8,250	$2.07	11,250	$3.33	Remainder	$4.13	0	$0.00	0	$0.00	$9.14	$14.32	$19.49
Sleepy Hollow Mobile Home Estates (w)	3,000	$5.00	Remainder	$2.07	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$9.14	$14.32	$19.49
Snowflake	2,000	$16.74	Remainder	$1.47	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$23.86	$27.04	$31.81
SoHi DWID	3,000	$20.00	5,000	$5.00	10,000	$7.50	15,000	$10.00	20,000	$12.50	Remainder	$15.00	$30.00	$48.75	$67.50
Solitude Trails DWID	2,000	$30.00	1,000	$5.00	1,000	$8.00	1,000	$10.50	Remainder	$14.00	0	$0.00	$53.50	$97.50	$147.50
Somerton	5,000	$11.50	5,000	$2.00	10,000	$2.50	Remainder	$3.00	0	$0.00	0	$0.00	$11.50	$17.75	$24.00
Sonoita Valley Water Company	0	$24.00	10,000	$4.74	10,000	$5.50	Remainder	$6.50	0	$0.00	0	$0.00	$47.70	$59.55	$71.40
South Rainbow Valley Water Coop.	5,000	$20.00	10,000	$1.00	Remainder	$0.50	0	$0.00	0	$0.00	0	$0.00	$20.00	$22.50	$25.00
Southern Sunrise Water Co	0	$31.00	5,000	$2.00	5,000	$2.75	Remainder	$3.90	0	$0.00	0	$0.00	$41.00	$47.87	$54.75
Southern Water Corporation	1,000	$15.00	Remainder	$2.84	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$26.36	$33.46	$40.56
Southland Utilities Company, Inc.	0	$10.00	Remainder	$1.33	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$6.65	$9.98	$13.30
Spanish Trail Water Co.	0	$15.00	6,000	$1.00	14,000	$1.75	Remainder	$2.65	0	$0.00	0	$0.00	$20.00	$23.63	$28.00
Springerville	2,000	$9.50	8,000	$1.75	Remainder	$2.25	0	$0.00	0	$0.00	0	$0.00	$14.75	$19.13	$23.50
St. David DWID	3,000	$15.50	Remainder	$1.40	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$18.30	$21.80	$25.30
St. David Springs	5,000	$5.00	Remainder	$0.35	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$5.00	$5.88	$6.75
St. Johns	2,000	$9.00	Remainder	$2.25	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$15.75	$20.25	$27.00
Starlight Water Company, Inc.	0	$33.70	4,000	$3.50	10,000	$5.00	50,000	$8.00	Remainder	$10.00	0	$0.00	$52.70	$65.20	$77.70
Sterling Water Company	0	$16.00	Remainder	$2.30	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$27.50	$33.25	$39.00
Stoneman Lake Water Company, Inc.	2,500	$10.00	Remainder	$1.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$12.50	$15.00	$17.50
Sulger Water Company, #2	2,000	$9.95	Remainder	$1.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$14.45	$18.20	$21.95

System Name	Gallons in Base	Base $/Month	Gallons in Block #1	Block 1 Charge $/1,000 Gal	Gallons in Block #2	Block 2 Charge $/1,000 Gal	Gallons in Block #3	Block 3 Charge $/1,000 Gal	Gallons in Block #4	Block 4 Charge $/1,000 Gal	Gallons in Block #5	Block 5 Charge $/1,000 Gal	Total $ /Month 5,000 Gals	Total $ /Month 7,500 Gals	Total $ /Month 10,000 Gals
Sun Leisure Estates Utilities Co., Inc.	1,000	$12.50	Remainder	$1.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$18.50	$21.50	$26.00
Sun Valley Farms -Unit VI Water Co.	0	$15.00	Remainder	$1.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$20.00	$22.50	$25.00
Sunizona Water Company	0	$11.00	Remainder	$2.95	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$25.75	$33.13	$40.50
Sunland Water Company	0	$4.00	Remainder	$0.75	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$7.75	$9.63	$11.50
Sunrise Vistas Utilities Company	0	$18.45	Remainder	$2.20	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$29.45	$34.95	$40.45
Sunrise Water Company	0	$17.00	4,000	$1.75	9,000	$2.50	Remainder	$3.15	0	$0.00	0	$0.00	$26.50	$32.75	$39.00
Surprise	0	$19.39	10,000	$1.60	10,000	$3.15	Remainder	$3.67	0	$0.00	0	$0.00	$27.39	$31.39	$35.39
T.K.Water Service	1,000	$18.50	Remainder	$1.90	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$26.10	$30.85	$35.60
Tacna Water Company	0	$13.78	3,000	$0.75	4,000	$0.95	Remainder	$1.05	0	$0.00	0	$0.00	$17.93	$20.36	$25.98
Tall Pine Estates Water & Imp. Assoc. Inc.	All	$7.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$7.50	$7.50	$7.50
Taylor	4,000	$10.00	Remainder	$0.90	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$10.90	$13.15	$15.40
Tempe	0	$10.24	8,000	$1.19	7,000	$1.49	10,000	$1.86	Remainder	$2.33	0	$0.00	$16.19	$19.17	$22.74
Thim Utility Co.	0	$15.00	10,000	$2.60	10,000	$3.25	Remainder	$3.90	0	$0.00	0	$0.00	$28.00	$34.50	$41.00
Thim Water Corporation	4,000	$28.00	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$30.00	$35.00	$40.00
Thunderbird Farms WID	6,000	$20.25	Remainder	$2.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$20.25	$24.00	$30.25
Thunderbird Meadows	0	$16.50	3,000	$3.45	7,000	$5.18	Remainder	$6.20	0	$0.00	0	$0.00	$37.21	$50.16	$63.11
Tierra Buena Water Company	1,000	$13.50	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$21.50	$26.50	$31.50
Tierra Linda Homeowners Assoc.	0	$25.00	4,000	$2.25	11,000	$2.95	Remainder	$3.50	0	$0.00	0	$0.00	$36.95	$44.33	$51.70
Tierra Mesa Estates Water Company, Inc.	0	$13.25	25,000	$1.30	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	$19.75	$23.00	$26.25
Timberalnd Acres DWID	4,000	$34.00	16,000	$1.50	40,000	$2.50	Remainder	$7.50	0	$0.00	0	$0.00	$35.50	$39.25	$43.00
Tolleson	3,000	$19.42	7,000	$1.79	Remainder	$2.19	0	$0.00	0	$0.00	0	$0.00	$23.00	$27.48	$31.95
Tombstone	2,000	$18.96	Remainder	$2.60	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$31.96	$38.46	$44.96
Tonto Creek Utility Co.	0	$19.25	Remainder	$2.25	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$30.50	$36.13	$41.75
Tonto Hills Utility Co.	0	$40.00	4,000	$6.80	9,000	$10.20	Remainder	$12.30	0	$0.00	0	$0.00	$77.40	$102.90	$128.40
Tonto Village Water Company	1,000	$6.00	Remainder	$1.05	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$10.20	$12.83	$15.45
Tortolita Water Co., Inc.	0	$20.00	3,000	$3.00	2,000	$4.70	Remainder	$7.00	0	$0.00	0	$0.00	$38.40	$55.90	$73.40
Truxton Canyon Water Company, Inc.	0	$19.50	5,000	$1.45	15,000	$1.90	Remainder	$2.50	0	$0.00	0	$0.00	$26.75	$31.50	$36.25
Tubac Water Company, Inc.	2,000	$8.00	Remainder	$1.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$11.00	$13.50	$16.00
Tucson	0	$5.62	11,220	$1.86	11,220	$6.86	11,220	$9.69	Remainder	$13.24	0	$0.00	$14.92	$19.57	$24.22
Turner Ranches Water & Sanitation	1,000	$25.75	Remainder	$3.58	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$40.07	$49.02	$57.97
Utility Source, LLC	0	$18.50	4,000	$4.80	5,000	$7.16	Remainder	$8.60	0	$0.00	0	$0.00	$44.86	$62.76	$82.10
Vail Water Company	0	$13.18	Remainder	$4.32	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$34.78	$45.58	$56.38
Vail Water Company	0	$21.00	Remainder	$4.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$41.00	$51.00	$61.00
Valencia Water Co., Greater Buckeye Div.	0	$16.00	12,000	$2.75	Remainder	$3.75	0	$0.00	0	$0.00	0	$0.00	$29.75	$36.63	$43.50
Valencia Water Company, Inc.	0	$13.00	Remainder	$2.86	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$27.30	$34.45	$41.60
Valle Verde Water Company	1,000	$11.75	8,000	$1.30	Remainder	$1.47	0	$0.00	0	$0.00	0	$0.00	$18.25	$21.50	$25.09
Valley Pioneers Water Co., Inc.	0	$18.00	7,000	$2.60	13,000	$4.10	Remainder	$4.60	0	$0.00	0	$0.00	$31.00	$38.25	$48.50
Valley Utilities Water Co., Inc.	0	$16.87	3,000	$1.50	7,000	$2.31	Remainder	$2.53	0	$0.00	0	$0.00	$25.99	$31.77	$37.54
Valley View Water Company, Inc.	0	$30.50	10,000	$2.25	Remainder	$2.50	0	$0.00	0	$0.00	0	$0.00	$41.75	$47.38	$53.00
Verde Lakes Water Corporation	1,000	$8.75	5,000	$1.80	Remainder	$2.50	0	$0.00	0	$0.00	0	$0.00	$15.95	$20.45	$27.75
Verde Lee Water Company	0	$15.00	Remainder	$2.70	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$28.50	$35.25	$42.00
Verde Santa Fe Water Company, L.L.C.	All	$15.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$15.00	$15.00	$15.00
Vernon DWID	2,000	$32.00	28,000	$1.50	30,000	$2.00	Remainder	$3.00	0	$0.00	0	$0.00	$36.50	$40.25	$44.00
Vernon Valley Water Company	1,000	$25.00	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$37.00	$44.50	$52.00
Villa Grande DWID	2,000	$35.00	Remainder	$2.95	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$43.85	$51.23	$58.60

