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AZ CORP COMMISSION
DOCKET CONTROL

Transcript Exhibit(s)

Docket #(s): W-01303A-09-0343

SW-01303A-09-0343

Exhibit #: Anthem 1, Anthem 2, Anthem 5, Anthem 6, Anthem 7, Anthem 9, Anthem 10,
Anthem 12, Anthem 13, Anthem 15, Anthem 17 - Anthem 21, Anthem CC-1, A1 - A4,
CBI, CB2, ZUCO1 - ZUCO4, PR1 - PR6, S1 - S3, V1 - V7

Arizona Corporation Commission
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To: Docket Control

Date: December 1, 2011

Re: Arizona-American Water / Rates
W-01303A-09-0343, et al.
Volumes I through IV, Concluded
November 14 through 17, 2011

STATUS OF ORIGINAL EXHIBITS

FILED WITH DOCKET CONTROL

Anthem Community Council (Anthem Exhibits)

1, 2, 5, 6, 7, 9, 10, 12, 13, 15, 17 through 21, CC-1

Arizona-American Water (A Exhibits)

1 through 4

Corte Bella Country Club (CB Exhibits)

1 and 2

Residential Utility Consumer Office (RUCO Exhibits)

1 through 4

Russell Ranch Homeowners Association (RR Exhibits)

1 through 6

Staff (S Exhibits)

1 through 3

Verrado Community Association (V Exhibits)

1 through 7

EXHIBITS RETURNED TO PARTIES

Anthem Community Council (Anthem Exhibits)

3-4	Not Admitted
8	Withdrawn
11	Withdrawn
14	Withdrawn
16	Not offered [by design or oversight]

Copy to: Ms. Teena Jibilian, Administrative Law Judge
Mr. Craig A. Marks, Arizona-American Water
Mr. Lawrence V. Robertson, Jr., Anthem Community Council
Mr. Daniel Pozefsky, RUCO
Ms. Michele L. Van Quathem, Verrado Community Assoc.
Mr. Jason D. Gellman, Corte Bella Country Club Assoc.
Mr. George Turner, Russell Ranch Homeowners Assoc.
Ms. Cynthia S. Campbell, City of Phoenix
Ms. Maureen Scott, Staff

BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

GARY PIERCE, Chairman
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP
BRENDA BURNS

AZ CORP COMMISSION
DOCKET CONTROL

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

DOCKET NO. W-01303A-09-0343

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

DOCKET NO. SW-01303A-09-0343

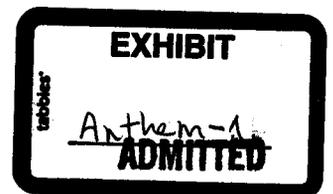
DIRECT TESTIMONY OF DAN L. NEIDLINGER

ANTHEM/AGUA FRIA WASTEWATER DISTRICT DECONSOLIDATION

Q1. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A1. My name is Dan L. Neidlinger. My business address is 3020 North 17th Drive, Phoenix, Arizona. I am President of Neidlinger & Associates, Ltd., a consulting firm specializing in utility rate economics.

SACKS TIERN
P.A., ATTORNEYS
4250 NORTH DRIP
R. BOULEVARD
FOUR
SCOTTSDALE, ARIZONA 85251-3693



1 Q2. DID YOU PREVIOUSLY FILE DIRECT AND SURREBUTTAL
2 TESTIMONY IN THIS PROCEEDING AS WELL AS TESTIMONY REGARDING
3 THE CONSOLIDATION OF A PORTION OF ARIZONA-AMERICAN WATER
4 COMPANY'S WATER AND WASTEWATER DISTRICTS ?

5 A2. Yes, I did.
6

7 Q3. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

8 A3. I am appearing on behalf of the Anthem Community Council ("Anthem"). Anthem
9 has intervened in this proceeding on behalf of over 8,800 water and wastewater customers
10 of Arizona-American Water Company ("AAWC" or "Company").
11

12 Q4. WHAT IS THE PURPOSE OF THIS ADDITIONAL DIRECT TESTIMONY?

13 A4. My testimony addresses certain issues related to the deconsolidation of the Anthem
14 and Agua Fria wastewater operations that are the subject of the Company's April 1, 2011
15 Application. In Decision No. 72047 dated January 6, 2011, the Commission ordered the
16 Company to file by that date proposed stand-alone revenue requirements for the two
17 districts pursuant to a settlement agreement among the Company, ACC Staff, RUCO and
18 Anthem late last year in an earlier stage of this proceeding. After previously considering in
19 this proceeding the pros and cons of consolidation of several of the Company's other water
20 and wastewater districts, the Commission decided against consolidation for the Company at
21 this time due, in part, to large differences in cost of service among the districts.
22

23 Q5. WHY SHOULD THE ANTHEM AND AGUA FRIA WASTEWATER
24 DISTRICTS BE DECONSOLIDATED?

25 A5. The underlying need for deconsolidation is the large difference in cost of service
26 between the two districts as evidenced in the Company's April 1, 2011 filing. Cost of
27 service is the single most important criterion in the development of fair and reasonable
28 revenues and related rates for a utility in a regulated environment. In this instance, the

1 current rates are not cost-based. This is not only inequitable, but it creates distortion in
2 price signals to both Anthem and Agua Fria customers concerning the use of the
3 wastewater services provided by the Company.

4 Anthem's wastewater infrastructure is self-contained and designed to serve all of
5 Anthem's wastewater needs, and only Anthem's needs. It is not connected to any of the
6 treatment facilities owned by the Company to serve Agua Fria customers. It has its own
7 treatment plant. Under present rates, Anthem's customers are unfairly required to provide
8 a return on utility plant that they do not use since that plant is not interconnected with the
9 Anthem system. An example is the Company's Northwest Treatment Plant ("Northwest
10 Plant"). Under consolidated rates, Anthem wastewater customers bear the burden of a
11 significant portion of the costs of this treatment facility. Deconsolidation cures this
12 inequity.

13
14 **Q6. WHAT ARE THE MAJOR ISSUES ADDRESSED IN YOUR TESTIMONY?**

15 A6. There are two. The first major issue is the potential rate shock to Agua Fria
16 customers accompanying the deconsolidation of these two wastewater districts. The
17 Commission recently approved a significant (54%) increase in wastewater rates for the
18 consolidated district. Under the Company's proposed deconsolidation filing, Anthem's
19 overall increase would be reduced to 15.46% percent from test year revenue levels whereas
20 Agua Fria would experience an increase of 139.73%. When measured from current
21 revenue levels, the Agua Fria increase is 60%. I am proposing a three-step, three (3) year
22 phase in of these large revenue adjustments to mitigate the rate shock impact on Agua Fria
23 customers which would otherwise occur.

24 The second major issue addresses the Company's proposed revenue increases to
25 Anthem's residential and commercial customers in order to recover a short-fall in
26 wholesale revenues from the City of Phoenix due to a renegotiation in 2011 of the
27 wastewater treatment ^{Rate}~~contract~~ between the Company and the City. This change is clearly
28 outside the scope of the 2008 test year and should not be considered in this deconsolidation

1 matter. The purpose of this proceeding is to disaggregate the wastewater plant values for
2 the Anthem and Agua Fria wastewater systems, respectively, without changing the overall
3 Anthem/Agua Fria wastewater revenue the Company has been authorized to recover and
4 the expense and rate base findings of the Commission in Decision No. 72047.
5 Accordingly, the recent changes to the wholesale treatment rate charged the City of
6 Phoenix should be dealt with in the next rate case along with the many other changes that
7 have taken place since 2008.

8
9 **Q7. WHAT IS THE MAGNITUDE OF THE REVENUE SHIFT FROM THE**
10 **ANTHEM DISTRICT TO THE AGUA FRIA DISTRICT ON A**
11 **DECONSOLIDATED BASIS?**

12 A7. On a deconsolidated basis, over \$2.4 million of revenue responsibility is transferred
13 from Anthem to Agua Fria based on the Company's Statements and Schedules. This is a
14 sizeable shift since it represents 18% of the combined revenue requirement of \$13.3 million
15 authorized in Decision No. 72047. One of the major reasons for this large disparity is the
16 change, on a deconsolidated basis, in the ratemaking treatment of the Northwest Plant. As
17 previously noted, on a consolidated basis, Anthem shoulders a large portion of the
18 estimated \$1.9 million¹ revenue requirement of the Northwest Plant. On a deconsolidated
19 basis, Agua Fria is responsible for 100% of the allocated revenue requirement associated
20 with this plant which heretofore has been allocated on a consolidated basis to Anthem and
21 Agua Fria. As also previously mentioned, Anthem has its own wastewater treatment plant
22 and none of its wastewater is treated by the Northwest Plant.

23 ///

24 ///

25 ///

26 ///

27 _____
28 ¹ Revenue requirement estimate per Company response to Anthem data request 1.2.

1 Q8. PLEASE EXPLAIN YOUR 3-STEP PHASE IN PLAN FOR
2 DECONSOLIDATING THE REVENUES OF THE ANTHEM/AGUA FRIA
3 WASTEWATER DISTRICT.

4 A8. I am proposing a three-step revenue and rate adjustment plan to be implemented over
5 a period of three (3) years. Under this plan, annual adjustments of approximately \$800,000
6 would be made to progressively increase Agua Fria's rates and reduce Anthem's rates. The
7 Company would remain whole since there would be no change in overall revenue levels.

8
9 Q9. HAVE YOU PREPARED ANY EXHIBITS THAT SHOW THE IMPACT OF
10 YOUR PLAN ON THE REVENUES OF BOTH ANTHEM AND AGUA FRIA?

11 A9. Yes. The revenue impact on Anthem and Agua Fria under each step is shown on the
12 attached Exhibit DLN-1 and Exhibit DLN-2, respectively. Adjustments would be made to
13 currently approved revenue levels rather than the test year revenue levels shown in the
14 Company's deconsolidation filing. For Anthem, class revenues would be reduced by
15 9.12% in Step 1, 10.03% in Step 2 and 11.15% in Step 3. Agua Fria class revenues would
16 be increased by 20.95% in Step 1, 17.32% in Step 2 and 14.77% in Step 3. Equal
17 percentage adjustments would be applied to each customer class. No upward or downward
18 adjustment is proposed for effluent revenues. The step adjustment approach I am
19 recommending would significantly mitigate the rate shock issue facing the Company's
20 Agua Fria wastewater customers.

21
22 Q10. PLEASE EXPLAIN THE BOTTOM SECTION OF EXHIBITS DLN-1 AND
23 DLN-2 CAPTIONED "TOTAL ADJUSTMENT FROM TEST YEAR REVENUES".

24 A10. These sections are provided to link the three-step phase in plan with the Company's
25 filing which begins with test year revenues. For both Anthem and Agua Fria, Step 3
26 revenue amounts are equal² to the "Deconsolidated Rates" column shown on the

27
28 ² There is a small, unexplained difference between the Company total for Anthem's
deconsolidated rates and the Step 3 revenue total for Anthem shown on Exhibit DLN-1.

1 Company's respective A-1 schedules. The beginning point for the three-step phase in plan
2 is the current consolidated revenue requirement of \$13.3 million recently approved by the
3 Commission.

4
5 **Q11. HOW DO YOUR CLASS REVENUE REQUIREMENTS FOR ANTHEM AT**
6 **THE END OF STEP 3 DIFFER FROM THOSE PROPOSED BY THE COMPANY?**

7 A11. A comparison of revenues for Anthem by customer class at the end of Step 3 with
8 the class deconsolidated revenue proposals of the Company is provided on Exhibit DLN-3.
9 As previously mentioned, the Company reduced revenues for the wholesale class ("OWU")
10 to reflect a change in the treatment rates charged to the City of Phoenix. The Company's
11 proposed OWU revenues of only \$387,153 are \$903,357 less than the \$1,290,510 approved
12 by the Commission in January. At Step 3, OWU revenues are \$937,563 or \$550,410
13 greater than the revised contract amount. As shown on Exhibit DLN-3, the Company is
14 improperly attempting to shift this short-fall to the residential and commercial wastewater
15 customers of Anthem. It would be wrong for the Commission to alter its customer class
16 revenue requirements for Anthem in order to address a transaction that occurred three years
17 after the end of the test year in this case. This issue is strictly a Company/City of Phoenix
18 matter that has no ratemaking relevance at this time.

19
20 **Q12. DO YOU HAVE ANY OTHER COMMENTS WITH RESPECT TO THE**
21 **APRIL 1, 2011 APPLICATION AND TESTIMONY FILED BY THE COMPANY?**

22 A12. Yes. Company witness Sandra L. Murrey in her direct testimony requests that the
23 Commission reconsider "whether a winter-average rate design is appropriate for both
24 districts in the event of rate deconsolidation". I agree with that suggestion, at least with
25 regard to Anthem customers. I don't presume to speak for the wishes of the Agua Fria
26 customers on this issue.

27 My analysis indicates that although approximately 60% of Anthem customers would
28 benefit from this change in rate design, many of the remaining 40% would be unfairly

1 punished for maintaining mandated winter lawns pursuant to CC&R requirements. For
2 instance, 20% of the customers (high use) would experience monthly bills that exceed
3 \$100. A monthly bill of \$100 is \$26.20 per month or 35% higher than the maximum of
4 \$74.80 under the current rate design. Similarly, another 20% of the customers (low use)
5 would experience a reduction in monthly bills of 45% or more. Although the lower rates at
6 Step 3 will partially mitigate these disparities, the current rate design is preferable to the
7 winter-average rate for these customers since it would eliminate the large bill variances.
8 Moreover, the current design has much better cost of service underpinnings.

9 By way of background, Anthem asked the Commission to retain the current
10 fixed/commodity rate structure in its exceptions to the ROO which preceded Decision No.
11 72047. In addition, as part of the settlement agreement reached by the parties,
12 implementation of the winter-average residential rates proposed by the Commission's Staff
13 was delayed until June 2012. Further, I am not sure that there was a full appreciation at
14 that time as to the impact this change in rate design would have on a significant portion of
15 Anthem's wastewater customers. Thus, as previously noted, I concur with the Company's
16 suggestion that implementation of the winter-average rate design be postponed. Such
17 postponement of the effective June 2012 date would not, in my view, violate the core
18 findings and mandates of the Commission's January 6, 2011 order.

19
20 **Q13. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 A13. Yes, it does.
22
23
24
25
26
27
28

1 ORIGINAL AND THIRTEEN (13) COPIES
2 of the foregoing and attached exhibits
3 hand-delivered for filing this 16th day
4 of August, 2011 to:

5 Docket Control
6 Arizona Corporation Commission
7 1200 W. Washington Street
8 Phoenix, AZ 85007

9 COPY of the foregoing and attached exhibits
10 mailed or e-mailed this 16th day of August, 2011, to:

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19 Pauline A. Harris Henry, President, Board of Directors
20 Russell Ranch Homeowners' Ass'n, Inc.
21448 N. 75th Avenue, Suite 6
21 Glendale, AZ 85308-5978

22 
23 _____
24
25
26
27
28

ARIZONA-AMERICAN WATER COMPANY
ACC DOCKET NO. SW-0130A-09-0343

Deconsolidation of Anthem and Aqua Fria Wastewater Districts
Proposed 3-Step Revenue Phase-In Plan
Anthem District

DESCRIPTION	BEGINNING AMOUNT (1)	STEP CHANGE	PERCENT CHANGE	ENDING AMOUNT (1)
<u>PHASE-IN STEPS FROM PRESENT REVENUES</u>				
STEP 1 - ANTHEM:				
Present Revenues:				
Residential	\$6,931,426	-\$631,900	-9.12%	\$6,299,526
Commercial	631,735	-57,592	-9.12%	574,143
OWU	1,290,510	-117,649	-9.12%	1,172,861
Effluent	449,603	0		449,603
Total Revenues	\$9,303,274	-\$807,141	-8.68%	\$8,496,133
STEP 2 - ANTHEM:				
Step 1 Revenues:				
Residential	6,299,526	-\$631,900	-10.03%	\$5,667,626
Commercial	574,143	-57,592	-10.03%	516,551
OWU	1,172,861	-117,649	-10.03%	1,055,212
Effluent	449,603	0		449,603
Total Revenues	\$8,496,133	-\$807,141	-9.50%	\$7,688,992
STEP 3 - ANTHEM:				
Step 2 Revenues:				
Residential	5,667,626	-\$631,900	-11.15%	\$5,035,726
Commercial	516,551	-57,592	-11.15%	458,959
OWU	1,055,212	-117,649	-11.15%	937,563
Effluent	449,603	0		449,603
Total Revenues	\$7,688,992	-\$807,141	-10.50%	\$6,881,851
<u>TOTAL ADJUSTMENT FROM TEST YEAR REVENUES</u>				
CUSTOMER CLASS	TEST YEAR REVENUES	STEP 3 REVENUES	TOTAL CHANGE	PERCENT CHANGE
Residential	\$4,828,681	\$5,035,726	\$207,045	4.29%
Commercial	395,117	458,959	63,842	16.16%
OWU	733,666	937,563	203,897	27.79%
Effluent	449,603	449,603	449,603	
Total Revenues	\$5,957,464	\$6,881,851	\$924,387	15.52%

NOTE:

(1) Excluding Other Wastewater Revenues

**ARIZONA-AMERICAN WATER COMPANY
ACC DOCKET NO. SW-0130A-09-0343**

**Deconsolidation of Anthem and Aqua Fria Wastewater Districts
Proposed 3-Step Revenue Phase-In Plan
Aqua Fria District**

DESCRIPTION	BEGINNING AMOUNT (1)	STEP CHANGE	PERCENT CHANGE	ENDING AMOUNT (1)
<u>PHASE-IN STEPS FROM PRESENT REVENUES</u>				
STEP 1 - AGUA FRIA:				
Present Revenues:				
Residential	\$3,714,323	\$778,275	20.95%	\$4,492,598
Commercial	137,764	28,866	20.95%	166,630
Effluent	136,975	0		136,975
Total Revenues	\$3,989,062	\$807,141	20.23%	\$4,796,203
STEP 2 - AGUA FRIA:				
Step 1 Revenues:				
Residential	\$4,492,598	\$778,275	17.32%	\$5,270,873
Commercial	166,630	28,866	17.32%	195,496
Effluent	136,975	0		136,975
Total Revenues	\$4,796,203	\$807,141	16.83%	\$5,603,344
STEP 3 - AGUA FRIA:				
Step 2 Revenues:				
Residential	\$5,270,873	\$778,275	14.77%	\$6,049,148
Commercial	195,496	28,866	14.77%	224,362
Effluent	136,975	0		136,975
Total Revenues	\$5,603,344	\$807,141	14.40%	\$6,410,485
<u>TOTAL ADJUSTMENT FROM TEST YEAR REVENUES</u>				
CUSTOMER CLASS	TEST YEAR REVENUES	STEP 3 REVENUES	TOTAL CHANGE	PERCENT CHANGE
Residential	\$2,588,018	\$6,049,148	\$3,461,130	133.74%
Commercial	85,979	224,362	138,383	160.95%
Effluent		136,975	136,975	
Total Revenues	\$2,673,997	\$6,410,485	\$3,736,488	139.73%

NOTE:

(1) Excluding Other Wastewater Revenues

**ARIZONA-AMERICAN WATER COMPANY
ACC DOCKET NO. SW-0130A-09-0343**

**Deconsolidation of Anthem and Aqua Fria Wastewater Districts
Proposed Deconsolidated Class Revenues vs Company Deconsolidated Class Revenues
Anthem District**

DESCRIPTION	TEST YEAR REVENUES	DECONSOL. REVENUES	INCREASE (DECREASE)	PERCENT INCREASE
ANTHEM PROPOSAL: (1)				
Residential	\$4,828,681	\$5,035,726	\$207,045	4.29%
Commercial	395,117	458,959	63,842	16.16%
OWU	733,666	937,563	203,897	27.79%
Effluent		449,603	449,603	
Total	\$5,957,464	\$6,881,851	\$924,387	15.52%
COMPANY PROPOSAL: (2)				
Residential	\$4,828,681	\$5,575,968	\$747,287	15.48%
Commercial	395,117	466,017	70,900	17.94%
OWU	733,666	387,153	-346,513	-47.23%
Effluent		449,603	449,603	
Total	\$5,957,464	\$6,878,741	\$921,277	15.46%
ANTHEM VARIANCE FROM CO.:				
Residential			-\$540,242	-11.19%
Commercial			-7,058	-1.79%
OWU			550,410	75.02%
Effluent			0	
Total (3)			\$3,110	0.05%

NOTES:

- (1) Per Exhibit DLN-1
- (2) Per Company Filing - Anthem
Wastewater Schedule A-1
- (3) Unreconciled Difference - \$3,110

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

2011 OCT 11 P 3:05

AZ CORP COMMISSION
DOCKET CONTROL

COMMISSIONERS

GARY PIERCE, Chairman
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP
BRENDA BURNS

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY, AN ARIZONA
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AND PROPERTY AND FOR INCREASES
IN ITS RATES AND CHARGES BASED
THEREON FOR UTILITY SERVICE BY ITS
ANTHEM WATER DISTRICT AND ITS
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DOCKET NO. W-01303A-09-0343

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AND PROPERTY AND FOR INCREASES
IN ITS RATES AND CHARGES BASED
THEREON FOR UTILITY SERVICE BY ITS
ANTHEM/AGUA FRIA WASTEWATER
DISTRICT, ITS SUN CITY WASTEWATER
DISTRICT AND ITS SUN CITY WEST
WASTEWATER DISTRICT.

DOCKET NO. SW-01303A-09-0343

Arizona Corporation Commission
DOCKETED

OCT 11 2011

DOCKETED BY *[Signature]*

SURREBUTTAL TESTIMONY OF DAN L. NEIDLINGER

ANTHEM/AQUA FRIA WASTEWATER DISTRICT DECONSOLIDATION

Q1. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A1. My name is Dan L. Neidlinger. My business address is 3020 North 17th Drive, Phoenix, Arizona. I am President of Neidlinger & Associates, Ltd., a consulting firm specializing in utility rate economics.

EXHIBIT
Anthe m-2
ADMITTED

SACKS TIERNEY P.A., ATTORNEYS
4250 NORTH DRINKWATER BOULEVARD
FOURTH FLOOR
SCOTTSDALE, ARIZONA 85251-5693

1 **Q2. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS MATTER?**

2 A2. Yes, I did.

3
4 **Q3. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

5 A3. I am appearing on behalf of the Anthem Community Council ("Anthem"). Anthem
6 has intervened in this proceeding on behalf of over 8,800 of its residents and commercial
7 entities that are water and wastewater customers of Arizona-American Water Company
8 ("AAWC" or "Company").

9
10 **Q4. WHAT IS THE PURPOSE OF THIS ADDITIONAL TESTIMONY?**

11 A4. My testimony addresses certain issues raised by intervenors opposed to
12 deconsolidation of the Anthem and Agua Fria wastewater districts, namely DMB White
13 Tank LLC ("White Tank"), the Verrado Community Association ("Verrado"), Russell
14 Ranch Homeowners' Association ("Russell Ranch") and Corte Bella Country Club
15 Association ("Corte Bella"). I also have comments on the direct testimonies of the ACC
16 Staff and RUCO and the rebuttal testimony of the Company.

17
18 **Q5. WHAT ARE THE POSITIONS OF RUCO, STAFF, AND THE COMPANY**
19 **WITH RESPECT TO DECONSOLIDATION?**

20 A5. RUCO supports deconsolidation and my proposed revenue transition plan. To date,
21 the testimonies by the Company and Staff are noncommittal on deconsolidation – neither
22 supporting nor objecting to deconsolidation of the Anthem and Agua Fria wastewater
23 districts.

24 Anthem served certain data requests, attached hereto as Exhibit A, upon Staff in an effort to
25 determine Staff's previous positions on the consolidation and deconsolidation of the
26 Anthem and Agua Fria wastewater districts, if any. Staff's responses to those data requests
27 indicate that Staff has never taken a position on the consolidation or deconsolidation of the
28 Anthem and Agua Fria wastewater districts and that Staff has never undertaken any sort of

1 analysis to address the question now before the Commission as to whether the Anthem and
2 Agua Fria wastewater districts should be consolidated for ratemaking purposes.

3
4 **Q6. DO THE DIRECT TESTIMONIES SPONSORED BY WHITE TANK,**
5 **VERRADO, RUSSELL RANCH AND CORTE BELLA INCORPORATE SIMILAR**
6 **OBJECTIONS TO DECONSOLIDATION?**

7 A6. Yes. There are three common themes underlying the deconsolidation objections
8 raised by these intervenors. The first argument is that the proposed deconsolidation of the
9 Anthem/Agua Fria wastewater district is premature since the Commission will again
10 address Company-wide consolidation in a future rate case; and, thus it would be illogical to
11 deconsolidate only to again consolidate at some future point in time. Second, they assert
12 that Anthem's support for deconsolidation is inconsistent with testimony, proffered by me,
13 in support of consolidation when that issue was before the Commission in an earlier phase
14 of this proceeding. Finally, these parties oppose deconsolidation since it would result in
15 rate shock to the Company's Agua Fria wastewater customers, assuming the resulting
16 change in rates was implemented in a single step or phase.

17
18 **Q7. WHAT ABOUT OPPOSING INTERVENORS' ARGUMENTS THAT THE**
19 **COMMISSION IS MOVING TOWARDS CONSOLIDATION AND,**
20 **ACCORDINGLY, DECONSOLIDATION OF THESE DISTRICTS AT THIS TIME**
21 **MAKES NO SENSE?**

22 A7. Company-wide consolidation of all of the Company's water and wastewater districts
23 is not, in my view, imminent. First, the Commission has already rejected consolidation in
24 an earlier phase of this proceeding, based, in part, on wide variances in cost of service
25 among the Company's districts for both water and wastewater service. These cost of
26 service variances remain today. Further, though the Company has been ordered to present
27 a Company-wide consolidation proposal in a future (but not necessarily the next) rate case,
28

1 that rate case may be years away and there is no guarantee that the Commission will
2 approve consolidation at that time.

3 Mr. Kent Simer, witness for Verrado, cites on Page 6 of his direct testimony the partial
4 consolidation of Arizona Water Company's water systems as an indication of the
5 Commission's intentions with respect to consolidation. However, the Commission made
6 that decision prior to rejecting consolidation in the instant proceeding. Further, the facts in
7 that rate case are markedly different than the facts in the instant proceeding. In that case,
8 partial consolidation was approved for water systems in close proximity that were
9 interconnected or systems with common water supply. The partial consolidation plan in
10 that case would be analogous to consolidating the Agua Fria wastewater district with the
11 Sun City West wastewater district, not the Anthem wastewater district. The Anthem and
12 Agua Fria service areas are not interconnected nor are they geographically close.
13 Additionally, the Company's response to Verrado Data Request 2.18 notes that the
14 Company already maintains the Anthem wastewater and Agua Fria wastewater districts as
15 "separate business units." That lack of any physical commonality along with the
16 Company's maintenance of separate business units for each of the service areas strongly
17 support deconsolidation in the instant proceeding.

18
19 **Q8. MR. SIMER'S TESTIMONY ALSO RAISES A CONCERN THAT**
20 **DECONSOLIDATION MAY LEAD TO DIFFERENT MANAGEMENT**
21 **PRACTICES BEING DEPLOYED THROUGHOUT THE COMPANY'S**
22 **DISTRICTS. WHAT IS YOUR RESPONSE?**

23 A8. During cross-examination of Mr. Thomas Broderick by Mr. Andrew Miller on June
24 3, 2010, Mr. Broderick indicated that except for ratemaking purposes, the Company
25 operates as a single company and that higher-level management operations are conducted at
26 the state and not the district level. As a result, it is doubtful that the deconsolidation of the
27 Anthem/Agua Fria wastewater district would result in different management practices for
28 each resulting district.

1 **Q9. OPPOSING INTERVENOR TESTIMONY PARROTED THE BENEFITS OF**
2 **CONSOLIDATION LISTED IN YOUR TESTIMONY DURING THE**
3 **CONSOLIDATION PHASE OF THIS PROCEEDING. WHAT IS YOUR**
4 **RESPONSE?**

5 A9. The benefits of Company-wide consolidation listed in my prior testimony remain
6 valid. However, it should be evident from a complete reading of the transcript of my
7 testimony in that phase of the proceeding that I was not in favor of Company-wide
8 consolidation unless significant reductions in operating costs could be achieved as a result
9 of consolidation. Thereafter, the Company indicated that operating costs would be only
10 slightly reduced through lower rate case expenses. As a consequence, a critical predicate to
11 my recommendation of consolidation was absent. I also testified that because I was not in
12 favor of any partial consolidation model, should the Commission reject Company-wide
13 consolidation it should also order the deconsolidation of the Anthem/Agua Fria wastewater
14 district, which is the very matter now before the Commission for consideration.
15 It should also be noted that none of the opposing intervenors in this case presented
16 testimony in the consolidation phase of this case supporting consolidation nor did they
17 support Anthem's efforts in the main phase of the case to reduce wastewater charges to
18 residential and commercial customers of the consolidated Anthem/Agua Fria wastewater
19 district.

20
21 **Q10. POTENTIAL RATE SHOCK IS A MAJOR ISSUE FOR THOSE**
22 **INTERVENORS OPPOSING DECONSOLIDATION. DO YOU AGREE?**

23 A10. Yes. My direct testimony deals with this issue through a proposed three-step revenue
24 transition plan to mitigate the impact of wastewater increases on Agua Fria customers.
25 RUCO supports this plan and the Company's rebuttal testimony provided additional
26 support. Accordingly, rate shock should not be used as a reason for not approving
27 deconsolidation at this time where deconsolidation is necessary to relieve the burden on
28

1 Anthem wastewater customers created by their subsidization of Agua Fria wastewater
2 customers.

3
4 **Q11. HAVE YOU REVIEWED THE REBUTTAL TESTIMONY OF COMPANY**
5 **WITNESS SANDRA MURREY?**

6 A11. Yes. Ms. Murrey devotes four pages of her rebuttal testimony discussing City of
7 Phoenix rate matters. As discussed in my direct testimony, none of these matters have any
8 relevance to this proceeding. Staff, RUCO and Verrado have also concluded that
9 ratemaking changes to the wholesale contract with the City of Phoenix are outside the
10 scope of the current case.

11
12 **Q12. DO YOU AGREE WITH MS. MURREY'S REBUTTAL POSITION THAT**
13 **AGAIN RECOMMENDS POSTPONEMENT OF THE WINTER-AVERAGE**
14 **APPROACH FOR SETTING WASTEWATER RATES?**

15 A12. Yes. I continue to support Ms. Murrey's recommendation that the winter-average
16 rate design be postponed at least until the next rate case. A detailed discussion supporting
17 this conclusion was provided in my direct testimony. Intervenor Verrado and RUCO also
18 support or do not object to this postponement.

19
20 **Q13. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

21 A13. Yes, it does.
22
23
24
25
26
27
28

Exhibit A

**ARIZONA CORPORATION COMMISSION STAFF'S RESPONSES TO
ANTHEM COMMUNITY COUNCIL'S
FIRST SET OF DATA REQUESTS
DOCKET NO. W-01303A-09-0343; WS-01303A-09-0343
JULY 11, 2011**

ANTHEM 1.2 Please provide copies of any and all Staff testimony and exhibits provided or produced with respect (a) to the initial establishment of the Anthem/Agua Fria Wastewater District, and (b) any subsequent reexamination of the continued consolidation of that District.

RESPONSE: There has been no Staff testimony or exhibits produced discussing the establishment of, or the reexamination of, a consolidated district. The District was first depicted as the Anthem/Agua Fria Wastewater District in a rate case filed by Arizona-American Water on November 22, 2002, Docket No. WS-01303A-02-0870.

RESPONDENT: Gerald Becker, Arizona Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007

Exhibit A

**ARIZONA CORPORATION COMMISSION STAFF'S RESPONSES TO
ANTHEM COMMUNITY COUNCIL'S
FIRST SET OF DATA REQUESTS
DOCKET NO. W-01303A-09-0343; WS-01303A-09-0343
JULY 11, 2011**

ANTHEM 1.3 Please provide an explanation of Staff's positions before the Arizona Corporation Commission regarding establishment of the Anthem/Agua Fria Wastewater District as a consolidated district.

RESPONSE: Staff has not taken a position on the consolidation of, or the deconsolidation of, the Anthem/Agua Fria Wastewater District. It is Staff's belief that the Anthem/Agua Fria Wastewater District as set forth in Docket No. WS-01303A-02-0870 represented an expansion of the Anthem Wastewater District, not a consolidation. Prior to that, Staff is not aware that an Agua Fria Wastewater District even existed.

RESPONDENT: Gerald Becker, Arizona Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007

1 ORIGINAL AND THIRTEEN (13) COPIES
2 of the foregoing and attached exhibit
3 hand-delivered for filing this 11th day
4 of October, 2011 to:

5 Docket Control
6 Arizona Corporation Commission
7 1200 W. Washington Street
8 Phoenix, AZ 85007

9 COPY of the foregoing and attached exhibits
10 mailed or e-mailed this 11th day of October, 2011, to:

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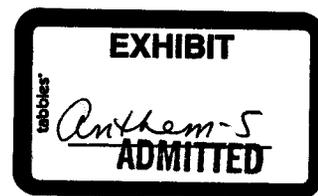
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Attorneys for Verrado Community Ass'n, Inc.
- 19 Pauline A. Harris Henry, President, Board of Directors
20 Russell Ranch Homeowners' Ass'n, Inc.
21448 N. 75th Avenue, Suite 6
21 Glendale, AZ 85308-5978

22 
23
24
25
26
27
28

Exhibit Anthem-5



**Arizona American Water Company
Docket Nos. W-01303A-09-0343
and SW-01303A-09-0343
November 14-18, 2011 Hearings**

COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: Ian C. Crooks

Title: Director, Central Operations

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Anthem 1.4

Q. With reference to page 6, lines 20-24 of the prepared Direct Testimony of AAWC witness Sandra L. Murrey, and Exhibit SLM-1, please describe in detail the manner and extent to which the Verrado, Russell Ranch and Northeast Agua Fria service areas are interconnected with one another with respect to wastewater collector and/or treatment facilities.

1.4.1 In addition, please describe in detail the manner in which each of these service areas is connected to the Northwest Valley Plant.

1.4.2 Please provide copies of any maps or diagrams which depict any/all of the above interconnection and/or connections.

A: The three service areas described above are not physically connected to each other by any wastewater collection or treatment facilities. Verrado and Russell Ranch each have a separate wastewater collection system and treatment plant. Northeast Aqua Fria service area has a common collection system among the various developments in the NEAF service area that transports the wastewater to the Northwest Valley Plant. The Northwest Valley Plant capacity is shared between the Northeast Aqua Fria service area and Sun City West.

1.4.1 – As described above, only the Northeast Aqua Fria area is serviced by the Northwest Valley Plant.

1.4.2 – As described above, there are no interconnections to show on a map.

Exhibit Anthem-6



**Arizona American Water Company
Docket Nos. W-01303A-09-0343
and SW-01303A-09-0343
November 14-18, 2011 Hearings**

COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: Sandy Murrey

Title: Rates Analyst

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Anthem 1.2

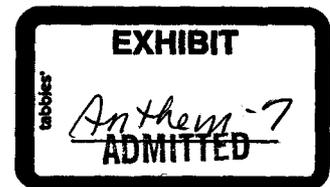
Q. With reference to Footnote No. 3 on page 10, and Table 3 on page 11, of the prepared Direct Testimony of AAWC witness Sandra L. Murrey, which percentage of the anticipated increase in rates to Agua Fria wastewater customers (on a deconsolidated basis) is attributable to the allocation of 28% of the Northwest Valley Plant to Agua Fria? What is the revenue requirement associated with that 28%?

A: At a minimum, the revenue requirement associated with the Northwest Valley Plant is \$1,907,573. It is a minimum because the Company did not have time to derive and allocate the common costs to the Plant. The Company does not know the percentage of the increase in rates to Agua Fria wastewater customers due to the Plant on a deconsolidated basis because it has not had time to determine the revenue requirement for the Plant approved in the rate case previous to this case and included in consolidated rates as regards the Plant. This is a complex and time-consuming calculation. Please see the calculations below for the derivation:

Northwest Valley
Revenue Requirement

	<u>Agua Fria WW in Total</u>	<u>Northwest Valley at 28%</u>
Original Cost Rate Base	\$19,147,534	\$ 3,923,476
Adjusted Operating Income	(973,265)	(888,949)
Current Rate of Return	-5.08%	-22.66%
Required Operating Income	\$ 1,282,885	\$ 262,873
Required Rate of Return	6.70%	6.70%
Operating Income Deficiency	\$ 2,256,150	\$ 1,151,822
Gross Revenue Conversion Factor	1.6561	1.6561
Increase in Gross Revenue Requirement for Agua Fria in total	\$ 3,736,490	
Requirement for Northwest Valley Plant @ 28%		\$ 1,907,573

Exhibit Anthem-7



**Arizona American Water Company
Docket Nos. W-01303A-09-0343
and SW-01303A-09-0343
November 14-18, 2011 Hearings**

COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: Sandy Murrey

Title: Rate Analyst

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Verrado DMB 2.4

Q. The Compliance Application indicates de-consolidation would increase the Agua Fria area rates significantly, and would reduce the Anthem area rates from those authorized in Decision No. 72047. Please identify the main factors that contribute to the large disparity between the de-consolidated rates for the Agua Fria wastewater customers and the de-consolidated rates for the Anthem area customers.

A: The main factors contributing to disparity in de-consolidated rates are the Northwest Valley Regional Reclamation Facility, the Verrado Reclamation Facility and its expansion as well as the Russell Ranch Reclamation Facility.

COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: Sandy Murrey

Title: Rate Analyst

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Corte Bella 1.3

Q. Please identify and/or explain the main reason(s) why deconsolidation substantially increases the Agua Fria rates and actually decreases the Anthem rates?

A: The main factors contributing to disparity in de-consolidated rates are the costs of the Northwest Valley Regional Reclamation Facility, the Verrado Reclamation Facility and its expansion as well as the Russell Ranch Reclamation Facility which are located in Agua Fria.

Exhibit Anthem-9



**Arizona American Water Company
Docket Nos. W-01303A-09-0343
and SW-01303A-09-0343
November 14-18, 2011 Hearings**

COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: Sandy Murrey

Title: Rate Analyst

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Verrado DMB 2.18

- Q. For each hook-up fee in effect during the test year for any location within the Anthem/Agua Fria Wastewater District, please describe how hook-up fee collections were allocated between the proposed Anthem District and the proposed Agua Fria Wastewater District in the Compliance Application.
- A. The Company maintains separate business units for Anthem Wastewater and Agua Fria Wastewater. When hook-up fees are collected they are booked directly to the business unit in which that customer resides. No allocation of hook up fees was required as they were never comingled.

Exhibit Anthem-10



**Arizona American Water Company
Docket Nos. W-01303A-09-0343
and SW-01303A-09-0343
November 14-18, 2011 Hearings**

COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: Christopher D. Krygier
Title: Sr. Capital Program Administrator
Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Corte Bella 2.4

Q. Has Arizona-American planned for any capital improvements to the Anthem wastewater system in the next ten years? If so, please provide a list of planned improvements and the approximate costs for those improvements. If the Anthem/Agua Fria Wastewater District remains intact, will Agua Fria customers subsidize the costs of those capital improvements to the Anthem wastewater system? Please explain.

A: Arizona American Water prepares five-year capital improvement plans which forecast future funding requirements. These forecasts are revised annually. Attached below is the most recent version of the 2012-2016 capital improvement plan for Anthem Wastewater.

		2012	2013	2014	2015	2016
District	Project Name	Total	Total	Total	Total	Total
	Anthem Wastewater Total	364,270	302,414	429,776	416,701	328,929
Anthem Wastewater	Mains - Unscheduled	3,900	3,998	4,113	4,237	4,372
Anthem Wastewater	Manholes - Replaced	26,000	26,650	27,423	28,246	29,149
Anthem Wastewater	Tools and Equipment	9,789	16,696	26,778	18,402	13,161
Anthem Wastewater	Plant Facilities and Equipment	324,581	255,070	371,462	365,816	282,246

If the Anthem/Aqua Fria wastewater district remains intact, Agua Fria wastewater customers will share in the costs of capital improvements to the Anthem wastewater system, but it is not possible to identify subsidies at the level of individual projects or components of the cost of service as a subsidy is a concept applying to customers revenues versus the total cost of service.

COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: Ian Crooks

Title: Director of Engineering

Address: 2355 W. Pinnacle Peak Rd., #300
 Phoenix, AZ 85027

Company Response Number: Anthem 4.4

Q. Has AAWC planned for any capital improvements to the wastewater systems that would be included in the proposed stand-alone Agua Fria Wastewater District in the next ten years? If so, please provide a list of planned improvements and the approximate costs for those improvements.

A: Please see the list of planned improvements below. The Company forecasts its capital improvement program for a five year future period. The table below shows the most recent 5-year capital improvement program for wastewater systems in a stand-alone Agua Fria Wastewater District. The projects and figures shown are estimates and actual expenditures will differ to one extent or another. The capital program is updated and extended annually and subject to change for many reasons including facility, regulatory, or financial requirements.

(Note: For rate recovery purposes, the Northwest Valley Wastewater Treatment Plant costs are recovered in the Sun City West Wastewater District and Aqua Fria Wastewater District. Since the most recent Commission approved recovery percentages are 72% to Sun City West District and 28% to Agua Fria Wastewater District, capital costs below likewise reflect the same allocation percentage. The percentages changed in the most recent rate case and, are subject to change in future rate case decisions.)

Project Name	2012	2013	2014	2015	2016
Northwest Valley Treatment Plant					
Recharge Field Tractor			260,000		
Replace Tools and Lab Equipment	6,500	6,735	16,161	22,295	40,498
Water Bath for Certified Lab	3,900				
Replace Lab Muffle Furnace	5,200				
Fecal and BOD Incubator	9,750				
Replace Lab Refrigerator	10,400				
Lab Spectrophotometer		7,150			
Replace Lab Autoclave		7,150			
Replace 3 Field Refrigerated Samplers		15,990	16,454	16,947	
Sealer for Idex Fecal Testing			5,485		
Cl2 Analyzers, Field	8,385				
Replace Bioreactor Mixer	25,350			25,350	
Chlorine Field Analyzers	27,950	28,649			
Replace Discharge Piping Backwash Pumps	27,950				
Replace Digester Diffuser	41,925	42,973			62,671

Repair Effluent EQ Basin Discharge Vault				72,670		
Replace PEPS Influent Pump 1	90,838					
Replace air blowers w/ efficient VFD turbos				314,438		391,695
Replace Filter Backwash Pump 2		21,487			22,773	
Disinfection Bleach Pump		22,971			8,385	
Replace Two Methanol Pumps		42,973				
Sand Blast & Epoxy Primary Clarifier 1 Structure		57,298			60,728	
Improve Final Effluent Delivery System		148,974				
Rebuild Final Clarifier Scum Pump				20,636		
Replace Sluice Gate Primary Clarifier 2				22,110		
Replace Filter Influent Pump VFD				58,959		
Replace Odor Scrubber 1				147,398		
Replace Two Make-up Water Booster Pumps					28,246	
Sand Blast and Epoxy Coat Final Clarifier 1					60,728	
Sand Blast and Epoxy Coat Final Clarifier 2					60,728	
Replace Sand Filter Air Compressor						47,003
Total at Northwest Valley Treatment Plant	\$ 258,148	\$ 402,349	\$ 934,309	\$ 306,179	\$ 541,867	
72% Sun City West Wastewater	\$ 185,866	\$ 289,691	\$ 672,702	\$ 220,449	\$ 390,144	
28% Agua Fria Wastewater	\$ 72,281	\$ 112,658	\$ 261,606	\$ 85,730	\$ 151,723	

Agua Wastewater - Verrado, Russell Ranch, & Collection

Mains - Unscheduled Repairs	13,000	13,325	13,711	14,123	14,575
Manholes - Replace	6,500	6,663	6,856	7,061	7,287
Laterals - Replace	23,400	23,985	24,681	25,421	26,234
Forklift	52,000				
Purchase Kawasaki Mule				13,000	
Tools and Lab Equipment Misc.		13,000	13,377	13,778	7,288
Purchase Lab Furnace Vent System	10,400			11,050	
Purchase Laboratory Muffle Furnace	6,500				
Plant Replacements				101,430	
Replace Disc Filter 1& 2 Backwash Pumps at Verrado	4,855				
Purchase new D.O. Controller and Probe at Verrado	6,242		6,936		
Replace Anoxic Jet Mixing Pump	11,097	11,097		11,097	
Odor Control Improvements at Verrado	13,871				
Replace NTU Meter and Controller at Verrado WRF		5,548		6,936	
Replace Disc Filter 3 & 4 Backwash Pumps at Verrado		5,548			
Replace AUMA MOVs Inside Pipe Gallery		6,936			
Rehab RAS pump at Verrado		8,323		5,548	
Rehab Disc Filter Media 1 and 2 at Verrado WRF		8,323		9,710	
Replace Influen EQ Pump at Verrado WRF		8,323			
Replace Vogelsang Sludge Pump		8,323			
IMLR Pump Replace at Verrado		9,710		9,710	
Replace OXIC Blower at Russell Ranch		9,710			
Rehab Influent Pumps at Verrado		13,871		13,871	13,871
Replace Influent Pump at Russell Ranch		17,200			
Replace Jet Motive Pumps		18,032			41,613
Replace Disc Filter Influent Pump at Verrado		27,742			
Rehab OXIC Blowers at Verrado		33,290	16,645		
Replace Effluent Pump at Verrado		34,400			34,678
Sandblast/Paint of Clarifier 1 Steel Components			5,548		
Sandblast/Paint of Clarifier 2 Steel Components			5,548		
Rehab Disc Filter Media 3 and 4 at Verrado WRF			8,323		

**ARIZONA-AMERICAN WATER COMPANY
 ANTHEM/AGUA FRIA WASTEWATER DISTRICT
 DECONSOLIDATION PROCEEDING
 ACC DOCKET NO. W-01303A-0343**

PROJECTED CAPITAL IMPROVEMENTS

PROJECTED YEAR	TOTAL DISTRICT	ANTHEM (1)	AGUA FRIA (2)
2012	\$584,416	\$364,270	\$220,146
2013	698,419	302,414	396,005
2014	903,698	429,776	473,922
2015	745,166	416,701	328,465
2016	785,714	328,929	456,785
Total	\$3,717,413	\$1,842,090	\$1,875,323
Current Customers (3)	13,739	8,450	5,289
Total Per Customer	\$271	\$218	\$355

NOTES:

- (1) Per Response to Corte Bella data request 2.4 to Company
- (2) Per Response to Anthem data request 4.4 to Company
- (3) Anthem customers per response to Corte Bella data request 3.3; Aqua Fria customers per response to Anthem data request 4.1

Exhibit Anthem-12



**Arizona American Water Company
Docket Nos. W-01303A-09-0343
and SW-01303A-09-0343
November 14-18, 2011 Hearings**

COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: Sandy Murrey

Title: Rate Analyst

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Anthem 2.3

Q. With reference to AAWC's September 2, 2011 response to Corte Bella Data Request 2.6, please indicate the year in which AAWC intends to file a rate application with the Arizona Corporation Commission ("ACC") requesting company-wide consolidation of all of AAWC's water and wastewater districts for ratemaking purposes?

2.3.1 In connection with Data Request Anthem 2.3, has AAWC received a written commitment from EPCOR that EPCOR will seek such company-wide consolidation, in the event that EPCOR acquires AAWC's water and wastewater system assets in Arizona prior to AAWC filing such a rate application?

A: The Company has not yet determined the year in which it will to file for company-wide consolidation as per compliance with Decision No. 72047.

No, the Company has not received such a written commitment from EPCOR.

Exhibit Anthem-13



**Arizona American Water Company
Docket Nos. W-01303A-09-0343
and SW-01303A-09-0343
November 14-18, 2011 Hearings**

COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: Sandy Murrey

Title: Rate Analyst

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

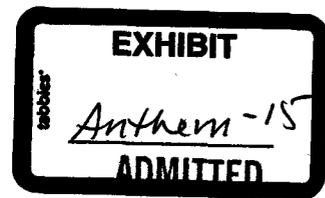
Company Response Number: Anthem 2.4

Q. Assuming either AAWC or EPCOR files a rate application with the ACC requesting all of AAWC's water and wastewater systems in Arizona for ratemaking purposes, can AAWC guarantee that the ACC will issue a decision approving such company-wide consolidation for ratemaking purposes?

2.4.1 If not, please explain why not.

A: No.

Exhibit Anthem-15



**Arizona American Water Company
Docket Nos. W-01303A-09-0343
and SW-01303A-09-0343
November 14-18, 2011 Hearings**

**RETURN TO
HELP**

**Unofficial
Document**

**AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS, AND
RESTRICTIONS**

FOR

CORTE BELLA COUNTRY CLUB ASSOCIATION, INC.

ARTICLE I
DEFINITIONS

The terms in this Declaration shall generally be given their natural, commonly accepted definitions except as otherwise specified. Capitalized terms shall be defined as set forth below.

1.1 **“Activity Cards”**. Those certain cards (or other access/identification device or system approved and implemented by the Board) which are issued by the Association in accordance with the terms and conditions set forth in Section 2.2 and which confer upon the holder rights of access to and use of Recreational Facilities and other Common Areas within the Properties (subject to the payment of any applicable use fees established by the Board from time to time).

1.2 **“Additional Property”**. The real property described on Exhibit “B” attached hereto, together with all improvements situated thereon.

1.3 **“Age-Qualified Occupant”**. Any Person 45 years of age or older who owns and occupies a Dwelling Unit. An occupant of an Ancillary Unit, unless also an Age-Qualified Occupant of the primary Dwelling Unit on the Lot, shall not be an Age-Qualified Occupant.

1.4 **“Ancillary Unit”**. Any detached structure on a Lot which is intended as a residential dwelling ancillary to the structure on the same Lot which serves as the primary Dwelling Unit for the Lot (e g, an “in-law” or “guest” suite).

Unofficial Document

1.5 **“Area of Common Responsibility”**. Means (i) all Common Areas, (ii) those areas, if any, which the Association does not own but which by the terms of Section 5.1 or other provisions of this Declaration, any Supplemental Declaration, or other applicable covenants, or by contract become the responsibility of the Association, (iii) all real property, and the improvements situated thereon, designated on a Plat signed or ratified by the Association and/or the Declarant as an area to be maintained, repaired or replaced by the Association, and (iv) all real property, and the improvements situated thereon, located within dedicated rights-of-way within or adjacent to the Properties with respect to which the State of Arizona or any county or municipality has not accepted responsibility for the maintenance, repair and replacement thereof, but, unless otherwise is determined by the Board, only until such time as the State of Arizona or any county or municipality has accepted all responsibility for the maintenance, repair and replacement of such areas.

1.6 **“Architectural Review Committee or “ARC”**. The committee established by the Board to review all plans and applications for the construction and modification of improvements on the Properties and to administer and enforce the architectural controls described in Article XI.

1.7 **“Articles”**. The Articles of Incorporation of Corte Bella Country Club Association, Inc, as filed with the Arizona Corporation Commission, as amended from time to time.

(p) The right of the Association to operate any Recreational Facility within the Properties through management agreements with Persons designated by the Board.

2.2 Activity Cards.

(a) Issuance by the Board. One Activity Card shall be allocated to each Qualified Occupant of a Lot, up to a maximum of two Activity Cards per Lot. No Activity Cards shall be allocated to any Lot which is not occupied by a Qualified Occupant. The Board shall determine entitlement to Activity Cards on an annual basis and after receipt of notice of a transfer of title to a Lot to a new Owner. If the Lot continues to be occupied by a Qualified Occupant and all applicable assessments and other charges pertaining to the Lot have been paid, the Activity Card(s) allocated to such Lot shall be renewed annually without charge. The Board may establish policies, limits, and charges with regard to the issuance of replacement cards, additional cards and guest privilege cards.

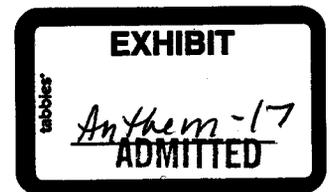
Activity Cards may be issued to Persons who have signed binding contracts to purchase a Lot, subject to such policies as the Board may determine from time to time, and to Persons entitled to receive Activity Cards pursuant to a Covenant to Share Costs.

(b) Assignment of Rights. Except as may be expressly provided in a Covenant to Share Costs, the right to an Activity Card is based upon occupancy of a Lot. If, and so long as, a Lot is occupied solely by Persons other than the Owner, pursuant to a lease or otherwise, then (i) the Owner shall not be entitled to receive an Activity Card, and (ii) the right of any occupant to receive an Activity Card shall depend on Official Document status as a Qualified Occupant. Any Owner who leases or otherwise transfers occupancy of his or her Lot shall provide the Association with immediate written notice thereof and shall surrender to the Association his or her previously issued Activity Card(s). Activity Cards shall be surrendered by any holder who ceases to occupy a Lot, or at any time upon written notification from the Association that the holder no longer is entitled to hold an Activity Card.

2.3 Age Restriction. Corte Bella Country Club is intended to provide housing primarily for persons 55 years of age or older. The Properties shall be operated as an age restricted community in compliance with all applicable State and Federal laws. Except as may be required by law, no person under 19 years of age shall stay overnight in any Dwelling Unit for more than 90 days during any 12 month period.

Persons 45 through 54 who purchase Lots are permitted to occupy Dwelling Units, without a Person 55 or older. Otherwise each Dwelling Unit, if occupied, shall be occupied by at least one Person 55 years of age or older, provided, once a Dwelling Unit is occupied by an Age-Qualified Occupant, other Qualified Occupants of that Dwelling Unit may continue to occupy that Dwelling Unit, regardless of the termination of the Age-Qualified Occupant's occupancy, if at least 80% of the Dwelling Units within the Properties are occupied by at least one Person 55 years of age or older. In any event, at all times, at least 80% of the Dwelling Units within the Properties shall be occupied by at least one Person 55 years of age or older.

Exhibit Anthem-17



**Arizona American Water Company
Docket Nos. W-01303A-09-0343
and SW-01303A-09-0343
November 14-18, 2011 Hearings**

**CORTE BELLA COUNTRY CLUB ASSOCIATION, INC.'S
RESPONSES TO ANTHEM COMMUNITY COUNCIL'S
FIRST SET OF DATA REQUESTS AND REQUESTS FOR ADMISSION
Docket No. SW-01303A-09-0343**

ANTHEM 1.2 With reference to page 6, line 27 – page 7, line 2 of Mr. Rials' Surrebuttal Testimony, please describe with specificity what types and sources of income are included within the phrase "fixed and/or reduced incomes."

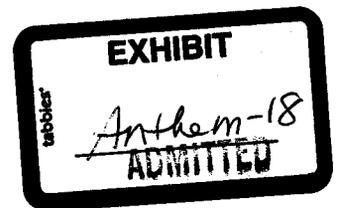
1.2.1 In addition, please describe with specificity what is meant by the word "fixed."

1.2.2 In addition, please describe with specificity what is meant by the word "reduced."

RESPONSE: As previously stated, Corte Bella is an age-restricted community. A vast majority of Corte Bella residents are retirees that live on social security, pensions, annuities and/or other sources of retirement income. This constitutes "fixed and/or reduced income" for purposes of my testimony.

Respondent: Robert Rials, President, Corte Bella Country Club Association.

Exhibit Anthem-18



**Arizona American Water Company
Docket Nos. W-01303A-09-0343
and SW-01303A-09-0343
November 14-18, 2011 Hearings**

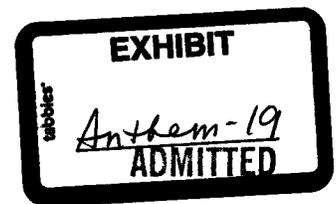
**CORTE BELLA COUNTRY CLUB ASSOCIATION, INC.'S
RESPONSES TO ANTHEM COMMUNITY COUNCIL'S
FIRST SET OF DATA REQUESTS AND REQUESTS FOR ADMISSION
Docket No. SW-01303A-09-0343**

ANTHEM 1.5 With reference to page 8, line 27 – page 9, line 3 of Mr. Rials' Surrebuttal Testimony, please provide copies of all documents which Corte Bella believes support Mr. Rials' suggestion(s) that (a) Agua Fria wastewater customers subsidized Anthem wastewater customers in previous years, and (b) Anthem wastewater customers have benefitted in previous years by reason of being consolidated with Agua Fria wastewater customers.

RESPONSE: Mr. Rials stated – starting on page 8, line 27, that “there is no way to determine whether or how much Agua Fria customers have subsidized Anthem customers over the past ten (10) years by paying for the costs associated with Anthem’s wastewater system.” This is based on responses Anthem and/or Corte Bella received from Arizona American Water Company, which Anthem should already have in its possession.

Respondent: Robert Rials, President, Corte Bella Country Club Association.

Exhibit Anthem-19



**Arizona American Water Company
Docket Nos. W-01303A-09-0343
and SW-01303A-09-0343
November 14-18, 2011 Hearings**

**CORTE BELLA COUNTRY CLUB ASSOCIATION, INC.'S
RESPONSES TO ANTHEM COMMUNITY COUNCIL'S
FIRST SET OF DATA REQUESTS AND REQUESTS FOR ADMISSION
Docket No. SW-01303A-09-0343**

ANTHEM 1.6 With reference to page 9, lines 4 – 6.5 of Mr. Rials' Surrebuttal Testimony, please provide copies of all documents which support Mr. Rials' belief that Agua Fria wastewater customers will "subsidize any future capital improvements to Anthem's wastewater system," assuming that the two (2) systems were to remain consolidated.

RESPONSE: Mr. Rials testified that "according to Arizona-American, Agua Fria customers will likely subsidize any future capital improvements to Anthem's wastewater system. This shows that all residents will continue to benefit by keeping the Anthem / Agua Fria Wastewater District intact." This testimony is based on responses Anthem and/or Corte Bella received from Arizona American Water Company, which Anthem should already have in its possession.

Respondent: Robert Rials, President, Corte Bella Country Club Association.

1 **BEFORE THE ARIZONA CORPORATION CC**

2 COMMISSIONERS

Arizona Corporation Commission

DOCKETED

3 KRISTIN K. MAYES - Chairman
4 GARY PIERCE
5 PAUL NEWMAN
6 SANDRA D. KENNEDY
7 BOB STUMP

JAN 6 2011

DOCKETED BY

nr

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

DOCKET NO. W-01303A-09-0343

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

DOCKET NO. SW-01303A-09-0343

DECISION NO. 72047

OPINION AND ORDER

20 PUBLIC COMMENTS:

April 7, 2010, at Anthem, Arizona
May 17, 2010, at Sun City, Arizona

21 DATE OF PRE-HEARING
22 CONFERENCE:

April 16, 2010

23 DATES OF HEARING - PHASE I,
24 REVENUE REQUIREMENT:

April 19, 20, 21, 22, 23, and 29, 2010

25 DATES OF HEARING - PHASE II,
26 RATE DESIGN AND
RATE CONSOLIDATION ISSUES:

May 18, 19, 20, 21, 25, 28, June 2, and 3, 2010

27 PLACE OF HEARING:

Phoenix, Arizona

28 ADMINISTRATIVE LAW JUDGE:

Teena Wolfe

EXHIBIT

tabbies

Anthem-20
ADMITTED

21
c b

Sun City West Wastewater

Based on our findings herein, we determine that the Sun City West Wastewater district's gross revenue should increase by \$1,326,805, or 23.43 percent.

Fair Value Rate Base	\$18,096,538
Adjusted Operating Income	404,519
Required Fair Value Rate of Return	6.70%
Required Operating Income	1,212,468
Operating Income Deficiency	807,949
Gross Revenue Conversion Factor	1.6422
Gross Revenue Increase	\$1,326,805

VII. RATE DESIGN**A. Consolidation****1. Company**

Arizona-American states that this proceeding has made clear that for various reasons, the benefits of consolidation are championed by certain parties, and not accepted by other parties.³²¹ The Company states that while it will never be possible to convince all parties that consolidation is beneficial, this proceeding is the best opportunity to do so,³²² and that ample evidence exists in the record to support its implementation.³²³ The Company states that if the Commission determines that it is appropriate to implement rate consolidation in this proceeding, it will use its best efforts to ensure that consolidation is implemented effectively in the manner ordered by the Commission.³²⁴

The Company believes that if consolidation is ordered in this proceeding, the best method to achieve the full benefits of consolidation is a Company-wide consolidation.³²⁵ Arizona-American's final rate design schedules include both stand-alone rates and the Company's Preferred Consolidation Scenario One (Company Consolidation Model Version 4). For comparison purposes, the Company provided, as part of its final rate design schedules, the consolidation scenarios requested at the hearing by Chairman Mayes, which set forth consolidation if Sun City is excluded

³²¹ Co. Br. at 45.

³²² *Id.*

³²³ Co. Reply Br. at 26.

³²⁴ Co. Br. at 45.

³²⁵ *Id.* at 46; Co. Reply Br. at 26.

1 and if both Sun City and Sun City West are excluded.³²⁶

2
3 The Company lists important features of its Preferred Consolidation Scenario One (Company
4 Consolidation Model Version 4) as follows:

- 5
- 6 • it includes all of the Company's water and wastewater districts;
 - 7 • it is proposed to occur in up to five "revenue neutral" steps;
 - 8 • the residential 1-inch meter water monthly minimum charge is reduced to 1.25 times
9 the 5/8 and 3/4-inch meters charge;
 - 10 • the consolidated non-potable water tariff is \$1.24 per 1,000 gallons in all steps; and
 - 11 • beginning in Step 1, there are five residential rate tiers for all meter sizes, and three
12 commercial rate tiers for meter sizes two inches and smaller, and two commercial
13 rate tiers for larger commercial meters.

14 2. Council

15 The Council believes that rate consolidation is a long-term solution that, over the long haul
16 benefits all customers. The Council recommends that in order to achieve the maximum benefits of
17 consolidation, all of Arizona-American's water and wastewater districts be consolidated through a
18 five step implementation plan.³²⁷ The Council supports the Company's Preferred Consolidation
19 Scenario One (Company Consolidation Model Version 4).³²⁸

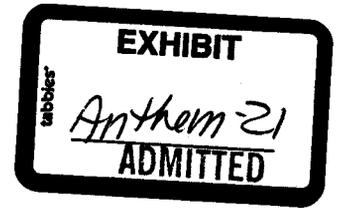
20 The Council cites as benefits of rate consolidation the following:

- 21
- 22 • lower administrative costs through unified customer accounting and billing systems;
 - 23 • reduction in the number of rate cases and associated expenses;
 - 24 • elimination of distorted cost allocations among districts in rate filings;
 - 25 • implementation of standard customer service policies and related service rates and
26 charges;
 - 27 • improved rate stability and elimination of rate shock;
 - 28 • reduced customer confusion with respect to the Company's currently differing rate
schedules;

27 ³²⁶ Co. Br. at 46.

28 ³²⁷ Council Br. at 15; Council Reply Br. at 16.

³²⁸ *Id.*



**ARIZONA-AMERICAN WATER COMPANY
ANTHEM/AGUA FRIA WASTEWATER DISTRICT
DOCKET NO. SW-01303A-09-0343**

**DECONSOLIDATION PROCEEDING
PROPOSED WASTEWATER RATES - ANTHEM**

DESCRIPTION	PRESENT RATES	STEP 1 RATES	STEP 2 RATES	STEP 3 RATES (1)
ANTHEM:				
Residential:				
Monthly Usage Charge	\$39.84	\$36.56	\$33.28	\$30.00
Per 1,000 Gallons - First 7,000 Gallons	\$4.9946	\$4.5797	\$4.1649	\$3.7500
Commercial - 5/8" Meters:				
Monthly Usage Charge	\$44.48	\$39.65	\$34.83	\$30.00
Per 1,000 Gallons - First 10,000 Gallons	\$5.5760	\$4.9673	\$4.3587	\$3.7500
Commercial - 3/4" Meters:				
Monthly Usage Charge	\$66.72	\$59.48	\$52.24	\$45.00
Per 1,000 Gallons - First 15,000 Gallons	\$5.5760	\$4.9673	\$4.3587	\$3.7500
Commercial - 1" Meters:				
Monthly Usage Charge	\$89.06	\$79.39	\$69.73	\$60.06
Per 1,000 Gallons - First 15,000 Gallons	\$5.5760	\$4.9673	\$4.3587	\$3.7500
Commercial - Large:				
Monthly Usage Charge	\$178.05	\$158.73	\$139.41	\$120.09
Per 1,000 Gallons - All Gallons	\$5.5760	\$4.9673	\$4.3587	\$3.7500
Wholesale - Phoenix - Per 1,000 Gallons	\$5.5760	\$4.8573	\$4.1387	\$3.4200
Effluent - Per 1,000 Gallons	\$0.77	\$0.77	\$0.77	\$0.77

NOTE:

(1) Step 3 Rates are the equal to Staff and Company's proposed rates shown on Exhibit A-2.

ARIZONA-AMERICAN WATER COMPANY
 ANTHEM/AGUA FRIA WASTEWATER DISTRICT
 DOCKET NO. SW-01303A-09-0343

DECONSOLIDATION PROCEEDING
 PROPOSED WASTEWATER RATES - AGUA FRIA

DESCRIPTION	PRESENT RATES	STEP 1 RATES	STEP 2 RATES	STEP 3 RATES (1)
ANTHEM: AGUA FRIA				
Residential:				
Monthly Usage Charge	\$39.84	\$48.60	\$57.36	\$66.12
Per 1,000 Gallons - First 7,000 Gallons	\$4.9946	\$5.9864	\$6.9782	\$7.9700
Commercial - 5/8" Meters:				
Monthly Usage Charge	\$44.48	\$51.69	\$58.91	\$66.12
Per 1,000 Gallons - First 10,000 Gallons	\$5.5760	\$6.3740	\$7.1720	\$7.9700
Commercial - 3/4" Meters:				
Monthly Usage Charge	\$66.72	\$77.54	\$88.36	\$99.18
Per 1,000 Gallons - First 15,000 Gallons	\$5.5760	\$6.3740	\$7.1720	\$7.9700
Commercial - 1" Meters:				
Monthly Usage Charge	\$89.06	\$103.50	\$117.95	\$132.39
Per 1,000 Gallons - First 15,000 Gallons	\$5.5760	\$6.3740	\$7.1720	\$7.9700
Commercial - Large:				
Monthly Usage Charge	\$178.05	\$206.93	\$235.80	\$264.68
Per 1,000 Gallons - All Gallons	\$5.5760	\$6.3740	\$7.1720	\$7.9700
Effluent - Per 1,000 Gallons	\$0.77	\$0.77	\$0.77	\$0.77

NOTE:

(1) Step 3 Rates are the equal to Staff and Company's proposed rates shown on Exhibit A-2.

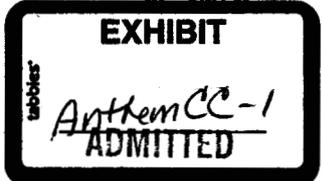
**ARIZONA-AMERICAN WATER COMPANY
ANTHEM/AGUA FRIA WASTEWATER DISTRICT
DOCKET NO. SW-01303A-09-0343**

**DECONSOLIDATION PROCEEDING
TYPICAL BILL ANALYSIS - RESIDENTIAL 5/8" X 3/4" METER**

DESCRIPTION	MONTHLY BILL AT:			
	PRESENT RATES	STEP 1 RATES	STEP 2 RATES	STEP 3 RATES
ANTHEM:				
Average Usage 5,814 Gallons	\$68.88	\$63.19	\$57.49	\$51.80
Decrease		(\$5.69)	(\$5.69)	(\$5.69)
Percent Decrease		-8.26%	-9.01%	-9.90%
Median Usage 7,000 Gallons	\$74.80	\$68.62	\$62.43	\$56.25
Decrease		(\$6.18)	(\$6.18)	(\$6.18)
Percent Decrease		-8.27%	-9.01%	-9.91%
AGUA FRIA:				
Average Usage 5,297 Gallons	\$66.30	\$80.31	\$94.32	\$108.34
Increase		\$14.01	\$14.01	\$14.01
Percent Increase		21.14%	17.45%	14.86%
Median Usage 7,000 Gallons	\$74.80	\$90.50	\$106.21	\$121.91
Increase		\$15.70	\$15.70	\$15.70
Percent Increase		20.99%	17.35%	14.78%

*Tina / Courtesy Anthem
Copy* *Anthem CC-1*

BEFORE THE ARIZONA CORPORATION COMMISSION



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GARY PIERCE
Chairman

BRENDA BURNS
Commissioner

SANDRA D. KENNEDY
Commissioner

PAUL NEWMAN
Commissioner

BOB STUMP
Commissioner

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SEP 16 2011

ARIZONA CORPORATION COMMISSION
HEARING DIVISION

DOCKET NO. W-01303A-09-0343

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

DOCKET NO. SW-01303A-09-0343

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

ANTHEM GOLF AND COUNTRY CLUB'S NOTICE OF FILING
REBUTTAL TESTIMONY

The Anthem Golf and Country Club hereby files the Rebuttal Testimony of Desi Howe.

BROWNSTEIN HYATT FARBER SCHRECK, LLP
21 East Carrillo Street
Santa Barbara, CA 93101

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RESPECTFULLY SUBMITTED this 12th day of September 2011.

By: 
Bradley J. Herrema
Brownstein Hyatt Farber Schreck, LLP

PROOF OF SERVICE

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ORIGINAL and thirteen (13) copies of the
of the foregoing filed
this 12th day of September 2011 with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007

Copy of the foregoing served,
by United States Mail,
this 12th day of September 2011, to:

Thomas H. Campbell
Michael T. Hallam
LEWIS AND ROCA LLP
40 North Central Avenue, Suite 1900
Phoenix, AZ 85004
Attorneys for Arizona-American Water Co.

Larry Woods, President
PROPERTY OWNERS AND RESIDENTS
ASSOCIATION
13815 East Camino Del Sol
Sun City West, AZ 85375

Judith M. Dworkin
SACKS TIERNEY PA
4250 North Drinkwater Blvd., 4th Floor
Scottsdale, AZ 85251-3693
Attorney for Anthem Community Council

W.R. Hansen
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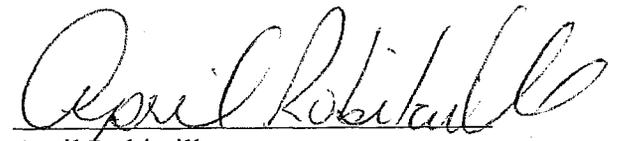
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April Robitaille

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 GARY PIERCE
Chairman

3 BRENDA BURNS
4 Commissioner

5 SANDRA D. KENNEDY
Commissioner

6 PAUL NEWMAN
7 Commissioner

8 BOB STUMP
9 Commissioner

10 IN THE MATTER OF THE APPLICATION
11 OF ARIZONA-AMERICAN WATER
12 COMPANY, AN ARIZONA
13 CORPORATION, FOR A
14 DETERMINATION OF THE CURRENT
15 FAIR VALUE OF ITS UTILITY PLANT
16 AND PROPERTY AND FOR INCREASES
17 IN ITS RATES AND CHARGES BASED
18 THEREON FOR UTILITY SERVICE BY ITS
19 ANTHEM WATER DISTRICT AND ITS
20 SUN CITY WATER DISTRICT

DOCKET NO. W-01303A-09-0343

16 IN THE MATTER OF THE APPLICATION
17 OF ARIZONA-AMERICAN WATER
18 COMPANY, AN ARIZONA
19 CORPORATION, FOR A
20 DETERMINATION OF THE CURRENT
21 FAIR VALUE OF ITS UTILITY PLANT
22 AND PROPERTY AND FOR INCREASES
23 IN ITS RATES AND CHARGES BASED
24 THEREON FOR UTILITY SERVICE BY ITS
25 ANTHEM/AGUA FRIA WASTEWATER
26 DISTRICT, ITS SUN CITY WASTEWATER
27 DISTRICT AND ITS SUN CITY WEST
28 WASTEWATER DISTRICT

DOCKET NO. SW-01303A-09-0343

23 **REBUTTAL TESTIMONY**
24 **OF**
25 **DESI HOWE**
26 **ON BEHALF OF**
27 **ANTHEM GOLF AND COUNTRY CLUB**
28

BROWNSTEIN HYATT FARBES SCHRECK, LLP
21 East Carrillo Street
Santa Barbara, CA 93101

1 **EXECUTIVE SUMMARY**

2 Desi Howe testifies that:

3
4 The Club receives water for irrigation purposes from the Company pursuant to the Anthem-
5 Agua Fria Wastewater District Effluent Rate, as adopted in Commission Decision 72047. Decision
6 72047 also ordered the docket in this proceeding to remain open for the purpose of considering the
7 design and implementation of stand-alone revenue requirements and rate designs for the
8 deconsolidation of the Anthem-Agua Fria Wastewater District.

9 The Effluent Rate was specially adopted by the Commission in Decision 72047, after the
10 submission of testimony and evidence by Effluent Rate customers and the Company. None of the
11 Effluent Rate customers were parties to the settlement agreement that gave rise to this
12 deconsolidation proceeding. The Club supports the positions of DMB White Tank, LLC and
13 Commission Staff that, whether or not the Commission orders deconsolidation and the adoption of
14 stand-alone rates, the Effluent Rate should remain unchanged.

15 The Club takes no position on deconsolidation, but defers to the Commission's discretion as
16 to whether deconsolidation should be ordered in this case.
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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE NUMBER.

A. My name is Charles Desmond "Desi" Howe, Jr. My business address is 2708 W. Anthem Club Drive, Anthem, Arizona 85086, and my business telephone number is 623-742-6201.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. Yes. I testified in the present case, through the submission of "Direct Testimony Regarding Issues Other Than Rate Structure," dated February 22, 2010, and "Direct Testimony Regarding Rate Structure and Rate Consolidation," dated May 30, 2010.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY REGARDING WASTEWATER SYSTEM DECONSOLIDATION IN THIS CASE?

A. For a summary of my testimony, please see the preceding Executive Summary.

III. THE CREATION OF THE EFFLUENT RATE

Q. PLEASE DESCRIBE THE DEVELOPMENT OF THE COMPANY'S EFFLUENT RATE, AS SET FORTH IN COMMISSION DECISION 72047.

A. The Club receives water for irrigation purposes from the Company pursuant to the Anthem-Agua Fria Wastewater District Effluent Rate, as adopted in Commission Decision 72047. Prior to the Commission's adoption of Decision 72047, the Club received the same water for irrigation purposes from the Company's Anthem Water District pursuant to its Non-Potable Irrigation Rate. On February 22, 2010, the Club submitted "Direct Testimony Regarding Issues other than Rate Structure," and on May 3, 2010, the Club submitted "Direct Testimony Regarding Rate Structure and Rate Design." The Club, along with DMB White Tanks and Corte Bella, requested that the Commission set the Effluent Rate at \$250/acre-foot delivered by the Anthem-Agua Fria Wastewater District. The Company requested that the Effluent Rate be set at this price as well. Through Decision 72047, the Commission found this rate to be reasonable and adopted it as requested.

///

1 During the Commission's December 2010 Open Meeting, an agreement was reached among
2 the Company, the Anthem Community Council, the Residential Utility Consumer Office, and
3 Commission Staff regarding a number of issues unrelated to the Commission's adoption of an
4 Effluent Rate for the Anthem-Agua Fria Wastewater District. The settlement agreement
5 additionally included the Company's agreement to initiate proceedings for the deconsolidation of
6 the Anthem-Agua Fria Wastewater District. The Commission adopted the settlement agreement
7 and ordered the docket in this proceeding to remain open for the purpose of considering the design
8 and implementation of stand-alone revenue requirements and rate designs for the deconsolidation of
9 the Anthem-Agua Fria Wastewater District.