System Name	Gallons in Base	Base $/Month	Gallons in Block #1	Block 1 Charge $/1,000 Gal	Gallons in Block #2	Block 2 Charge $/1,000 Gal	Gallons in Block #3	Block 3 Charge $/1,000 Gal	Gallons in Block #4	Block 4 Charge $/1,000 Gal	Gallons in Block #5	Block 5 Charge $/1,000 Gal	Total $ /Month 5,000 Gals	Total $ /Month 7,500 Gals	Total $ /Month 10,000 Gals
Virgin Mountain Utilities Corporation	0	$20.00	Remainder	$3.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$35.00	$42.50	$50.00
Viva Development Corporation	2,000	$6.00	Remainder	$0.75	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$8.25	$10.13	$12.00
Voyager Water Company	0	$11.00	Remainder	$2.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$21.00	$26.00	$31.00
Walden Meadow Comm. Co-op	2,000	$20.00	Remainder	$4.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$32.00	$42.00	$52.00
Walnut Creek Water Company, Inc.	2,000	$15.00	8,000	$2.00	Remainder	$2.70	0	$0.00	0	$0.00	0	$0.00	$21.00	$26.00	$31.00
Watco, Inc. (prev. Silver Well Svcs)	0	$22.00	3,000	$3.00	7,000	$4.00	Remainder	$5.00	0	$0.00	0	$0.00	$39.00	$49.00	$59.00
Water Utility of Greater Buckeye, Inc.	0	$16.00	12,000	$2.75	Remainder	$3.75	0	$0.00	0	$0.00	0	$0.00	$29.75	$36.63	$43.50
Water Utility of Greater Tonopah, Inc.	0	$17.50	12,000	$4.10	Remainder	$5.25	0	$0.00	0	$0.00	0	$0.00	$38.00	$48.25	$58.50
Water Utility of Northern Scottsdale	0	$57.00	4,000	$5.00	6,000	$6.00	Remainder	$7.00	0	$0.00	0	$0.00	$83.00	$98.00	$113.00
Wellton	3,500	$15.50	5,000	$1.80	Remainder	$1.75	0	$0.00	0	$0.00	0	$0.00	$18.20	$22.70	$27.12
Wenden DWID	0	$29.24	5,000	$1.00	7,000	$1.50	Remainder	$2.00	0	$0.00	0	$0.00	$34.24	$37.99	$41.74
West End Water Company	0	$16.50	3,000	$2.70	7,000	$4.00	Remainder	$5.25	0	$0.00	0	$0.00	$32.60	$42.60	$52.60
West Village Water Company	0	$26.00	Remainder	$5.05	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$51.25	$63.88	$76.50
Whetstone DWID	2,000	$25.00	Remainder	$3.25	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$34.75	$42.88	$51.00
White Hills Water Co., Inc.	1,000	$19.00	Remainder	$10.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$61.00	$87.25	$113.50
White Mountain Summer Homes WID	0	$30.00	Remainder	$3.56	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$47.80	$56.70	$65.60
White Mountain Water Company	0	$17.00	Remainder	$3.76	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$35.80	$45.20	$54.60
Why Utility Company, Inc.	4,000	$40.00	5,000	$2.00	5,000	$2.15	Remainder	$2.35	0	$0.00	0	$0.00	$42.00	$47.00	$52.15
Wickenburg	4,000	$10.00	4,000	$1.00	8,000	$1.25	8,000	$1.50	Remainder	$2.50	0	$0.00	$11.00	$13.50	$16.50
Wilhoit Water Company, Inc.	0	$12.00	3,000	$3.00	10,000	$4.50	Remainder	$5.40	0	$0.00	0	$0.00	$30.00	$41.25	$52.50
Willcox	2,000	$17.29	4,000	$1.61	4,000	$1.79	5,000	$2.00	Remainder	$2.13	0	$0.00	$22.12	$26.42	$30.89
Williams	1,000	$10.73	9,000	$5.38	10,000	$5.66	Remainder	$5.94	0	$0.00	0	$0.00	$32.25	$45.70	$59.15
Willow Lakes Property Owners Assoc.	0	$25.00	8,000	$2.25	Remainder	$3.20	0	$0.00	0	$0.00	0	$0.00	$36.25	$41.88	$49.40
Willow Valley Water Company	0	$16.25	8,000	$1.10	Remainder	$1.70	0	$0.00	0	$0.00	0	$0.00	$21.75	$24.50	$28.45
Winchester Water Company, L.L.C.	0	$12.00	3,000	$0.80	7,000	$1.25	Remainder	$1.99	0	$0.00	0	$0.00	$16.90	$20.03	$23.15
Winslow	0	$8.31	Remainder	$1.61	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$16.36	$20.39	$24.41
Winslow West Water Company, Inc.	3,000	$6.00	Remainder	$0.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$7.00	$8.25	$9.50
Woodruff DWID	0	$10.00	Remainder	$2.25	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$21.25	$26.88	$32.50
Woodruff Water Co., Inc. W-04264A	0	$20.00	4,000	$2.08	16,000	$3.12	Remainder	$3.74	0	$0.00	0	$0.00	$31.44	$39.24	$47.04
Worden Water Company	2,000	$16.50	Remainder	$1.50	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$21.00	$24.75	$28.50
Yarnell Water Improvement Assn.	0	$23.00	3,000	$3.60	4,000	$4.10	43,000	$5.75	Remainder	$7.00	0	$0.00	$42.00	$53.08	$67.45
Yavapai Country Club Water Company	1,000	$31.08	Remainder	$5.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$51.08	$63.58	$76.08
Yavapai Estates	0	$9.50	3,000	$2.20	7,000	$3.65	Remainder	$4.20	0	$0.00	0	$0.00	$23.40	$32.53	$41.65
Yucca Water Association, Inc.	0	$10.00	Remainder	$1.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00	$15.00	$17.50	$20.00
Yuma	0	$15.68	7,480	$1.89	14,212	$2.03	Remainder	$2.33	0	$0.00	0	$0.00	$25.18	$29.86	$34.93

SECTION 8
Wastewater Results: System Data

System Name	Ownership	County	Watershed	Revenue $1,000/Yr	Number of Users Residential	Other	Total	Gal Effluent Treated/Yr. (Millions)	Survey Updated
Ajo Improvement Co. (Sewer)	I	Pima	Lower Gila	$135.50	1,070	75	1,145	71	2008
Alpine Sanitary District	D	Apache	Upper Gila	$294.84	300	15	315	10	2009
Alpine DWID	D	Apache		$0.00	195	10	205	NR	2009
American Ranch Sanitary District	D	Yavapai	Verde	NR	NR	NR	NR	NR	Prior to 2008
Arizona City Sanitary District	D	Pinal	Santa Cruz	$1,368.89	4,642	89	4,731	286	2009
Avondale	M	Maricopa	Lower Gila	$7,720.60	20,775	1,350	22,125	1,810	2008
AZ-Am. - Sewer, Anthem/Agua Fria	I	Maricopa	Middle Gila	$8,869.88	13,002	130	13,132	NR	2009
AZ-American Water - Sewer, Sun City	I	Maricopa	Middle Gila	$5,878.97	21,308	656	21,964	NR	2009
AZ-American Water-Sewer, Mohave	I	Maricopa	Middle Gila	$772.91	1,330	10	1,340	NR	2009
AZ-American Water-Sewer, Sun City W.	I	Maricopa	Middle Gila	$5,615.28	14,673	289	14,962	NR	2009
Baca Float Water Co. (Sewer Div.)	I	Santa Cruz	Santa Cruz	$94.40	100	-	100	NA	Prior to 2008
Bensch Ranch Utilities, LLC	I	Yavapai	Verde	$5.80	13	-	13	68	Prior to 2008
Benson	M	Cochise	San Pedro	$726.17	1,697	278	1,975	145	2009
Big Park WWID	D	Yavapai	Verde	$891.50	NR	NR	NR	NR	Prior to 2008
Bisbee	M	Cochise	San Pedro	$1,242.00	2,532	192	2,724	NR	Prior to 2008
Black Mountain Sewer Corp.	I	Maricopa	Middle Gila	$1,580.32	1,998	132	2,130	44	2008
Buckeye	M	Maricopa	Lower Gila	$3,696.73	14,765	332	15,097	812	2009
Buckskin Sanitary District	D	La Paz	Colorado River	$210.22	449	12	461	20	2008
Bullhead City	M	Mohave	Colorado River	$6,374.00	16,999	706	17,705	1,046	Prior to 2008
Camp Verde Sanitary District	D	Yavapai	Verde	$628.71	1,168	186	1,354	69	2009
Casa Grande	M	Pinal	Lower Gila	$2,440.50	13,449	777	14,227	1,500	2009
Casitas Bonitas Sanitary Sewer District	D	Maricopa		$55.04	131	-	131	NR	2008
Cave Creek	M	Maricopa	Lower Gila	$625.00	400	87	487	42	2009
Chandler	M	Maricopa	Middle Gila	$19.00	67,521	1,730	69,251	8,120	Prior to 2008
Chino Valley	M	Yavapai	Verde	$7,150.00	16,433	2,010	18,443	NR	Prior to 2008
Clarkdale	M	Yavapai	Verde	$286.73	1,022	59	1,081	40	2009
Clear Springs Utility Company, Inc.	I	Cochise	San Pedro	$49,491.00	346	39	385	14	2009
Clifton	M	Greenlee	Upper Gila	$92.50	543	10	553	42	Prior to 2008
Cloud Nine Water Company, Inc.- Sewer	I	Cochise	San Pedro	$7.50	175	-	175	NR	Prior to 2008
Coolidge	M	Pinal	Lower Gila	$604.59	3,539	181	3,720	219	2009
Coronado Utilities, Inc.	I	Pinal	Lower Gila	$841.00	1,291	42	1,333	85	2008
Cottonwood	M	Yavapai	Verde	$1,261.90	4,897	510	5,407	391	Prior to 2008
Creekside Sanitary District	D	Yavapai	Verde	$24.90	67	-	67	32	Prior to 2008
Desert Vista Sanitary District	D	Pinal	Middle Gila	$35.00	102	-	102	N/A	2009
Douglas	M	Cochise	Rio Yaqui	$883.00	5,302	313	5,615	NR	Prior to 2008
Duncan	M	Greenlee	Gila	$53.43	244	29	273	N/A	2009
Eagar	M	Apache	Upper Little CO	$380.00	1,108	86	1,194	45	2009
El Mirage	M	Maricopa	Middle Gila	$2,720.73	8,172	87	8,259	710	2009
Eloy	M	Pinal	Lower Gila	$923.23	1,426	207	1,633	228	2008
Entrada del Oro	I	Pinal	Lower Gila	$171.09	243	-	243	NR	2008
Escapees at North Ranch	I	Yavapai	Verde	$62.40	392	-	392	21	Prior to 2008
Far West Water & Sewer, Inc.	I	Yuma	Lower Gila	$1,779.00	8,418	-	8,418	240	Prior to 2008
Fisher's Landing Water & Sewer Works	I	Yuma	Lower Gila	$142.40	72	-	72	NR	Prior to 2008
Flagstaff	M	Coconino	Lower Little CO	$6,588.01	17,027	1,642	18,669	2,141	2009
Florence	M	Pinal	Lower Gila	$2,555.12	3,102	308	3,410	698	2009