9 **Q. WHAT IS THE CLUB'S POSITION ON THE EFFECT OF POTENTIAL**
10 **DECONSOLIDATION ON THE COMPANY'S EFFLUENT RATE?**

11 A. The Effluent Rate approved in Decision 72047 was specially adopted by the Commission
12 after the submission of testimony and evidence by the primary Effluent Rate customers,
13 Commission Staff and the Company. None of the Effluent Rate customers were parties to the
14 settlement agreement that gave rise to this deconsolidation proceeding. The Club supports the
15 positions of DMB White Tank, LLC and Commission Staff that whether or not the Commission
16 orders deconsolidation and the adoption of stand-alone rates, the Effluent Rate should remain
17 unchanged.

18 **V. DECONSOLIDATION**

19 **Q. DOES THE CLUB TAKE A POSITION REGARDING THE DECONSOLIDATION**
20 **OF THE ANTHEM-AGUA FRIA WASTEWATER DISTRICT?**

21 A. No. The Club defers to the Commission's discretion as to whether deconsolidation should
22 be ordered in this case.

23 **IV. CONCLUSION**

24 **Q. DOES THIS CONCLUDE YOUR TESTIMONY REGARDING THE**
25 **DECONSOLIDATION OF THE ANTHEM-AGUA FRIA WASTEWATER DISTRICT?**

26 A. Yes.
27
28



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
SANDRA D. KENNEDY
PAUL NEWMAN
BOB STUMP
BRENDA BURNS

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

DOCKET NO. SW-01303A-09-0343

**COMPLIANCE APPLICATION TO
SUPPORT CONSIDERATION OF
STAND-ALONE REVENUE
REQUIREMENTS AND RATE
DESIGNS FOR THE
ANTHEM/AGUA FRIA
WASTEWATER DISTRICT**

**DIRECT TESTIMONY
OF
SANDRA L. MURREY
ON BEHALF OF
ARIZONA AMERICAN WATER COMPANY
APRIL 1, 2011**

**DIRECT TESTIMONY
OF
SANDRA L. MURREY
ON BEHALF OF
ARIZONA-AMERICAN WATER COMPANY
APRIL 1, 2011**

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE**
3 **NUMBER.**

4 A. My name is Sandra L. Murrey. My business address is 2355 West Pinnacle Peak, Suite
5 300, Phoenix, AZ, and my business phone is 623-445-2490.

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

7 A. I am employed by Arizona-American Water Company ("Arizona-American") as a Rate
8 Analyst.

9 **Q. WHAT ARE YOUR PRIMARY RESPONSIBILITIES FOR ARIZONA-**
10 **AMERICAN?**

11 A. My primary responsibilities are to prepare and help process rate applications and other
12 regulatory and compliance filings for Arizona-American.

13 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND**
14 **EDUCATION.**

15 A. I joined Arizona-American in 2007 as a Capital Compliance Analyst and was promoted
16 to my current position in December 2008. I have over 20 years of experience working in
17 the public utility industry, most of that time being employed with Wisconsin Electric
18 Power Company ("WEPCo"). The majority of my experience was as an accountant
19 where my responsibilities included financial reporting, pension analysis, unbilled revenue
20 calculation, accounts payable, and power marketing settlements. I progressed to Project
21 Manager in the Federal Regulatory, Affairs and Policy Group where my responsibilities
22 included monitoring WEPCo's tariffs to assure compliance with all federal/state
23 decisions and rulings, tracking industry changes to determine company impact, as well as

1 interactions with FERC, NERC, NAESB, and NARUC to assure WEPCo's position was
2 fairly represented.

3 I have a Bachelor of Business Administration degree with a double major in Accounting
4 and Real Estate from the University of Wisconsin – Milwaukee. I am a certified public
5 accountant licensed in the states of Arizona and Wisconsin. I have also attended the
6 NARUC Utility Rate School.

7 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

8 A. Yes. I testified in April 2010 on behalf of Arizona-American in Docket Nos. W-01303A-
9 09-0343 and SW-01303A-09-0343. I also recently submitted written Direct Testimony in
10 Docket No. W-01303A-10-0448.

11 **II. SCOPE AND PURPOSE OF TESTIMONY**

12 **Q. WHAT IS THE SCOPE AND PURPOSE OF YOUR TESTIMONY?**

13 A. Arizona-American has filed three previous rate cases for the Anthem Wastewater and
14 Agua Fria Wastewater districts on a consolidated basis. However, on January 6, 2011,
15 the Commission issued Decision No. 72047, which required (p. 121) that:

16 Arizona-American Water Company shall file, no later than April 1, 2011,
17 an application supporting consideration of stand-alone revenue
18 requirements and rate designs as set forth in the Agreement reached during
19 the Open Meeting for the Anthem Wastewater District and Agua Fria
20 Wastewater District.

21 Arizona-American is filing today (April 1, 2011) an application to comply with Decision
22 No. 70247. My testimony is provided in support of that application.

23 This application takes the amounts that were authorized in Decision No. 72047 on a
24 consolidated basis for the Anthem /Agua Fria Wastewater district and separates them into
25 two separate stand-alone districts. This separation is for the sole purpose of allowing the

1 Commission to consider “the resulting stand-alone revenue requirements and rate
2 designs.”

3 In Decision No. 72047 the Commission determined that the “fair value of Arizona-
4 American’s Anthem/Agua Fria Wastewater district rate base is \$45,116,927” and it has
5 authorized a revenue increase of \$4,657,770 for the combined Anthem/Agua Fria
6 Wastewater district. Deconsolidating these districts must therefore have a revenue-
7 neutral impact on Arizona-American. Consequently, this is not a new rate case; rather,
8 Arizona-American is simply offering for Commission consideration new rate designs for
9 the two districts based on stand-alone revenue requirements. As a result of my evaluation,
10 the \$4,657,770 revenue increase has been allocated to each district based on the
11 individual district’s financial values such as rate base, revenues, and expenses. Arizona-
12 American interprets Decision No. 72047 to require that review and rebuttal, if any, by the
13 parties to my stand-alone revenue requirement evaluation will be limited to whether or
14 not the authorized revenue increase is correct for each stand-alone district or whether
15 revenue requirement should be moved from one stand-alone district to the other.

16 **III. HISTORY OF THE ANTHEM/AGUA FRIA WASTEWATER DISTRICT**

17 **Q. HOW WAS THE ANTHEM/AGUA FRIA WASTEWATER DISTRICT**
18 **CREATED?**

19 A. Through my inquiries, I understand the Commission set initial rates for the Anthem
20 Wastewater District on June 19, 1998, in Decision No. 60975. The Decision created two
21 new Certificates of Convenience and Necessity (“CC&Ns”). A subsidiary of Citizens
22 Utilities Company (“Citizens”)—Citizens Water Services Company of Arizona
23 (“Citizens Water Services”)—was granted both the water and wastewater CC&Ns. At

1 that time, Anthem was the only wastewater territory included in the Citizens Water
2 Services CC&N.¹

3 **Q. HOW DID CITIZENS WATER SERVICES BECOME PART OF ARIZONA-**
4 **AMERICAN?**

5 A. In Decision No. 63584, dated April 24, 2001, the Commission approved the acquisition
6 of Citizens' Arizona properties by Arizona-American, including Citizens Water Services.
7 The acquisition closed on January 15, 2002. Arizona-American then began referring to
8 the former Citizens Water Services Wastewater District as Arizona-American's "CW
9 Service District." Anthem's wastewater rates were first changed by Decision No. 67093,
10 which was issued on June 30, 2004. Throughout the conduct of that rate case, the "CW
11 Service District" was referred to as the "Anthem/Agua Fria Wastewater District." The
12 subsequent compliance tariffs for Anthem wastewater service then referred to the
13 "Anthem/Aqua Fria Wastewater District," its present name.

14 **Q. HOW DID THE VERRADO, RUSSELL RANCH, AND THE NORTHEAST**
15 **AGUA FRIA SERVICE AREAS BECOME PART OF THE CURRENT**
16 **ANTHEM/AGUA FRIA WASTEWATER CC&N?**

17 A. In Decision No. 64307, dated December 28, 2001, the Commission approved extension
18 of the Citizens Water Services' Wastewater CC&N to include the new Verrado service
19 area. Citizens Water Services was authorized to charge the same rates charged for
20 Anthem wastewater service, with the addition of a new hook-up fee that would be
21 applicable only to Verrado customers. Arizona-American's acquisition of Citizens
22 Water Services then closed two weeks later, on January 15, 2002. In its subsequent
23 compliance tariff filing, Arizona-American referred to the former Citizens Water
24 Services wastewater service territory as its "CW Services District."

¹ Other Citizens wastewater districts CC&Ns (e.g., Sun City) were held by other Citizens subsidiaries at that time.

1 On September 18, 2001, Citizens Water Services, applied to add the Russell Ranch
2 service area to its wastewater CC&N. On April 17, 2002, the Commission issued
3 Decision No. 64746, which approved the addition. The Commission noted the name
4 change from Citizens Water Services to Arizona-American Water Company. The
5 compliance tariffs again referred to Arizona-American's "CW Services District."

6 On August 20, 2002, Arizona-American applied to add the Northeast Agua Fria service
7 area. For the first time, Arizona-American referred to the former Citizens Water Services
8 wastewater district as the "Anthem/Agua Fria District." This district was also referred to
9 as "Distco," the same term used for Citizens Water Services in the initial Anthem
10 Decision (60975). The Northeast Aqua Fria service area was added to the Anthem/Agua
11 Fria Wastewater CC&N by the Commission in Decision No. 65757, dated March 20,
12 2003.

13 **Q. IF THE COMMISSION DECIDES TO DECONSOLIDATE THE**
14 **ANTHEM/AGUA FRIA WASTEWATER DISTRICT, WHICH SERVICE AREAS**
15 **WOULD BE AFFECTED?**

16 **A.** If the Commission decides to deconsolidate the Anthem/Aqua Fria Wastewater District,
17 three service areas would be part of a stand-alone Agua Fria Wastewater District:
18 Verrado, Russell Ranch, and the Northeast Agua Fria service area. These territories are
19 all currently part of the Anthem/Agua Fria Wastewater CC&N. Anthem would be the
20 other stand-alone Wastewater District.

21 **Q. ARE YOU CONVINCED THAT THE COMMISSION AUTHORIZED**
22 **INCLUSION OF ALL FOUR SERVICE AREAS THAT NOW MAKE UP THE**
23 **ANTHEM/AGUA FRIA WASTEWATER CC&N?**

1 A. Yes. It is clear that in 1998 the Commission approved creation of what is now Arizona-
2 American's Anthem/Agua Fria Wastewater CC&N. The Commission subsequently
3 approved extending the initial CC&N to include the Verrado, Russell Ranch, and the
4 Northeast Agua Fria communities. Over time, the Commission has further extended the
5 Anthem/Agua Fria Wastewater CC&N to include new communities adjacent to Verrado
6 (Decision 69671), Anthem (Decisions 63445, and 68854), and Northeast Agua Fria
7 (Decision 67015).

8 **Q. WHAT RATES ARE APPROVED FOR THE FOUR SERVICE AREAS THAT**
9 **MAKE UP THE ANTHEM/AGUA FRIA WASTEWATER DISTRICT?**

10 The Commission has authorized Arizona-American to charge the identical wastewater
11 rates for all customers in the Anthem/Agua Fria Wastewater CC&N. Rates were first set
12 for Anthem in Decision No. 60975, and then applied to other areas as they were added to
13 the CC&N. The first rate changes for the Anthem/Agua Fria Wastewater CC&N were
14 approved in Decision No. 67093, dated June 30, 2004. The second rate changes for the
15 Anthem/Agua Fria Wastewater CC&N were approved in Decision 70372, dated June 13,
16 2008. The most recent rate changes were approved in Decision No. 72047, dated January
17 6, 2011.

18 **Q. FOR THE BENEFIT OF YOUR CUSTOMERS, CAN YOU SHOW THE EXACT**
19 **EXISTING SERVICE AREAS FOR AGUA FRIA WASTEWATER ON A MAP?**

20 A. Yes. Exhibit SLM-1 is a map that shows each service area that would be included in a
21 deconsolidated Agua Fria Wastewater CC&N District. Each service area—Verrado,
22 Russell Ranch, and Northeast Agua Fria—is shown on the map in green. Only those
23 customers located in these areas would be impacted by deconsolidation, plus Anthem's
24 customers (not shown on this map).

1 **IV. DECONSOLIDATION**

2 **Q. HOW DID YOU CALCULATE DECONSOLIDATED RATES?**

3 A. The initial step in this process was to be sure that Arizona-American's schedules for the
4 consolidated Anthem/Agua Fria Wastewater districts reconciled to the Staff's Final
5 Schedules, which formed the basis for the authorized amounts in Decision No. 72047.
6 Once I had a reconciled consolidated basis to work with, I then separated out items on an
7 individual district level. Arizona-American maintains financial information regarding
8 assets, liabilities, revenues, expenses, and other items on a stand-alone district level basis,
9 so this information was readily available. In addition, I performed various checks of the
10 data to ensure accurate location designations. As part of preparing this application, I also
11 performed various checks on the district locations of select assets. Each authorized *pro-*
12 *forma* adjustment was also made on district-specific data. Arizona-American also
13 updated all other factors that had been revised as required by Decision No. 72047—such
14 as depreciation rates, new Northwest Valley allocation percentages, and lead/lag days—
15 and then applied the newly authorized factors to each district.

16 My first step involved preparing a Rate Base for each district, as shown on the Schedule
17 Bs. All plant in service was classified by stand-alone district and re-validated by local
18 operations personnel. The related accumulated depreciation was then separated out. The
19 remaining Rate Base items were established based on district-level trial balances. All
20 authorized Rate Base *pro formas* were analyzed individually. Then, based on the nature
21 of the adjustment, they were either assigned directly to one district, or apportioned to the
22 districts based on normal allocation factors.

23 Once Rate Base was established, I then focused on determining Operating Income, which
24 is detailed in the Schedule Cs. Each district's test year revenues and expenses book
25 values were retrieved from the district level Analysis of Income supporting work papers.

1 Similar to the Rate Base *pro formas*, I then analyzed all Income Statement *pro formas*
2 and assigned them accordingly.

3 I was then able to calculate the increase in gross revenue requirement by applying the
4 authorized cost of capital and gross-revenue conversion factor. The updated existing H
5 Schedules² were then used to determine the stand-alone rates to support this increase.

6 **Q. WHAT SCHEDULES ARE INCLUDED IN THIS FILING?**

7 A. This is not a new rate case, but rather a compliance application to provide the
8 Commission with sufficient information to evaluate whether to deconsolidate the existing
9 Anthem/Agua Fria Wastewater district into two new standalone districts (using the
10 revenue requirement was established by the Commission in Decision No. 72047).
11 Therefore, I have only prepared and included new standard Schedules that are necessary
12 to allocate the authorized revenue requirement on an individual district basis.

13 I am sponsoring the following new schedules for each of the two potential standalone
14 districts:

- 15 • Schedule A-1 Computation of Increase in Gross Revenue Requirements
- 16 • Schedule B-1 Summary of Fair Value Rate Base
- 17 • Schedule B-2 Original Cost Rate Base Pro Forma Adjustments
- 18 • Schedule B-5 Computation of Working Capital
- 19 • Schedule B-6 Lead/Lag Study – Working Cash Requirement
- 20 • Schedule C-1 Adjusted Test Year Income Statement
- 21 • Schedule C-2 Income Statement Pro Forma Adjustments
- 22 • Schedule C-3 Computation of Gross Revenue Conversion Factor
- 23 • Schedule E-7 Operating Statistics
- 24 • Schedule H-1 Summary of Revenues by Customer
- 25 • Schedule H-2 Analysis of Revenues by Detailed Customer Class

² Stand-alone H Schedules were earlier submitted in this docket.

- 1 • Schedule H-3 Changes in Representative Rate Schedules
- 2 • Schedule H-4 Typical Bill Analysis
- 3 • Schedule H-5 Bill Count

4 I have also included the parallel approved schedules on a consolidated basis for ease of
5 comparison.

6 **A. RATE BASE CALCULATIONS**

7 **Q. WHAT WAS THE AMOUNT AUTHORIZED FOR RATE BASE IN DECISION**
8 **NO. 72047?**

9 A. The Anthem /Agua Fria Wastewater District was authorized an original cost rate base of
10 \$45,116,327. If it were deconsolidated, the following table shows how rate base would
11 be allocated to the two new districts:

12 **Table 1 – Rate Base on District Level**

<u>Districts</u>	<u>Original Cost Rate Base</u>
Anthem Wastewater	\$ 25,969,396
Agua Fria Wastewater	\$ 19,147,531
Consolidated Total	\$ 45,116,927

13 **Q. WHERE IS RATE BASE FORMULATED?**

14 A. Rate Base is displayed on Schedule B-1 for each district and on a combined basis.
15 Details can be found on Schedule B-2, which displays the December 31, 2008, test year-
16 end balances for all components of Rate Base as well as all rate base *pro forma*
17 adjustments. The *pro forma* adjustments were either district-specific or common
18 adjustments based on district-specific values or allocation factors. All Rate Base
19 adjustments share a similar numbering sequence among districts for ease in tracking.

20 **Q. WHICH RATE BASE *PRO FORMA* ADJUSTMENTS ARE DISTRICT-**
21 **SPECIFIC?**

1 A. There were only a few district-specific rate base adjustments. Those adjustments
2 assigned directly to Agua Fria Wastewater were items involving the Northwest Valley
3 Regional Water Reclamation Facility (“Northwest Valley”)³ and Verrado; whereas
4 Anthem was assigned the post-test year Anthem Headworks project as well as imputed
5 regulatory CIAC.

6 **Q. HOW WAS WORKING CASH DETERMINED?**

7 A. Arizona-American was authorized a working cash requirement of \$7,650 for the
8 Anthem/Agua Fria Water district. Please see Schedule B-6 for a detailed calculation on
9 a district level. When breaking down this value between the districts, I took the Revenue
10 and Expense lag days that were authorized in Decision No. 72047 and applied those to
11 the test-year adjusted operating expenses for each individual district. See Table 2 for
12 breakdown.

13 **Table 2 – Cash Working Capital on District Level**

<u>Districts</u>	<u>Cash Working Capital</u>
Anthem Wastewater	\$ (41,851)
Agua Fria Wastewater	\$ 49,501
Consolidated Total	\$ 7,650

14 **B. INCOME STATEMENT CALCULATIONS**

15 **Q. WHERE ARE THE INCOME STATEMENT ADJUSTMENTS SHOWN?**

16 A. Revenue and expenses are displayed on Schedule C-1 for each district and on a combined
17 basis. Details can be found on Schedule C-2, which displays the December 31, 2008,
18 test-year end balances for all items as well as all income statement pro forma
19 adjustments. The *pro forma* adjustments were either district-specific, or common

³ Northwest Valley treats wastewater flows from both the Sun City West Wastewater district and Agua Fria Wastewater districts. Decision No. 72047 authorized that the Northwest Valley Plant be allocated 28 percent to Anthem/Agua Fria Wastewater district and 72 percent to Sun City West Wastewater district. It is this 28 percent allocation that is assigned directly to the separate Agua Fria Wastewater district.

1 adjustments based on district-specific values or allocation factors. All Income Statement
2 adjustments share the numbering sequence among districts for ease in tracking.

3 **Q. WERE THERE ANY DISTRICT-SPECIFIC INCOME STATEMENT *PRO***
4 ***FORMA* ADJUSTMENTS?**

5 A. There were only a few district-specific Income Statement adjustments. Those
6 adjustments assigned directly to Agua Fria Wastewater were:

7 • ADJ SLM-4 Billing Error – Correction of customer billing for other districts booked
8 in error to Agua Fria Wastewater. This district designation was corrected during the
9 test year: and,

10 • ADJ SLM-12 Normalize Purchase Water - Adjustment for cost saving program at
11 Northwest Valley RTF.

12 Anthem Wastewater was assigned the following:

13 • ADJ SLM-1 Unbilled Revenue – Accrual only made for Anthem district.

14 **C. REVENUE REQUIREMENT CALCULATIONS**

15 **Q. WHAT WOULD BE THE INCREASE IN REVENUE REQUIREMENT FOR**
16 **EACH DISTRICT?**

17 A. Decision No. 72047 authorized an increase in Revenue Requirement of \$4,657,770, or a
18 53.93 percent increase, for the combined Anthem/Agua Fria Wastewater districts. Upon
19 completion of the various schedules based on each district's financial data, the authorized
20 revenue increase is stated separately as shown in Table 3 below.

21 **Table 3 – Increase in Revenue Requirement**

<u>Districts</u>	<u>Deconsolidated District Increase in Revenue Requirement</u>	<u>Deconsolidated Percent Increase in Rates</u>
Anthem Wastewater	\$ 921,279	15.5 %
Agua Fria Wastewater	\$ 3,736,490	139.7 %
Consolidated Total	\$ 4,657,770	53.9 %

22

1 Therefore, as compared to new rates implemented January 2011, Anthem Wastewater
 2 would experience a rate decrease and Agua Fria Wastewater would experience an additional rate
 3 increase if stand-alone rates are approved by the Commission.

4 ~~Q. WHAT IS THE REVENUE INCREASE BY CUSTOMER CLASS FOR EACH~~
 5 ~~STAND-ALONE DISTRICT?~~

6 A. Table 4 provides the authorized revenue increases by stand-alone district and customer
 7 class.

8 **Table 4 – Increase in Revenue Requirement by Customer Class**

	<u>Agua Fria Wastewater</u>		<u>Anthem Wastewater</u>	
	<u>Deconsolidated</u> <u>Increase in</u> <u>Revenue</u> <u>Requirement</u>	<u>Deconsolidated</u> <u>Percent</u> <u>Increase in</u> <u>Rates</u>	<u>Deconsolidated</u> <u>Increase in</u> <u>Revenue</u> <u>Requirement</u>	<u>Deconsolidated</u> <u>Percent Increase in</u> <u>Rates</u>
Residential	\$ 3,485,057	134.7 %	\$ 747,288	15.5 %
Commercial	\$ 114,458	133.1 %	\$ 70,900	17.9 %
OWU			(\$ 346,512)	(47.2 %)
Effluent	\$ 136,975	N/A	\$ 449,603	N/A
District	\$ 3,736,490	139.7 %	\$ 921,279	15.5%
Total				

9 1. **ANTHEM WASTEWATER REVENUE REQUIREMENT**
 10 **DETAILS**

11 ~~Q. COULD YOU ALSO PROVIDE THE TOTAL REVENUE REQUIREMENT FOR~~
 12 ~~A STAND-ALONE ANTHEM WASTEWATER DISTRICT BY CLASS?~~

13 A. Yes, Table 5 provides the adjusted total test year revenues by class and on a stand-alone
 14 basis.

Table 3 – Anthem wastewater Revenue Requirement Increase

<u>Anthem Wastewater</u>	<u>Test Year Adjusted Revenue</u>	<u>Deconsolidated Revenue</u>	<u>Increase in Revenue Requirement</u>	<u>Percent Increase in Rates</u>
Residential	\$ 4,828,681	\$ 5,575,968	\$ 747,288	15.5 %
Commercial	\$ 395,117	\$ 466,017	\$ 70,900	17.9 %
OWU	\$ 733,665	\$ 387,153	(\$ 346,512)	(47.2 %)
Effluent	-	\$ 449,603	\$ 449,603	N/A
Anthem WW	\$ 5,957,463	\$ 6,878,742	\$ 921,279	15.5%
Total				

Q. WHAT IS THE EFFLUENT CUSTOMER GROUP?

A. The Effluent category refers to those few customers that are on a non-potable effluent tariff. This category was previously labeled “Miscellaneous” in the H Schedules submitted in compliance with Decision No. 72047. Decision No. 72047 established a new non-potable effluent rate \$0.77 per Kgal for the Anthem/Agua Fria Wastewater district in response to testimony from several parties receiving effluent. This rate was a significant reduction from its prior amount. Arizona-American concluded the Commission would want that rate unchanged in this deconsolidated rate design and we decided the label “Effluent” was more accurately descriptive in the H Schedules than is “Miscellaneous.”

WHAT IS OWU?

A. The Other Water Users (“OWU”) category in the Anthem Wastewater district refers to wastewater from the City of Phoenix. Arizona-American Water is under contract with the City of Phoenix to provide water and wastewater services for an area of Phoenix west of I-17. Presently, billings for both services are based on actual water usage. I was recently informed by Company operations employees that the City of Phoenix prefers that their wastewater billings be based on their actual wastewater usage for reads at the wastewater flume. Although, Arizona-American Water is not recommending any change in the existing OWU rate of \$5.576/kgal authorized in Decision No. 72047, I have adjusted the test year usage to reflect that flume wastewater reads will be approximately

30% of the existing water meter reads. The test year OWU water usage was 231,722 kgals and, therefore, the H Schedules in this case are updated to be based on 30% of that or 69,517 kgals.⁴ Local operations employees have discussed this change with the City of Phoenix. As a result, the deconsolidated test year revenue for the City of Phoenix is \$387,153 and the required revenues of the residential and commercial Anthem wastewater classes have been increased accordingly.

2. AQUA FRIA WASTEWATER REVENUE REQUIREMENT DETAILS

Q. COULD YOU PROVIDE THE TOTAL ADJUSTED TEST YEAR AND STAND-ALONE REVENUE REQUIREMENTS FOR THE AGUA FRIA WASTEWATER DISTRICT?

A. Yes. This is shown in Table 6.

Table 6 – Agua Fria Wastewater Revenue Requirement Increase

<u>Agua Fria Wastewater</u>	<u>Test Year Adjusted Rates</u>	<u>Deconsolidated Rates</u>	<u>Increase in Revenue Requirement</u>	<u>Percent Increase in Rates</u>
Residential	\$ 2,588,018	\$ 6,073,076	\$ 3,485,057	134.7 %
Commercial	\$ 85,979	\$ 200,437	\$ 114,458	133.1 %
Effluent	-	\$ 136,975	\$ 136,975	N/A
Agua Fria WW Total	\$ 2,673,997	\$ 6,410,487	\$ 3,736,490	139.7%

D. RATE DESIGN

Q. HAVE YOU INCLUDED RATE DESIGN SCHEDULES?

A. Yes. Rate Design H Schedules are included for the combined Anthem/Agua Fria Wastewater District as well as the potential new standalone Anthem Wastewater and Agua Fria Wastewater Districts. Schedule H-1 is a summary of the revenue billed under annualized test year rates and the amount that would be generated by the deconsolidated

⁴ If, alternatively, the Commission determines to continue to base the OWU test year revenue on actual water usage (231,722 kgals for the test year), then the deconsolidated rate would be \$3.3249 per kgal.

1 rates. Schedule H-2 is an analysis of revenue at test year and deconsolidated rates by
2 class and meter size in dollar amounts and percentages. Schedule H-3 presents a
3 comparison of test year and deconsolidated rates and shows the changes by basic service
4 charges and by tariff blocks. Schedule H-4 compares test year and deconsolidated rates
5 and the percentage increase at various consumption levels. Schedule H-5 is the bill count
6 of the bills during the test year.

7 **Q. DO THE SEPARATE DISTRICT RATE DESIGNS WHEN APPLIED TO**
8 **AUTHORIZED BILLING DETERMINANTS PRODUCE SEPARATE**
9 **REVENUES WHICH WHEN SUMMED PRODUCE THE TOTAL REVENUE**
10 **AUTHORIZED IN DECISION NO. 72047?**

11 A. Yes.

12 **V. OTHER CONSIDERATIONS**

13 **Q. DECISION NO. 72047 ORDERED A WINTER-AVERAGE RATE DESIGN FOR**
14 **ANTHEM, EFFECTIVE JUNE 1, 2012** ^{WHAT IS THE COMPANY'S POSITION ON THIS ISSUE?} ~~HAS THAT BEEN INCLUDED?~~

15 A. ~~Yes, Exhibit GEM 2 displays the winter average rate designs for the stand alone Anthem~~
16 ~~and Agua Fria wastewater districts, effective June 1, 2012. This is identical to the design~~
17 ~~that was approved for the combined Anthem/Agua Fria Wastewater District in Decision~~
18 ~~No. 72047.~~ Obviously, Arizona-American will not implement stand-alone winter
19 average rate designs unless a decision in this case is effective by June 1, 2012. As the
20 Commission recalls, both the Company and the Anthem Community Council opposed
21 establishing winter-average rate designs and the Company again requests the
22 Commission to consider whether a winter-average rate design is appropriate for either or
23 both districts in the event of rate deconsolidation or whether that additional rate design
24 change would overly confuse customers in both districts. The Company would prefer to
25 further postpone winter-average rate designs.

- 1 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**
- 2 A. Yes.

Arizona American Water Company - Anthem / Agua Fria Wastewater
Test Year Ended December 31, 2008
Index of Standard Filing Schedules for Class A Water/Wastewater Utilities

Exhibit: Index
Page 1

<u>Schedule No.</u>	<u>Title</u>	<u>Witness</u>
Schedule A-1 Per Order	Computation of Increase in Gross Revenue Requirement	Witness: Murrey
Schedule B-1 Per Order	Summary of Fair Value Rate Base	Witness: Murrey
Schedule B-2 Per Order	Original Cost Rate Base Pro Forma Adjustments	Witness: Murrey
Schedule B-5 Per Order	Computation of Working Capital	Witness: Murrey
Schedule B-6 Per Order	Lead/Lag Study - Working Cash Requirement	Witness: Murrey
Schedule C-1 Per Order	Adjusted Test Year Income Statement	Witness: Murrey
Schedule C-2 Per Order	Income Statement Pro Forma Adjustments	Witness: Murrey
Schedule C-3 Per Order	Computation of Gross Revenue Conversion Factor	Witness: Murrey
Schedule E-7 Per Order	Operating Statistics	Witness: Murrey
Schedule H-1 Per Order	Summary of Revenues by Customer	Witness: Murrey
Schedule H-2 Per Order	Analysis of Revenues by Detailed Class	Witness: Murrey
Schedule H-3 Per Order	Changes In Representative Rate Schedules	Witness: Murrey
Schedule H-4 Per Order	Typical Bill Analysis	Witness: Murrey
Schedule H-5 Per Order	Bill Count	Witness: Murrey

\\Schedules\2008 Anth AF WW Sch. A-F_Decon.xls\

Arizona American Water Company - Anthem / Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Computation of Increase in Gross Revenue Requirement

Exhibit
 Schedule A-1 Per Order
 Page 1
 Witness: Murrey

Line No.					
1	Original Cost Rate Base			\$ 45,116,927	
2					
3	Adjusted Operating Income			\$ 210,401	
4					
5	Current Rate of Return			0.47%	
6					
7	Required Operating Income			\$ 3,022,834	
8					
9	Required Rate of Return			6.70%	
10					
11	Operating Income Deficiency			\$ 2,812,433	
12					
13	Gross Revenue Conversion Factor			1.6561	
14					
15	Increase in Gross Revenue Requirement			\$ 4,657,770	
16					
17					
18	Customer	Present	Proposed	Dollar	Percent
19	<u>Classification</u>	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
20					
21	Residential	\$ 7,416,699	\$ 10,645,748.93	\$ 3,229,050	43.54%
22	Commercial	481,096	\$ 769,499.51	288,403	59.95%
23	OPA	-		0.00%	0.00%
24	Other Water Utilities	733,666	\$ 1,290,510.74	556,845	75.90%
25	Misc		\$ 586,578.15	586,578	0.00%
26	Total of Water Revenues	<u>\$ 8,631,461</u>	<u>\$ 13,292,337</u>	<u>\$ 4,660,877</u>	<u>54.00%</u>
27					
28	Other Revenue	2,556	2,556	-	0.00%
29					
30	Total Revenue	<u>\$ 8,634,017</u>	<u>\$ 13,294,893</u>	<u>\$ 4,660,877</u>	<u>53.98%</u>
31					
32	Schedule C-2 Adj TY Revenue	8,637,002	13,294,894	4,657,770	
33	Over / (Under)	(2,986)	(0)	3,106	
34					
35					
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50	\Schedules\2008 Anth AF WW Sch. A-F_Decon.xls\				

Arizona American Water Company - Anthem / Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Summary of Fair Value Rate Base

Exhibit
 Schedule B-1 Per Order
 Page 1
 Witness: Murrey

Line No.		Original Cost Rate Base
1		
2	Gross Utility Plant in Service	\$ 128,482,726
3	Less: Accumulated Depreciation	<u>22,207,122</u>
4		
5	Net Utility Plant in Service	\$ 106,275,603
6		
7	<u>Less:</u>	
8	Advances in Aid of	
9	Construction	\$ 48,273,364
10	Contributions in Aid of	
11	Construction - Net of Amortization	13,894,641
12	Imputed Regulatory Advances	-
13	Imputed Regulatory Contributions	143,475
14	Customer Meter Deposits	-
15	Deferred Income Taxes & Credits	(1,022,537)
16	Investment Tax Credits	-
17	<u>Plus:</u>	
18	Unamortized Finance	
19	Charges	-
20	Deferred Tax Assets	-
21	Deferred Debits	75,382
22	Allowance for Working Capital	54,885
23	Utility Plant Acquisition Adjustment	-
24		
25	Total Rate Base	<u>\$ 45,116,927</u>
26		
27		
28		
29		
30		
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35		
36		
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49	Workpapers & Supporting Documents:	
50	\Schedules\2008 Anth AF VVW Sch. A-F_Decon.xls\	

Line No.	[A] Actual End of Test Year	[B] ADJ SLM-1 Adjust AD for (Over) Under Depreciation	[C] ADJ SLM-2 Allocate Corp to Districts	[D] ADJ LJG-3 Add 32% NWWTP	[E] ADJ LJG-4 Leave Blank	[F] ADJ LJG-5 Anthem Post TY Plant Additions	[G] ADJ LJG-6 Reclass Verrado WRF Phase 1	[H] ADJ SLM-7 Deferred Debits	[I] ADJ SLM-8 Decrease CIAC for CWP	[J] ADJ TMB-9 Impute Regulatory CIAC	[K] TMB-10 Remove Acquisition Adjustment	[L] Total Pro Forma Adjustments
1	\$ 122,116,340		\$ 320,238	\$ 8,318,584		\$ 606,023						\$ 9,244,845
2												
3												
4												
5												
6	16,727,876	67,019	358,484	5,072,522			611,466					6,109,491
7												
8	\$ 105,388,465	\$ (67,019)	\$ (38,246)	\$ 3,246,063	\$ -	\$ 606,023	\$ (611,466)	\$ -	\$ -	\$ -	\$ -	\$ 3,135,355
9												
10												
11												
12	\$ 48,273,364											
13												
14												
15	12,479,031					\$ 1,415,610		(65,490)				1,350,120
16												
17												
18												
19												
20												
21												
22												
23												
24	1,298,067											
25												
26	332,901											
27	2,201,407											
28												
29												
30												
31												
32												
33												
34												
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42												
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45												
46												
47												
48												
49												
50	\$ 49,518,065	\$ (67,019)	\$ (38,246)	\$ 3,246,063	\$ -	\$ (809,587)	\$ (611,466)	\$ (1,222,685)	\$ 65,490	\$ (143,475)	\$ (2,201,407)	\$ (1,762,333)

Line No.	COMPANY PER ORDER				
	(A)	(B)	(C)	(D)	(E)
	Adjusted End of Test Year	Working Capital	RUCO B-2 Plant Retirement	Total Final Pro Forma Adjustments	Per Order Adjusted End of Test Year
1	Gross Utility				
2	Plant in Service				
3					
4	Less:				
5					
6	Accumulated Depreciation				
7					
8	Net Utility Plant in Service				
9					
10					
11	Less:				
12	Advances in Aid of Construction				
13	Contributions in Aid of Construction - Net				
14	Imputed Regulatory Advances				
15	Customer Meter Deposits				
16	Deferred Income Taxes				
17	Investment Tax Credits				
18	Plus:				
19	Unamortized Finance Charges				
20	Deferred Debits				
21	Deferred Tax Assets				
22	Working Capital				
23	Utility Plant Acquisition Adjustment				
24					
25					
26					
27					
28					
29					
30	Total				
31					
32					
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Arizona American Water Company - Anthem / Agua Fria Wastewater
Test Year Ended December 31, 2008
Rate Base Adjustment SLM-1 & LUG-6