System Name	Ownership	County	Watershed	Revenue $1,000/Yr	Number of Users Residential	Other	Total	Gal Effluent Treated/Yr. (Millions)	Survey Updated
Fountain Hills Sanitary District	D	Maricopa	Lower Gila	$4,714.03	13,240	345	13,585	689	2009
Fredonia	M	Coconino	Colorado River	$202.43	464	30	494	21	2009
Gila Bend	M	Maricopa	Middle Gila	$58.00	377	58	435	NR	Prior to 2008
Gilbert	M	Maricopa	Middle Gila	$20,273.00	61,794	2,690	64,484	4,598	2009
Glendale	M	Maricopa	Middle Gila	$25,152.00	53,965	5,341	59,306	4,250	2009
Globe	M	Gila	Salt River	$844.62	2,430	317	2,747	224	2009
Gold Canyon Sewer Company	I	Pinal	Middle Gila	$4,657.45	6,257	47	6,304	250	2008
Goodyear	M	Maricopa	Lower Gila	NR	12,217	393	12,610	NR	2008
Greenehaven Sewer Company, Inc.	I	Coconino	Colorado River	$36.10	244	-	244	15,318	Prior to 2008
Guadalupe	M	Maricopa	Middle Gila	NR	1,050	50	1,100	NR	Prior to 2008
Hayden	M	Gila	Middle Gila	NR	261	21	282	NR	2008
High Valley Ranch DWWID	D	Yavapai	Verde	NR	NR	NR	NR	NR	Prior to 2008
Hildale/Colorado City Wastewater	M	Mohave		$404.08	NR	NR	632	NR	2009
Holbrook	M	Navajo	Little Colorado	$616.00	1,607	240	1,847	322	2009
Huachuca City	M	Cochise	Upper San Pedro	$89.00	721	54	775	N/A	2009
Jerome	M	Yavapai	Verde	NR	245	65	310	NR	Prior to 2008
Johnson Utilities Company	I	Pinal	Lower Gila	$8,464.00	20,127	-	20,127	937	2008
Kearny	M	Pinal	Upper Gila	$281.00	784	14	798	75	2009
Kingman	M	Mohave	Colorado Rive	$3,351.00	7,909	979	8,888	603	2009
Kings Ranch Unit II Treatment Plant	I	Yavapai	Agua Fria	$37.20	31	-	31	35	Prior to 2008
Kokopelli Springs Resort	I	Cochise	San Pedro	$14.93	39	1	40	2	2008
Lake Havasu City	M	Mohave	Lower Gila	$14,263.09	15,720	1,039	16,759	1,320	2009
Litchfield Park Service Co.- Sewer	I	Maricopa	Middle Gila	$6,395.18	17,175	726	17,901	1,194	2008
Little Colorado Sanitary District	D	Apache	Upper Gila	$126.25	513	22	535	NR	2009
Livco Sewer Company	I	Apache	Little Colorado	$20.82	26	3	29	NR	2009
Mammoth	M	Pinal	Lower San Pedro	$112.50	544	33	577	NR	Prior to 2008
Mesa	M	Maricopa	Middle Gila	$53,936.28	107,157	9,622	116,779	14,817	2009
Miami	M	Gila	Middle Gila	$193.00	800	32	832	NR	Prior to 2008
Naco Sanitary District	D	Cochise	San Pedro	$68.23	227	12	239	21	2008
Nogales	M	Santa Cruz	Santa Cruz	$1,775.00	4,623	652	5,275	NR	Prior to 2008
Northern Gila County Sanitary District	D	Gila	Verde	$2,600.00	8,739	509	9,248	550	2009
Oak Creek Utility Corporation	I	Coconino	Colorado River	$8.81	32	-	32	1	2008
Page	M	Coconino	Little Colorado	$1,028.00	2,332	278	2,610	287	Prior to 2008
Palo Verde Utilities Company	I	Pinal	Middle Gila	$6,605.30	16,366	92	16,458	727	2008
Paradise Valley	M	Maricopa	Middle Gila	$1,655.00	1,968	10	1,978	NR	Prior to 2008
Patagonia	M	Santa Cruz	Upper San Pedro	$81.76	NR	NR	380	18	Prior to 2008
Peoria	M	Maricopa	Middle Gila	$15,327.27	50,310	1,419	51,729	3,882	2009
Phoenix	M	Maricopa	Middle Gila	$176,973.00	352,914	20,674	373,588	43,820	2009
Picacho Sewer Company	I	Pinal	Middle Gila	$32.80	147	-	147	2	Prior to 2008
Pima	M	Graham	Upper Gila	$123.38	545	35	580	18	2008
Pima Utility Company	I	Maricopa	Middle Gila	$3,106.00	9,963	-	9,963	398	Prior to 2008
Pine Meadows Utilities, LLC	I	Yuma	Lower Gila	$44.20	102	-	102	3	Prior to 2008
Pinetop Lakeside Sanitary District	D	Navajo	Colorado River	$1,980.00	7,501	381	7,882	392	2009
Pinewood Sanitary District	D	Coconino	Colorado River	$1,395.93	2,834	2	2,836	250	2009
Prescott	M	Yavapai	Verde	$6,322.60	16,224	1,304	17,528	1,247	2009

System Name	Ownership	County	Watershed	Revenue $1,000/Yr	Number of Users Residential	Other	Total	Gal Effluent Treated/Yr. (Millions)	Survey Updated
Prescott Valley	M	Yavapai	Verde	$4,050.00	14,476	747	15,223	829	2009
Quartzsite	M	La Paz	Colorado Rive	$344.00	414	196	610	63	Prior to 2008
Queen Creek	M	Maricopa	Middle Gila	$1,856.40	4,930	94	5,024	234	Prior to 2008
Queen Valley Sanitary District	D	Pinal	Middle Gila	$167.03	254	1	255	9	2009
Rio Rico Utilities Inc.	I	Santa Cruz	Santa Cruz	$1,834.48	2,029	154	2,183	155	2008
Rio Verde Utilities - Sewer Div.	I	Maricopa	Middle Gila	$1,000.00	1,614	38	1,652	51	2009
Saddlebrooke Utility Company	I	Pima	Santa Cruz	$2,388.00	4,488	-	4,488	14,785	Prior to 2008
Safford	M	Graham	Upper Gila	$2,674.57	2,995	390	3,385	334	2009
Sahuarita	M	Pima	Santa Cruz	$2,706.31	4,759	19	4,778	705	2009
San Luis	M	Yuma	Colorado River	$1,050.00	4,179	374	4,553	472	Prior to 2008
Scottsdale	M	Maricopa	Lower Gila	$34,289.22	73,494	4,083	77,577	7,110	2009
Sedona	M	Yavapai/Coconin	Verde	$9,600.00	4,210	590	4,800	NR	Prior to 2008
Seligman Sanitary District	D	Yavapai	Verde	$28.16	21	9	30	NR	2009
Seven Canyons Water Treatment Co.	I	Yavapai	Verde	$40.00	37	-	37	2	Prior to 2008
Show Low	M	Navajo	Colorado River	$1,865.12	4,739	492	5,231	349	2009
Sierra Vista	M	Cochise	San Pedro	$4,116.08	10,000	600	10,600	NR	Prior to 2008
Snowflake	M	Navajo	Little Colorado	$641.00	1,250	184	1,434	104	2008
Somerton	M	Yuma	Colorado River	$1,082.38	2,824	73	2,897	288	2009
Southland Sanitation Co.	I	Cochise	San Pedro	$62.90	282	-	282	21	Prior to 2008
South Grand Canyon Sanitary District	D	Coconino		$900.00	77	25	102	55	2009
Springerville	M	Apache	Little Colorado	$150.80	394	132	526	52	Prior to 2008
St. Johns	M	Apache	Little Colorado	$369.82	1,097	64	1,161	41	2009
Sunrise Vistas Utilities Company	I	Mohave	Colorado River	$273.00	666	-	666	29	Prior to 2008
Superior	M	Pinal	Middle Gila	$20.40	1,325	200	1,525	69	Prior to 2008
Superstition Mountains Comm. FD No. 1	D	Pinal	Middle Gila	$5,000.00	5,805	274	6,079	520	2009
Surprise	M	Maricopa	Middle Gila	$14,197.93	44,984	598	45,582	4,358	2009
Sweetwater Creek Utilities, Inc.	I	Yuma	Lower Gila	$228.80	588	-	588	34	Prior to 2008
Taylor	M	Navajo	Little Colorado	$342.57	847	69	916	NR	2009
Tempe	M	Maricopa	Middle Gila	$22,671.80	32,272	3,605	35,877	N/A	2009
Thatcher	M	Graham	Upper Gila	$185.00	1,600	150	1,750	158	2009
The Links at Coyote Wash Utilities, LLC	I	Yuma	Lower Gila	$51.30	163	-	163	4	Prior to 2008
The Sedona Venture WW Treatment	I	Yavapai	Verde	$225.20	272	-	272	15	Prior to 2008
Tolleson	M	Maricopa	Middle Gila	$47.38	1,100	325	1,425	5	Prior to 2008
Tombstone	M	Cochise	San Pedro	$109.83	337	111	448	33	2009
Tucson (Pima County WW Mgmt.)	M	Pima	Santa Cruz	$56,957.89	247,001	16,245	263,246	23,024	2009
Utility Source, LLC	I	Coconino	Colorado River	$124.58	326	6	332	24	2008
Verde Sante Fe Wastewater Co., Inc.	I	Yavapai	Verde	$500.00	925	10	935	32	2009
Virgin River WWID	D	Mohave	Virgin River	$54.60	205	139	344	NR	Prior to 2008
Wickenburg	M	Maricopa	Middle Gila	$704.90	1,439	361	1,800	281	2009
Willcox	M	Cochise	Willcox Playa	$684.95	1,428	257	1,685	140	2009
Williams	M	Coconino	Colorado River	$951.56	2,310	402	2,712	150	2009
Winkelman	M	Gila	Lower San Pedro	$46.00	190	9	199	13	2009
Winslow	M	Navajo	Little Colorado	$693.60	2,849	348	3,197	NR	Prior to 2008
Yuma	M	Yuma	Colorado River	$13,645.04	23,200	500	23,700	3,041	2008

SECTION 9
Wastewater Results: Residential Rates and Monthly Charges

System Name	Base Gal. in Base	Base Charge per Month	Block #1 Gal. in Block 1	Block #1 Charge per 1,000 Gal.	Block #2 Gal. in Block 2	Block #2 Charge per 1,000 Gal.	Total $/Month 5,000 gal	Total $/Month 7,500 gal	Total $/Month 10,000 gal	Basis for Rates
Ajo Improvement Co. (Sewer)	All	$9.42	0	$0.00	0	$0.00	$9.42	$9.42	$9.42	Flat Rate
Alpine Sanitary District	All	$20.00	0	$0.00	0	$0.00	$20.00	$20.00	$20.00	Flat Rate
Alpine DWID	0	$29.65	Remainder	$4.80	0	$0.00	$53.65	$65.65	$77.65	Actual Cons.
American Ranch Sanitary District	1,000	$55.00	Remainder	$1.90	0	$0.00	$62.60	$67.35	$72.10	n/a
Arizona City Sanitary District	All	$24.00	0	$0.00	0	$0.00	$24.00	$24.00	$24.00	Flat Rate
Avondale	1,000	$6.25	Remainder	$3.17	0	$0.00	$18.93	$26.86	$34.78	Winter water usage
AZ-Am. - Sewer, Anthem/Agua Fria	0	$27.76	7000	$3.48	Remainder	$0.00	$45.16	$52.12	$52.12	Actual Cons.
AZ-American Water - Sewer, Sun City	All	$13.69	0	$0.00	0	$0.00	$13.69	$13.69	$13.69	Flat Rate
AZ-American Water-Sewer, Mohave	All	$56.55	0	$0.00	0	$0.00	$56.55	$56.55	$56.55	Flat Rate
AZ-American Water-Sewer, Sun City W.	All	$25.01	0	$0.00	0	$0.00	$25.01	$25.01	$25.01	Flat Rate
Baca Float Water Co. (Sewer Div.)	All	$35.00	0	$0.00	0	$0.00	$35.00	$35.00	$35.00	Flat Rate
Bensch Ranch Utilities, LLC	All	$47.00	0	$0.00	0	$0.00	$47.00	$47.00	$47.00	Flat Rate
Benson	748	$11.60	Remainder	$2.41	0	$0.00	$23.65	$29.68	$35.70	Winter water usage
Big Park WWID	All	$24.60	0	$0.00	0	$0.00	$24.60	$24.60	$24.60	Flat Rate
Bisbee	All	$32.64	0	$0.00	0	$0.00	$32.64	$32.64	$32.64	Flat Rate
Black Mountain Sewer Corp.	All	$45.64	0	$0.00	0	$0.00	$45.64	$45.64	$45.64	Flat Rate
Buckeye	All	$22.60	0	$0.00	0	$0.00	$22.60	$22.60	$22.60	Flat Rate
Buckskin Sanitary District	All	$38.00	0	$0.00	0	$0.00	$38.00	$38.00	$38.00	Flat Rate
Bullhead City	All	$28.00	0	$0.00	0	$0.00	$28.00	$28.00	$28.00	Flat Rate
Camp Verde Sanitary District	N/A	$0.00	N/A	$1.75	0	$0.00	$31.50	N/A	N/A	# Fixtures
Casa Grande	All	$19.18	0	$0.00	0	$0.00	$19.18	$19.18	$19.18	Flat Rate
Casitas Bonitas Sanitary Sewer District	All	$36.06	0	$0.00	0	$0.00	$36.06	$36.06	$36.06	Flat Rate
Cave Creek	All	$45.00	0	$0.00	0	$0.00	$45.00	$45.00	$45.00	Flat Rate
Chandler	All	$17.67	0	$0.00	0	$0.00	$17.67	$17.67	$17.67	Flat Rate
Chino Valley	All	$24.60	0	$0.00	0	$0.00	$24.60	$24.60	$24.60	Flat Rate
Clarkdale	All	$28.00	0	$0.00	0	$0.00	$28.00	$28.00	$28.00	Flat Rate
Clear Springs Utility Company, Inc.	0	$6.50	Remainder	$0.85	0	$0.00	$10.75	$12.88	$15.00	Actual Cons.
Clifton	All	$12.88	0	$0.00	0	$0.00	$12.88	$12.88	$12.88	Flat Rate
Cloud Nine Water Company, Inc.- Sewer	2,000	$9.00	Remainder	$1.30	0	$0.00	$12.90	$16.15	$19.40	n/a
Coolidge	8,700	$15.23	Remainder	$1.75	0	$0.00	$15.23	$15.23	$17.51	Winter water usage
Coronado Utilities, Inc.	All	$46.50	0	$0.00	0	$0.00	$46.50	$46.50	$46.50	Flat Rate
Cottonwood	All	$16.75	0	$0.00	0	$0.00	$16.75	$16.75	$16.75	Flat Rate
Creekside Sanitary District	All	$31.00	0	$0.00	0	$0.00	$31.00	$31.00	$31.00	Flat Rate
Desert Vista Sanitary District	All	$28.77	0	$0.00	0	$0.00	$28.77	$28.77	$28.77	Flat Rate
Douglas	All	$11.75	0	$0.00	0	$0.00	$11.75	$11.75	$11.75	Flat Rate
Duncan	0	$11.00	Remainder	$1.41	0	$0.00	$18.04	$21.56	$25.08	Winter water usage
Eagar	All	$24.57	0	$0.00	0	$0.00	$24.57	$24.57	$24.57	Flat Rate
El Mirage	0	$15.75	Remainder	$2.70	0	$0.00	$29.25	$36.00	$42.75	Winter water usage
Eloy	All	$24.91	0	$0.00	0	$0.00	$24.91	$24.91	$24.91	Flat Rate
Entrada del Oro	All	$70.00	0	$0.00	0	$0.00	$70.00	$70.00	$70.00	Flat Rate
Escapees at North Ranch	0	$12.00	Remainder	$0.50	0	$0.00	$14.50	$15.75	$17.00	n/a
Far West Water & Sewer, Inc.	All	$21.75	0	$0.00	0	$0.00	$21.75	$21.75	$21.75	Flat Rate
Fisher's Landing Water & Sewer Works	All	$20.00	0	$0.00	0	$0.00	$20.00	$20.00	$20.00	Flat Rate
Flagstaff	0	$0.00	Remainder	$3.12	0	$0.00	$15.60	$23.40	$31.20	Winter water usage
Florence	0	$10.56	Remainder	$2.48	0	$0.00	$22.96	$29.16	$35.36	Other