Line No.	Object	Sub Account	Description	Annual Rate		New Rate as of 7/08		Approved Dec 2005	Remove 32% NWP	Less Common Plant Allocations	Anthem/Agua Fria WW		Retirements 2006	Adj 2006	Depr. Expense 2006	Ending Balance December 2006	Additions 2007	Retirements 2007	Adj 2007	Depr. Expense 2007	Ending Balance December 2007	Additions 2008
				Rate	Rate	Rate	Rate				December 2005	December 2005										
1	101000	304100	Struct & Imp SS	2.40%	0.20%	2.40%	19,262	(7,536)	-	11,726	-	-	-	-	281	11,726	-	-	-	281	11,726	-
2	101000	304200	Struct & Imp P	0.00%	0.00%	0.00%	1,947	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	101000	304300	Struct & Imp AG Cap Lease	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	101000	304600	Struct & Imp Office	0.00%	0.00%	0.00%	6,369	(5,135)	(1,234)	-	(0)	-	-	-	-	-	-	-	-	-	-	(0)
5	101000	304820	Struct & Imp Leasehold	0.00%	0.00%	0.00%	9,764	(6,039)	(3,725)	-	-	-	-	-	-	-	-	-	-	-	-	-
6	101000	304800	Struct & Imp Misc	0.00%	0.00%	0.00%	6,039	(1,320)	(4,719)	-	-	-	-	-	-	-	-	-	-	-	-	-
7	101000	307000	Wells & Springs	0.00%	0.00%	0.00%	52,798	-	(52,798)	-	-	-	-	-	-	-	-	-	-	-	-	-
8	101000	340100	Office Furniture & Equip	0.00%	0.00%	0.00%	28,319	-	(11,362)	-	16,957	-	-	-	-	-	-	-	-	-	-	-
9	101000	340200	Computer Software	0.00%	0.00%	0.00%	84,103	-	(84,103)	-	-	-	-	-	-	-	-	-	-	-	-	-
10	101000	340300	Comp Software Other	0.00%	0.00%	0.00%	1,817	-	(1,817)	-	-	-	-	-	-	-	-	-	-	-	-	-
11	101000	340500	Other Office Equipment	0.00%	0.00%	0.00%	1,653	-	(1,653)	-	-	-	-	-	-	-	-	-	-	-	-	-
12	101000	341100	Trans Equip LI Duty Trucks	0.00%	0.00%	0.00%	29,836	-	(29,836)	-	-	-	-	-	-	-	-	-	-	-	-	-
13	101000	341200	Trans Equip Hvy Duty Trucks	0.00%	0.00%	0.00%	60,471	-	-	60,471	-	-	-	-	-	-	-	-	-	-	-	-
14	101000	341400	Trans Equip Other	25.00%	2.08%	25.00%	20,471	-	-	20,471	-	-	-	-	-	-	-	-	-	-	-	-
15	101000	343000	Tools, Shop, Garage Equip	25.00%	2.08%	25.00%	8,352	-	-	8,352	-	-	-	-	-	-	-	-	-	-	-	-
16	101000	343000	Laboratory Equipment	4.02%	0.34%	4.47%	31,846	-	(766)	31,080	-	-	-	-	-	-	-	-	-	-	-	-
17	101000	344000	Comm Equip Non-Telephone	0.00%	0.00%	0.00%	13,022	-	(1,063)	11,959	-	-	-	-	-	-	-	-	-	-	-	-
18	101000	346100	Comm Equip Telephone	0.00%	0.00%	0.00%	242	-	(242)	-	-	-	-	-	-	-	-	-	-	-	-	-
19	101000	346200	Comm Equip Other	0.00%	0.00%	0.00%	3,248	-	(3,248)	-	-	-	-	-	-	-	-	-	-	-	-	-
20	101000	346300	Misc Equipment	0.00%	0.00%	0.00%	495,475	-	(417)	495,058	-	-	-	-	-	-	-	-	-	-	-	-
21	101000	352000	WW Franchises	0.00%	0.00%	0.00%	351,687	-	(144,900)	206,787	-	-	-	-	-	-	-	-	-	-	-	-
22	101000	352000	WW Land & Ld Rights Coll	0.00%	0.00%	0.00%	133,735	-	-	133,735	-	-	-	-	-	-	-	-	-	-	-	-
23	101000	353200	WW Land & Ld Rights Gen	0.00%	0.00%	0.00%	483	-	-	483	-	-	-	-	-	-	-	-	-	-	-	-
24	101000	354200	WW Struct & Imp Coll	1.67%	0.14%	1.67%	1,405,820	-	(651,602)	754,218	-	-	-	-	-	-	-	-	-	-	-	-
25	101000	354300	WW Struct & Imp SPP	0.00%	0.00%	0.00%	305,764	-	(305,764)	-	-	-	-	-	-	-	-	-	-	-	-	-
26	101000	354400	WW Struct & Imp TOP	1.67%	0.14%	1.67%	428,570	-	-	428,570	-	-	-	-	-	-	-	-	-	-	-	-
27	101000	354500	WW Struct & Imp Gen	2.00%	0.17%	2.00%	10,148,980	-	-	10,148,980	-	-	-	-	-	-	-	-	-	-	-	-
28	101000	355500	WW Pwr Gen Equip RWTP	0.00%	0.00%	0.00%	2,610,305	-	-	2,610,305	-	-	-	-	-	-	-	-	-	-	-	-
29	101000	360000	WW Collection Sewers Forced	2.07%	0.17%	2.07%	26,100,905	-	-	26,100,905	-	-	-	-	-	-	-	-	-	-	-	-
30	101000	361000	WW Collecting Mains	2.04%	0.17%	2.04%	28,780,848	-	-	28,780,848	-	-	-	-	-	-	-	-	-	-	-	-
31	101000	362000	WW Special Coll Structures	2.04%	0.17%	2.04%	1,175,974	-	(35,826)	1,140,148	-	-	-	-	-	-	-	-	-	-	-	-
32	101000	363000	WW Sewers	3.31%	0.28%	3.31%	3,665,809	-	(1,706)	3,894,100	-	-	-	-	-	-	-	-	-	-	-	-
33	101000	364000	WW Flow Measuring Devices	5.42%	0.45%	5.42%	133,208	-	-	133,208	-	-	-	-	-	-	-	-	-	-	-	-
34	101000	370000	WW Receiving Wells	5.42%	0.45%	5.42%	184,940	-	-	184,940	-	-	-	-	-	-	-	-	-	-	-	-
35	101000	371000	WW Pump Equip Elect	5.42%	0.45%	5.42%	1,653,982	-	(14,304)	1,639,678	-	-	-	-	-	-	-	-	-	-	-	-
36	101000	371200	WW Pump Equip Other Power	5.42%	0.45%	5.42%	3,463	-	-	3,463	-	-	-	-	-	-	-	-	-	-	-	-
37	101000	380000	WW TD Equipment	0.00%	0.00%	0.00%	1,514,466	-	(632,073)	882,393	-	-	-	-	-	-	-	-	-	-	-	-
38	101000	380050	WW TD Equipment	0.00%	0.00%	0.00%	9,376,477	-	-	9,376,477	-	-	-	-	-	-	-	-	-	-	-	-
39	101000	380050	WW TD Equip GRT Removal	5.00%	0.42%	5.00%	2,069,952	-	(1,753)	2,068,199	-	-	-	-	-	-	-	-	-	-	-	-
40	101000	380100	WW Equip Sect Tanks/Acc	5.00%	0.42%	5.00%	9,794	-	(9,794)	-	-	-	-	-	-	-	-	-	-	-	-	-
41	101000	380200	WW TD Equip Sludge/Infl Rmv	5.00%	0.42%	5.00%	2,067,162	-	(22,897)	2,044,265	-	-	-	-	-	-	-	-	-	-	-	-
42	101000	380250	WW TD Equip Sludge Dig Tank	5.00%	0.42%	5.00%	11,210,945	-	(8,698)	11,202,247	-	-	-	-	-	-	-	-	-	-	-	-
43	101000	380300	WW TD Equip Sludge Dry/Filter	5.00%	0.42%	5.00%	2,067,162	-	(22,897)	2,044,265	-	-	-	-	-	-	-	-	-	-	-	-
44	101000	380400	WW TD Equip Aux Infl Trmt	5.00%	0.42%	5.00%	9,644	-	(9,644)	-	-	-	-	-	-	-	-	-	-	-	-	-
45	101000	380500	WW TD Equip Chem Trmt Pr	5.00%	0.42%	5.00%	1,054,768	-	-	1,054,768	-	-	-	-	-	-	-	-	-	-	-	-
46	101000	380600	WW TD Equip Other Disp	5.00%	0.42%	5.00%	821,525	-	-	821,525	-	-	-	-	-	-	-	-	-	-	-	-
47	101000	380625	WW TD Equip Gen Trmt	8.40%	0.70%	8.40%	821,525	-	-	821,525	-	-	-	-	-	-	-	-	-	-	-	-
48	101000	380650	WW TD Equip Influent LR S	8.40%	0.70%	8.40%	821,525	-	-	821,525	-	-	-	-	-	-	-	-	-	-	-	-
49	101000	381000	WW Plant Sewers	5.00%	0.42%	5.00%	5,908	-	(5,908)	-	-	-	-	-	-	-	-	-	-	-	-	-
50	101000	382000	WW Outfall Sewer Lines	5.00%	0.42%	5.00%	1,004,278	-	(6,197)	998,081	-	-	-	-	-	-	-	-	-	-	-	-
51	101000	389100	WW Other Plant & Misc Equip	4.98%	0.42%	4.98%	32,391	-	(709)	31,682	-	-	-	-	-	-	-	-	-	-	-	-
52	101000	390000	WW Office Furniture & Equip	24.96%	2.06%	24.96%	3,965	-	-	3,965	-	-	-	-	-	-	-	-	-	-	-	-
53	101000	391000	WW Trans Equipment	3.96%	0.33%	3.96%	10,990	-	-	10,990	-	-	-	-	-	-	-	-	-	-	-	-
54	101000	392000	WW Stores Equipment	4.44%	0.37%	4.44%	44,197	-	(3,226)	40,971	-	-	-	-	-	-	-	-	-	-	-	-
55	101000	393000	WW Tool Shop & Garage Equip	5.02%	0.42%	5.02%	1,017,136	-	(2,965)	1,014,171	-	-	-	-	-	-	-	-	-	-	-	-
56	101000	394000	WW Laboratory Equipment	10.30%	0.86%	10.30%	857,646	-	(14,474)	843,172	-	-	-	-	-	-	-	-	-	-	-	-
57	101000	395000	WW Power Operated Equip	5.02%	0.42%	5.02%	660,611	-	-	660,611	-	-	-	-	-	-	-	-	-	-	-	-
58	101000	396000	WW Communication Equip	10.30%	0.86%	10.30%	14,474	-	-	14,474	-	-	-	-	-	-	-	-	-	-	-	-
59	101000	397000	WW Misc Equipment	0.00%	0.00%	0.00%	2,354,057	-	-	2,354,057	-	-	-	-	-	-	-	-	-	-	-	-
60	101000	398000	WW Other Tangible Plant	0.00%	0.00%	0.00%	2,354,057	-	-	2,354,057	-	-	-	-	-	-	-	-	-	-	-	-
61	101000	399000	Not Classified	0.00%	0.00%	0.00%	2,354,057	-	-	2,354,057	-	-	-	-	-	-	-	-	-	-	-	-
62			Utility Plant				\$ 84,496,795	\$ (1,904,167)	\$ (207,636)	\$ 82,363,992	\$ 10,453,574											

Arizona American Water Company - Anthem / Agua Fria
Test Year Ended December 31, 2008
Rate Base Adjustment SLM-1 & LIG-6

Line No.	Object Account	Sub-Description	Retirements 2008	Adjustments 2008	SC WW and NWTP Trf Only Acc Dep Transfers 2008	Depr. Expense 2008	LIG-6 Recasts Verrado WRF from acct 395000	Ending Balance December 2008	Company Proposed Deprec Rates	Annual Depreciation Expense times Y/E Col(AE) / (AF)	Staff Ending Bal December 2008	Staff Proposed Deprec Rates	Staff Adj Verrado & Generator Trf	Company Final Ending Bal December 2008	Company Rebuttal / Final Proposed Deprec Rates	Company Rebuttal / Final Proposed Deprec Exp
1	101000	304100 Struct & Imp SS				281		11,726	0%	281	11,726	0%		11,726	0%	
2	101000	304200 Struct & Imp P					(0)							(0)		
3	101000	304510 Struct & Imp AG Cap Lease														
4	101000	304600 Struct & Imp Offices														
5	101000	304620 Struct & Imp Leasehold														
6	101000	304680 Struct & Imp Misc														
7	101000	304700 Wells & Springs														
8	101000	304700 Office Furniture & Equip				4,102	25,424	25,424	10.00%	2,542	25,424	10.00%	25,424	10.00%	2,542	
9	101000	304900 Computer & Periph Equip		(610)												
10	101000	304900 Computer Software														
11	101000	304930 Comp Software Other														
12	101000	304950 Other Office Equipment							20.00%			20.00%		20.00%		
13	101000	3041100 Trans Equip Lt Duty Trucks				15,118	60,471	60,471	15.00%	9,071	60,471	15.00%	60,471	15.00%	9,071	
14	101000	3041200 Trans Equip Hwy Duty Trucks				2,088	8,352	8,352	16.67%	1,392	8,352	16.67%	8,352	16.67%	1,392	
15	101000	3041400 Trans Equip Other				1,242	29,267	29,267	4.47%	1,308	29,267	4.47%	29,267	4.47%	1,308	
16	101000	3043000 Tools, Shop, Garage Equip														
17	101000	3044000 Laboratory Equipment														
18	101000	3046100 Comm Equip Non-Telephone														
19	101000	3046200 Comm Equip Telephone														
20	101000	3047000 Comm Equip Other														
21	101000	3047000 Misc Equipment														
22	101000	352000 WW Franchises							0.00%		495,058	0.00%	495,058	0.00%	495,058	
23	101000	353200 WW Land & Ld Rights Coll							0.00%		353,370	0.00%	353,370	0.00%	353,370	
24	101000	353500 WW Land & Ld Rights Gen							0.00%		143,036	0.00%	143,036	0.00%	143,036	
25	101000	354200 WW Struct & Imp Coll							1.67%	34,200	2,047,884	1.67%	2,047,884	1.67%	2,047,884	
26	101000	354300 WW Struct & Imp SPP														
27	101000	354600 WW Struct & Imp Gen														
28	101000	354600 WW Struct & Imp Gen														
29	101000	355500 WW Pwr Gen Equip RWTP														
30	101000	360000 WW Collecting Structures														
31	101000	361100 WW Special Coll Structures														
32	101000	362000 WW Services Street														
33	101000	363000 WW Flow Measuring Devices														
34	101000	364000 WW Receiving Wells														
35	101000	370000 WW Pump Equip Elect														
36	101000	371100 WW Pump Equip Other Power														
37	101000	371200 WW TD Equipment														
38	101000	380050 WW TD Equip Grit Removal														
39	101000	380100 WW Equip Seed Tanks/ACC														
40	101000	380200 WW TD Equip Sludge/Effl Rmv														
41	101000	380300 WW TD Equip Sludge Dig Tank														
42	101000	380350 WW TD Equip Sludge Dry/Filter														
43	101000	380400 WW TD Equip Aux Effl Trmt														
44	101000	380400 WW TD Equip Chem Trmt Ph														
45	101000	380500 WW TD Equip Other Disp														
46	101000	380600 WW TD Equip Gen Trmt														
47	101000	380625 WW TD Equip Influent Lift S														
48	101000	381000 WW Plant Sewers														
49	101000	382000 WW Other Plant & Misc Equip li														
50	101000	389100 WW Office Furniture & Equip														
51	101000	390000 WW Trans Equipment														
52	101000	391000 WW Stores Equipment														
53	101000	392000 WW Tool Shop & Garage Equip														
54	101000	393000 WW Laboratory Equipment														
55	101000	394000 WW Power Operated Equip														
56	101000	395000 WW Communication Equip														
57	101000	396000 WW Misc Equipment														
58	101000	397000 WW Other Tangible Plant														
59	101000	398000 Non Classified														
60	101000	Utility Plant														
61	101000	Total Plant														
62																
63																
64																
65																
66																
67																
68																
69																
70																
71																
72																
73																
74																

Depreciable Plant	\$ 119,219,076	3.20%
Composite Rate	\$ 3,814,318	3.20%
Disallow 14.5% for Excess Capacity	\$ 531,000	
Depreciable Plant	\$ 119,219,076	3.20%
Composite Rate	\$ 3,814,318	3.20%

SC WW and NWTP Trf Only Acc Dep Transfers 2008	\$ 18,784
Retirements 2008	\$ (618,199)
Adjustments 2008	\$ (8,108)
Depreciation Expense 2008	\$ 122,116,340
Ending Balance December 2008	\$ 122,116,340
Company Proposed Deprec Rates	\$ 122,116,340
Annual Depreciation Expense times Y/E Col(AE) / (AF)	\$ 3,917,561
Staff Ending Bal December 2008	\$ 119,219,076
Staff Proposed Deprec Rates	\$ 3,814,318
Staff Adj Verrado & Generator Trf	\$ (1,838,638)
Company Final Ending Bal December 2008	\$ 120,277,703
Company Rebuttal / Final Proposed Deprec Rates	\$ 120,277,703
Company Rebuttal / Final Proposed Deprec Exp	\$ 3,814,318

Retirements	\$ 3,807,171
Accum. Depr. - Approved/Calculated	\$ (6,108)
Accum. Depr. Transfers	\$ 16,842,073
Total Salvage	\$ 16,784
Total Approved/Calculated	\$ 16,660,856
Total Acc Dep Per Books (Trial Balance)	\$ 16,727,876
Total Over/(Under) Depreciated	\$ 67,019 SLM-1

Arizona American Water Company - Anthem / Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Rate Base Adjustment SLM-2

Exhibit
 Schedule B-2 Per Order
 Worksheet SLM-2
 Page 6
 Witness: Murrey

Line No.	Object Account Sub.	Description	Annual Depr. Rate	Monthly Depr. Rate	Audited W-01303A-07-0209 December 2006	Additions 2007	Retirements 2007	Adjustments 2007	Depr. Expense 2007	Ending Balance December 2007	Additions 2008	Retirements 2008	
1	Reconcile AZCorp. Plant & Accumulated Depreciation												
2	to Amounts Previously Audited												
3					30,722	(30,722)							
4	101000	303600	Land & Land Rights AG	0.00%	\$	\$							
5	101000	304510	Struct & Imp AG Cap Lease	5.63%									
6	101000	304600	Struct & Imp Offices	0.39%	18,209	(18,209)			(913)				
7	101000	304800	Struct & Imp Misc	0.39%									
8	101000	304620	Struct & Imp Leasehold	14.20%	197,755				28,081	197,755			
9	101000	331001	Melins	1.53%					999	783,397			
10	101000	339600	Other P/E CFS	3.30%									
11	101000	340100	Office Furniture & Equip	4.04%	1,090,192	34,725			44,115	1,124,906	51,651	(4,069)	
12	101000	340200	Comp & Periph Equip	15.89%	395,932	61,597			63,685	457,529	58,458	(555)	
13	101000	340300	Computer Software	37.71%	1,800,584	(233)			677,128	1,800,350	18,200		
14	101000	340330	Comp Software Other	37.71%	36,811	9,951			14,194	46,763			
15	101000	340500	Other Office Equipment	7.13%	469,000	(469,000)			(171,701)				
16	101000	341100	Trans Equip Lt Duty Trks	28.05%	18,131	20,324			349	38,455	89		
17	101000	343000	Tools, Shop, Garage Equip	3.61%									
18	101000	344000	Laboratory Equipment	3.71%									
19	101000	345000	Power Operated Equipment	4.64%	47,923	(47,923)							
20	101000	346100	Comm Equip Non-Telephone	9.76%	199,220	(13,140)			16,648	186,080			
21	101000	346200	Comm Equip Telephone	9.76%	49,678	(49,678)							
22	101000	346300	Comm Equip Other	7.91%	12,887	(7,985)			355	4,902			
23	101000	347000	Misc Equipment	5.10%									
24	101000	380400	WW/TD Equip Aux Effl Trmt	5.00%									
25	101000	393000	WW Tool Shop & Garage Equip	4.74%									
26					4,367,033	273,104			672,941	4,640,137	175,962	(4,624)	
27					7,9704%				8,1933%	8,1933%			
28					348,070				55,138	380,181			
29													
30													
31													
32													
33													
34													
35	SLM-2		Utility Plant										
36			Anthem/Agua Fria Wastewater Allocation Factor										
37			Anthem/Agua Fria Wastewater Allocation										
38			Monthly Depreciation Expense										
39			Retirements										
40			Accum. Deprec. - Apprvd/Calculated		2,813,109				672,941	3,486,050			
41			Total Removal Cost		(221,543)				576	(220,968)			
42			Total Salvage		100,000					100,000			
43			Total Approved/Calculated		2,691,566					3,365,082			
44			Total Per Books (Trial Balance/Column BU)		(2,787,094)				(643,209)	(3,430,303)			
45			Total Over/(Under) Depreciated		95,528					65,221			
30	SLM-2		Anthem/Agua Fria Wastewater Allocation Factor		7,9704%					8,1933%			
31			Anthem/Agua Fria Wastewater Allocation		214,528					275,711			
32										(281,055)			
33										5,344			
34										\$			

Note:
 1. In 2006 we removed \$703,156 from corporate books for Western Region.
 2. In 2006 the Eastern Division was not allowed.

Arizona American Water Company - Anthem / Agua Fria Wast
 Test Year Ended December 31, 2008
 Rate Base Adjustment SLM-2

Exhibit
 Schedule B-2 Per Order
 Worksheet SLM-2
 Page 7
 Witness: Murrey

Line No.	Object Account	Sub. Account	Description	Adjustments 2008	Depr. Expense 2008	SLM-2 Ending Balance December 2008	Company Proposed Depreciation Rates	Annual Depreciation Expense times TYE UPLIS
1	101000	303600	Land & Land Rights AG					
2	101000	304510	Struct & Imp AG Cap Lease					
3	101000	304600	Struct & Imp Offices					
4	101000	304800	Struct & Imp Misc					
5	101000	304620	Struct & Imp Leasehold		28,081	197,755	14.28%	28,239
6	101000	331001	Mains	(783,397)				
7	101000	339600	Other P/E CPS		712	51,651	20.00%	10,330
8	101000	340100	Office Furniture & Equip		42,478	1,153,056	3.87%	44,623
9	101000	340200	Comp & Periph Equip	(15,598)	75,261	500,835	10.00%	50,083
10	101000	340300	Computer Software		679,484	1,818,550	25.00%	454,638
11	101000	340330	Comp Software Other		17,634	46,763	25.00%	11,691
12	101000	340500	Other Office Equipment					
13	101000	341100	Trans Equip Lt Duty Trks					
14	101000	343000	Tools,Shop,Garage Equip	(38,545)	175		4.10%	
15	101000	344000	Laboratory Equipment					
16	101000	345000	Power Operated Equipment					
17	101000	346100	Comm Equip Non-Telephone		18,161	186,080	8.25%	15,352
18	101000	346200	Comm Equip Telephone		117	14,346	8.25%	1,184
19	101000	346300	Comm Equip Other		388	4,902	5.35%	262
20	101000	347000	Misc Equipment					
21	101000	380400	WW TD Equip Aux Effi Trmt					
22	101000	393000	WW Tool Shop & Garage Equip					

SLM-2	Utility Plant	Depr. Expense 2008	SLM-2 Ending Balance December 2008	Company Proposed Depreciation Rates	Annual Depreciation Expense times TYE UPLIS
	Anthem/Agua Fria Wastewater Allocation Fac	\$ 862,491	\$ 3,973,936		
	Anthem/Agua Fria Wastewater Allocation	\$ 8,0585%	\$ 8,0585%		
		\$ 69,503	\$ 320,238		
	Monthly Depreciation Expense				
	Retirements				
	Accum. Deprac. - Apprvd/Calculated	\$ 862,491	\$ 4,348,541		\$ 616,402 Corporate
	Total Removal Cost	220,968	0		8,0585% Anthem /Agua Fria Wastewater Allocation Factor
	Total Salvage		100,000		
	Total Approved/Calculated	\$ 1,083,459	\$ 4,448,542		\$ 49,672 Anthem/Agua Fria Wastewater Allocation
	Total Per Books (Trial Balance/Column BU)	(1,088,528)	(4,518,831)		
	Total Over/(Under) Depreciated	\$ 5,069	\$ 70,290		
	Anthem /Agua Fria Wastewater Allocation Fac		8,0585%		
	Anthem/Agua Fria Wastewater Allocation		358,484		
			(364,148)		
			\$ 5,664		

Note:
 1. In 2006 we removed \$703,156 from corporate books for West
 2. In 2006 the Eastern Division was not allowed.

Arizona American Water Company - Anthem / Agua Fria W
Test Year Ended December 31, 2008
Rate Base Adjustment LG-3

Line No.	Account	Sub Account	Description	Additions 2007	Retirements 2007	Adjustment 2007	Depr. Expense 2007	Plant Balance December 2007	Additions 2008	Retirements 2008	Adjustment 2008	Depr. Expense 2008	Plant Balance December 2008	Company Proposed Depreciation Rates	Annual Depreciation Expense Lines T/YE	Staff Ending Plant Bal December-08	2008
1	101000	304100	Struct & Imp SS				173	7,536			(7,536)	173		0.00%			
2	101000	304200	Struct & Imp P				30	1,763			(1,763)	27		1.67%			
3	101000	304600	Struct & Imp Office				84	5,512			(5,512)	84		1.67%			
4	101000	304800	Struct & Imp Misc				276	6,495			(6,495)	276		4.63%			
5	101000	307000	Wells & Springs				30	1,320			(1,320)	30		2.52%			
6	101000	311200	Pump Equip Electric			(159)	1,143	49,335			(49,335)	1,143		4.42%			
7	101000	335000	Hydrants											10.00%			
8	101000	340200	Comp & Periph Equip											7.13%			
9	101000	349500	Other Office Equipment											15.00%			
10	101000	341200	Trans Equip Hwy Duty Trls											16.67%			
11	101000	341300	Trans Equip Other											3.61%			
12	101000	341900	Tools, Shop and Garage											3.71%			
13	101000	344000	Labony Equipment				118	3,489			(3,489)	118		8.66%			
14	101000	344100	Labony Equip Non-Telephone				1,825	20,152			(20,152)	1,825		0.00%			
15	101000	351000	WW Franchise											0.00%			
16	101000	351200	WW Land & Ld Rights Coll					417					417	0.00%			
17	101000	351500	WW Land & Ld Rights Gen					144,900					144,900	0.00%			
18	101000	354200	WW Struct & Imp Coll					6,639					6,639	0.00%			
19	101000	354300	WW Struct & Imp SPP					874,904					874,904	0.00%			
20	101000	354400	WW Struct & Imp TDP					308,081					308,081	0.00%			
21	101000	354500	WW Pwr Gen Equip Coll											5.00%			
22	101000	355200	WW Pwr Gen Equip SPP											5.00%			
23	101000	361100	WW Collecting Mans											1.67%			
24	101000	362000	WW Special Coll Struct											3.33%			
25	101000	363000	WW Services Sewer											2.07%			
26	101000	364000	WW Flow Measuring Devices											2.04%			
27	101000	370000	WW Receiving Wells											10.00%			
28	101000	371200	WW Pump Equip Coll Pwr											5.42%			
29	101000	371300	WW Pump Equip Coll Pwr											5.42%			
30	101000	380000	WW TD Equip Gnt Removal											5.00%			
31	101000	380100	WW TD Equip Sld Tanks/Acc											5.00%			
32	101000	380200	WW TD Equip Stage/EM Rmly											5.00%			
33	101000	380250	WW TD Equip Stage Dng Trnk											5.00%			
34	101000	380300	WW TD Equip Stage Dry/F/R											5.00%			
35	101000	380350	WW TD Equip Sec Trmt F/R											5.00%			
36	101000	380400	WW TD Equip Chem Trmt Pnt											5.00%			
37	101000	380625	WW TD Equip Gen Trmt											5.00%			
38	101000	381000	WW TD Equip Influent L/R S											5.00%			
39	101000	381100	WW Oth Pnt & Misc Equip Int											5.00%			
40	101000	381200	WW Oth Pnt & Misc Equip											5.00%			
41	101000	380000	WW Office Furniture & Equip											5.00%			
42	101000	380300	WW Computers & Peripheral											5.00%			
43	101000	381000	WW Stores Equipment											5.00%			
44	101000	380000	WW Tool Shop & Garage Equip											5.00%			
45	101000	380000	WW Labony Equipment											5.00%			
46	101000	380000	WW Power Operated Equip											5.00%			
47	101000	380000	WW Comm Equipment											5.00%			
48	101000	380000	WW Misc Equipment											5.00%			
49	101000	380000	WW Other Tangible Plant											5.00%			
50	101000	380000	Utility Plant											5.00%			
51	101000	380000	Total Plant Per Books											5.00%			
52	101000	380000	Diff in Plant											5.00%			
53	101000	380000	Monthly Depreciation Expense											5.07%			
54	101000	380000	Retirements											5.07%			
55	101000	380000	Accum. Deprec. - Approv/Calculated											5.07%			
56	101000	380000	Total Removal Cost											5.07%			
57	101000	380000	Total Salvage											5.07%			
58	101000	380000	Total Approved/Calculated											5.07%			
59	101000	380000	Total Per Books (Total Balance/Column BLN)											5.07%			
60	101000	380000	Total Over/(Under) Depreciated											5.07%			

61	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$ 7,278,762	28% rather than 32%
62	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$ 7,278,762	28% rather than 32%
63	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$ 7,278,762	28% rather than 32%
64	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$ 7,278,762	28% rather than 32%
65	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$ 7,278,762	28% rather than 32%
66	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$ 7,278,762	28% rather than 32%
67	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$ 7,278,762	28% rather than 32%
68	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$ 7,278,762	28% rather than 32%
69	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$ 7,278,762	28% rather than 32%
70	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$ 7,278,762	28% rather than 32%
71	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$ 7,278,762	28% rather than 32%
72	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$ 7,278,762	28% rather than 32%
73	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$ 7,278,762	28% rather than 32%
74	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$ 7,278,762	28% rather than 32%
75	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$ 7,278,762	28% rather than 32%
76	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$ 7,278,762	28% rather than 32%
77	101000	380000	Depreciable Plant	\$ 8,253,484	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 140,104	\$ (85,564)	\$ (19,530)	\$ 8,233,484	\$ 422,487	\$ 8,106,828	5.07%	\$ 414,274	\$	

Company Per Order

Line No.		
1		
2	Working Cash Requirement	\$ 7,650
3	Material and Supplies Inventories	2,495 ¹
4	Prepayments	44,740
5		
6		
7	Total Working Capital Allowance	<u>\$ 54,885</u>
8		
9	Total Adjusted Test Year Working Capital Allowance	\$ 429,943
10		
11	Increase (Decrease in Working Capital Allowance	<u>\$ (375,057)</u>
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13	Increase (Decrease in Working Capital Allowance	<u>\$ (375,057)</u>
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46	¹ Thirteen-month average	
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49	Workpapers & Supporting Documents:	
50	\\Schedules\2008 Anth AF WW Sch. A-F_Decon.xls\	

ANTHEM / AGUA FRIA WASTEWATER

Line No.		Test Year Adjusted Results	Revenue Lag Days	Expense Lag Days	Net Lag Days	Lead/Lag Factor	Cash Working Capital Required
1	OPERATING EXPENSES						
2	P08 Labor	\$ 1,292,207	46.04007	12.000	34.0401	0.0933	\$ 120,512
3	P09 Purchased Water	1,490	46.04007	52.523	(6.4825)	(0.0178)	(26)
4	P10 Fuel & Power	220,308	46.04007	23.460	22.5801	0.0619	13,629
5	P11 Chemicals	0	46.04007	14.634	31.4063	0.0860	0
6	P12 Waste disposal	199,095	46.04007	26.899	19.1415	0.0524	10,441
7	P13 Management Fees	0	46.04007	-	46.0401	0.1261	(0)
8	P14 Group Insurance	396,545	46.04007	(13.704)	59.7439	0.1637	64,907
9	P15 Pensions	240,306	46.04007	(2.368)	48.4085	0.1326	31,871
10	P17 Insurance Other Than Group	94,566	46.04007	83.684	(37.6443)	(0.1031)	(9,753)
11	P18 Customer Accounting	187,988	46.04007	20.310	25.7301	0.0705	13,252
12	P19 Rents	83,599	46.04007	84.161	(38.1207)	(0.1044)	(8,731)
13	P21 Miscellaneous	547,967	46.04007	16.838	29.2025	0.0800	43,841
14	P25 Maintenance Expense	240,061	46.04007	18.239	27.8013	0.0762	18,285
15	Other Operating Expenses ¹	166,636	46.04007	30.000	16.0401	0.0439	7,323
16	TAXES						
17	P29 Property Taxes	351,938	46.04007	191.371	(145.3312)	(0.3982)	(140,130)
18	P29 Taxes Other than Income	87,538	46.04007	13.346	32.6938	0.0896	7,841
19	P30 Income Tax ²	1,322,865	46.04007	30.130	15.9101	0.0436	57,663
20	P56 Interest Sync	1,353,508	46.04007	106.250	(60.2099)	(0.1650)	(223,273)
21							
22	WORKING CASH REQUIREMENT	\$ 6,786,619					\$ 7,650

25 1) All other Operating Expenses are assumed to be paid by the 15th of the month following the receipt of goods and services.
 26 2) At proposed rates.

Arizona American Water Company - Anthem / Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Adjusted Test Year Income Statement

Exhibit
 Schedule C-1 Per Order
 Page 1
 Witness: Murrey

Line No.		Test Year Book Results	[B] Total Pro Forma Adjustments	[C] Test Year Adjusted Results	[D] Proposed Rate Increase	[E] Adjusted with Rate Increase
1	Revenues					
2	Sewer Revenues	\$ 8,634,446	\$ 121	\$ 8,634,567	\$ 4,657,770	\$ 13,292,338
3	Other Revenues	\$ 2,556	\$ -	\$ 2,556	\$ -	\$ 2,556
4						
5		\$ 8,637,002	\$ 121	\$ 8,637,123	\$ 4,657,770	\$ 13,294,894
6	Operating Expenses					
7	Labor	\$ 1,304,794	\$ (12,587)	\$ 1,292,207	\$ -	\$ 1,292,207
8	Purchased Water	\$ 3,368	\$ (1,878)	\$ 1,490	\$ -	\$ 1,490
9	Fuel & Power	\$ 220,308	\$ -	\$ 220,308	\$ -	\$ 220,308
10	Chemicals	\$ 303,374	\$ (74,553)	\$ 228,821	\$ -	\$ 228,821
11	Waste Disposal	\$ 199,095	\$ -	\$ 199,095	\$ -	\$ 199,095
12	Management Fees	\$ 1,461,723	\$ (2,708)	\$ 1,459,015	\$ -	\$ 1,459,015
13	Group Insurance	\$ 396,599	\$ (54)	\$ 396,545	\$ -	\$ 396,545
14	Pensions	\$ 240,306	\$ -	\$ 240,306	\$ -	\$ 240,306
15	Regulatory Expense	\$ 68,439	\$ -	\$ 68,439	\$ -	\$ 68,439
16	Insurance Other Than Group	\$ 94,566	\$ -	\$ 94,566	\$ -	\$ 94,566
17	Customer Accounting	\$ 223,494	\$ (35,506)	\$ 187,988	\$ 23,755	\$ 211,742
18	Rents	\$ 84,483	\$ (883)	\$ 83,599	\$ -	\$ 83,599
19	General Office Expense	\$ 85,697	\$ (393)	\$ 85,304	\$ -	\$ 85,304
20	Miscellaneous	\$ 555,967	\$ (8,000)	\$ 547,967	\$ -	\$ 547,967
21	Maintenance Expense	\$ 246,204	\$ (6,143)	\$ 240,061	\$ -	\$ 240,061
22	Depreciation & Amortization	\$ 3,579,558	\$ (165,839)	\$ 3,413,719	\$ -	\$ 3,413,719
23	General Taxes-Property Taxes	\$ 181,910	\$ 116,439	\$ 298,349	\$ 53,589	\$ 351,938
24	General Taxes-Other	\$ 87,538	\$ -	\$ 87,538	\$ -	\$ 87,538
25	Income Taxes	\$ (796,264)	\$ 77,667	\$ (718,597)	\$ 1,767,994	\$ 1,049,397
26						
27						
28	Total Operating Expenses	\$ 8,541,160	\$ (114,438)	\$ 8,426,722	\$ 1,845,337	\$ 10,272,059
29	Utility Operating Income	\$ 95,842	\$ 114,558	\$ 210,401	\$ 2,812,433	\$ 3,022,834
30	Other Income & Deductions					
31	Other Income & Deductions	-	-	-	-	-
32	Interest Expense	1,362,498	(8,990)	1,353,508	-	1,353,508
33	Other Expense	18,575	-	18,575	-	18,575
34	Gain/Loss Sale of Fixed Assets	(4)	-	(4)	-	(4)
35	Total Other Income & Deductions	\$ (1,381,077)	\$ 8,990	\$ (1,372,087)	\$ -	\$ (1,372,087)
36	Net Profit (Loss)	\$ (1,285,235)	\$ 123,549	\$ (1,161,686)	\$ 2,812,433	\$ 1,650,748

49 Workpapers & Supporting Documents:
 50 \Schedules\2008 Anth AF WW Sch. A-F_Decon.xls\

Line No.	[K] ADJ MHK-5 One-Time SC Charges	[L] ADJ MHK-6 Annualize Postage Increase	[M] ADJ MHK-7 Normalize Purchase Water Cost Savings	[N] ADJ MHK-8 Amortize Rate Case Exp	[O] ADJ MHK-9 Line 21 Clean-Up	[P] ADJ SLH-1 Annualize Payroll Exp	[Q] ADJ SLH-2 Annualize Pensions Exp	[R] ADJ SLH-3 Annualize 401K Expense	[S] ADJ SLH-4 Annualize Insurance Exp	[W] ADJ SLH-8 Water Testing Expense
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Arizona American Water Company - Anthem / Agua Fria W
 Test Year Ended December 31, 2008
 Income Statement Pro Forma Adjustments

Exhibit
 Schedule C-2
 Page 3
 Witness: Murrey

Line No.	[AA] ADJ SLH-12 Annualize Property Taxes	[AB] ADJ SLH-13 Remove Other Income & Deductions	[AC] ADJ SLH-14 Annualize OPEBs	[AD] ADJ SLH-15 Interest Synchronization	[AE] ADJ SLH-16 Federal and State Income Taxes	[AF] Total Pro Forma Adjustments	[AG] Test Year Adjusted Results	[AH] Proposed Rate Increase	[AI] Adjusted with Rate Increase
1						\$ 1,129,602	\$ 8,634,567	\$ 7,060,837	\$ 15,695,404
2							2,556		2,556
3									
4									
5									
6						\$ 1,129,602	\$ 8,637,123	\$ 7,060,837	\$ 15,697,960
7									
8						74,097	1,335,278		1,335,278
9						(11,653)	3,368		3,368
10						(68,936)	278,664		278,664
11						89,516	303,374		303,374
12						2,833	199,095		199,095
13						92,413	1,528,005		1,528,005
14						151,379	396,599		396,599
15						(18,793)	221,640		221,640
16						7,418	80,939		80,939
17							94,566		94,566
18							242,170	35,684	277,854
19							84,483		84,483
20							85,697		85,697
21						7,491	534,489		534,489
22							246,204		246,204
23						5,749	3,830,808		3,830,808
24	91,272					91,272	296,804	81,237	378,041
25						4,706	87,538		87,538
26						(811,935)	(1,020,813)	2,680,274	1,659,460
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Workpapers & Supporting Documents:
 \Schedules\2008 Anth AF WW Sch. A-F_Decon.xls