System Name	Base Gal. in Base	Base Charge per Month	Block #1 Gal. in Block 1	Block #1 Charge per 1,000 Gal.	Block #2 Gal. in Block 2	Block #2 Charge per 1,000 Gal.	Total $/Month 5,000 gal	Total $/Month 7,500 gal	Total $/Month 10,000 gal	Basis for Rates
Fountain Hills Sanitary District	All	$22.00	0	$0.00	0	$0.00	$22.00	$22.00	$22.00	Flat Rate
Fredonia	All	$29.50	0	$0.00	0	$0.00	$29.50	$29.50	$29.50	Flat Rate
Gila Bend	All	$9.30	0	$0.00	0	$0.00	$9.30	$9.30	$9.30	Flat Rate
Gilbert	0	$15.90	Remainder	$1.24	0	$0.00	$22.10	$25.20	$28.30	Winter water usage
Glendale	0	$8.40	Remainder	$3.14	0	$0.00	$26.44	$31.95	$39.80	Winter water usage
Globe	All	$15.65	0	$0.00	0	$0.00	$15.65	$15.65	$15.65	Flat Rate
Gold Canyon Sewer Company	All	$52.40	0	$0.00	0	$0.00	$52.40	$52.40	$52.40	Flat Rate
Goodyear	0	$14.96	Remainder	$3.00	0	$0.00	$29.96	$37.46	$44.96	Winter water usage
Greenehaven Sewer Company, Inc.	All	$12.25	0	$0.00	0	$0.00	$12.25	$12.25	$12.25	Flat Rate
Guadalupe	0	$4.00	Remainder	$1.08	0	$0.00	$9.40	$12.10	$14.80	Winter Ave.
Hayden	4,000	$7.00	Remainder	$0.75	0	$0.00	$7.75	$9.63	$11.50	Meter Size
High Valley Ranch DWWID	All	$15.00	0	$0.00	0	$0.00	$15.00	$15.00	$15.00	Flat Rate
Hildale/Colorado City Wastewater	10,000	$46.00	Remainder	$1.00	0	$0.00	$46.00	$46.00	$46.00	Winter water usage
Holbrook	0	$12.00	Remainder	$1.75	0	$0.00	$20.75	$25.12	$29.50	Winter water usage
Huachuca City	All	$12.00	0	$0.00	0	$0.00	$12.00	$12.00	$12.00	N/A
Jerome	All	$33.18	0	$0.00	0	$0.00	$33.18	$33.18	$33.18	# of occupants
Johnson Utilities Company	0	$38.50	Remainder	$0.62	0	$0.00	$41.60	$43.15	$44.70	Unif. Rate
Kearny	All	$26.55	0	$0.00	0	$0.00	$26.55	$26.55	$26.55	Flat Rate
Kingman	0	$14.24	Remainder	$2.90	0	$0.00	$28.74	$35.99	$43.24	Winter water usage
Kings Ranch Unit II Treatment Plant	All	$80.00	0	$0.00	0	$0.00	$80.00	$80.00	$80.00	Flat Rate
Kokopelli Springs Resort	All	$30.95	0	$0.00	0	$0.00	$30.95	$30.95	$30.95	Flat Rate
Lake Havasu City	4,181	$36.50	Remainder	$8.72	0	$0.00	$43.66	$65.48	$87.31	Winter water usage
Litchfield Park Service Co.- Sewer	All	$27.20	0	$0.00	0	$0.00	$27.20	$27.20	$27.20	Flat Rate
Little Colorado Sanitary District	All	$15.00	0	$0.00	0	$0.00	$15.00	$15.00	$15.00	Flat Rate
Livco Sewer Company	All	$35.00	0	$0.00	0	$0.00	$35.00	$35.00	$35.00	Flat Rate
Mammoth	All	$14.89	0	$0.00	0	$0.00	$14.89	$14.89	$14.89	Flat Rate
Mesa	0	$10.49	5,000	$1.14	Remainder	$3.21	$16.19	$24.22	$32.24	Winter water usage
Miami	All	$27.30	0	$0.00	0	$0.00	$27.30	$27.30	$27.30	Flat Rate
Naco Sanitary District	All	$17.00	0	$0.00	0	$0.00	$17.00	$17.00	$17.00	Flat Rate
Nogales	0	$6.75	Remainder	$1.16	0	$0.00	$12.55	$15.45	$18.35	n/a
Northern Gila County Sanitary District	All	$20.00	0	$0.00	0	$0.00	$20.00	$20.00	$20.00	Flat Rate
Oak Creek Utility Corporation	0	$20.00	Remainder	$2.25	0	$0.00	$31.25	$36.88	$42.50	Actual Cons.
Page	0	$4.00	Remainder	$3.42	0	$0.00	$21.10	$29.65	$38.20	Winter Ave.
Palo Verde Utilities Company	0	$33.00	Remainder	$0.31	0	$0.00	$34.53	$35.30	$36.07	Meter Size
Paradise Valley	All	$56.25	0	$0.77	0	$0.00	$56.25	N/A	N/A	Winter Ave.
Patagonia	All	$29.25	0	$0.00	0	$0.00	$29.25	$29.25	$29.25	Flat Rate
Peoria	0	$3.11	Remainder	$2.35	0	$0.00	$14.86	$21.91	$26.61	Winter water usage
Phoenix	0	$1.22	Remainder	$2.88	0	$0.00	$15.60	$23.37	$30.00	Winter water usage
Picacho Sewer Company	All	$42.00	0	$0.00	0	$0.00	$42.00	$42.00	$42.00	Flat Rate
Pima	All	$17.00	0	$0.00	0	$0.00	$17.00	$17.00	$17.00	Flat Rate
Pima Utility Company	All	$22.73	0	$0.00	0	$0.00	$22.73	$22.73	$22.73	Flat Rate
Pine Meadows Utilities, LLC	All	$42.00	0	$0.00	0	$0.00	$42.00	$42.00	$42.00	Flat Rate
Pinetop Lakeside Sanitary District	All	$18.00	0	$3.23	0	$3.14	$18.00	$18.00	$18.00	Flat Rate
Pinewood Sanitary District	All	$39.57	0	$0.00	0	$0.00	$39.57	$39.57	$39.57	Flat Rate
Prescott	0	$12.54	Remainder	$2.71	0	$0.00	$26.09	$32.87	$39.64	Winter water usage

System Name	Base Gal. in Base	Base Charge per Month	Block #1 Gal. in Block 1	Block #1 Charge per 1,000 Gal.	Block #2 Gal. in Block 2	Block #2 Charge per 1,000 Gal.	Total $/Month 5,000 gal	Total $/Month 7,500 gal	Total $/Month 10,000 gal	Basis for Rates
Prescott Valley	0	$5.07	Remainder	$3.79	0	$0.00	$24.02	$31.60	$42.97	Winter water usage
Quartzsite	All	$15.00	0	$0.00	0	$0.00	$15.00	$15.00	$15.00	Flat Rate
Queen Creek	0	$6.54	Remainder	$3.07	0	$0.00	$21.89	$29.57	$37.24	Winter Ave.
Queen Valley Sanitary District	All	$31.00	0	$0.00	0	$0.00	$31.00	$31.00	$31.00	Flat Rate
Rio Rico Utilities Inc.	All	$56.36	0	$0.00	0	$0.00	$56.36	$56.36	$56.36	Flat Rate
Rio Verde Utilities - Sewer Div.	0	$9.00	Remainder	$1.59	0	$0.00	$16.95	$20.93	$24.90	Actual Cons.
Saddlebrooke Utility Company	All	$39.30	0	$0.00	0	$0.00	$39.30	$39.30	$39.30	Flat Rate
Safford	7,200	$40.79	Remainder	$5.86	0	$0.00	$40.79	$42.55	$57.20	Winter water usage
Sahuarita	0	$9.82	Remainder	$3.09	0	$0.00	$25.29	$33.03	$40.76	Winter water usage
San Luis	All	$17.79	0	$0.00	0	$0.00	$17.79	$17.79	$17.79	Flat Rate
Scottsdale	6,000	$14.29	Remainder	$2.23	0	$0.00	$14.29	$17.64	$23.21	Winter water usage
Sedona	All	$32.54	0	$0.00	0	$0.00	$32.54	$32.54	$32.54	Flat Rate
Seligman Sanitary District	All	$24.75	0	$0.00	0	$0.00	$24.75	$24.75	$24.75	Flat Rate
Seven Canyons Water Treatment Co.	All	$45.00	0	$0.00	0	$0.00	$45.00	$45.00	$45.00	Flat Rate
Show Low	All	$26.00	0	$0.00	0	$0.00	$26.00	$26.00	$26.00	Flat Rate
Sierra Vista	all	$13.98	0	$0.00	0	$0.00	$13.98	$13.98	$13.98	Flat Rate
Snowflake	All	$38.44	0	$0.00	0	$0.00	$38.44	$38.44	$38.44	Flat Rate
Somerton	All	$34.79	0	$0.00	0	$0.00	$34.79	$34.79	$34.79	Flat Rate
Southland Sanitation Co.	All	$10.30	0	$0.00	0	$0.00	$10.30	$10.30	$10.30	Flat Rate
South Grand Canyon Sanitary District	All	$25.00	0	$0.00	0	$0.00	$25.00	$25.00	$25.00	Flat Rate
Springerville	2,000	$13.50	Remainder	$1.50	0	$0.00	$18.00	$21.75	$25.50	Winter Ave.
St. Johns	All	$21.21	0	$0.00	0	$0.00	$21.21	$21.21	$21.21	Flat Rate
Sunrise Vistas Utilities Company	All	$35.31	0	$0.00	0	$0.00	$35.31	$35.31	$35.31	Flat Rate
Superior	All	$12.00	0	$0.00	0	$0.00	$12.00	$12.00	$12.00	Flat Rate
Superstition Mountains Comm. FD No. 1	All	$35.80	0	$0.00	0	$0.00	$35.80	$35.80	$35.80	Flat Rate
Surprise	All	$24.78	0	$0.00	0	$0.00	$24.78	$24.78	$24.78	Flat Rate
Sweetwater Creek Utilities, Inc.	All	$31.00	0	$0.00	0	$0.00	$31.00	$31.00	$31.00	Flat Rate
Taylor	All	$38.39	0	$0.00	0	$0.00	$38.39	$38.39	$38.39	Flat Rate
Tempe	0	$7.21	Remainder	$1.76	0	$0.00	$16.01	$20.41	$24.81	Winter water usage
Thatcher	All	$7.50	0	$0.00	0	$0.00	$7.50	$7.50	$7.50	Flat Rate
The Links at Coyote Wash Utilities, LLC	All	$30.00	0	$0.00	0	$0.00	$30.00	$30.00	$30.00	Flat Rate
The Sedona Venture WW Treatment	All	$54.18	0	$0.00	0	$0.00	$54.18	$54.18	$54.18	Flat Rate
Tolleson	All	$2.00	0	$0.00	0	$0.00	$2.00	$2.00	$2.00	Flat Rate
Tombstone	All	$27.72	0	$0.00	0	$0.00	$27.72	$27.72	$27.72	Flat Rate
Tucson (Pima County WW Mgmt.)	0	$9.82	Remainder	$3.22	0	$0.00	$25.92	$33.97	$42.02	Winter water usage
Utility Source, LLC	0	$0.00	Remainder	$5.84	0	$0.00	$29.20	$43.80	$58.40	Actual Cons.
Verde Sante Fe Wastewater Co., Inc.	All	$40.00	0	$0.00	0	$0.00	$40.00	$40.00	$40.00	Flat Rate
Virgin River WWID	All	$21.32	0	$0.00	0	$0.00	$21.32	$21.32	$21.32	Flat Rate
Wickenburg	0	$16.00	Remainder	$1.20	0	$0.00	$22.00	$25.00	$28.00	Actual Cons.
Willcox	0	$18.71	Remainder	$2.68	0	$0.00	$32.13	$38.84	$45.56	Winter water usage
Williams	All	$34.00	0	$0.00	0	$0.00	$34.00	$34.00	$34.00	Flat Rate
Winkelman	All	$17.50	0	$0.00	0	$0.00	$17.50	$17.50	$17.50	Flat Rate
Winslow	0	$13.56	Remainder	$1.42	0	$0.00	$20.66	$24.21	$27.76	n/a
Yuma	All	$29.46	0	$0.00	0	$0.00	$29.46	$29.46	$29.46	Flat Rate

SECTION 10
Drinking Water and Wastewater Surveys: Sample Forms

WIFA

Drinking Water Residential Rate Survey

Water Infrastructure Finance Authority
of Arizona

Please provide rate and demographic information current as of January 1, 2010.