		COMPANY REBUTTAL												
Line No.		[K]	[L]	[M]	[N]	[O]	[P]	[Q]	[R]	[S]	[T]	[U]		
		ADJ MHK-9R Annualize Pensions Exp	ADJ MHK-10R Accept Staff's Rate Case Exp	ADJ LJG-3R Water Testing Expense	ADJ LJG-4R Normalize Bad Debt Expense	ADJ LJG-5R Annualize Property Taxes	ADJ LJG-6R Interest Synchronization	ADJ LJG-7R Federal & State Income Taxes	Total Pro Forma Adjustments	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase		
1	Revenues													
2	P03 Sewer Revenues									\$ 8,634,446	\$ 5,308,386	\$ 13,942,832		
3	P04 Other Revenues									2,556		2,556		
4														
5														
6	Operating Expenses													
7	P08 Labor									\$ 1,304,794		\$ 1,304,794		
8	P09 Purchased Water									3,368		3,368		
9	P10 Fuel & Power									220,308		220,308		
10	P11 Chemicals									303,374		303,374		
11	P12 Waste Disposal									199,095		199,095		
12	P13 Management Fees									1,461,723		1,461,723		
13	P14 Group Insurance									396,599		396,599		
14	P15 Pensions	18,666								240,306		240,306		
15	P16 Regulatory Expense		(12,500)							68,439		68,439		
16	P17 Insurance Other Than Group									94,566		94,566		
17	P18 Customer Accounting				(18,676)					223,494	35,664	259,178		
18	P19 Rents									84,483		84,483		
19	P20 General Office Expense									85,697		85,697		
20	P21 Miscellaneous			21,478						555,967		555,967		
21	P25 Maintenance Expense									246,204		246,204		
22	P27-28 Depreciation & Amortization									(251,250)		3,579,558		
23	P29 General Taxes-Property Taxes									181,910	99,366	281,276		
24	P29 General Taxes-Other					(114,894)				87,538		87,538		
25	P30-31 Income Taxes							224,550		(796,264)	1,996,850	1,200,586		
26														
27														
28	Total Operating Expenses	18,666	(12,500)	21,478	(18,676)	(114,894)		224,550	(287,749)	8,541,160	2,131,900	10,673,060		
29	Utility Operating Income	(18,666)	12,500	(21,478)	18,676	114,894		(224,550)	287,628	95,842	3,176,486	3,272,329		
30	Other Income & Deductions													
31	P39-42 Other Income & Deductions													
32	P56-60 Interest Expense									1,362,498		1,362,498		
33	P48-51 Other Expense									18,575		18,575		
34	P43 Gain/Loss Sale of Fixed Assets									(4)		(4)		
35	Net Other Income & Deductions									69,574		69,574		
36	Net Profit (Loss)	(18,666)	12,500	(21,478)	18,676	114,894		(224,550)	357,202	(1,285,235)	3,176,486	1,891,251		
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Line No.	COMPANY FINAL										[H] Final Adjusted with Rate Increase	
	[A] Rebutial Test Year Adjusted Results	[B] MHK-1F Accept Staff's NMTF Allocation	[C] ADJ LJG-2F Annualize Property Taxes	[D] ADJ LJG-3F Federal and State Income Taxes	[E] Total Pro Forma Adjustments	[F] Test Year Adjusted Results	[G] Proposed Rate Increase	[H] Final Adjusted with Rate Increase				
1	Revenues											
2	P03 Sewer Revenues	\$ 8,634,446								\$ 8,634,446	\$ 5,292,887	\$ 13,927,333
3	P04 Other Revenues	\$ 2,556								\$ 2,556		\$ 2,556
4		\$ 8,637,002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,637,002	\$ 5,292,887	\$ 13,929,889
5	Operating Expenses											
6	P08 Labor	\$ 1,304,794	\$ (17,587)			\$ (17,587)				\$ 1,287,207		\$ 1,287,207
7	P09 Purchased Water	\$ 3,368	\$ (1,878)			\$ (1,878)				\$ 1,490		\$ 1,490
8	P10 Fuel & Power	\$ 220,308	\$ (14,928)			\$ (14,928)				\$ 205,379		\$ 205,379
9	P11 Chemicals	\$ 303,374	\$ (16,567)			\$ (16,567)				\$ 286,807		\$ 286,807
10	P12 Waste Disposal	\$ 199,095	\$ (6,054)			\$ (6,054)				\$ 193,041		\$ 193,041
11	P13 Management Fees	\$ 1,461,723	\$ -			\$ -				\$ 1,461,723		\$ 1,461,723
12	P14 Group Insurance	\$ 396,589	\$ (54)			\$ (54)				\$ 396,545		\$ 396,545
13	P15 Pensions	\$ 240,306	\$ -			\$ -				\$ 240,306		\$ 240,306
14	P16 Regulatory Expense	\$ 68,439	\$ -			\$ -				\$ 68,439		\$ 68,439
15	P17 Insurance Other Than Group	\$ 94,566	\$ -			\$ -				\$ 94,566		\$ 94,566
16	P18 Customer Accounting	\$ 223,494	\$ -			\$ -				\$ 223,494	\$ 35,684	\$ 259,178
17	P19 Rentals	\$ 84,483	\$ (883)			\$ (883)				\$ 83,599		\$ 83,599
18	P20 General Office Expense	\$ 85,697	\$ (393)			\$ (393)				\$ 85,304		\$ 85,304
19	P21 Miscellaneous	\$ 555,967	\$ (8,000)			\$ (8,000)				\$ 547,967		\$ 547,967
20	P22 Maintenance Expense	\$ 246,204	\$ (6,143)			\$ (6,143)				\$ 240,061		\$ 240,061
21	P27-28 Depreciation & Amortization	\$ 3,579,558	\$ -			\$ -				\$ 3,579,558		\$ 3,583,865
22	P29 General Taxes-Property Taxes	\$ 181,910	\$ -	\$ 114,894		\$ 114,894				\$ 296,804	\$ 60,896	\$ 357,696
23	P29 General Taxes-Other	\$ 87,538	\$ -			\$ -				\$ 87,538		\$ 87,538
24	P29 Income Taxes	\$ (796,264)	\$ -			\$ -				\$ (796,264)	\$ (16,369)	\$ (1,191,423)
25		\$ 8,541,180	\$ (72,487)	\$ 114,894	\$ (16,369)	\$ 26,038				\$ 8,567,198	\$ 2,102,297	\$ 10,672,137
26	Total Operating Expenses	\$ 95,842	\$ 72,487	\$ (114,894)	\$ 16,369	\$ (26,038)				\$ 69,804	\$ 3,190,590	\$ 3,257,753
27	Utility Operating Income											
28	Other Income & Deductions											
29	P39-42 Other Income & Deductions											
30	P43 Gain/Loss Sale of Fixed Assets											
31	P43 Gain/Loss Sale of Fixed Assets	\$ 1,362,498	\$ -			\$ -				\$ 1,362,498		\$ 1,362,498
32	P43 Gain/Loss Sale of Fixed Assets	\$ 18,575	\$ -			\$ -				\$ 18,575		\$ 18,575
33	P43 Gain/Loss Sale of Fixed Assets	\$ (4)	\$ -			\$ -				\$ (4)		\$ (4)
34	P43 Gain/Loss Sale of Fixed Assets	\$ (1,381,077)	\$ -			\$ -				\$ (1,381,077)		\$ (1,381,077)
35	Net Other Income & Deductions	\$ (1,285,235)	\$ 72,487	\$ (114,894)	\$ 16,369	\$ (26,038)				\$ (1,311,273)	\$ 3,190,590	\$ 1,876,676
36	Net Profit (Loss)											
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		COMPANY PER ORDER										
Line No.		[A]	[B]	[C]	[D]	[E]	[F]	[D]	[F]	[G]	[H]	
		ADJ SLM-1	ADJ SLM-2	ADJ SLM-3	ADJ SLM-4	ADJ SLM-5	ADJ SLM-6	ADJ SLM-7	ADJ SLM-8	ADJ SLM-9		
		Rebuttal	Staff adj for	Rev MHK-1F	Adj L/JG -R4 for	Adj MHK-2R for	Adj MHK 1F	Adj L/JG -2R	Annualize	Adj for		
		ADJ L/JG-1R	NWVRTF alloc	as full adj in	Customer Acctg	Stock Comp & AIP	for Chemical Expense	for Dep Exp	Property Tax	Interest	Synchronization	
		Billing error adj	on wrong line	Staff Power Adj	per Staff Adj #3	per Staff Adj #9	per Staff Adj #1	per Staff #5				
1	Revenues											
2	P03 Sewer Revenues	\$ 8,634,446	\$ 121									
3	P04 Other Revenues	\$ 2,556										
4		\$ 8,637,002	\$ 121									
5	Operating Expenses											
6	Labor											
7	P08 Purchased Water	\$ 1,287,207				\$ 5,000						
8	P09 Fuel & Power	\$ 1,490										
9	P10 Chemicals	\$ 205,379		\$ 14,928								
10	P11 Waste Disposal	\$ 286,807										
11	P12 Management Fees	\$ 193,041										
12	P13 Group Insurance	\$ 1,461,723										
13	P14 Pensions	\$ 396,545				\$ 3,346						
14	P15 Regulatory Expense	\$ 240,306										
15	P16 Insurance Other Than Group	\$ 68,439										
16	P17 Customer Accounting	\$ 94,566										
17	P18 Rents	\$ 223,494										
18	P19 General Office Expense	\$ 83,599										
19	P20 Miscellaneous	\$ 85,304										
20	P21 Maintenance Expense	\$ 547,967										
21	P22 Depreciation & Amortization	\$ 240,061										
22	P27-28 General Taxes-Property Taxes	\$ 3,579,558										
23	P29 General Taxes-Other	\$ 296,804										
24	P29 Income Taxes	\$ 87,538										
25	P30-31	\$ (812,632)										
26												
27	Total Operating Expenses	\$ 8,567,198	\$ -	\$ 14,928	\$ (35,506)	\$ 8,347	\$ (57,986)	\$ (165,839)	\$ 1,545	\$ -		
28	Utility Operating Income	\$ 69,804										
29	Other Income & Deductions											
30	P39-42 Other Income & Deductions											
31	P56-60 Interest Expense	\$ 1,362,498										
32	P48-51 Gain/Loss Sale of Fixed Assets	\$ 18,575										
33	P43	\$ (4)										
34	Net Other Income & Deductions	\$ (1,381,077)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,990	
35	Net Profit (Loss)	\$ (1,311,273)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,990	
36												
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Line No.	(I)	(J)	(K)	(L)	(M)
	ADJ SLM-10	Total Pro Forma Adjustments	Final Test Year Adj Results	Proposed Rate Increase	Per Order Adjusted with Rate Increase
1	Revenues				
2	P03 Sewer Revenues	\$ 121	\$ 8,634,567	\$ 4,657,770	\$ 13,292,338
3	P04 Other Revenues	\$ -	\$ 7,668	\$ 2,556	\$ 2,556
4		\$ -	\$ 7,789	\$ 8,637,123	\$ 13,294,894
5	Operating Expenses				
6	P08 Labor	\$ 5,000	\$ 1,292,207	\$ -	\$ 1,292,207
7	P09 Purchased Water	\$ -	\$ 1,490	\$ -	\$ 1,490
8	P10 Fuel & Power	\$ 14,928	\$ 220,308	\$ -	\$ 220,308
9	P11 Chemicals	\$ (57,986)	\$ 228,821	\$ -	\$ 228,821
10	P12 Waste Disposal	\$ 6,054	\$ 199,095	\$ -	\$ 199,095
11	P13 Management Fees	\$ (2,708)	\$ 1,459,015	\$ -	\$ 1,459,015
12	P14 Group Insurance	\$ -	\$ 396,545	\$ -	\$ 396,545
13	P15 Pensions	\$ -	\$ 240,306	\$ -	\$ 240,306
14	P16 Regulatory Expense	\$ -	\$ 68,439	\$ -	\$ 68,439
15	P17 Insurance Other Than Group	\$ -	\$ 94,566	\$ -	\$ 94,566
16	P18 Customer Accounting	\$ (35,506)	\$ 187,988	\$ 23,755	\$ 211,742
17	P19 Rents	\$ -	\$ 83,599	\$ -	\$ 83,599
18	P20 General Office Expense	\$ -	\$ 85,304	\$ -	\$ 85,304
19	P21 Miscellaneous	\$ -	\$ 547,967	\$ -	\$ 547,967
20	P22 Maintenance Expense	\$ -	\$ 240,061	\$ -	\$ 240,061
21	P23 Depreciation & Amortization	\$ (165,639)	\$ 3,413,719	\$ -	\$ 3,413,719
22	P24 General Taxes-Property Taxes	\$ 1,545	\$ 298,349	\$ 53,589	\$ 351,938
23	P25 General Taxes-Other	\$ -	\$ 87,538	\$ -	\$ 87,538
24	P26 Income Taxes	\$ 94,036	\$ (718,597)	\$ 1,767,994	\$ 1,049,397
25		\$ -	\$ -	\$ -	\$ -
26		\$ -	\$ -	\$ -	\$ -
27	Total Operating Expenses	\$ (94,036)	\$ 8,426,722	\$ 1,845,337	\$ 10,272,059
28	Utility Operating Income	\$ (140,476)	\$ 210,401	\$ 2,812,433	\$ 3,022,834
29	Other Income & Deductions	\$ -	\$ -	\$ -	\$ -
30	P39-42 Other Income & Deductions	\$ -	\$ -	\$ -	\$ -
31	P56-60 Interest Expense	\$ (8,990)	\$ 1,353,508	\$ -	\$ 1,353,508
32	P48-51 Other Expense	\$ -	\$ 18,575	\$ -	\$ 18,575
33	P43 Gain/Loss Sale of Fixed Assets	\$ -	\$ (4)	\$ -	\$ (4)
34	Net Other Income & Deductions	\$ 8,990	\$ (1,372,067)	\$ -	\$ (1,372,067)
35	Net Profit (Loss)	\$ -	\$ (1,161,686)	\$ 2,812,433	\$ 1,650,748

Arizona American Water Company - Anthem / Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Computation of Gross Revenue Conversion Factor

Exhibit
 Schedule C-3 Per Order
 Page 1
 Witness: Murrey

Line No.	<u>Description</u>			Percentage of Incremental Gross Revenues
1	Federal Income Taxes			31.63%
2				
3	State Income Taxes			6.97%
4			Combined	38.60%
5	Property Taxes	Effective Rate =	1.1505%	One Minus Combined
6				61.40%
7	Bad Debt Expense	Effective Rate =	0.51%	One Minus Combined
8				61.40%
9	Total Tax Percentage			39.62%
10				
11	Operating Income % = 100% - Tax Percentage			60.38%
12				
13				
14				
15	<u>1</u>	= Gross Revenue Conversion Factor		
16	Operating Income %			1.6561
17				
18				
19				1.6560571000
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21				1.656057547
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48				
49	Workpapers & Supporting Documents:			
50	\\Schedules\2008 Anth AF WW Sch. A-F_Decon.xls\			

Arizona American Water Company - Anthem / Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Operating Statistics

Exhibit
 Schedule E-7 Per Order
 Page 1
 Witness: Murrey

Line No.		Test Year Ended 12/31/2008	Prior Year Ended 12/31/2007	Prior Year Ended 12/31/2006
1	<u>WASTEWATER STATISTICS:</u>			
2				
3	<u>Average No. of Customers</u>			
4	Residential	12,480	12,177	10,545
5	Commercial	123	121	111
6	Industrial	-	-	-
7	Other Public Authority	-	-	-
8	Other	6	5	5
9	Total	<u>12,609</u>	<u>12,303</u>	<u>10,661</u>

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20	Annual Revenue per Average			
21	Residential Customer	\$ 515.39	\$ 420.71	\$ 436.84

Arizona American Water Company - Anthem / Agua Fria Wastewater
Test Year Ended December 31, 2008
Summary of Revenues by Customer Classification - Present & Proposed Rates

Line No.	Customer Classification	Revenues in Test Year		Proposed Increase		Adj TY Rev \$ 8,637,123
		Present Rates	Order Rates	Amount	%	
1						
2	Residential	\$ 7,416,699.13	\$ 10,645,748.93	\$ 3,229,049.80	43.5%	
3						
4	Commercial	\$ 481,096.10	\$ 769,499.51	\$ 288,403.41	59.9%	
5						
6	Miscellaneous		\$ 586,578.15	\$ 586,578.15		
7						
8	OWU	\$ 733,665.54	\$ 1,290,510.74	\$ 556,845.20	75.9%	
9						
10						
11	Total Revenues	\$ 8,631,460.77	\$ 13,292,337.33	\$ 4,660,876.56	54.00%	
12			\$ 13,292,337			
13			-			
14			Add Customer	Annualized		
15	Combined Anthem / Agua Fria	From Schedule	Annualization from	Current		
16	Wastewater	H-2	Schedule C-2	Rates		
17	Residential	\$7,313,616.61	\$ 103,082.52	\$ 7,416,699.13		
18	Commercial	\$475,569.26	\$ 5,526.84	\$ 481,096.10		
19	OWU	\$733,665.54		\$ 733,665.54		
20		\$ 8,522,851.41	\$ 108,609.36	\$ 8,631,460.77		
21						
22						
23	Increase in Gross Revenue from Schedule A-1			\$ 4,657,770.45		
24	Percent Increase Across the Board			36.7%		
25						
26						
27			Add Customer	Annualized		
28	Combined Anthem / Agua Fria	From Schedule	Annualization from	Current		
29	Wastewater	H-2	Schedule C-2	Rates		
30	Residential	\$ 10,504,814.51	\$ 140,934.42	\$ 10,645,748.93		
31	Commercial	\$ 761,943.21	\$ 7,556.30	\$ 769,499.51		
32	OWU	\$ 1,290,510.74		\$ 1,290,510.74		
33		\$ 12,557,268.47	\$ 148,490.72	\$ 12,705,759.19		
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Arizona American Water Company - Anthem Sewer
Test Year Ended December 31, 2008
Analysis of Revenue by Detailed Class

Line No.	Rate Schedule	Description	Average Number of Customers	Average Consumption	Test Year Rates	Revenues Annualized Current Rates	ROO Rates	Proposed Increase Amount	Increase %
1	E1MS1	Anthem Sewer Residential	8,328	5,814	\$ 4,221,379.78	\$ 4,796,296.77	\$ 6,883,814.61	2,087,517.84	43.52%
2	E2MS1	Anthem Sewer Commercial 5/8"	4	5,825	\$ 2,122.45	\$ 2,465.79	\$ 3,950.86	1,485.15	60.23%
3	E2MS3	Anthem Sewer Commercial 1"	18	8,824	\$ 16,194.52	\$ 18,344.41	\$ 28,394.12	11,049.71	60.23%
4	E2MS4	Anthem Sewer Commercial LG	109	50,337	\$ 332,227.15	\$ 376,037.84	\$ 602,528.34	228,490.51	60.23%
5	E5M2	Anthem Wholesale (Phoenix) OWU	2	9,655,083	\$ 643,427.69	\$ 734,558.74	\$ 1,292,081.87	557,523.13	75.90%
6	D7M1	Anthem Non-Potable Irrig	48	840,540	\$ 553,090.29	\$ 687,648.39	\$ 379,272.21	-	-
7	D7M2	Anthem Non-Potable Irrig - Const	5	1,717,117	\$ 115,225.15	\$ 147,328.61	\$ 79,330.79	-	-
8	C8M2A	DMB @ Verrado Golf	1	13,683,831	\$ 198,236.70	\$ 220,583.35	\$ 198,975.15	-	-
12	Total Anthem Sewer - Billed Revenues		8,515	25,967,471	\$ 6,081,903.74	\$ 6,983,263.90	\$ 9,396,348.04	2,884,066.35	41.30%
14	Total Residential		8,328	5,814	\$ 4,221,379.78	\$ 4,796,296.77	\$ 6,883,814.61	2,087,518	43.52%
15	Total Commercial		131	65,086	\$ 350,544.13	\$ 396,848.04	\$ 635,873.41	239,025	60.23%
16	Total OWU		2	9,655,083	\$ 643,427.69	\$ 734,558.74	\$ 1,292,081.87	557,523	75.90%
20	Total Anthem Sewer - Billed Revenues		8,461	9,725,983	\$ 5,215,351.60	\$ 5,927,703.54	\$ 8,811,769.89	2,884,066.35	48.65%
21	Less: Miscellaneous Adjustments				\$ (6,114.04)				
22	Annualized Difference				\$ 712,351.94				
23					Present Rates	Proposed Rates	Annualization of		
24					Misc. Adjustments	Misc. Adjustments	6/4/08 Rate Incr		
26	E1MS1				\$ (1,415.25)	\$ (1,415.25)	\$ (2,031.22)	\$ 574,916.98	
27	E2MS4				\$ (3,385.11)	\$ (3,385.11)	\$ (5,423.97)		
29	Difference from General Ledger [a]		0.00%		\$ 130.94	\$ -	\$ -		
30	Subtotal				\$ (4,689.42)	\$ (4,800.36)	\$ (7,455.19)	\$ 574,916.98	
32	Residential Billed Revenues				\$ 4,218,710.36	\$ 4,791,496.41	\$ 6,876,359.42		PMT (Booked Revenue) \$ 4,218,710.36
35	E2MS1				\$ -	\$ -	\$ -	\$ 343.34	
36	E2MS3				\$ -	\$ -	\$ -	\$ 2,148.88	
37	E2MS4				\$ (420.48)	\$ (420.48)	\$ (739.62)	\$ 43,810.68	
38	Difference from General Ledger [a]		0.60%		\$ 2,110.80	\$ -	\$ -		
39	Subtotal				\$ 1,890.32	\$ (420.48)	\$ (739.62)	\$ 48,303.91	PMT (Booked Revenue)
41	Commercial Billed Revenues				\$ 352,234.45	\$ 396,427.56	\$ 635,133.79		\$ 352,234.45
43	E5M2				\$ (693.20)	\$ (693.20)	\$ (1,571.13)	\$ 91,131.05	
50	Difference from General Ledger [a]		0.00%		\$ -	\$ -	\$ -		
51	Subtotal				\$ (693.20)	\$ (693.20)	\$ (1,571.13)	\$ 91,131.05	PMT (Booked Revenue)
53	OPA Billed Revenues				\$ 642,534.48	\$ 733,665.54	\$ 1,290,510.74		\$ 642,534.48
57	Billed Revenues				\$ 5,211,479.30	\$ 5,921,589.50	\$ 8,802,003.95	\$ 712,351.94	
59	Total Booked Revenues Per G.L. - F.Y. 2008				\$ -	\$ 710,110.20	\$ -		\$ 8,211,749.30
61	Difference from General Ledger [a]		0.00%		\$ 0.00				

Arizona American Water Company - Anthem Sewer
Test Year Ended December 31, 2008
Changes in Representative Rate Schedules

Line No.	Rate Schedule	Description	Block	Base Charge			Volume Charge		
				Present Rate	ROO Rate	Change	Present Rate	ROO Rate	Change
1	E1MS1	Anthem Sewer Residential	First 7,000 gals.	\$ 27.76	\$ 39.84	\$ 12.08	\$ 3.4800	\$ 4.9948	\$ 1.5148
2			Over 7,000 gals.						
3	E2MS1	Anthem Sewer Commercial 5/8"	First 10,000 gals.	\$ 27.76	\$ 44.48	\$ 16.72	\$ 3.4800	\$ 5.5760	\$ 2.0960
4			Over 10,000 gals.						
5	E2MS2	Anthem Sewer Commercial 3/4"	First 15,000 gals.	\$ 41.64	\$ 66.72	\$ 25.08	\$ 3.4800	\$ 5.5760	\$ 2.0960
6			Over 15,000 gals.						
7	E2MS3	Anthem Sewer Commercial 1"	First 20,000 gals.	\$ 55.58	\$ 89.06	\$ 33.48	\$ 3.4800	\$ 5.5760	\$ 2.0960
8			Over 20,000 gals.						
9	E2MS4	Anthem Sewer Commercial LG	All Usage	\$ 111.12	\$ 178.06	\$ 66.93	\$ 3.4800	\$ 5.5760	\$ 2.0960
10	ESM2	Anthem Wholesale (Phoenix) OWU	All Usage	\$ -	\$ -	\$ -	\$ 3.1700	\$ 5.5760	\$ 2.4060
11	D7M1	Anthem Non-Potable Irrig		\$ -	\$ -	\$ -	\$ 1.4300	\$ 0.77	\$ (0.66)
12	D7M2	Anthem Non-Potable Irrig - Const		\$ -	\$ -	\$ -	\$ 1.4300	\$ 0.77	\$ (0.66)
13	C8M2A	DMB @ Verrado Golf		\$ -	\$ -	\$ -	\$ 1.2400	\$ 0.77	\$ (0.47)
14									
15									
16									
17									
18		Annual Fee for Industrial Discharge Service							
19		<= 50,000 gals water per month		\$ 500	\$ 500	\$ -			
20		> 50,000 gals water per month		\$ 1,000	\$ 1,000	\$ -			
21									
22	SHU-1	Sewer Facilities Hook-Up Fee							
23		Fee per Equivalent Residential Unit		\$ 765					
24		ERU Schedule:	# ERUs						
25		Single Family Home	1.00						
26		Apartment Units	0.50						
27		Commercial Units (per acre)	4.00						
28		Resorts (per room)	0.50						
29		Parks, Golf Courses and Rights of Way	-						
30									
31	MISC-1	Miscellaneous Fees							
32		Establishment during business hours		\$ 30.00	\$ 30.00	\$ -			
33		Establishment after business hours		\$ 45.00	\$ 45.00	\$ -			
34		Reconnection (delinquent)		\$ 40.00	\$ 40.00	\$ -			

Arizona American Water Company - Anthem Sewer
 Test Year Ended December 31, 2008
 Typical Bill Analysis

Line No.	Rate Schedule	Description	Consumption	Typical Bills		
				Present Rates	Proposed Rates	Proposed Increase Amount %
1	E1MS1	Athtem/Agua Fria Sewer Residential	1,000	\$31.24	\$44.84	\$ 13.60 43.52%
2	E1MS1	Athtem/Agua Fria Sewer Residential	2,000	\$34.72	\$49.83	\$ 15.11 43.52%
3	E1MS1	Athtem/Agua Fria Sewer Residential	3,000	\$38.20	\$54.83	\$ 16.63 43.52%
4	E1MS1	Athtem/Agua Fria Sewer Residential	4,000	\$41.68	\$59.82	\$ 18.14 43.52%
5	E1MS1	Athtem/Agua Fria Sewer Residential	5,000	\$45.16	\$64.82	\$ 19.66 43.52%
6	E1MS1	Athtem/Agua Fria Sewer Residential	6,000	\$48.64	\$69.81	\$ 21.17 43.52%
7	E1MS1	Athtem/Agua Fria Sewer Residential	7,000	\$52.12	\$74.80	\$ 22.68 43.52%
8	E1MS1	Athtem/Agua Fria Sewer Residential	8,000	\$52.12	\$74.80	\$ 22.68 43.52%
9	E1MS1	Athtem/Agua Fria Sewer Residential	9,000	\$52.12	\$74.80	\$ 22.68 43.52%
10	E1MS1	Athtem/Agua Fria Sewer Residential	10,000	\$52.12	\$74.80	\$ 22.68 43.52%
11	E1MS1	Athtem/Agua Fria Sewer Residential	11,000	\$52.12	\$74.80	\$ 22.68 43.52%
12	E1MS1	Athtem/Agua Fria Sewer Residential	12,000	\$52.12	\$74.80	\$ 22.68 43.52%
13	E1MS1	Athtem/Agua Fria Sewer Residential	13,000	\$52.12	\$74.80	\$ 22.68 43.52%
14	E1MS1	Athtem/Agua Fria Sewer Residential	14,000	\$52.12	\$74.80	\$ 22.68 43.52%
15	E1MS1	Athtem/Agua Fria Sewer Residential	15,000	\$52.12	\$74.80	\$ 22.68 43.52%
16	E1MS1	Athtem/Agua Fria Sewer Residential	16,000	\$52.12	\$74.80	\$ 22.68 43.52%
17	E1MS1	Athtem/Agua Fria Sewer Residential	17,000	\$52.12	\$74.80	\$ 22.68 43.52%
18	E1MS1	Athtem/Agua Fria Sewer Residential	18,000	\$52.12	\$74.80	\$ 22.68 43.52%
19	E1MS1	Athtem/Agua Fria Sewer Residential	19,000	\$52.12	\$74.80	\$ 22.68 43.52%
20	E1MS1	Athtem/Agua Fria Sewer Residential	20,000	\$52.12	\$74.80	\$ 22.68 43.52%
21	E1MS1	Athtem/Agua Fria Sewer Residential	21,000	\$52.12	\$74.80	\$ 22.68 43.52%
22	E1MS1	Athtem/Agua Fria Sewer Residential	22,000	\$52.12	\$74.80	\$ 22.68 43.52%
23	E1MS1	Athtem/Agua Fria Sewer Residential	23,000	\$52.12	\$74.80	\$ 22.68 43.52%
24	E1MS1	Athtem/Agua Fria Sewer Residential	24,000	\$52.12	\$74.80	\$ 22.68 43.52%
25	E1MS1	Athtem/Agua Fria Sewer Residential	25,000	\$52.12	\$74.80	\$ 22.68 43.52%
26	E1MS1	Athtem/Agua Fria Sewer Residential	26,000	\$52.12	\$74.80	\$ 22.68 43.52%
27	E1MS1	Athtem/Agua Fria Sewer Residential	27,000	\$52.12	\$74.80	\$ 22.68 43.52%
28	E1MS1	Athtem/Agua Fria Sewer Residential	28,000	\$52.12	\$74.80	\$ 22.68 43.52%
29	E1MS1	Athtem/Agua Fria Sewer Residential	29,000	\$52.12	\$74.80	\$ 22.68 43.52%
30	E1MS1	Athtem/Agua Fria Sewer Residential	30,000	\$52.12	\$74.80	\$ 22.68 43.52%
31	E1MS1	Athtem/Agua Fria Sewer Residential	31,000	\$52.12	\$74.80	\$ 22.68 43.52%
32	E1MS1	Athtem/Agua Fria Sewer Residential	32,000	\$52.12	\$74.80	\$ 22.68 43.52%
33	E1MS1	Athtem/Agua Fria Sewer Residential	33,000	\$52.12	\$74.80	\$ 22.68 43.52%
34	E1MS1	Athtem/Agua Fria Sewer Residential	34,000	\$52.12	\$74.80	\$ 22.68 43.52%
35	E1MS1	Athtem/Agua Fria Sewer Residential	35,000	\$52.12	\$74.80	\$ 22.68 43.52%
36	E1MS1	Athtem/Agua Fria Sewer Residential	36,000	\$52.12	\$74.80	\$ 22.68 43.52%
37	E1MS1	Athtem/Agua Fria Sewer Residential	37,000	\$52.12	\$74.80	\$ 22.68 43.52%
38	E1MS1	Athtem/Agua Fria Sewer Residential	38,000	\$52.12	\$74.80	\$ 22.68 43.52%
39	E1MS1	Athtem/Agua Fria Sewer Residential	39,000	\$52.12	\$74.80	\$ 22.68 43.52%
40	E1MS1	Athtem/Agua Fria Sewer Residential	40,000	\$52.12	\$74.80	\$ 22.68 43.52%
41	E1MS1	Athtem/Agua Fria Sewer Residential	41,000	\$52.12	\$74.80	\$ 22.68 43.52%
42	E1MS1	Athtem/Agua Fria Sewer Residential	42,000	\$52.12	\$74.80	\$ 22.68 43.52%
43	E1MS1	Athtem/Agua Fria Sewer Residential	43,000	\$52.12	\$74.80	\$ 22.68 43.52%
44	E1MS1	Athtem/Agua Fria Sewer Residential	44,000	\$52.12	\$74.80	\$ 22.68 43.52%
45	E1MS1	Athtem/Agua Fria Sewer Residential	45,000	\$52.12	\$74.80	\$ 22.68 43.52%
46	E1MS1	Athtem/Agua Fria Sewer Residential	46,000	\$52.12	\$74.80	\$ 22.68 43.52%
47	E1MS1	Athtem/Agua Fria Sewer Residential	47,000	\$52.12	\$74.80	\$ 22.68 43.52%
48	E1MS1	Athtem/Agua Fria Sewer Residential	48,000	\$52.12	\$74.80	\$ 22.68 43.52%
49	E1MS1	Athtem/Agua Fria Sewer Residential	49,000	\$52.12	\$74.80	\$ 22.68 43.52%
50	E1MS1	Athtem/Agua Fria Sewer Residential	50,000	\$52.12	\$74.80	\$ 22.68 43.52%
51	E1MS1	Athtem/Agua Fria Sewer Residential	51,000	\$52.12	\$74.80	\$ 22.68 43.52%
52	E1MS1	Athtem/Agua Fria Sewer Residential	52,000	\$52.12	\$74.80	\$ 22.68 43.52%
53	E1MS1	Athtem/Agua Fria Sewer Residential	53,000	\$52.12	\$74.80	\$ 22.68 43.52%
54	E1MS1	Athtem/Agua Fria Sewer Residential	54,000	\$52.12	\$74.80	\$ 22.68 43.52%
55	E1MS1	Athtem/Agua Fria Sewer Residential	55,000	\$52.12	\$74.80	\$ 22.68 43.52%
56						
57	E1MS1	Athtem/Agua Fria Sewer Residential	Average: 5,814	\$47.99	\$68.88	\$ 20.89 43.52%
58						
59						
60						

Arizona American Water Company - Anthem Sewer
 Test Year Ended December 31, 2008
 Typical Bill Analysis

Line No.	Rate Schedule	Description	Consumption	Typical Bills			
				Present Rates	Proposed Rates	Proposed Increase Amount	%
1	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	1,000	\$31.24	\$50.06	\$ 18.82	60.23%
2	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	2,000	\$34.72	\$55.63	\$ 20.91	60.23%
3	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	3,000	\$38.20	\$61.21	\$ 23.01	60.23%
4	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	4,000	\$41.68	\$66.78	\$ 25.10	60.23%
5	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	5,000	\$45.16	\$72.36	\$ 27.20	60.23%
6	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	6,000	\$48.64	\$77.94	\$ 29.30	60.23%
7	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	7,000	\$52.12	\$83.51	\$ 31.39	60.23%
8	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	8,000	\$55.60	\$89.09	\$ 33.49	60.23%
9	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	9,000	\$59.08	\$94.66	\$ 35.58	60.23%
10	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	10,000	\$62.56	\$100.24	\$ 37.68	60.23%
11	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	11,000	\$62.56	\$100.24	\$ 37.68	60.23%
12	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	12,000	\$62.56	\$100.24	\$ 37.68	60.23%
13	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	13,000	\$62.56	\$100.24	\$ 37.68	60.23%
14	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	14,000	\$62.56	\$100.24	\$ 37.68	60.23%
15	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	15,000	\$62.56	\$100.24	\$ 37.68	60.23%
16	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	16,000	\$62.56	\$100.24	\$ 37.68	60.23%
17	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	17,000	\$62.56	\$100.24	\$ 37.68	60.23%
18	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	18,000	\$62.56	\$100.24	\$ 37.68	60.23%
19	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	19,000	\$62.56	\$100.24	\$ 37.68	60.23%
20	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	20,000	\$62.56	\$100.24	\$ 37.68	60.23%
21	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	21,000	\$62.56	\$100.24	\$ 37.68	60.23%
22	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	22,000	\$62.56	\$100.24	\$ 37.68	60.23%
23	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	23,000	\$62.56	\$100.24	\$ 37.68	60.23%
24	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	24,000	\$62.56	\$100.24	\$ 37.68	60.23%
25	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	25,000	\$62.56	\$100.24	\$ 37.68	60.23%
26	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	26,000	\$62.56	\$100.24	\$ 37.68	60.23%
27	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	27,000	\$62.56	\$100.24	\$ 37.68	60.23%
28	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	28,000	\$62.56	\$100.24	\$ 37.68	60.23%
29	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	29,000	\$62.56	\$100.24	\$ 37.68	60.23%
30	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	30,000	\$62.56	\$100.24	\$ 37.68	60.23%
31	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	31,000	\$62.56	\$100.24	\$ 37.68	60.23%
32	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	32,000	\$62.56	\$100.24	\$ 37.68	60.23%
33	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	33,000	\$62.56	\$100.24	\$ 37.68	60.23%
34	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	34,000	\$62.56	\$100.24	\$ 37.68	60.23%
35	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	35,000	\$62.56	\$100.24	\$ 37.68	60.23%
36	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	36,000	\$62.56	\$100.24	\$ 37.68	60.23%
37	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	37,000	\$62.56	\$100.24	\$ 37.68	60.23%
38	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	38,000	\$62.56	\$100.24	\$ 37.68	60.23%
39	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	39,000	\$62.56	\$100.24	\$ 37.68	60.23%
40	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	40,000	\$62.56	\$100.24	\$ 37.68	60.23%
41	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	41,000	\$62.56	\$100.24	\$ 37.68	60.23%
42	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	42,000	\$62.56	\$100.24	\$ 37.68	60.23%
43	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	43,000	\$62.56	\$100.24	\$ 37.68	60.23%
44	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	44,000	\$62.56	\$100.24	\$ 37.68	60.23%
45	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	45,000	\$62.56	\$100.24	\$ 37.68	60.23%
46	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	46,000	\$62.56	\$100.24	\$ 37.68	60.23%
47	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	47,000	\$62.56	\$100.24	\$ 37.68	60.23%
48	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	48,000	\$62.56	\$100.24	\$ 37.68	60.23%
49	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	49,000	\$62.56	\$100.24	\$ 37.68	60.23%
50	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	50,000	\$62.56	\$100.24	\$ 37.68	60.23%
51	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	51,000	\$62.56	\$100.24	\$ 37.68	60.23%
52	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	52,000	\$62.56	\$100.24	\$ 37.68	60.23%
53	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	53,000	\$62.56	\$100.24	\$ 37.68	60.23%
54	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	54,000	\$62.56	\$100.24	\$ 37.68	60.23%
55	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	55,000	\$62.56	\$100.24	\$ 37.68	60.23%
56							
57	E2MS1	Athtem/Agua Fria Sewer Commerial 5/8"	Average: 5,925	\$48.38	\$77.52	\$ 29.14	60.23%
58							
59							
60							

Arizona American Water Company - Anthem Sewer
 Test Year Ended December 31, 2008
 Typical Bill Analysis

Line No.	Rate Schedule	Description	Consumption	Typical Bills		Proposed Increase Amount	Increase %
				Present Rates	Proposed Rates		
1	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	5,000	\$59.06	\$94.64	\$ 35.58	60.24%
2	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	10,000	\$62.54	\$100.21	\$ 37.67	60.24%
3	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	15,000	\$66.02	\$105.79	\$ 39.77	60.24%
4	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	20,000	\$69.50	\$111.36	\$ 41.86	60.24%
5	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	25,000	\$72.98	\$116.94	\$ 43.96	60.24%
6	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	30,000	\$76.46	\$122.52	\$ 46.06	60.24%
7	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	35,000	\$79.94	\$128.09	\$ 48.15	60.24%
8	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	40,000	\$83.42	\$133.67	\$ 50.25	60.23%
9	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	45,000	\$86.90	\$139.24	\$ 52.34	60.23%
10	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	50,000	\$90.38	\$144.82	\$ 54.44	60.23%
11	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	55,000	\$93.86	\$150.40	\$ 56.54	60.23%
12	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	60,000	\$97.34	\$155.97	\$ 58.63	60.23%
13	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	65,000	\$100.82	\$161.55	\$ 60.73	60.23%
14	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	70,000	\$104.30	\$167.12	\$ 62.82	60.23%
15	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	75,000	\$107.78	\$172.70	\$ 64.92	60.23%
16	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	80,000	\$111.26	\$178.28	\$ 67.02	60.23%
17	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	85,000	\$114.74	\$183.85	\$ 69.11	60.23%
18	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	90,000	\$118.22	\$189.43	\$ 71.21	60.23%
19	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	95,000	\$121.70	\$195.00	\$ 73.30	60.23%
20	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	100,000	\$125.18	\$200.58	\$ 75.40	60.23%
21	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	105,000	\$125.18	\$200.58	\$ 75.40	60.23%
22	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	110,000	\$125.18	\$200.58	\$ 75.40	60.23%
23	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	115,000	\$125.18	\$200.58	\$ 75.40	60.23%
24	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	120,000	\$125.18	\$200.58	\$ 75.40	60.23%
25	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	125,000	\$125.18	\$200.58	\$ 75.40	60.23%
26	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	130,000	\$125.18	\$200.58	\$ 75.40	60.23%
27	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	135,000	\$125.18	\$200.58	\$ 75.40	60.23%
28	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	140,000	\$125.18	\$200.58	\$ 75.40	60.23%
29	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	145,000	\$125.18	\$200.58	\$ 75.40	60.23%
30	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	150,000	\$125.18	\$200.58	\$ 75.40	60.23%
31	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	155,000	\$125.18	\$200.58	\$ 75.40	60.23%
32	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	160,000	\$125.18	\$200.58	\$ 75.40	60.23%
33	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	165,000	\$125.18	\$200.58	\$ 75.40	60.23%
34	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	170,000	\$125.18	\$200.58	\$ 75.40	60.23%
35	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	175,000	\$125.18	\$200.58	\$ 75.40	60.23%
36	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	180,000	\$125.18	\$200.58	\$ 75.40	60.23%
37	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	185,000	\$125.18	\$200.58	\$ 75.40	60.23%
38	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	190,000	\$125.18	\$200.58	\$ 75.40	60.23%
39	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	195,000	\$125.18	\$200.58	\$ 75.40	60.23%
40	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	200,000	\$125.18	\$200.58	\$ 75.40	60.23%
41	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	205,000	\$125.18	\$200.58	\$ 75.40	60.23%
42	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	210,000	\$125.18	\$200.58	\$ 75.40	60.23%
43	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	215,000	\$125.18	\$200.58	\$ 75.40	60.23%
44	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	220,000	\$125.18	\$200.58	\$ 75.40	60.23%
45	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	225,000	\$125.18	\$200.58	\$ 75.40	60.23%
46	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	230,000	\$125.18	\$200.58	\$ 75.40	60.23%
47	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	235,000	\$125.18	\$200.58	\$ 75.40	60.23%
48	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	240,000	\$125.18	\$200.58	\$ 75.40	60.23%
49	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	245,000	\$125.18	\$200.58	\$ 75.40	60.23%
50	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	250,000	\$125.18	\$200.58	\$ 75.40	60.23%
51	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	255,000	\$125.18	\$200.58	\$ 75.40	60.23%
52	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	260,000	\$125.18	\$200.58	\$ 75.40	60.23%
53	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	265,000	\$125.18	\$200.58	\$ 75.40	60.23%
54	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	270,000	\$125.18	\$200.58	\$ 75.40	60.23%
55	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	275,000	\$125.18	\$200.58	\$ 75.40	60.23%
56							
57	E2MS3	Athtem/Agua Fria Sewer Commercial 1"	Average: 8,824	\$86.29	\$136.26	\$ 51.98	60.23%
58							
59							
60							

Arizona American Water Company - Anthem Sewer
 Test Year Ended December 31, 2008
 Typical Bill Analysis

Line No.	Rate Schedule	Description	Consumption	Typical Bills		Proposed Increase	
				Present Rates	Proposed Rates	Amount	%
1	E2MS4	Anthem/Agua Fria Sewer Commercial LG	1,000	\$114.60	\$183.63	\$ 69.03	60.23%
2	E2MS4	Anthem/Agua Fria Sewer Commercial LG	2,000	\$118.08	\$189.20	\$ 71.12	60.23%
3	E2MS4	Anthem/Agua Fria Sewer Commercial LG	3,000	\$121.56	\$194.78	\$ 73.22	60.23%
4	E2MS4	Anthem/Agua Fria Sewer Commercial LG	4,000	\$125.04	\$200.35	\$ 75.31	60.23%
5	E2MS4	Anthem/Agua Fria Sewer Commercial LG	5,000	\$128.52	\$205.93	\$ 77.41	60.23%
6	E2MS4	Anthem/Agua Fria Sewer Commercial LG	6,000	\$132.00	\$211.51	\$ 79.51	60.23%
7	E2MS4	Anthem/Agua Fria Sewer Commercial LG	7,000	\$135.48	\$217.08	\$ 81.60	60.23%
8	E2MS4	Anthem/Agua Fria Sewer Commercial LG	8,000	\$138.96	\$222.66	\$ 83.70	60.23%
9	E2MS4	Anthem/Agua Fria Sewer Commercial LG	9,000	\$142.44	\$228.23	\$ 85.79	60.23%
10	E2MS4	Anthem/Agua Fria Sewer Commercial LG	10,000	\$145.92	\$233.81	\$ 87.89	60.23%
11	E2MS4	Anthem/Agua Fria Sewer Commercial LG	11,000	\$149.40	\$239.39	\$ 89.99	60.23%
12	E2MS4	Anthem/Agua Fria Sewer Commercial LG	12,000	\$152.88	\$244.96	\$ 92.08	60.23%
13	E2MS4	Anthem/Agua Fria Sewer Commercial LG	13,000	\$156.36	\$250.54	\$ 94.18	60.23%
14	E2MS4	Anthem/Agua Fria Sewer Commercial LG	14,000	\$159.84	\$256.11	\$ 96.27	60.23%
15	E2MS4	Anthem/Agua Fria Sewer Commercial LG	15,000	\$163.32	\$261.69	\$ 98.37	60.23%
16	E2MS4	Anthem/Agua Fria Sewer Commercial LG	16,000	\$166.80	\$267.27	\$ 100.47	60.23%
17	E2MS4	Anthem/Agua Fria Sewer Commercial LG	17,000	\$170.28	\$272.84	\$ 102.56	60.23%
18	E2MS4	Anthem/Agua Fria Sewer Commercial LG	18,000	\$173.76	\$278.42	\$ 104.66	60.23%
19	E2MS4	Anthem/Agua Fria Sewer Commercial LG	19,000	\$177.24	\$283.99	\$ 106.75	60.23%
20	E2MS4	Anthem/Agua Fria Sewer Commercial LG	20,000	\$180.72	\$289.57	\$ 108.85	60.23%
21	E2MS4	Anthem/Agua Fria Sewer Commercial LG	21,000	\$184.20	\$295.15	\$ 110.95	60.23%
22	E2MS4	Anthem/Agua Fria Sewer Commercial LG	22,000	\$187.68	\$300.72	\$ 113.04	60.23%
23	E2MS4	Anthem/Agua Fria Sewer Commercial LG	23,000	\$191.16	\$306.30	\$ 115.14	60.23%
24	E2MS4	Anthem/Agua Fria Sewer Commercial LG	24,000	\$194.64	\$311.87	\$ 117.23	60.23%
25	E2MS4	Anthem/Agua Fria Sewer Commercial LG	25,000	\$198.12	\$317.45	\$ 119.33	60.23%
26	E2MS4	Anthem/Agua Fria Sewer Commercial LG	26,000	\$201.60	\$323.03	\$ 121.43	60.23%
27	E2MS4	Anthem/Agua Fria Sewer Commercial LG	27,000	\$205.08	\$328.60	\$ 123.52	60.23%
28	E2MS4	Anthem/Agua Fria Sewer Commercial LG	28,000	\$208.56	\$334.18	\$ 125.62	60.23%
29	E2MS4	Anthem/Agua Fria Sewer Commercial LG	29,000	\$212.04	\$339.75	\$ 127.71	60.23%
30	E2MS4	Anthem/Agua Fria Sewer Commercial LG	30,000	\$215.52	\$345.33	\$ 129.81	60.23%
31	E2MS4	Anthem/Agua Fria Sewer Commercial LG	31,000	\$219.00	\$350.91	\$ 131.91	60.23%
32	E2MS4	Anthem/Agua Fria Sewer Commercial LG	32,000	\$222.48	\$356.48	\$ 134.00	60.23%
33	E2MS4	Anthem/Agua Fria Sewer Commercial LG	33,000	\$225.96	\$362.06	\$ 136.10	60.23%
34	E2MS4	Anthem/Agua Fria Sewer Commercial LG	35,000	\$232.92	\$373.21	\$ 140.29	60.23%
35	E2MS4	Anthem/Agua Fria Sewer Commercial LG	40,000	\$250.32	\$401.09	\$ 150.77	60.23%
36	E2MS4	Anthem/Agua Fria Sewer Commercial LG	45,000	\$267.72	\$428.97	\$ 161.25	60.23%
37	E2MS4	Anthem/Agua Fria Sewer Commercial LG	50,000	\$285.12	\$456.85	\$ 171.73	60.23%
38	E2MS4	Anthem/Agua Fria Sewer Commercial LG	60,000	\$319.92	\$512.61	\$ 192.69	60.23%
39	E2MS4	Anthem/Agua Fria Sewer Commercial LG	70,000	\$354.72	\$568.37	\$ 213.65	60.23%
40	E2MS4	Anthem/Agua Fria Sewer Commercial LG	80,000	\$389.52	\$624.13	\$ 234.61	60.23%
41	E2MS4	Anthem/Agua Fria Sewer Commercial LG	90,000	\$424.32	\$679.89	\$ 255.57	60.23%
42	E2MS4	Anthem/Agua Fria Sewer Commercial LG	100,000	\$459.12	\$735.65	\$ 276.53	60.23%
43	E2MS4	Anthem/Agua Fria Sewer Commercial LG	200,000	\$807.12	\$1,293.25	\$ 486.13	60.23%
44	E2MS4	Anthem/Agua Fria Sewer Commercial LG	300,000	\$1,155.12	\$1,850.85	\$ 695.73	60.23%
45	E2MS4	Anthem/Agua Fria Sewer Commercial LG	400,000	\$1,503.12	\$2,408.45	\$ 905.33	60.23%
46	E2MS4	Anthem/Agua Fria Sewer Commercial LG	500,000	\$1,851.12	\$2,966.05	\$ 1,114.93	60.23%
47	E2MS4	Anthem/Agua Fria Sewer Commercial LG	600,000	\$2,199.12	\$3,523.65	\$ 1,324.53	60.23%
48	E2MS4	Anthem/Agua Fria Sewer Commercial LG	700,000	\$2,547.12	\$4,081.25	\$ 1,534.13	60.23%
49	E2MS4	Anthem/Agua Fria Sewer Commercial LG	800,000	\$2,895.12	\$4,638.85	\$ 1,743.73	60.23%
50	E2MS4	Anthem/Agua Fria Sewer Commercial LG	900,000	\$3,243.12	\$5,196.45	\$ 1,953.33	60.23%
51	E2MS4	Anthem/Agua Fria Sewer Commercial LG	1,000,000	\$3,591.12	\$5,754.05	\$ 2,162.93	60.23%
52	E2MS4	Anthem/Agua Fria Sewer Commercial LG	1,100,000	\$3,939.12	\$6,311.65	\$ 2,372.53	60.23%
53	E2MS4	Anthem/Agua Fria Sewer Commercial LG	1,200,000	\$4,287.12	\$6,869.25	\$ 2,582.13	60.23%
54	E2MS4	Anthem/Agua Fria Sewer Commercial LG	1,300,000	\$4,635.12	\$7,426.85	\$ 2,791.73	60.23%
55	E2MS4	Anthem/Agua Fria Sewer Commercial LG	1,400,000	\$4,983.12	\$7,984.45	\$ 3,001.33	60.23%
56							
57	E2MS4	Anthem/Agua Fria Sewer Commercial LG	Average: 50,337	\$286.29	\$458.73	\$ 172.44	60.23%
58							
59							
60							

Arizona American Water Company - Anthem Sewer
 Test Year Ended December 31, 2008
 Typical Bill Analysis

Line No.	Rate Schedule	Description	Consumption	Typical Bills		Proposed Increase	
				Present Rates	Proposed Rates	Amount	%
1	E5M2	Anthem Wholesale (Phoenix) OWU	1,000	\$3.17	\$5.58	\$ 2.41	75.90%
2	E5M2	Anthem Wholesale (Phoenix) OWU	2,000	\$6.34	\$11.15	\$ 4.81	75.90%
3	E5M2	Anthem Wholesale (Phoenix) OWU	3,000	\$9.51	\$16.73	\$ 7.22	75.90%
4	E5M2	Anthem Wholesale (Phoenix) OWU	4,000	\$12.68	\$22.30	\$ 9.62	75.90%
5	E5M2	Anthem Wholesale (Phoenix) OWU	5,000	\$15.85	\$27.88	\$ 12.03	75.90%
6	E5M2	Anthem Wholesale (Phoenix) OWU	6,000	\$19.02	\$33.46	\$ 14.44	75.90%
7	E5M2	Anthem Wholesale (Phoenix) OWU	7,000	\$22.19	\$39.03	\$ 16.84	75.90%
8	E5M2	Anthem Wholesale (Phoenix) OWU	8,000	\$25.36	\$44.61	\$ 19.25	75.90%
9	E5M2	Anthem Wholesale (Phoenix) OWU	9,000	\$28.53	\$50.18	\$ 21.65	75.90%
10	E5M2	Anthem Wholesale (Phoenix) OWU	10,000	\$31.70	\$55.76	\$ 24.06	75.90%
11	E5M2	Anthem Wholesale (Phoenix) OWU	11,000	\$34.87	\$61.34	\$ 26.47	75.90%
12	E5M2	Anthem Wholesale (Phoenix) OWU	12,000	\$38.04	\$66.91	\$ 28.87	75.90%
13	E5M2	Anthem Wholesale (Phoenix) OWU	13,000	\$41.21	\$72.49	\$ 31.28	75.90%
14	E5M2	Anthem Wholesale (Phoenix) OWU	14,000	\$44.38	\$78.06	\$ 33.68	75.90%
15	E5M2	Anthem Wholesale (Phoenix) OWU	15,000	\$47.55	\$83.64	\$ 36.09	75.90%
16	E5M2	Anthem Wholesale (Phoenix) OWU	16,000	\$50.72	\$89.22	\$ 38.50	75.90%
17	E5M2	Anthem Wholesale (Phoenix) OWU	17,000	\$53.89	\$94.79	\$ 40.90	75.90%
18	E5M2	Anthem Wholesale (Phoenix) OWU	18,000	\$57.06	\$100.37	\$ 43.31	75.90%
19	E5M2	Anthem Wholesale (Phoenix) OWU	19,000	\$60.23	\$105.94	\$ 45.71	75.90%
20	E5M2	Anthem Wholesale (Phoenix) OWU	20,000	\$63.40	\$111.52	\$ 48.12	75.90%
21	E5M2	Anthem Wholesale (Phoenix) OWU	21,000	\$66.57	\$117.10	\$ 50.53	75.90%
22	E5M2	Anthem Wholesale (Phoenix) OWU	22,000	\$69.74	\$122.67	\$ 52.93	75.90%
23	E5M2	Anthem Wholesale (Phoenix) OWU	23,000	\$72.91	\$128.25	\$ 55.34	75.90%
24	E5M2	Anthem Wholesale (Phoenix) OWU	24,000	\$76.08	\$133.82	\$ 57.74	75.90%
25	E5M2	Anthem Wholesale (Phoenix) OWU	25,000	\$79.25	\$139.40	\$ 60.15	75.90%
26	E5M2	Anthem Wholesale (Phoenix) OWU	26,000	\$82.42	\$144.98	\$ 62.56	75.90%
27	E5M2	Anthem Wholesale (Phoenix) OWU	27,000	\$85.59	\$150.55	\$ 64.96	75.90%
28	E5M2	Anthem Wholesale (Phoenix) OWU	28,000	\$88.76	\$156.13	\$ 67.37	75.90%
29	E5M2	Anthem Wholesale (Phoenix) OWU	29,000	\$91.93	\$161.70	\$ 69.77	75.90%
30	E5M2	Anthem Wholesale (Phoenix) OWU	30,000	\$95.10	\$167.28	\$ 72.18	75.90%
31	E5M2	Anthem Wholesale (Phoenix) OWU	31,000	\$98.27	\$172.86	\$ 74.59	75.90%
32	E5M2	Anthem Wholesale (Phoenix) OWU	32,000	\$101.44	\$178.43	\$ 76.99	75.90%
33	E5M2	Anthem Wholesale (Phoenix) OWU	33,000	\$104.61	\$184.01	\$ 79.40	75.90%
34	E5M2	Anthem Wholesale (Phoenix) OWU	34,000	\$107.78	\$189.58	\$ 81.80	75.90%
35	E5M2	Anthem Wholesale (Phoenix) OWU	35,000	\$110.95	\$195.16	\$ 84.21	75.90%
36	E5M2	Anthem Wholesale (Phoenix) OWU	36,000	\$114.12	\$200.74	\$ 86.62	75.90%
37	E5M2	Anthem Wholesale (Phoenix) OWU	37,000	\$117.29	\$206.31	\$ 89.02	75.90%
38	E5M2	Anthem Wholesale (Phoenix) OWU	38,000	\$120.46	\$211.89	\$ 91.43	75.90%
39	E5M2	Anthem Wholesale (Phoenix) OWU	39,000	\$123.63	\$217.46	\$ 93.83	75.90%
40	E5M2	Anthem Wholesale (Phoenix) OWU	40,000	\$126.80	\$223.04	\$ 96.24	75.90%
41	E5M2	Anthem Wholesale (Phoenix) OWU	41,000	\$129.97	\$228.62	\$ 98.65	75.90%
42	E5M2	Anthem Wholesale (Phoenix) OWU	42,000	\$133.14	\$234.19	\$ 101.05	75.90%
43	E5M2	Anthem Wholesale (Phoenix) OWU	43,000	\$136.31	\$239.77	\$ 103.46	75.90%
44	E5M2	Anthem Wholesale (Phoenix) OWU	44,000	\$139.48	\$245.34	\$ 105.86	75.90%
45	E5M2	Anthem Wholesale (Phoenix) OWU	45,000	\$142.65	\$250.92	\$ 108.27	75.90%
46	E5M2	Anthem Wholesale (Phoenix) OWU	46,000	\$145.82	\$256.50	\$ 110.68	75.90%
47	E5M2	Anthem Wholesale (Phoenix) OWU	47,000	\$148.99	\$262.07	\$ 113.08	75.90%
48	E5M2	Anthem Wholesale (Phoenix) OWU	48,000	\$152.16	\$267.65	\$ 115.49	75.90%
49	E5M2	Anthem Wholesale (Phoenix) OWU	49,000	\$155.33	\$273.22	\$ 117.89	75.90%
50	E5M2	Anthem Wholesale (Phoenix) OWU	50,000	\$158.50	\$278.80	\$ 120.30	75.90%
51	E5M2	Anthem Wholesale (Phoenix) OWU	51,000	\$161.67	\$284.38	\$ 122.71	75.90%
52	E5M2	Anthem Wholesale (Phoenix) OWU	52,000	\$164.84	\$289.95	\$ 125.11	75.90%
53	E5M2	Anthem Wholesale (Phoenix) OWU	53,000	\$168.01	\$295.53	\$ 127.52	75.90%
54	E5M2	Anthem Wholesale (Phoenix) OWU	54,000	\$171.18	\$301.10	\$ 129.92	75.90%
55	E5M2	Anthem Wholesale (Phoenix) OWU	55,000	\$174.35	\$306.68	\$ 132.33	75.90%
56							
57	E5M2	Anthem Wholesale (Phoenix) OWU	Average: 9,655	\$30,606.61	\$53,836.74	\$23,230.13	75.90%
58							
59							
60							

Arizona American Water Company
Athem - E1MS1
Unit of Measure = 1000 Gals.

Rate Schedule: E1MS1
Description: Anthem Sewer Residential
Monthly Customer Charge: \$27.76
Tier One Break Over: 7,000 Gallons Rate: \$ 3.4800
Tier Two Break Over: 999,999,999 Rate:

Year 2008					
Usage	# of Bills	Total		Consolidated	
		Usage	# Bills	Usage	Factor
0	1,797	0	1,797	0	0
1	2,355	2,355	4,152	2,355	95,998
2	3,857	7,714	8,009	10,069	189,641
3	5,661	16,983	13,670	27,052	279,427
4	7,142	28,568	20,812	55,620	363,552
5	7,706	38,530	28,518	94,150	440,535
6	7,745	46,470	36,263	140,620	509,812
7	81,260	428,820	97,523	569,440	571,344
8	50	400	97,573	569,840	571,616
9	34	306	97,607	570,146	571,838
10	25	250	97,632	570,396	572,026
11	29	319	97,661	570,715	572,189
12	20	240	97,681	570,955	572,323
13	22	286	97,703	571,241	572,437
14	15	210	97,718	571,451	572,529
15	7	105	97,725	571,556	572,606
16	7	112	97,732	571,668	572,676
17	8	136	97,740	571,804	572,739
18	8	144	97,748	571,948	572,794
19	3	57	97,751	572,005	572,841
20	5	100	97,756	572,105	572,885
21	37	777	97,793	572,882	572,924
25	1	25	97,794	572,907	572,932
29	1	29	97,795	572,936	572,936

	Meter Count	Usage
Partial at Current Rates	2,139.57	8,131.01

	Meter Count	Tier 1 Usage	
Full Bill	97,795.00	572,936	
Partial Bill	2,139.57	8,131	Total Res Consumption
	99,935	581,067	870,371

	Revenues	Misc Adjustments	Total
	\$2,774,183.57	\$ 2,022,113.19	\$4,796,296.77
			\$ (1,415.25)
			\$ 4,794,881.52

Actual Billed Revenues				
	Meter Charge	Tier 1 Old Rates	Tier 1 New Rates	Total
Usage		274,725	306,347	
Rate		\$ 2,5450	\$ 3,4800	
	\$2,456,116.80	\$ 699,174.03	\$ 1,066,088.95	\$4,221,379.78

Revenues based on actual bill analysis	\$ 4,221,379.78	4,221,390.27	ECIS TY Revenue
Misc Adjustments	\$ (1,415.25)		
	\$ 4,219,964.53		

	Average Customers	Average Consumption	Annualized Difference
	8,328	5,814	\$ 574,916.98
	Median # of Bills	48,898	
	Median Consumption	7,000	

Arizona American Water Company
Anthem - E2MS1
Unit of Measure = 1000 Gals.

Rate Schedule: E2MS1
Description: Anthem Sewer Commercial 5/8"
Monthly Customer Charge: \$27.76
Tier One Break Over: 10,000 Gallons Rate: \$ 3.4800
Tier Two Break Over: 999,999,999 Rate:

Year 2008					
Usage	# of Bills	Total		Consolidated	
		Usage	# Bills	Usage	Factor
1	7	7	7	7	7
2	9	18	16	25	93
3	5	15	21	40	127
4	1	4	22	44	156
5	1	5	23	49	184
6	2	12	25	61	211
7	2	14	27	75	236
8	3	24	30	99	259
9	1	9	31	108	279
10	19	190	50	298	298

	Meter Count	Usage
Partial at Current Rates	0.97	4
	Meter Count	Tier 1 Usage
Full Bill	50.00	298
Partial Bill	0.97	4
	51	302

Revenues	\$1,414.83	\$	1,050.96	\$	Total	\$2,465.79
Misc Adjustments						\$ 2,465.79

Actual Billed Revenues

	Meter Charge	Tier 1 Old Rates	Tier 1 New Rates	Total
Usage		157	145	
Rate		\$ 2.5450	\$ 3.4800	
	\$1,218.61	\$ 400.53	\$ 503.31	\$2,122.45

Revenues based on actual bill analysis	\$	2,122.45	2,122.48	ECIS TY Revenue
Misc Adjustments	\$	-		
	\$	2,122.45		

Average Customers	4	Annualized Difference	\$ 343.34
Average Consumption	5,925		
Median # of Bills	25		
Median Consumption	6,000		

Arizona American Water Company
 Agria Fria - E2MS3
 Unit of Measure = 1000 Gals.

Rate Schedule: E2MS3
 Description: Anthem Sewer Commercial 1"
 Monthly Customer Charge: \$55.58
 Tier One Break Over: 20,000 Gallons Rate: \$ 3.4800
 Tier Two Break Over: 999,999,999 Rate:

Year 2008					
Usage	# of Bills	Total Usage	Cumulative # Bills	Cumulative Usage	Consolidated Factor
0	13	0	13	0	0
1	16	16	29	16	197
2	25	50	54	66	378
3	22	66	76	132	534
4	13	52	89	184	668
5	7	35	96	219	789
6	6	36	102	255	903
7	8	56	110	311	1,011
8	8	64	118	375	1,111
9	9	81	127	456	1,203
10	6	60	133	516	1,286
11	8	88	141	604	1,363
12	7	84	148	688	1,432
13	4	52	152	740	1,494
14	1	14	153	754	1,552
15	5	75	158	829	1,609
16	2	32	160	861	1,661
18	1	18	161	879	1,761
19	1	19	162	898	1,810
20	48	960	210	1,858	1,858

	Meter Count	Usage
Partial at Current Rates	2.6	17.89

	Meter Count	Tier 1 Usage
Full Bill	210.00	1,858
Partial Bill	2.60	18
	213	1,876

Revenues	\$11,816.31	\$ 6,528.10	\$ -	Total	\$18,344.41
Misc Adjustments					\$ 18,344.41

Actual Billed Revenues	Meter Charge	Tier 1 Old Rates	Tier 1 New Rates	Total
Usage		829	1,048	1,876
Rate		\$ 2.5450	\$ 3.4800	
	\$10,439.46	\$ 2,108.79	\$ 3,646.27	\$16,194.52

Revenues based on actual bill analysis	\$ 16,194.52	16,194.69	ECIS TY Revenue
Misc Adjustments	\$ -		
	\$ 16,194.52		

		Annualized Difference
Average Customers	18	\$ 2,149.88
Average Consumption	8,824	
Median # of Bills	105	
Median Consumption	7,000	

Arizona American Water Company
 Anthem - E2MS4
 Unit of Measure = 1000 Gals.

Rate Schedule: E2MS4
 Description: Anthem Sewer Commercial LG
 Monthly Customer Charge: \$111.12

Tier Two Break Over: 999,999,999 Rate: \$ 3.4800

Year 2008					
Usage	# of Bills	Total Usage	Cumulative		Consolidated Factor
			Units	Usage	
-	200	0	200	0	0
1	80	80	280	80	994
2	47	94	327	174	1,908
3	54	162	381	336	2,775
4	48	192	429	528	3,588
5	28	140	457	668	4,353
6	19	114	476	782	5,090
7	23	161	499	943	5,808
8	21	168	520	1,111	6,503
9	16	144	536	1,255	7,177
10	26	260	562	1,515	7,835
11	30	330	592	1,845	8,467
12	21	252	613	2,097	9,069
13	22	286	635	2,383	9,650
14	13	182	648	2,565	10,209
15	22	330	670	2,895	10,755
16	10	160	680	3,055	11,279
17	14	238	694	3,293	11,793
18	24	432	718	3,725	12,293
19	16	304	734	4,029	12,769
20	18	360	752	4,389	13,229
21	11	231	763	4,620	13,671
22	7	154	770	4,774	14,102
23	15	345	785	5,119	14,526
24	11	264	796	5,383	14,935
25	8	200	804	5,583	15,333
26	6	156	810	5,739	15,723
27	13	351	823	6,090	16,107
28	9	252	832	6,342	16,478
29	6	174	838	6,516	16,840
30	10	300	848	6,816	17,196
31	7	217	855	7,033	17,542
32	8	256	863	7,289	17,881
33	7	231	870	7,520	18,212
34	4	136	874	7,656	18,536
35	6	210	880	7,866	18,856
36	10	360	890	8,226	19,170
37	7	259	897	8,485	19,474
38	9	342	906	8,827	19,771
39	6	234	912	9,061	20,059
40	4	160	916	9,221	20,341
41	5	205	921	9,426	20,619
43	5	215	926	9,641	21,165
44	2	88	928	9,729	21,433
45	8	360	936	10,089	21,899
46	7	322	943	10,411	21,957
47	2	94	945	10,505	22,208
48	2	96	947	10,601	22,457
49	3	147	950	10,748	22,704
50	2	100	952	10,848	22,948
51	4	204	956	11,052	23,190
52	1	52	957	11,104	23,428
53	2	106	959	11,210	23,665
55	5	275	964	11,485	24,135
56	3	168	967	11,653	24,365
58	1	58	968	11,711	24,819
59	1	59	969	11,770	25,045
60	2	120	971	11,890	25,270
61	3	183	974	12,073	25,493
62	6	372	980	12,445	25,713
64	3	192	983	12,637	26,141
65	1	65	984	12,702	26,352
66	1	66	985	12,768	26,562
67	3	201	988	12,969	26,771
68	4	272	992	13,241	26,977
69	4	276	996	13,517	27,179

Arizona American Water Company
 Anthem - E2MS4
 Unit of Measure = 1000 Gals.

Rate Schedule: E2MS4
 Description: Anthem Sewer Commercial LG
 Monthly Customer Charge: \$111.12

Tier Two Break Over: 999,999,999 Rate: \$ 3.4800

Year 2008					
Usage	# of Bills	Total	Cumulative		Consolidated
		Usage	Units	Usage	Factor
70	2	140	998	13,857	27,377
71	3	213	1,001	13,870	27,573
72	2	144	1,003	14,014	27,766
74	1	74	1,004	14,088	28,148
76	3	228	1,007	14,316	28,528
77	3	231	1,010	14,547	28,715
78	4	312	1,014	14,859	28,899
79	3	237	1,017	15,096	29,079
80	2	160	1,019	15,256	29,256
81	5	405	1,024	15,661	29,431
82	3	246	1,027	15,907	29,601
83	1	83	1,028	15,990	29,768
84	1	84	1,029	16,074	29,934
85	1	85	1,030	16,159	30,099
87	1	87	1,031	16,246	30,427
88	2	176	1,033	16,422	30,590
89	1	89	1,034	16,511	30,751
91	2	182	1,036	16,693	31,071
92	2	184	1,038	16,877	31,229
93	3	279	1,041	17,156	31,385
94	5	470	1,046	17,626	31,538
95	2	190	1,048	17,816	31,688
96	1	96	1,049	17,912	31,832
98	1	98	1,050	18,010	32,122
100	1	100	1,051	18,110	32,410
102	1	102	1,052	18,212	32,696
103	4	412	1,056	18,624	32,838
104	2	208	1,058	18,832	32,976
105	2	210	1,060	19,042	33,112
106	1	106	1,061	19,148	33,246
107	2	214	1,063	19,362	33,379
108	3	324	1,066	19,686	33,510
109	2	218	1,068	19,904	33,638
110	2	220	1,070	20,124	33,764
111	2	222	1,072	20,346	33,888
112	1	112	1,073	20,458	34,010
113	3	339	1,076	20,797	34,131
114	1	114	1,077	20,911	34,249
115	2	230	1,079	21,141	34,366
116	3	348	1,082	21,489	34,481
117	2	234	1,084	21,723	34,593
119	1	119	1,085	21,842	34,813
120	1	120	1,086	21,962	34,922
121	4	484	1,090	22,446	35,030
122	1	122	1,091	22,568	35,134
123	2	246	1,093	22,814	35,237
124	1	124	1,094	22,938	35,338
125	1	125	1,095	23,063	35,438
126	4	504	1,099	23,567	35,537
128	2	256	1,101	23,823	35,727
129	1	129	1,102	23,952	35,820
131	1	131	1,103	24,083	36,004
132	1	132	1,104	24,215	36,095
135	2	270	1,106	24,485	36,365
137	1	137	1,107	24,622	36,541
138	1	138	1,108	24,760	36,628
139	1	139	1,109	24,899	36,714
141	1	141	1,110	25,040	36,884
142	4	568	1,114	25,608	36,968
144	1	144	1,115	25,752	37,128
146	1	146	1,116	25,898	37,286
147	2	294	1,118	26,192	37,364
150	1	150	1,119	26,342	37,592
159	2	318	1,121	26,660	38,267
164	1	164	1,122	26,824	38,632
166	1	166	1,123	26,990	38,776

Arizona American Water Company
 Anthem - E2MS4
 Unit of Measure = 1000 Gals.

Rate Schedule: E2MS4
 Description: Anthem Sewer Commercial LG
 Monthly Customer Charge: \$111.12

Tier Two Break Over: 999,999,999 Rate: \$ 3.4800

Year 2008						
Usage	# of Bills	Total		Cumulative		Consolidated Factor
		Usage	Units	Usage	Units	
167	2	334	1,125	27,324		38,847
168	1	168	1,126	27,492		38,916
176	1	176	1,127	27,668		39,460
178	1	178	1,128	27,846		39,594
181	2	362	1,130	28,208		39,792
183	1	183	1,131	28,391		39,920
184	1	184	1,132	28,575		39,983
188	1	188	1,133	28,763		40,231
189	1	189	1,134	28,952		40,292
192	1	192	1,135	29,144		40,472
195	1	195	1,136	29,339		40,649
197	1	197	1,137	29,536		40,765
199	1	199	1,138	29,735		40,879
203	1	203	1,139	29,938		41,103
204	1	204	1,140	30,142		41,158
208	1	208	1,141	30,350		41,374
211	1	211	1,142	30,561		41,533
215	1	215	1,143	30,778		41,741
216	1	216	1,144	30,992		41,792
217	1	217	1,145	31,209		41,842
220	1	220	1,146	31,429		41,989
222	1	222	1,147	31,651		42,085
226	1	226	1,148	31,877		42,273
232	2	464	1,150	32,341		42,549
236	1	236	1,151	32,577		42,725
239	1	239	1,152	32,816		42,854
249	1	249	1,153	33,065		43,274
253	1	253	1,154	33,318		43,438
258	1	258	1,155	33,576		43,638
262	1	262	1,156	33,838		43,794
263	1	263	1,157	34,101		43,832
277	1	277	1,158	34,378		44,350
279	2	558	1,160	34,936		44,422
283	1	283	1,161	35,219		44,558
284	1	284	1,162	35,503		44,591
285	1	285	1,163	35,788		44,623
288	1	288	1,164	36,076		44,716
294	1	294	1,165	36,370		44,896
296	1	296	1,166	36,666		44,954
312	1	312	1,167	36,978		45,402
317	1	317	1,168	37,295		45,537
318	1	318	1,169	37,613		45,563
322	1	322	1,170	37,935		45,663
323	1	323	1,171	38,258		45,687
329	1	329	1,172	38,587		45,825
331	1	331	1,173	38,918		45,869
341	1	341	1,174	39,259		46,079
351	1	351	1,175	39,610		46,279
356	1	356	1,176	39,966		46,374
390	1	390	1,177	40,356		46,986
397	1	397	1,178	40,753		47,105
429	2	858	1,180	41,611		47,617
462	1	462	1,181	42,073		48,079
470	1	470	1,182	42,543		48,183
476	1	476	1,183	43,019		48,255
479	1	479	1,184	43,498		48,288
503	1	503	1,185	44,001		48,528
524	1	524	1,186	44,525		48,717
539	1	539	1,187	45,064		48,837
612	1	612	1,188	45,676		49,348
759	1	759	1,189	46,435		50,230
995	1	995	1,190	47,430		51,410
1,103	1	1,103	1,191	48,533		51,842
1,104	1	1,104	1,192	49,637		51,845
1,322	1	1,322	1,193	50,959		52,281
1,387	1	1,387	1,194	52,346		52,346

Arizona American Water Company
 Anthem - E2MS4
 Unit of Measure = 1000 Gals.