1. Please answer the following demographic information.

System name: _____
PWS ID #: _____
Service County: _____
_____
Form completed by (Name): _____
Title: _____
Contact phone #: _____
Email: _____

2. Please identify the ownership type of your system. (Please check one)

___ Municipality ___ Investor-owned
___ District ___ Association

3. Please fill in the corresponding dates for the following items.

Current rates went into effect: __ __/__ __/__ __ __ __ (MM/DD/YYYY)
Projected next rate adjustment: __ __/__ __/__ __ __ __ (MM/DD/YYYY)

4. Please provide the following System characteristics for the most recent fiscal or calendar year. (Indicate "unknown" if an estimate is not available.)

Annual Water System revenue ($): _____
Annual <u>million</u> gallons sold:
The annual million gallons sold is: ☐ estimated or ☐ metered

5. Please provide the following number of System connections.

# of residential connections (A): _____
# of commercial connections (B): _____
Total # of connections (A+B=C): _____

RFC

Page 1 of 3

WIFA

6. For your utility, most residential charges are calculated using which of the following meter sizes: (Please check one)

5/8" _____ 3/4" _____ 1" _____

Other (Please specify) _____

7. Please provide the following information regarding the base (meter) charge for residential customers.

Base (meter) monthly charge ($): _____

# of gallons included in base (meter) charge (if any): _____

8. What is the number of gallons within the following tiers (blocks) of use charges for your utility's rate structure? If your utility does not have tiered rates (a uniform rate is assessed) please input "All" in Tier 1.

	Your Response	Sample Response
Tier (Block) 1	_____	0 - 4,000 gal
Tier (Block) 2	_____	4,000 - 8,000 gal
Tier (Block) 3	_____	Above 8,000 gal
Tier (Block) 4	_____	N/A (Not Applicable)
Tier (Block) 5	_____	N/A

9. What is the commodity charge ($) per 1,000 gallons within the following tiers (blocks) of use charges for your utility's rate structure? If your utility assesses a uniform rate for all water usage, please input this rate in Tier 1.

	Your Response	Sample Response
Tier (Block) 1	_____	$1.89
Tier (Block) 2	_____	$2.05
Tier (Block) 3	_____	$2.23
Tier (Block) 4	_____	N/A
Tier (Block) 5	_____	N/A

10. Please provide the residential customer's monthly charge ($) for the following usages (excluding any applicable taxes or additional miscellaneous fees).

5,000 gallons: _____

7,500 gallons: _____

10,000 gallons: _____

RFC

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11. Please provide any comments below that may further explain your answers, or provide suggestions on how we can improve the survey.

Upon completion of this survey, please send a copy of your utility's rate schedule to:

Rocky Craley
1031 S. Caldwell St.
Suite 100
Charlotte, NC 28203
Ph: (704) 373-1199
Fax: (704) 373-1113
Email: rcraley@rafte.is.com

Please contact Rocky Craley with any questions using the contact information provided above. Thank you for your participation!

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WIFA

Wastewater Residential Rate Survey

Water Infrastructure Finance Authority

of Arizona

Please provide rate and demographic information current as of January 1, 2010.

1. Please answer the following demographic information.

System name: _____

Service County: _____

_____

Form completed by (Name): _____

Title: _____

Contact phone #: _____

Email: _____

2. Please identify the ownership type of your system. (Please check one)

___ Municipality ___ Investor-owned

___ District ___ Association

3. Please fill in the corresponding dates for the following items.

Current rates went into effect: __ __/__ __/__ __ __ __ (MM/DD/YYYY)

Projected next rate adjustment: __ __/__ __/__ __ __ __ (MM/DD/YYYY)

4. Please provide the following System characteristics for the most recent fiscal or calendar year. (Indicate "unknown" if an estimate is not available.)

Annual Wastewater System revenue ($): _____

Annual <u>million</u> gallons of effluent treated: _____

5. Please provide the following number of System connections.

# of residential connections (A): _____

# of commercial connections (B): _____

Total # of connections (A+B=C): _____

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6. For your utility, most residential charges are based on which of the following: (Please check all that apply)

___ Winter water usage
___ Actual water usage
___ Actual water usage with a cap
___ Flat rate (fixed amount per month regardless of usage)
___ Number of fixtures
___ Meter size
Other (Please specify) _____

7. Please provide the following information regarding the base (meter) charge for residential customers. If your utility assesses a flat rate, not linked to any commodity usage, please input the flat rate for the base charge.

Base (meter) monthly charge ($): _____
# of gallons included in base (meter) charge (if any): _____

8. What is the number of gallons within the following tiers (blocks) of use charges for your utility's rate structure? If your utility does not have tiered rates (a uniform rate is assessed) please input "All" in Tier 1.

	Your Response	Sample Response
Tier (Block) 1	_____	0 - 6,000 gal
Tier (Block) 2	_____	Above 6,000 gal
Tier (Block) 3	_____	N/A (Not Applicable)
Tier (Block) 4	_____	N/A
Tier (Block) 5	_____	N/A

9. What is the commodity charge ($) per 1,000 gallons within the following tiers (blocks) of use charges for your utility's rate structure? If your utility assesses a uniform rate for all usage, please input this rate in Tier 1.

	Your Response	Sample Response
Tier (Block) 1	_____	$3.26
Tier (Block) 2	_____	$4.35
Tier (Block) 3	_____	N/A
Tier (Block) 4	_____	N/A
Tier (Block) 5	_____	N/A

10. Please provide the residential customer's monthly charge ($) for the following consumption (excluding any applicable taxes or additional miscellaneous fees).

5,000 gallons of effluent: _____
7,500 gallons of effluent: _____
10,000 gallons of effluent:

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11. Please provide any comments below that may further explain your answers, or provide suggestions on how we can improve the survey.

Upon completion of this survey, please send a copy of your utility's rate schedule to:

Rocky Craley
1031 S. Caldwell St.
Suite 100
Charlotte, NC 28203
Ph: (704) 373-1199
Fax: (704) 373-1113
Email: rcraley@raftelis.com

Please contact Rocky Craley with any questions using the contact information provided above. Thank you for your participation!

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