Rate Schedule: E2MS4
 Description: Anthem Sewer Commercial LG
 Monthly Customer Charge: \$111.12

Tier Two Break Over: 999,999,999 Rate: \$ 3.4800

Year 2008				
Usage	# of Bills	Total Usage	Cumulative Units	Consolidated Factor

	Unit Count	Usage
Partial at Current Rates	119.47	13,771
	Meter Count	Tier 1 Usage
Full Bill	1,194.00	52,346
Partial Bill	119.47	13,771
	1,313	66,117

Revenues	\$145,952.42	\$ 230,085.42	Total	\$376,037.84
Misc Adjustments				\$ (3,805.59)
				<u>\$ 372,232.25</u>

Actual Billed Revenues				Acct # 303432 The Greystone Group - IRRIG Meter Credit back all Sewer Billing 12/07 thru 05/08			
	Meter Charge	Tier 1 Old Rates	Tier 1 New Rates	Total	BSC - Old Rate	Vol - Old Rate	
Units		26,810	39,307			(591)	
Rate	\$	2.5450	\$ 3.4800	\$	(666.25)	\$ 2.5450	
	<u>\$127,207.23</u>	<u>\$ 68,231.42</u>	<u>\$ 136,788.50</u>	<u>\$332,227.15</u>	<u>\$ (666.25)</u>	<u>(1,758.60)</u>	<u>\$ (2,424.85)</u>
		Revenues based on actual bill analysis	\$ 332,227.15		333,917.28	ECIS TY Revenue	
		Misc Adjustments	<u>\$ (3,805.59)</u>				
			<u>\$ 328,421.56</u>				

Average Customers	109	Annualized Difference	\$ 43,810.68
Average Consumption	50,337		
Median # of Bills	597		
Median Consumption	12,000		

Arizona American Water Company
Anthem - E5M2
Unit of Measure = 1000 Gals.

This is the one account that is on the regular rate.
There is also the COP at \$0.30 per 1,000 gals. In Anthem Water on E7M2

Rate Schedule: E5M2
Description: Anthem Wholesale (Phoenix) OWU
Monthly Customer Charge:

Tier Two Break Over: 999,999,999 Rate: \$ 3.1700

Year 2008							
Usage	# of Bills	Total Usage	Cumulative # of Bills	Cumulative Usage	Consolidated Factor	@ \$2.32	@ \$3.17
-	8	0	8	0	0		
3	1	3	9	3	48		9.51
33	1	33	10	36	498		104.61
200	1	200	11	236	2,836		634.00
385	1	385	12	621	5,241	893.20	
8,372	1	8,372	13	8,993	101,085	19,423.04	
13,265	1	13,265	14	22,258	154,908	30,774.80	
14,089	1	14,089	15	36,347	163,148	32,686.48	
14,658	1	14,658	16	51,005	168,269	34,006.56	
17,445	1	17,445	17	68,450	190,565		55,300.65
20,182	1	20,182	18	88,632	209,724		63,976.94
20,318	1	20,318	19	108,950	210,540		64,408.06
21,969	1	21,969	20	130,919	218,795		69,641.73
22,102	1	22,102	21	153,021	219,327		70,063.34
22,257	1	22,257	22	175,278	219,792		70,554.69
22,755	1	22,755	23	198,033	220,788	52,791.60	
33,689	1	33,689	24	231,722	231,722	78,158.48	
						248,734.16	394,693.53
							643,427.69

	Unit Count	Usage
Partial at Current Rates		
Full Bill	Meter Count 24.00	Tier 1 Usage 231,722
Partial Bill		
	24	231,722

Revenues	\$0.00	\$ 734,558.74	Total \$734,558.74
Misc Adjustments			\$ (893.20)
			<u>\$ 733,665.54</u>

Actual Billed Revenues	Meter Charge	Tier 1 Old Rates	Tier 1 New Rates	Total
Units		107,213	124,509	231,722
Rate		\$ 2.3200	\$ 3.1700	
		\$ 248,734.16	\$ 394,693.53	\$643,427.69

Revenues based on actual bill analysis	\$ 643,427.69	\$642,534.49	ECIS TY Revenue
Misc Adjustments	\$ (893.20)		
	<u>\$ 642,534.49</u>		

Average Customers	2	Annualized Difference	\$ 91,131.05
Average Consumption	9,655,083		
Median # of bills	12		
Median consumption	8,372,000		

Arizona American Water Company
 Anthem Water - D7M1
 Unit of Measure = 1000 Gals.

Rate Schedule: D7M1
 Description: Anthem Non-Potable Irrig
 Monthly Customer Charge: \$0.00

Tier One Break Over: 999,999,999 Rate: \$ 1.4300

Year 2008					
	97	0	97	0	0
1	8	8	105	8	457
2	2	4	107	12	906
3	1	3	108	15	1,353
4	1	4	109	19	1,799
5	6	30	115	49	2,244
7	1	7	116	56	3,122
8	3	24	119	80	3,560
9	2	18	121	98	3,995
10	1	10	122	108	4,428
11	2	22	124	130	4,860
14	1	14	125	144	6,150
15	2	30	127	174	6,579
16	1	16	128	190	7,006
17	2	34	130	224	7,432
18	2	36	132	260	7,856
19	2	38	134	298	8,278
21	2	42	136	340	9,118
22	1	22	137	362	9,536
23	2	46	139	408	9,953
28	1	28	140	436	12,028
29	2	58	142	494	12,442
31	3	93	145	587	13,266
35	2	70	147	657	14,902
36	1	36	148	693	15,309
37	2	74	150	767	15,715
38	4	152	154	919	16,119
39	2	78	156	997	16,519
41	2	82	158	1,079	17,315
42	2	84	160	1,163	17,711
43	1	43	161	1,206	18,105
45	2	90	163	1,296	18,891
46	2	92	165	1,388	19,282
47	1	47	166	1,435	19,671
48	2	96	168	1,531	20,059
50	1	50	169	1,581	20,831
51	3	153	172	1,734	21,216
53	3	159	175	1,893	21,980
54	2	108	177	2,001	22,359
55	3	165	180	2,166	22,736
56	2	112	182	2,278	23,110
57	4	228	186	2,506	23,482
58	3	174	189	2,680	23,850
60	2	120	191	2,800	24,580
61	2	122	193	2,922	24,943
63	4	252	197	3,174	25,665
64	2	128	199	3,302	26,022
65	3	195	202	3,497	26,377
67	3	201	205	3,698	27,081
70	2	140	207	3,838	28,128
71	2	142	209	3,980	28,475
72	2	144	211	4,124	28,820
73	1	73	212	4,197	29,163
74	2	148	214	4,345	29,505
75	1	75	215	4,420	29,845
76	4	304	219	4,724	30,184
77	3	231	222	4,955	30,519
78	1	78	223	5,033	30,851
79	2	158	225	5,191	31,182
80	1	80	226	5,271	31,511
81	1	81	227	5,352	31,839
82	3	246	230	5,598	32,166
84	1	84	231	5,682	32,814
85	2	170	233	5,852	33,137
86	2	172	235	6,024	33,458
87	1	87	236	6,111	33,777
89	1	89	237	6,200	34,413
90	2	180	239	6,380	34,730
91	2	182	241	6,562	35,045
92	5	460	246	7,022	35,358
93	5	465	251	7,487	35,666

Arizona American Water Company
 Anthem Water - D7M1
 Unit of Measure = 1000 Gals.

Exhibit
 Schedule H-5 Rvvd
 Page 2
 Witness: Gutowski

Rate Schedule: D7M1
 Description: Anthem Non-Potable Irrig
 Monthly Customer Charge: \$0.00

Tier One Break Over: 999,999,999 Rate: \$ 1.4300

Year 2008					
95	3	285	254	7,772	36,272
96	1	96	255	7,868	36,572
97	1	97	256	7,965	36,871
98	1	98	257	8,063	37,169
99	1	99	258	8,162	37,466
101	2	202	260	8,364	38,058
102	1	102	261	8,466	38,352
103	1	103	262	8,569	38,645
104	2	208	264	8,777	38,937
105	3	315	267	9,082	39,227
107	2	214	269	9,306	39,801
109	3	327	272	9,633	40,371
110	1	110	273	9,743	40,653
111	2	222	275	9,965	40,934
112	1	112	276	10,077	41,213
113	1	113	277	10,180	41,491
114	1	114	278	10,304	41,768
119	2	238	280	10,542	43,148
120	2	240	282	10,782	43,422
122	1	122	283	10,904	43,966
123	3	369	286	11,273	44,237
124	2	248	288	11,521	44,505
125	1	125	289	11,646	44,771
126	2	252	291	11,898	45,036
127	2	254	293	12,152	45,299
128	2	256	295	12,408	45,560
129	1	129	296	12,537	45,819
131	2	262	298	12,799	46,335
132	2	264	300	13,063	46,591
133	4	532	304	13,595	46,845
134	1	134	305	13,729	47,095
136	1	136	306	13,865	47,593
138	2	276	308	14,141	48,089
139	2	278	310	14,419	48,335
141	3	423	313	14,842	48,823
142	1	142	314	14,984	49,064
144	1	144	315	15,128	49,544
145	1	145	316	15,273	49,783
147	3	441	319	15,714	50,259
148	1	148	320	15,862	50,494
149	1	149	321	16,011	50,728
151	1	151	322	16,162	51,194
152	2	304	324	16,466	51,426
153	1	153	325	16,619	51,656
154	1	154	326	16,773	51,885
155	1	155	327	16,928	52,113
156	1	156	328	17,084	52,340
157	3	471	331	17,555	52,566
158	1	158	332	17,713	52,789
159	1	159	333	17,872	53,011
161	1	161	334	18,033	53,453
163	1	163	335	18,196	53,893
164	1	164	336	18,360	54,112
165	4	660	340	19,020	54,330
166	1	166	341	19,186	54,544
168	1	168	342	19,354	54,970
174	2	348	344	19,702	56,242
175	1	175	345	19,877	56,452
176	1	176	346	20,053	56,661
178	2	356	348	20,409	57,077
180	1	180	349	20,589	57,489
181	1	181	350	20,770	57,694
182	2	364	352	21,134	57,898
184	2	368	354	21,502	58,302
186	1	186	355	21,688	58,702
188	1	188	356	21,876	59,100
189	2	378	358	22,254	59,298
190	2	380	360	22,634	59,494
191	1	191	361	22,825	59,688
193	3	579	364	23,404	60,074
194	1	194	365	23,596	60,264

Arizona American Water Company
 Anthem Water - D7M1
 Unit of Measure = 1000 Gals.

Exhibit
 Schedule H-5 Rvvd
 Page 3
 Witness: Gutowski

Rate Schedule: D7M1
 Description: Anthem Non-Potable Irrig
 Monthly Customer Charge: \$0.00

Tier One Break Over: 999,999,999 Rate: \$ 1.4300

Year 2008					
196	2	392	367	23,990	60,642
199	1	199	368	24,189	61,203
200	1	200	369	24,389	61,389
201	1	201	370	24,590	61,574
202	1	202	371	24,792	61,758
203	1	203	372	24,995	61,941
204	2	408	374	25,403	62,123
206	1	206	375	25,609	62,483
207	1	207	376	25,816	62,662
209	3	627	379	26,443	63,018
210	1	210	380	26,653	63,193
211	1	211	381	26,864	63,367
212	1	212	382	27,076	63,540
213	1	213	383	27,289	63,712
216	3	648	386	27,937	64,225
217	1	217	387	28,154	64,393
220	1	220	388	28,374	64,894
221	1	221	389	28,595	65,060
225	1	225	390	28,820	65,720
227	2	454	392	29,274	66,048
228	1	228	393	29,502	66,210
229	1	229	394	29,731	66,371
234	1	234	395	29,965	67,171
235	1	235	396	30,200	67,330
236	1	236	397	30,436	67,488
237	2	474	399	30,910	67,645
238	2	476	401	31,386	67,800
244	1	244	402	31,630	68,718
246	1	246	403	31,876	69,022
247	3	741	406	32,617	69,173
248	1	248	407	32,865	69,321
249	1	249	408	33,114	69,468
250	1	250	409	33,364	69,614
252	1	252	410	33,616	69,904
257	2	514	412	34,130	70,624
261	1	261	413	34,391	71,192
262	1	262	414	34,653	71,333
263	1	263	415	34,916	71,473
264	1	264	416	35,180	71,612
265	2	530	418	35,710	71,750
266	1	266	419	35,976	71,886
268	2	536	421	36,512	72,156
269	1	269	422	36,781	72,289
270	1	270	423	37,051	72,421
271	1	271	424	37,322	72,552
275	1	275	425	37,597	73,072
276	1	276	426	37,873	73,201
279	2	558	428	38,431	73,585
282	1	282	429	38,713	73,963
283	3	849	432	39,562	74,088
289	2	578	434	40,140	74,820
293	1	293	435	40,433	75,300
294	1	294	436	40,727	75,419
295	1	295	437	41,022	75,537
296	1	296	438	41,318	75,654
299	2	598	440	41,916	76,002
302	1	302	441	42,218	76,344
305	1	305	442	42,523	76,683
307	1	307	443	42,830	76,907
308	1	308	444	43,138	77,018
309	1	309	445	43,447	77,128
315	1	315	446	43,762	77,782
316	1	316	447	44,078	77,890
320	1	320	448	44,398	78,318
321	1	321	449	44,719	78,424
325	1	325	450	45,044	78,844
326	1	326	451	45,370	78,948
332	1	332	452	45,702	79,566
335	1	335	453	46,037	79,872
338	1	338	454	46,375	80,175
339	2	678	456	47,053	80,275

Arizona American Water Company
 Anthem Water - D7M1
 Unit of Measure = 1000 Gals.

Exhibit
 Schedule H-5 Rvvd
 Page 4
 Witness: Gutowski

Rate Schedule: D7M1
 Description: Anthem Non-Potable Irrig
 Monthly Customer Charge: \$0.00

Tier One Break Over: 999,999,999 Rate: \$ 1.4300

Year 2008					
344	1	344	457	47,397	80,765
351	2	702	459	48,099	81,444
355	2	710	461	48,809	81,824
356	2	712	463	49,521	81,917
357	1	357	464	49,878	82,008
358	1	358	465	50,236	82,098
359	3	1,077	468	51,313	82,187
361	1	361	469	51,674	82,359
363	1	363	470	52,037	82,529
365	2	730	472	52,767	82,697
367	1	367	473	53,134	82,861
372	2	744	475	53,878	83,266
377	1	377	476	54,255	83,661
381	2	762	478	55,017	83,973
382	3	1,146	481	56,163	84,049
384	2	768	483	56,931	84,195
387	1	387	484	57,318	84,408
395	1	395	485	57,713	84,968
404	2	808	487	58,521	85,589
406	1	406	488	58,927	85,723
415	1	415	489	59,342	86,317
418	1	418	490	59,760	86,512
419	1	419	491	60,179	86,576
420	1	420	492	60,599	86,639
422	1	422	493	61,021	86,763
423	1	423	494	61,444	86,824
425	1	425	495	61,869	86,944
426	1	426	496	62,295	87,003
431	1	431	497	62,726	87,293
432	1	432	498	63,158	87,350
433	1	433	499	63,591	87,406
436	1	436	500	64,027	87,571
443	1	443	501	64,470	87,949
447	1	447	502	64,917	88,161
451	1	451	503	65,368	88,369
453	1	453	504	65,821	88,471
467	1	467	505	66,288	89,171
468	1	468	506	66,756	89,220
473	1	473	507	67,229	89,460
481	3	1,443	510	68,672	89,836
487	1	487	511	69,159	90,100
512	1	512	512	69,671	91,175
513	1	513	513	70,184	91,217
514	1	514	514	70,698	91,258
520	1	520	515	71,218	91,498
528	1	528	516	71,746	91,810
529	1	529	517	72,275	91,848
530	1	530	518	72,805	91,885
538	1	538	519	73,343	92,173
555	1	555	520	73,898	92,768
559	1	559	521	74,457	92,904
582	2	1,184	523	75,621	93,663
585	1	585	524	76,206	93,756
601	1	601	525	76,807	94,236
621	1	621	526	77,428	94,816
623	1	623	527	78,051	94,872
691	1	691	528	78,742	96,708
717	1	717	529	79,459	97,384
742	1	742	530	80,201	98,009
774	1	774	531	80,975	98,777
796	1	796	532	81,771	99,283
953	1	953	533	82,724	102,737
4,268	1	4,268	534	86,992	172,352
4,337	1	4,337	535	91,329	173,732
6,636	1	6,636	536	97,965	217,413
6,729	1	6,729	537	104,694	219,087
6,890	1	6,890	538	111,584	221,824
6,991	1	6,991	539	118,575	223,440
7,540	1	7,540	540	126,115	231,675
7,761	1	7,761	541	133,876	234,769
8,829	1	8,829	542	142,705	248,653

Arizona American Water Company
 Anthem Water - D7M2
 Unit of Measure = 1000 Gals.

Exhibit
 Schedule H-5 Rvsd
 Page 1
 Witness: Gutowski

Rate Schedule: D7M2
 Description: Anthem Non-Potable Irrig - Const
 Monthly Customer Charge: \$0.00

Tier One Break Over: 999,999,999 Rate: \$ 1.4300

Year 2008						
Usage	# of Bills	Total Usage	Cumulative		Consolidated Factor	
			# Bills	Usage		
0	0	0	0	0	0	
78	1	78	1	78	4,680	
84	1	84	2	162	5,034	
130	1	130	3	292	7,702	
135	1	135	4	427	7,987	
214	1	214	5	641	12,411	
230	1	230	6	871	13,291	
259	1	259	7	1,130	14,857	
278	1	278	8	1,408	15,864	
286	1	286	9	1,694	16,280	
315	1	315	10	2,009	17,759	
350	1	350	11	2,359	19,509	
356	1	356	12	2,715	19,803	
374	1	374	13	3,089	20,667	
460	1	460	14	3,549	24,709	
495	1	495	15	4,044	26,319	
505	1	505	16	4,549	26,769	
595	1	595	17	5,144	30,729	
600	1	600	18	5,744	30,944	
610	1	610	19	6,354	31,364	
650	1	650	20	7,004	33,004	
870	1	870	21	7,874	41,804	
1045	1	1,045	22	8,919	48,629	
1190	1	1,190	23	10,109	54,139	
1305	1	1,305	24	11,414	58,394	
1315	1	1,315	25	12,729	58,754	
1370	1	1,370	26	14,099	60,679	
1445	1	1,445	27	15,544	63,229	
1480	1	1,480	28	17,024	64,384	
1540	1	1,540	29	18,564	66,304	
1670	1	1,670	30	20,234	70,334	
1750	1	1,750	31	21,984	72,734	
1820	1	1,820	32	23,804	74,764	
1855	1	1,855	33	25,659	75,744	
1955	1	1,955	34	27,614	78,444	
1980	1	1,980	35	29,594	79,094	
1985	1	1,985	36	31,579	79,219	
2035	1	2,035	37	33,614	80,419	
2040	1	2,040	38	35,654	80,534	
2050	1	2,050	39	37,704	80,754	
2115	1	2,115	40	39,819	82,119	
2265	1	2,265	41	42,084	85,119	
2275	1	2,275	42	44,359	85,309	
2308	1	2,308	43	46,667	85,903	
2310	1	2,310	44	48,977	85,937	
2345	1	2,345	45	51,322	86,497	
2495	1	2,495	46	53,817	88,747	
2675	1	2,675	47	58,492	91,267	
2715	1	2,715	48	59,207	91,787	
2850	1	2,850	49	62,057	93,407	
2925	1	2,925	50	64,982	94,232	
3120	1	3,120	51	68,102	96,182	
3245	1	3,245	52	71,347	97,307	
3485	1	3,485	53	74,812	99,067	
3485	1	3,485	54	78,297	99,207	
3575	1	3,575	55	81,872	99,747	
4015	1	4,015	56	85,887	101,947	
4105	2	8,210	58	94,097	102,307	
4150	1	4,150	59	98,247	102,397	
4780	1	4,780	60	103,027	103,027	

Meter Count	Usage
Partial at Current Rates	
Full Bill	Meter Count Tier 1 Usage
Partial Bill	60 103,027
	0 -

60	103,027	103,027
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Exhibit
Schedule H-5 Rvsd
Page 2
Witness: Gutowski

Revenues	\$ 147,328.61	Total \$147,328.61
Misc Adjustments		\$ -
		<u>\$ 147,328.61</u>

Actual Billed Revenues

Usage Rate	Tier 1 Old Rates	Tier 1 New Rates	Total
	39,634	63,393	103,027
	\$ 0.62	\$ 1.43	
	<u>\$ 24,573.02</u>	<u>\$ 90,652.13</u>	<u>\$ 115,225.15</u>

Revenues based on actual bill analysis	\$ 115,225.15
Misc Adjustments	\$ -
	<u>\$ 115,225.15</u>

Average Customers	5	Annualized Difference	\$ 32,103.46
Average Consumption	1,717,117		
Median No. Bills	30		
Median Consumption	1,670,000		

Arizona American Water Company
 Agua Fria Water - BBWS2
 Unit of Measure = 1000 Gals.
 (Corte Bella Golf, 182205) + (DMB Verrado Golf, 351383)
 Fee Type BBWS2
 Description: Misc Fee Commercial Water Sales

Tier One Break Over: 999,999,999 Gallons Rate: \$ 1.2400

Twelve Months Ended 6/30/10

Usage	# of Bills	Total		Cumulative		Consolidated Factor	
		Usage	# Bills	Usage	# Bills		
0	0	0	0	0	0	0	0
1630	0	0	0	0	0	42,380	1630
1631	0	0	0	0	0	42,406	1631
1632	1	1,632	1	1,632	1	42,432	1632
1633	0	0	1	1,632	1	42,457	1633
1634	0	0	1	1,632	1	42,482	1634
1635	0	0	1	1,632	1	42,507	1635
2250	0	0	1	1,632	1	57,882	2250
2251	1	2,251	2	3,883	2	57,907	2251
2252	0	0	2	3,883	2	57,931	2252
2253	0	0	2	3,883	2	57,955	2253
2254	0	0	2	3,883	2	57,979	2254
2255	0	0	2	3,883	2	58,003	2255
3613	0	0	2	3,883	2	90,595	3613
3614	1	3,614	3	7,497	3	90,619	3614
3615	0	0	3	7,497	3	90,642	3615
4484	0	0	3	7,497	3	110,629	4484
4485	0	0	3	7,497	3	110,652	4485
4486	1	4,486	4	11,983	4	110,675	4486
4487	0	0	4	11,983	4	110,697	4487
4692	0	0	4	11,983	4	115,207	4692
4693	0	0	4	11,983	4	115,229	4693
4694	1	4,694	5	16,677	5	115,251	4694
4695	0	0	5	16,677	5	115,272	4695
4696	0	0	5	16,677	5	115,293	4696
4697	0	0	5	16,677	5	115,314	4697
4698	0	0	5	16,677	5	115,335	4698
4699	0	0	5	16,677	5	115,356	4699
4700	0	0	5	16,677	5	115,377	4700
4701	0	0	5	16,677	5	115,398	4701
4702	0	0	5	16,677	5	115,419	4702
4703	1	4,703	6	21,380	6	115,440	4703
4704	0	0	6	21,380	6	115,460	4704
4705	0	0	6	21,380	6	115,480	4705
4706	0	0	6	21,380	6	115,500	4706
4979	0	0	6	21,380	6	120,960	4979
4980	0	0	6	21,380	6	120,980	4980
4981	1	4,981	7	26,361	7	121,000	4981
4982	0	0	7	26,361	7	121,019	4982
5141	0	0	7	26,361	7	124,040	5141
5142	0	0	7	26,361	7	124,059	5142
5143	0	0	7	26,361	7	124,078	5143

Twelve Months Ended 6/30/10

Usage	# of Bills	Total		Cumulative		Consolidated		
		Usage	# Bills	Usage	# Bills	Usage	Factor	
5144	1	5,144	8	31,505	8	124,097		5144
5145	0	0	8	31,505	8	124,115		5145
5162	0	0	8	31,505	8	124,421		5162
5163	0	0	8	31,505	8	124,439		5163
5164	1	5,164	9	36,669	9	124,457		5164
5165	0	0	9	36,669	9	124,474		5165
5290	0	0	9	36,669	9	126,599		5290
5291	1	5,291	10	41,960	10	126,616		5291
5292	0	0	10	41,960	10	126,632		5292
5476	0	0	10	41,960	10	129,576		5476
5477	0	0	10	41,960	10	129,592		5477
5478	1	5,478	11	47,438	11	129,608		5478
5479	0	0	11	47,438	11	129,623		5479
5480	0	0	11	47,438	11	129,638		5480
6001	0	0	11	47,438	11	137,453		6001
6002	0	0	11	47,438	11	137,468		6002
6003	1	6,003	12	53,441	12	137,483		6003
6004	0	0	12	53,441	12	137,497		6004
6524	0	0	12	53,441	12	144,777		6524
6525	1	6,525	13	59,966	13	144,791		6525
6526	0	0	13	59,966	13	144,804		6526
6527	0	0	13	59,966	13	144,817		6527
6767	0	0	13	59,966	13	147,937		6767
6768	1	6,768	14	66,734	14	147,950		6768
6769	0	0	14	66,734	14	147,962		6769
6829	0	0	14	66,734	14	148,682		6829
6830	1	6,830	15	73,564	15	148,694		6830
6831	0	0	15	73,564	15	148,705		6831
6832	0	0	15	73,564	15	148,716		6832
7130	0	0	15	73,564	15	151,994		7130
7131	1	7,131	16	80,695	16	152,005		7131
7132	0	0	16	80,695	16	152,015		7132
7133	0	0	16	80,695	16	152,025		7133
7134	0	0	16	80,695	16	152,035		7134
7525	0	0	16	80,695	16	155,945		7525
7526	1	7,526	17	88,221	17	155,955		7526
7527	0	0	17	88,221	17	155,964		7527
7528	0	0	17	88,221	17	155,973		7528
10121	0	0	17	88,221	17	179,310		10121
10122	0	0	17	88,221	17	179,319		10122
10123	1	10,123	18	98,344	18	179,328		10123
10124	0	0	18	98,344	18	179,336		10124
10125	0	0	18	98,344	18	179,344		10125
10126	0	0	18	98,344	18	179,352		10126
15946	0	0	18	98,344	18	225,912		15946
15947	1	15,947	19	114,291	19	225,920		15947
15948	0	0	19	114,291	19	225,927		15948
15949	0	0	19	114,291	19	225,934		15949
17178	0	0	19	114,291	19	234,537		17178
17179	1	17,179	20	131,470	20	234,544		17179
17180	0	0	20	131,470	20	234,550		17180
17181	0	0	20	131,470	20	234,556		17181
23100	0	0	21	149,117	21	264,617		23100
23101	1	23,101	22	172,218	22	264,622		23101
23102	0	0	22	172,218	22	264,626		23102
23103	0	0	22	172,218	22	264,630		23103
23104	0	0	22	172,218	22	264,634		23104
25192	0	0	22	172,218	22	272,986		25192

Twelve Months Ended 6/30/10

Usage	# of Bills	Total		Cumulative		Consolidated Factor	
		Usage	# Bills	Usage	# Bills		
25193	1	25,193	23	197,411	23	272,990	25193
25194	0	0	23	197,411	23	272,993	25194
25195	0	0	23	197,411	23	272,996	25195
25477	0	0	23	197,411	23	273,842	25477
25478	0	0	23	197,411	23	273,845	25478
25479	1	25,479	24	222,890	24	273,848	25479
25480	0	0	24	222,890	24	273,850	25480
26387	0	0	24	222,890	24	275,664	26387
26388	0	0	24	222,890	24	275,666	26388
26389	1	26,389	25	249,279	25	275,668	26389
26390	0	0	25	249,279	25	275,669	26390
26391	0	0	25	249,279	25	275,670	26391
26392	0	0	25	249,279	25	275,671	26392
26393	0	0	25	249,279	25	275,672	26393
131648	1	131,648	26	380,927	26	380,927	131648

	Meter Count	Usage
Partial at Current Rates		
Full Bill	26.00	380,927
Partial Bill	-	-
	<u>26.00</u>	<u>380,927</u>

	TY Rev	TY Usage	Total
Revenues	\$0.00	\$ 472,349.48	\$472,349.48
Misc Adjustments			
Corte Bella Golf	\$ 226,260.44	203,037	
DMB @ Verrado Golf	\$ 198,236.70	177,890	
	<u>\$ 424,497.14</u>	<u>380,927</u>	<u>\$ 472,349.48</u>

Actual Billed Revenues	Meter Charge	Tier 1 Old Rates	Tier 1 New Rates	Total
Usage		291,590	89,337	
Rate		\$ 0.6200	\$ 2.7280	
	<u>\$0.00</u>	<u>\$ 180,785.80</u>	<u>\$ 243,711.34</u>	<u>\$424,497.14</u>
Revenues based on actual bill analysis		\$ 424,497.14		
Misc Adjustments		\$ -		
		<u>\$ 424,497.14</u>		

		Annualized Difference
Average Customers	2	\$ 47,852.34
Average Consumption	14,651,038	
Median Consumption	25,192,000	

Arizona American Water Company
 Agua Fria Water - Bulk
 Unit of Measure = 1000 Gals.
 (DMB, Verrado CAP Usage, 259001)

Fee Type: Bulk
 Description: Misc Fee Commercial Water Sales

Tier One Break Over: 999,999,999 Gallons Rate: \$ 1.2400

Twelve Months Ended 6/30/10

Usage	# of Bills	Total		Cumulative		Consolidated Factor	
		Usage	# Bills	Usage	# Bills		
0	0	0	0	0	0	0	0
1	0	0	0	0	0	5	1
4234	0	0	0	0	0	21,170	4234
4235	0	0	0	0	0	21,175	4235
4236	1	4,236	1	4,236	1	21,180	4236
4237	0	0	1	4,236	1	21,184	4237
4238	0	0	1	4,236	1	21,188	4238
5631	0	0	1	4,236	1	26,760	5631
5632	1	5,632	2	9,868	2	26,764	5632
5633	0	0	2	9,868	2	26,767	5633
5634	0	0	2	9,868	2	26,770	5634
8144	0	0	2	9,868	2	34,300	8144
8145	0	0	2	9,868	2	34,303	8145
8146	1	8,146	3	18,014	3	34,306	8146
8147	0	0	3	18,014	3	34,308	8147
8148	0	0	3	18,014	3	34,310	8148
10752	0	0	3	18,014	3	39,518	10752
10753	1	10,753	4	28,767	4	39,520	10753
10754	0	0	4	28,767	4	39,521	10754
10755	0	0	4	28,767	4	39,522	10755
18654	0	0	4	28,767	4	47,421	18654
18655	1	18,655	5	47,422	5	47,422	18655

Meter Count	Usage
-------------	-------

Partial at Current Rates

Meter Count	Tier 1 Usage
5.00	47,422
-	-
<u>5.00</u>	<u>47,422</u>

Full Bill
 Partial Bill

Revenues	\$0.00	\$ 58,803.28	Total	\$58,803.28
Misc Adjustments				<u>\$ 58,803.28</u>

DMB White Tank

Actual Billed Revenues

	Meter Charge	Tier 1 Old Rates	Tier 1 New Rates	Total
Usage		47,422		
Rate		\$ 0.6200	\$ 2.7280	
	<u>\$0.00</u>	<u>\$ 29,401.64</u>	<u>\$ -</u>	<u>\$29,401.64</u>

Revenues based on actual bill analysis	\$ 29,401.64
Misc Adjustments	\$ -
	<u>\$ 29,401.64</u>

Average Customers	0.42	Annualized Difference	\$ 29,401.64
Average Consumption	9,484,400		
Median Consumption	10,752,000		

<u>Schedule No.</u>	<u>Title</u>	<u>Witness</u>
Schedule A-1	Computation of Increase in Gross Revenue Requirement	Witness: Murrey
Schedule B-1	Summary of Fair Value Rate Base	Witness: Murrey
Schedule B-2	Original Cost Rate Base Pro Forma Adjustments	Witness: Murrey
Schedule B-5	Computation of Working Capital	Witness: Murrey
Schedule B-6	Lead/Lag Study - Working Cash Requirement	Witness: Murrey
Schedule C-1	Adjusted Test Year Income Statement	Witness: Murrey
Schedule C-2	Income Statement Pro Forma Adjustments	Witness: Murrey
Schedule C-3	Computation of Gross Revenue Conversion Factor	Witness: Murrey
Schedule E-7	Operating Statistics	Witness: Murrey
Schedule H-1	Summary of Revenues by Customer	Witness: Murrey
Schedule H-2	Analysis of Revenues by Detailed Class	Witness: Murrey
Schedule H-3	Changes in Representative Rate Schedules	Witness: Murrey
Schedule H-4	Typical Bill Analysis	Witness: Murrey
Schedule H-5	Bill Count	Witness: Murrey

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Arizona American Water Company - Anthem Wastewater
 Test Year Ended December 31, 2008
 Computation of Increase in Gross Revenue Requirement

Exhibit
 Schedule A-1
 Page 1
 Witness: Murrey

Line No.					
1	Original Cost Rate Base		\$	25,969,396	
2					
3	Adjusted Operating Income			1,183,667	
4					
5	Current Rate of Return			4.56%	
6					
7	Required Operating Income		\$	1,739,950	
8					
9	Required Rate of Return			6.70%	
10					
11	Operating Income Deficiency		\$	556,282	
12					
13	Gross Revenue Conversion Factor			1.6561	
14					
15	Increase in Gross Revenue Requirement		\$	921,279	
16					
17					
18	Customer	Test Year	Deconsolidated	Dollar	Percent
19	<u>Classification</u>	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
20					
21	Residential	\$ 4,828,681	\$ 5,575,968	\$ 747,288	15.48%
22	Commercial	395,117	466,017	70,900	17.94%
23	OWU	733,666	387,153	(346,512)	-47.23%
24	Effluent		449,603	449,603	0.00%
25					
26	Total of Water Revenues	<u>\$ 5,957,463</u>	<u>\$ 6,878,742</u>	<u>\$ 921,279</u>	<u>15.46%</u>
27					
28	Other Revenue	1,197	1,197	-	0.00%
29					
30	Total Revenue	<u>\$ 5,958,660</u>	<u>\$ 6,879,939</u>	<u>\$ 921,279</u>	<u>15.46%</u>
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Arizona American Water Company - Anthem Wastewater
 Test Year Ended December 31, 2008
 Summary of Fair Value Rate Base

Exhibit
 Schedule B-1
 Page 1
 Witness: Murrey

Line No.		Original Cost Rate Base
1		
2	Gross Utility Plant in Service	\$ 55,101,209
3	Less: Accumulated Depreciation	<u>13,870,749</u>
4		
5	Net Utility Plant in Service	\$ 41,230,460
6		
7	<u>Less:</u>	
8	Advances in Aid of	
9	Construction	14,917,544
10	Contributions in Aid of	
11	Construction - Net of amortization	883,122
12	Imputed Regulatory Advances	-
13	Imputed Regulatory Contributions	143,475
14	Customer Meter Deposits	-
15	Deferred Income Taxes & Credits	(648,330)
16	Investment tax Credits	-
17	<u>Plus:</u>	
18	Unamortized Finance	
19	Charges	-
20	Deferred Tax Assets	-
21	Deferred Debits	47,795
22	Allowance for Working Capital	(13,048)
23	Utility Plant Acquisition Adjustment	-
24		
25	Total Rate Base	<u>\$ 25,969,396</u>
26		
27		
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Arizona American Water Company - Anthem Wastewater
 Test Year Ended December 31, 2008
 Original Cost Rate Base Pro Forma Adjustments

Exhibit
 Schedule B-2
 Page 1
 Witness: Murrey

Line No.	[A] Actual End of Test Year	[B] ADJ SLM-1 Accum Dep for Under Depreciation	[C] ADJ SLM-2 Allocate Corp to Districts	[D] ADJ SLM-3 All Agua Fria Add 32% NWVTP	[E] ADJ SLM-4 Leave Blank	[F] ADJ SLM-5 Anthem Headworks Post TY Plant Additions	[G] ADJ SLM-6 AF - Re-class Verrado WRF Phase 1	[H] ADJ SLM-7 Deferred Debits	[I] ADJ SLM-8 Decrease CIAC for CWIP	[J] ADJ SLM-9 Impute Regulatory CIAC	[K] ADJ SLM-10 Remove Acquisition Adjustment	[L] Total Pro Forma Adjustments	[M] Adjusted End of Test Year
1	Gross Utility												
2	Plant in Service	\$ 54,577,234	\$ 203,044			\$ 606,023						\$ 809,067	\$ 55,386,301
3	Less:												
4	Accumulated Depreciation	12,332,029	1,340,424	227,293								1,567,717	13,899,746
5	Net Utility Plant in Service	\$ 42,245,205	\$ (1,340,424)	\$ (24,249)	\$ -	\$ 606,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (758,650)	\$ 41,486,555
6	Less:												
7	Advances in Aid of Construction	14,917,544											14,917,544
8	Contributions in Aid of Construction - Net	883,122						(35,384)				(35,384)	847,738
9	Imputed Regulatory Advances	-							143,475			143,475	143,475
10	Imputed Regulatory Contributions	-											-
11	Customer Meter Deposits	-											-
12	Deferred Income Taxes	(665,502)											(665,502)
13	Investment Tax Credits	-											-
14	Plus:												
15	Unamortized Finance Charges	-											-
16	Deferred Tax Assets	-											-
17	Deferred Debits	792,854				(745,059)						(745,059)	47,795
18	Working capital	(13,048)											(13,048)
19	Utility Plant Acquisition Adjustment	1,395,780									(1,395,780)	(1,395,780)	-
20	Total	\$ 29,285,626	\$ (1,340,424)	\$ (24,249)	\$ -	\$ 606,023	\$ (745,059)	\$ 35,384	\$ (143,475)	\$ (1,395,780)	\$ (3,007,579)	\$ (3,007,579)	\$ 26,278,047

Arizona American Water Company - Anthem
 Test Year Ended December 31, 2008
 Original Cost Rate Base Pro Forma Adjustments

Exhibit
 Schedule B-2
 Page 2
 Witness: Murrey

Line No.	Company Per Order											Total Per Order Pro Forma Adjustments	Deconsolidated Adjusted End of Test Year				
	(N)	(O) (See Agua Fria)	(P) (See Agua Fria)	(Q) ADJ SLM-13 Accept Staff RB ADJ #3 Cash Working Capital	(R) ADJ SLM-14 Accept Staff RB ADJ #4 Def Income Tax	(S) ADJ SLM-15 Accept Staff RB ADJ #5 CIAC in CWIP	(T) (See Agua Fria)	(U) ADJ SLM-17 Asset Transfer Anthem WW to Agua Fria WW	(V)	(W)	(X)						
1	Adjusted End of Test Year																
2	Gross Utility	\$ 55,386,301															
3	Plant in Service																
4	Less:																
5	Accumulated Depreciation	13,899,746															
6	Net Utility Plant in Service	\$ 41,486,555															
7	Less:																
8	Advances in Aid of Construction	14,917,544															
9	Contributions in Aid of Construction - Net	847,738															
10	Imputed Regulatory Advances	143,475								35,384							
11	Customer Meter Deposits	(665,502)															
12	Deferred Income Taxes																
13	Investment Tax Credits																
14	Plus:																
15	Unamortized Finance Charges																
16	Deferred Tax Assets																
17	Deferred Debits	47,795															
18	Working capital	(13,048)															
19	Utility Plant Acquisition Adjustment																
20	Total	\$ 26,278,047															
21																	
22																	
23																	
24																	
25																	
26																	
27																	
28																	
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Reconcile Anthem Wastewater Plant & Accum. Depr.
 to Amounts Previously Approved

Line No.	Object	Sub.	Description	Annual Dep. Rate	Monthly Dep. Rate	New Rate as of 7/08 Annual Rate	New Rate as of 7/08 Monthly Rate	Approved Dec. 2007	Remove 32% NMWTP	Less Common Plant Allocations	Less Aqua Fria WW Stand Alone December 2005	Anthem WW Stand Alone December 2005	Adjustments 2006	Retirements 2006	Dep. Expense 2006	Ending Balance December 2006	Additions 2007	Retirements 2007
1	101000	304100	Struct & Imp SS	2.50%	0.21%	2.50%	0.21%	18,262	(7,536)	-	(11,726)	-	-	-	-	-	-	-
2	101000	304200	Struct & Imp P	0.00%	0.00%	0.00%	0.00%	1,947	(1,947)	-	-	-	-	-	-	-	-	-
3	101000	304510	Struct & Imp AG Cap Lease	0.00%	0.00%	0.00%	0.00%	6,369	(5,135)	(1,234)	-	(0)	-	-	-	(0)	-	-
4	101000	304600	Struct & Imp Offices	0.00%	0.00%	0.00%	0.00%	9,764	(6,039)	(9,764)	-	-	-	-	-	-	-	-
5	101000	304620	Struct & Imp Leasehold	0.00%	0.00%	0.00%	0.00%	6,039	(6,039)	-	-	-	-	-	-	-	-	-
6	101000	304800	Struct & Imp Misc	0.00%	0.00%	0.00%	0.00%	1,320	(1,320)	-	-	-	-	-	-	-	-	-
7	101000	307000	Wells & Springs	0.00%	0.00%	0.00%	0.00%	52,798	-	(52,798)	-	-	-	-	-	-	-	-
8	101000	340100	Office Furniture & Equip	0.00%	0.00%	0.00%	0.00%	28,319	-	(11,362)	(16,957)	-	-	-	-	-	-	-
9	101000	340200	Computer & Periph Equip	0.00%	0.00%	0.00%	0.00%	84,103	-	(84,103)	-	-	-	-	-	-	-	-
10	101000	340300	Computer Software	0.00%	0.00%	0.00%	0.00%	1,817	-	(1,817)	-	-	-	-	-	-	-	-
11	101000	340330	Comp Software Other	0.00%	0.00%	0.00%	0.00%	1,053	(1,053)	-	-	-	-	-	-	-	-	-
12	101000	340500	Other Office Equipment	0.00%	0.00%	0.00%	0.00%	29,836	-	(29,836)	-	-	-	-	-	-	-	-
13	101000	341100	Trans Equip Lt Duty Trucks	0.00%	0.00%	0.00%	0.00%	60,471	-	(60,471)	(60,471)	-	-	-	-	-	-	-
14	101000	341200	Trans Equip Hvy Duty Trucks	25.00%	2.08%	25.00%	2.08%	8,352	-	(8,352)	(39,542)	-	-	-	-	-	-	-
15	101000	341400	Trans Equip Other	25.00%	2.08%	25.00%	2.08%	31,846	-	(1,303)	-	-	-	-	-	-	-	-
16	101000	343000	Tools, Shop, Garage Equip	4.44%	0.37%	4.44%	0.37%	13,022	(1,093)	(11,929)	-	-	-	-	-	-	-	-
17	101000	344000	Laboratory Equipment	0.00%	0.00%	0.00%	0.00%	242	-	(242)	-	-	-	-	-	-	-	-
18	101000	346200	Comm Equip Non-Telephone	0.00%	0.00%	0.00%	0.00%	495,475	(417)	(3,248)	-	-	-	-	-	-	-	-
19	101000	346300	Comm Equip Telephone	0.00%	0.00%	0.00%	0.00%	3,248	-	(3,248)	-	-	-	-	-	-	-	-
20	101000	347000	Misc Equipment	0.00%	0.00%	0.00%	0.00%	485,058	-	-	-	-	-	-	-	-	-	-
21	101000	352000	WW Franchises	0.00%	0.00%	0.00%	0.00%	495,475	(417)	-	-	-	-	-	-	-	-	-
22	101000	352000	WW Land & Lt Rights Coll	0.00%	0.00%	0.00%	0.00%	495,475	(417)	-	-	-	-	-	-	-	-	-
23	101000	353200	WW Land & Lt Rights Coll	0.00%	0.00%	0.00%	0.00%	495,475	(417)	-	-	-	-	-	-	-	-	-
24	101000	353200	WW Land & Lt Rights Gen	0.00%	0.00%	0.00%	0.00%	495,475	(417)	-	-	-	-	-	-	-	-	-
25	101000	354200	WW Struct & Imp Coll	2.50%	0.21%	1.67%	0.14%	1,405,820	(651,602)	-	(15,127)	483	-	-	11,845	485,058	(218,285)	-
26	101000	354300	WW Struct & Imp SPP	0.00%	0.00%	0.00%	0.00%	305,764	(305,764)	-	(381,819)	372,399	-	-	11,845	626,577	(134,218)	-
27	101000	354400	WW Struct & Imp TDP	0.00%	0.00%	0.00%	0.00%	428,570	-	-	(381,819)	372,399	-	-	11,845	626,577	(134,218)	-
28	101000	354500	WW Struct & Imp Gen	1.68%	0.14%	1.68%	0.14%	10,148,989	-	-	(59,016)	428,570	-	-	195,012	10,408,250	(2,634,267)	-
29	101000	355500	WW Pwr Gen Equip RWTP	0.00%	0.00%	0.00%	0.00%	10,148,989	-	-	(59,016)	428,570	-	-	195,012	10,408,250	(2,634,267)	-
30	101000	360000	WW Collection Sewers Forward	2.07%	0.17%	2.07%	0.17%	2,610,305	-	-	-	-	-	-	-	-	-	-
31	101000	361100	WW Collecting Mains	0.17%	0.01%	0.17%	0.01%	28,190,648	(10,414)	-	(102,620)	18,041	-	-	52,033	2,525,726	(2,324,765)	-
32	101000	362000	WW Special Coll Structures	8.40%	0.70%	8.40%	0.70%	175,974	(35,226)	-	(2,260,101)	26,520,133	-	-	611,391	34,082,072	(3,447,997)	-
33	101000	363000	WW Services Sewer	2.04%	0.17%	2.04%	0.17%	3,685,809	(1,706)	-	-	-	-	-	13,918	178,520	3,051	-
34	101000	364000	WW Flow Measuring Devices	5.42%	0.45%	5.42%	0.45%	133,208	(1,706)	-	-	-	-	-	78,815	4,163,980	176,945	-
35	101000	370000	WW Measuring Wells	0.00%	0.00%	0.00%	0.00%	184,940	-	-	(20,302)	748,337	-	-	12,305	442,446	22,118	-
36	101000	371100	WW Pump Equip Elct	5.42%	0.45%	5.42%	0.45%	1,657,896	-	-	(184,940)	112,907	-	-	12,305	442,446	22,118	-
37	101000	371200	WW Pump Equip Other Power	5.42%	0.45%	5.42%	0.45%	1,657,896	-	-	(184,940)	112,907	-	-	12,305	442,446	22,118	-
38	101000	380000	WW TD Equip Grit Removal	5.00%	0.42%	5.00%	0.42%	3,463	(63,073)	-	(77,529)	1,566,063	-	-	86,043	1,609,817	(387,010)	-
39	101000	380050	WW TD Equip Sed Tanks/Acc	5.00%	0.42%	5.00%	0.42%	1,514,486	-	-	-	-	-	-	188	3,463	2,753	-
40	101000	380100	WW TD Equip Sludge Drying	5.00%	0.42%	5.00%	0.42%	9,376,477	-	-	-	-	-	-	43,741	866,480	(557,200)	-
41	101000	380200	WW TD Equip Sludge Dig Tank	5.00%	0.42%	5.00%	0.42%	2,069,952	(7,784)	-	-	-	-	-	473,409	9,533,195	(3,796,645)	-
42	101000	380300	WW TD Equip Sludge Dry/Filter	5.00%	0.42%	5.00%	0.42%	9,794	-	-	-	-	-	-	103,410	2,068,199	-	-
43	101000	380350	WW TD Equip Sludge Dry/Filter	5.00%	0.42%	5.00%	0.42%	2,067,162	(22,897)	-	-	-	-	-	102,041	2,035,607	4,467	-
44	101000	380400	WW TD Equip Aux Eff Trmt	5.00%	0.42%	5.00%	0.42%	9,644	-	-	-	-	-	-	11,210,945	11,243,496	-	-
45	101000	380500	WW TD Equip Chem Trmt Pt	5.00%	0.42%	5.00%	0.42%	9,644	(9,644)	-	-	-	-	-	582,289	11,243,496	34,845	-
46	101000	380600	WW TD Equip Chem Trmt Pt	8.40%	0.70%	8.40%	0.70%	821,525	-	-	-	-	-	-	52,804	1,054,768	9,983	-
47	101000	380625	WW TD Equip Chem Trmt Pt	8.40%	0.70%	8.40%	0.70%	821,525	-	-	-	-	-	-	41,076	821,525	18,680	-
48	101000	380650	WW TD Equip Influent Lift S	8.40%	0.70%	8.40%	0.70%	821,525	-	-	-	-	-	-	52,804	1,054,768	9,983	-
49	101000	382000	WW Outfall Sewer Lines	5.00%	0.42%	5.00%	0.42%	5,908	(5,908)	-	-	-	-	-	11,703	462,603	92,896	-
50	101000	389100	WW Other Plant & Misc Equip Int	0.00%	0.00%	0.00%	0.00%	1,004,278	(6,197)	-	-	-	-	-	1,023,972	1,023,972	(155,266)	-
51	101000	390000	WW Office Furniture & Equip	4.59%	0.38%	4.59%	0.38%	32,391	(709)	-	-	-	-	-	1,454	31,682	-	-
52	101000	391000	WW Trans Equipment	24.96%	2.08%	24.96%	2.08%	32,391	-	-	-	-	-	-	31,682	-	-	-
53	101000	392000	WW Stores Equipment	3.96%	0.33%	3.96%	0.33%	-	-	-	-	-	-	-	-	-	-	-
54	101000	393000	WW Tool Shop & Garage Equip	4.47%	0.37%	4.47%	0.37%	10,990	(5,369)	-	-	-	-	-	302	7,406	11,838	-
55	101000	394000	WW Laboratory Equipment	3.71%	0.31%	3.71%	0.31%	44,197	(3,228)	-	-	-	-	-	45,007	45,007	8	-
56	101000	395000	WW Power Operated Equip	5.02%	0.42%	5.02%	0.42%	1,017,136	-	-	(146,209)	40,971	-	-	1,620	870,927	870,927	-
57	101000	396000	WW Communication Equip	10.30%	0.86%	10.30%	0.86%	860,611	(2,965)	-	(86,609)	771,038	-	-	79,448	771,552	(70,614)	-
58	101000	397000	WW Misc Equipment	0.00%	0.00%	0.00%	0.00%	14,474	(14,474)	-	-	-	-	-	-	-	-	-
59	101000	398000	WW Other Tangible Plant	0.00%	0.00%	0.00%	0.00%	2,354,057	-	-	-	-	-	-	2,354,057	2,354,057	(2,314,278)	-
60	101000	ns	Utility Plant	84,495,795	(1,904,167)	84,495,795	(1,904,167)	84,495,795	(1,904,167)	(207,636)	(3,731,778)	78,652,215	10,024,078	(10,000)	88,666,293	88,666,293	(7,937,237)	(14,283)
61	101000	ns	Total Plant	84,495,795	(1,904,167)	84,495,795	(1,904,167)	84,495,795	(1,904,167)	(207,636)	(3,731,778)	78,652,215	10,024,078	(10,000)	88,666,293	88,666,293	(7,937,237)	(14,283)
62	101000	ns	Monthly Depreciation Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
63	101000	ns	Retirements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
64	101000	ns	Depreciation Expense adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
65	101000	ns	Accum. Depr. Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
66	101000	ns	Accum. Depr. - Approved/Calculated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67	101000	ns	Total Salvage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
68	101000	ns	Total Approved/Calculated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
69	101000	ns	Total Acc Dep Per Book	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70	101000	ns	Total Over/(Under) Depreciated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
71	101000	ns		7,834,596	(668,021)	7,834,596	(668,021)	7,834,596	(668,021)	(87,353)	(21,038)	7,068,184	10,024,078	(10,000)	8,000,154	8,000,154	(9,636,551)	121,203
72	101000	ns		7,834,596	(668,021)	7,834,596	(668,021)	7,834,596	(668,021)	(87,353)	(21,038)	7,068,184	10,024,078	(10,000)	8,000,154	8,000,154	(9,636,551)	121,203
73	101000	ns		6,041,602	-	6,041,602	-	6,041,602	-	-	-	-	-	-	6,041,602	6,041,602	-	-
74	101000	ns		6,041,602	-	6,041,602	-	6,041,602	-	-	-	-	-	-	6,041,602	6,041,602	-	-
75	101000	ns		6,041,602	-	6,041,602	-	6,041,602	-	-	-	-	-	-	6,041,602	6,041,602	-	-
76																		

Arizona American Water Company - Anthem Wastewater
Test Year Ended December 31, 2008
Rate Base Adjustment SLM-2

Line No.	Object Account	Sub Account	Description	Annual Depr. Rate	Monthly Depr. Rate	Audited W-01303A-07-0209 December 2006	Additions 2007	Retirements 2007	Adjustments 2007	Depr. Expense 2007	Ending Balance December 2007	Additions 2008	Retirements 2008	Adjustments 2008	Depr. Expense 2008	SLM-2 Ending Balance December 2008	Company Proposed Depreciation Rates	Annual Depreciation Expense times TVE LPIIS Col (Q) * [R]
1	101000	303600	Land & Land Rights AG	0.00%	0.00%	30,722	(30,722)	-	-	-	-	-	-	-	-	-	-	-
2	101000	304510	Struct & Imp AG Cap Lease	5.63%	0.47%	18,209	(18,209)	-	-	(913)	-	-	-	-	-	-	-	-
3	101000	304600	Struct & Imp Offices	4.63%	0.39%	-	-	-	-	-	-	-	-	-	-	-	-	-
4	101000	304800	Struct & Imp Misc	4.63%	0.39%	-	-	-	-	-	-	-	-	-	-	-	-	-
5	101000	304620	Struct & Imp Leasehold	14.20%	1.18%	197,755	-	-	-	28,081	197,755	-	-	-	28,081	197,755	14.28%	28,239
6	101000	331001	Mains	1.53%	0.13%	-	783,397	-	-	999	783,397	-	-	(783,397)	-	-	-	-
7	101000	339600	Other PE CPS	3.30%	0.28%	-	-	-	-	-	-	-	-	-	-	-	-	-
8	101000	340100	Office Furniture & Equip	4.04%	0.34%	1,090,182	34,725	-	-	44,115	1,124,906	-	(4,069)	-	712	1,120,837	3.30%	1,704
9	101000	340200	Comp & Periph Equip	15.89%	1.32%	395,932	61,597	-	-	63,685	457,529	59,458	(5,555)	-	42,478	510,000	4.04%	46,583
10	101000	340300	Computer Software	37.71%	3.14%	1,800,584	(233)	-	-	677,128	1,800,350	18,200	-	(15,598)	75,261	1,814,952	10.00%	50,083
11	101000	340330	Comp Software Other	37.71%	3.14%	36,811	9,861	-	-	14,194	46,763	-	-	-	17,634	64,397	25.00%	454,638
12	101000	340500	Other Office Equipment	7.13%	0.59%	-	-	-	-	(171,701)	-	-	-	-	-	-	-	-
13	101000	341100	Trans Equip LT/Duty Trks	28.05%	2.34%	469,000	(469,000)	-	-	-	-	-	-	-	-	-	-	-
14	101000	343000	Tools, Shop, Garage Equip	3.61%	0.30%	18,131	20,324	-	-	349	38,455	89	-	(38,545)	175	-	-	-
15	101000	344000	Laboratory Equipment	3.71%	0.31%	-	-	-	-	-	-	-	-	-	-	-	-	-
16	101000	345000	Power Operated Equipment	4.64%	0.39%	47,923	(47,923)	-	-	-	-	-	-	-	-	-	-	-
17	101000	346100	Comm Equip Non-Telephone	9.76%	0.81%	195,220	(13,140)	-	-	16,648	186,080	-	-	-	18,161	204,241	8.25%	15,352
18	101000	346200	Comm Equip Telephone	9.76%	0.81%	49,678	(49,678)	-	-	-	-	14,346	-	-	117	14,346	8.25%	1,184
19	101000	346300	Comm Equip Other	7.91%	0.65%	12,897	(7,985)	-	-	355	4,902	-	-	-	388	5,290	5.35%	262
20	101000	347000	Misc Equipment	5.10%	0.43%	-	-	-	-	-	-	-	-	-	-	-	-	-
21	101000	380400	WW TO Equip Aux Efm Trml	5.00%	0.42%	-	-	-	-	-	-	-	-	-	-	-	-	-
22	101000	383000	WW Tool Shop & Garage Equip	4.74%	0.40%	-	-	-	-	-	-	-	-	-	-	-	-	-
48	SLM-2		Utility Plant			4,367,033	273,104	-	-	672,941	4,640,137	175,962	(4,624)	(837,539)	862,491	3,973,936		609,736
49	SLM-2		Anthem Wastewater Allocation Factor			5,354,00%				5,259,96%	5,259,96%				5,109,4%	5,109,4%		5,109,4%
50	SLM-2		Anthem Wastewater Allocation			233,612				35,396	244,065				44,068	203,044	SLM-2	31,154
51	SLM-2		Monthly Depreciation Expense			2,813,109				672,941	3,486,050				862,491	4,348,541		
52	SLM-2		Retirements			(221,543)				576	(220,968)				220,968	0		
53	SLM-2		Accum. Deprac. - Apprvd/Calculated			100,000					100,000					100,000		
54	SLM-2		Total Removal Cost			2,691,566				673,516	3,365,082				1,083,459	4,448,542		
55	SLM-2		Total Salvage			(2,787,094)				(643,209)	(3,430,303)				(1,088,528)	(4,518,831)		
56	SLM-2		Total Per Books (Net Balance/Column BU)			95,528				(30,307)	65,221				5,068	70,289		
57	SLM-2		Total Over/(Under) Depreciated			5,354,00%				5,259,96%	5,259,96%				5,109,4%	5,109,4%		
58	SLM-2		Anthem Wastewater Allocation Factor			144,107				176,959	176,959				227,283	227,283	SLM-2	
59	SLM-2		Anthem Wastewater Allocation							(180,429)	(180,429)				(180,429)	(180,429)		
60	SLM-2																	
61	SLM-2																	
62	SLM-2																	

Note:
1. In 2006 we removed \$703,156 from corporate books for Western Region.
2. In 2006 the Eastern Division was not allowed.

Line

No.

Post Test Year Additions to Plant:

The Anthem Headworks Modification Project was in service in December 2008. Total estimated cost of this project is \$2,524,948, of which \$1,918,925 was in plant as of December 31, 2008. The remaining \$606,023 costs hit plant in early 2009.

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	Project Costs	Annual Deprec Rate [a]	Post TY Annual Depreciation Expense
Cost at December 31, 2008			
354400 WW Struct & Imp TDP	\$58,634	1.67%	\$979
370000 WW Receiving Wells	1,737,693	3.33%	57,865
380350 WW TD Equip Sec Trmt Filter	122,598	5.00%	6,130
	<u>\$1,918,925</u>		<u>\$64,974</u>
Revised costs at May 15, 2009			
354400 WW Struct & Imp TDP	\$77,260	1.67%	\$1,290
370000 WW Receiving Wells	2,286,234	3.33%	\$76,132
371100 WW Pump Equip Elect	15	5.42%	\$1
380000 WW TD Equipment	150	5.00%	\$8
380350 WW TD Equip Sec Trmt Filter	161,289	5.00%	\$8,064
397000 WW Misc Equipment	0	0.00%	\$0
	<u>\$2,524,948</u>		<u>\$85,495</u>
Increase in Utility Plant in Service	<u>\$606,023</u>		
Increase in Annual Depreciation Expense			<u>\$20,521</u>

Arizona American Water Company - Anthem Wastewater
Test Year Ended December 31, 2008
Rate Base Adjustment SLM-7

Exhibit
Schedule B-2
Page 7
Witness: Murrey

Line No.		
1	<u>Deferred Debits</u>	
2		
3		
4	Pro Forma Deferred Debit as Adjusted	\$ 47,795
5		
6	Test Year Deferred Debits Balance	<u>792,854</u>
7		
8	Increase/(Decrease) in Deferred Debit Adjustment	<u>\$ (745,059)</u>
9		
10	Adjustment to Rate Base	<u>\$ (745,059)</u>
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Line		
<u>No.</u>		
1	<u>Remove Contributions for Plant Not in Service</u>	
2		
3		
4	An adjustment is being made to Contributions in Aid of Construction for the amounts associated	
5	with projects that are in CWIP as of the end of the test year. Since these project amounts had not been	
6	transferred to Utility Plant in Service as of 12/31/08 and, therefore, are not part of Rate Base,	
7	the reduction for Contributions should also not be a part of Rate Base.	
8		
9		
10	Contributions in Aid of Construction at 12/31/08	\$ 1,077,324
11	Less: Amortization of CIAC	<u>(194,201)</u>
12		
13	Net Contributions	883,122
14		
15	Amount of Contributions in CWIP	<u>\$ (35,384)</u>
16		
17		
18	Pro forma Net Contributions in Aid of Contributions	\$ 847,738
19		
20		
21	Increase / (Decrease) to Contributions	<u>\$ (35,384)</u>
22		
23		
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Line No.		
1	<u>Impute Regulatory Contributions Per Dec. 63584</u>	
2		
3	Regulatory Contributions	\$ 472,196
4		
5	Amortization 1/15/02 to 12/31/02	(45,403)
6		
7	Amortization 1/01/03 to 12/31/03	(47,220)
8		
9	Amortization 1/01/04 to 12/31/04	(47,220)
10		
11	Amortization 1/01/05 to 12/31/05	(47,220)
12		
13	Amortization 1/01/06 to 12/31/06	(47,220)
14		
15	Amortization 1/01/07 to 12/31/07	(47,220)
16		
17	Amortization 1/01/08 to 12/31/08	(47,220)
18		
19	Balance 12/31/08	<u>\$ 143,475</u>
20		
21	Increase (decrease) in Regulatory CIAC	<u>\$ 143,475</u>
22		
23	Adjustment to Rate Base	<u>\$ 143,475</u>
24		
25		
26		
27		
28	Agua Fria Wastewater had no plant in service when Arizona-American bought the	
29	assets from Citizen's Utilities.	
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Arizona American Water Company - Anthem Wastewater
Test Year Ended December 31, 2008
Rate Base Adjustment SLM-10

Exhibit
Schedule B-2
Page 10
Witness: Murrey

Line No.		
1	<u>Remove Utility Plant Acquisition Adjustment</u>	
2		
3	Pro Forma Utility Plant Acquisition Adjustment	\$ -
4		
5	Test Year Utility Plant Acquisition Adjustment Balance	1,395,780
6		
7	Increase (decrease) in Utility Plant Acquisition Adjustment	<u>\$ (1,395,780)</u>
8		
9	Adjustment to Rate Base	<u>\$ (1,395,780)</u>
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Line			
<u>No.</u>			
1	Adjust Deferred Income Taxes		
2			
3	Deferred Income Tax Adjustment for Company	\$	336,093
4			
5	Allocation Factor (combined)		<u>8.06%</u>
6			
7	Staff adjustment to Deferred Income Tax	\$	<u>27,084</u>
8	(per Staff RB adj #4 per Revised Final Schedule GTM-8)		
9			
10			
11			
12			
13	<u>Breakout based on individual district allocation</u>		
14		\$	336,093
15			
16	Anthem Wastewater Allocation	5.11%	17,172
17			
18	Agua Fria Wastewater Allocation	2.95%	9,912
19		\$	<u>27,084</u>
20			
21			
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Arizona American Water Company - Anthem Wastewater
Test Year Ended December 31, 2008
Computation of Working Capital

Exhibit
Schedule B-5
Page 1
Witness: Murrey

Line
No.

1		
2	Working Cash Requirement	\$ (41,852)
3	Material and Supplies Inventories	437 ¹
4	Prepayments	28,367
5		
6		
7	Total Working Capital Allowance	<u>\$ (13,048)</u>
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46	¹ Thirteen-month average	
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ANTHEM WASTEWATER

Line No.		Test Year Adjusted Results	Revenue Lag Days	Expense Lag Days	Net Lag Days	Lead/Lag Factor	Cash Working Capital Required
1	OPERATING EXPENSES						
2	P08 Labor	580,777	46.04007	12.0000	34.0401	0.0933	\$ 54,164
4	P09 Purchased Water	0	46.04007	52.5225			
5	P10 Fuel & Power	10,285	46.04007	23.4600	22.5801	0.0619	636
6	P11 Chemicals	0	46.04007	14.6338	31.4063	0.0860	0
7	P12 Waste disposal	133,194	46.04007	26.8986	19.1415	0.0524	6,985
8	P13 Management Fees	0	46.04007	-	46.0401	0.1261	0
9	P14 Group Insurance	154,030	46.04007	(13.7038)	59.7439	0.1637	25,212
10	P15 Pensions	115,506	46.04007	(2.3684)	48.4085	0.1326	15,319
11	P17 Insurance Other Than Group	44,380	46.04007	83.6844	(37.6443)	(0.1031)	(4,577)
12	P18 Customer Accounting	87,701	46.04007	20.3100	25.7301	0.0705	6,182
13	P19 Rents	20,906	46.04007	84.1608	(38.1207)	(0.1044)	(2,183)
14	P21 Miscellaneous	264,448	46.04007	16.8375	29.2025	0.0800	21,158
15	P25 Maintenance Expense	131,838	46.04007	18.2388	27.8013	0.0762	10,042
16	Other Operating Expenses ¹	74,490	46.04007	30.0000	16.0401	0.0439	3,274
17	TAXES						
18	P29 Property Taxes	215,344	46.04007	191.3713	(145.3312)	(0.3982)	(85,743)
19	P29 Taxes Other than Income	33,563	46.04007	13.3462	32.6938	0.0896	3,006
20	P30 Income Tax ²	761,446	46.04007	30.1300	15.9101	0.0436	33,191
21	P56 Interest Sync	779,082	46.04007	106.2500	(60.2099)	(0.1650)	(128,516)
22							
23	WORKING CASH REQUIREMENT	3,406,990					\$ (41,852)

1) All other Operating Expenses are assumed to be paid by the 15th of the month following the receipt of goods and services.
 2) At deconsolidated rates.

Arizona American Water Company - Anthem Wastewater
Test Year Ended December 31, 2008
Adjusted Test Year Income Statement

Exhibit
Schedule C-1
Page 1
Witness: Murrey

Line No.	[A] Test Year Book Results	[B] Total Pro Forma Adjustments	[C] Test Year Adjusted Results	[D] Deconsolidated Rate Increase	[E] Adjusted with Rate Increase
1	Revenues				
2	\$ 5,225,634	\$734,071	\$ 5,959,705	921,279	\$ 6,880,984
3	1,197	-	1,197		1,197
4					
5	\$ 5,226,831	\$ 734,071	\$ 5,960,902	\$ 921,279	\$ 6,882,181
6	Operating Expenses				
7	\$ 573,788	\$ 6,989	\$ 580,777		\$ 580,777
8	101,015	(90,730)	10,285		10,285
9	64,676	26,042	90,718		90,718
10	132,198	996	133,194		133,194
11	672,463	13,808	686,271		686,271
12	116,714	37,316	154,030		154,030
13	100,380	15,126	115,506		115,506
14	49,584	(17,788)	31,796		31,796
15	44,380	-	44,380		44,380
16	109,906	(22,205)	87,701	4,699	92,399
17	20,906	-	20,906		20,906
18	36,930	-	36,930		36,930
19	238,766	25,682	264,448		264,448
20	131,838	-	131,838		131,838
21	2,060,337	(164,529)	1,895,808		1,895,808
22	110,364	94,383	204,747	10,597	215,344
23	37,896	(4,334)	33,563		33,563
24	(97,843)	352,179	254,336	349,699	604,036
25					
26					
27	\$ 4,504,300	\$ 272,935	\$ 4,777,235	\$ 364,995	\$ 5,142,230
28	\$ 722,531	\$ 461,136	\$ 1,183,667	\$ 556,284	\$ 1,739,951
29	Other Income & Deductions				
30	56,192	(56,192)	-		-
31	656,714	122,368	779,082		779,082
32	8,701	-	8,701		8,701
33	(2)	-	(2)		(2)
34	\$ (609,224)	\$ (178,561)	\$ (787,785)	\$ -	\$ (787,785)
35	\$ 113,307	\$ 282,575	\$ 395,882	\$ 556,284	\$ 952,166
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Arizona American Water Company - Anthem Wastew
 Test Year Ended December 31, 2008
 Income Statement Pro Forma Adjustments

Exhibit
 Schedule C-2
 Page 4
 Witness: Murrey

Line No.	Revenues	(AB) ADJ SLM-1F for NWMRTE Oper Exp	(AC) ADJ SLM-2F Accept Staff Adj for Fuel & Power	(AD) ADJ SLM-3F Accept Staff Adj for Cust Acctg	(AE) ADJ SLM-4F Accept Staff Adj for Water Testing	(AF) ADJ SLM-5F Accept Staff Adj for Depreciation Exp	(AG) ADJ SLM-6F Accept Staff Adj for Property Tax	(AH) ADJ SLM-7F Accept Staff Adj for Income Tax	(AI) ADJ SLM-8F Accept Staff Adj for Regulatory Exp	(AJ) ADJ SLM-9Fa Accept Staff Adj for Labor
1										
2	P03 Sewer Revenues									
3	P04 Other Revenues									
4										
5										
6	Operating Expenses									
7	P08 Labor									
8	P09 Purchased Water									
9	P10 Fuel & Power									
10	P11 Chemicals									
11	P12 Waste Disposal									
12	P13 Management Fees									
13	P14 Group Insurance									
14	P15 Pensions									
15	P16 Regulatory Expense									
16	P17 Insurance Other Than Group									
17	P18 Customer Accounting									
18	P19 Rents									
19	P20 General Office Expense									
20	P21 Miscellaneous									
21	P25 Maintenance Expense									
22	P27-2i Depreciation & Amortization									
23	P29 General Taxes-Property Taxes									
24	P29 General Taxes-Other									
25	P30-3' Income Taxes									
26										
27										
28	Total Operating Expenses									
29	Utility Operating Income									
30	Other Income & Deductions									
31	P39-4' Other Income & Deductions									
32	P56-6i Interest Expense									
33	P48-5' Other Expense									
34	P43 Gain/Loss Sale of Fixed Assets									
35	Net Other Income & Deductions									
36	Net Profit (Loss)									
37										
38										
39										
40										
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(See AF)

Arizona American Water Company - Anthem Wastev
 Test Year Ended December 31, 2008
 Income Statement Pro Forma Adjustments

Exhibit
 Schedule C-2
 Page 5
 Witness: Murrey

Line No.	[AK] ADJ SLM-9Fb Accept Staff Adj for Maint Fees	[AL] ADJ SLM-9Fc Accept Staff Adj for Pension Exp	[AM]	[AN] Total Pro Forma Adjustments	[AO] Test Year Adjusted Results	[AP] Deconsolidated Rate Increase	[AQ] Adjusted with Rate Increase
1							
2					\$ 5,959,705	\$ 921,279	\$ 6,880,984
3					1,197		1,197
4							
5					\$ 5,960,902	\$ 921,279	\$ 6,882,181
6							
7							
8				(11,937)	580,777		\$ 580,777
9				21	10,285		\$ 10,285
10					90,718		\$ 90,718
11					133,194		\$ 133,194
12				(29,480)	686,271		\$ 686,271
13					154,030		\$ 154,030
14				8,744	115,506		\$ 115,506
15				(7,926)	31,796		\$ 31,796
16					44,380		\$ 44,380
17				(25,278)	87,701	4,699	\$ 44,380
18					20,906		\$ 20,906
19					36,930		\$ 36,930
20				14,574	264,448		\$ 264,448
21					131,838		\$ 131,838
22				(167,523)	1,895,808		\$ 1,895,808
23				1,060	204,747	10,597	\$ 215,344
24					33,563		\$ 33,563
25					254,336	349,699	\$ 604,036
26							
27							
28					\$ 4,777,235	\$ 364,985	\$ 5,142,230
29							
30					\$ 1,183,667	\$ 556,284	\$ 1,739,951
31							
32							
33					779,082		779,082
34					8,701		8,701
35					(2)		(2)
36					\$ (787,785)		\$ (787,785)
37							
38							
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Line No.			
1	<u>Remove Net Unbilled Revenue Accrual</u>		
2		<u>Residential</u>	<u>Commercial</u>
3			
4			
5			
6	January	\$59,521.44	\$3,499.24
7	February	(\$29,346.04)	\$4,578.57
8	March	\$42,786.37	(\$540.93)
9	April	(\$22,627.14)	\$7,163.65
10	May	\$20,251.61	(\$7,183.76)
11	June	\$38,002.93	\$30,167.70
12	July	(\$83,944.00)	\$1,907.00
13	August	\$81,497.76	\$6,969.34
14	September	\$15,273.50	\$9,750.42
15	October	(\$34,220.24)	(\$24,757.58)
16	November	\$67,596.55	(\$875.41)
17	December	(\$149,350.80)	(\$21,965.70)
18			
19		<u>\$ 5,442</u>	<u>\$ 8,713</u>
20			
21			
22	Subtotal (A positive number means an addition to revenue.)		\$ 14,154 (Net Debit)
23			
24	Test Year Adjusted Balance		-
25			
26	Increase/(Decrease) in Unbilled Revenues		<u>\$ (14,154)</u>
27			
28	Adjustment to Revenues and/or Expense		<u>\$ (14,154)</u>
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45	Workpapers & Supporting Documents:		
46	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\		
47	\\Workpapers\Revenue\Anthem WW Unbilled.xls		
48			
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Arizona American Water Company - Anthem Wastewater
 Test Year Ended December 31, 2008
 Income Statement Adjustment SLM-2

Exhibit
 Schedule C-2
 Page 7
 Witness: Murrey

Line No.	Rate	Description		\$ due to Revenue Increase
1	<u>Adjust Booked Revenues to Reflect Annualized Rate Increase Adjustments</u>			
2				
3				
4	<u>Schedule</u>	<u>Description</u>		
5	E1MS1	Anthem Sewer Residential	\$ 574,916.98	
6				
7		Total Residential		<u>\$ 574,917</u>
8				
9				
10	E2MS1	Anthem Sewer Commercial 5/8"	\$ 343.34	
11	E2MS3	Anthem Sewer Commercial 1"	\$ 2,149.88	
12	E2MS4	Anthem Sewer Commercial LG	\$ 43,810.68	
13		Total Commercial		<u>\$ 46,304</u>
14				
15				
16	E5M2	Anthem Wholesale (Phoenix) OWU	\$ 91,131.05	
17				
18		Total Resale		<u>\$ 91,131</u>
19				
20				
21				
22		Total Revenue Adjustment		<u>\$ 712,352</u>
23				
24				
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45	Workpapers & Supporting Documents:			
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47	\\09 Anthem WW\Schedules\2008 Anthem WW Sch H.xls			
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Line No.	Residential	Commercial					
		5/8"	3/4"	1"	Large		
1	Customer Growth Annualization of Test Year Revenue:						
2	<u>Residential</u>						
3							
4	Customer Growth Statistics:						
5	From the H-2's						
6	Average Customers	8,328	4	-	18	109	
7	Average Monthly Gallons	5,814	5,925	-	8,824	50,337	
8							
9	Actual TYE Bills	8,391	4	-	20	108	
10	Mo Cust Growth Bills	63	-	-	2	(1)	
11	(Line 11- Line 8)						
12							
13	Mo Cust Growth Volumes (1,000 gals)						
14	(Line 12 x Line 9 / 1,000)	366.28	-	-	17.65	(50.34)	
15							
16	Customer Growth Revenue:						
17	Meter Charge	\$27.76	\$27.76	\$41.64	\$55.58	\$111.12	
18	Volumetric - 1st block limit	7,000	10,000	15,000	20,000	9,999,999	
19	1st block rate	\$3.48	\$3.48	\$3.48	\$3.48	\$3.48	
20	Annual Revenue per additional dwelling unit	\$575.88	\$580.56	\$499.68	\$1,035.48	\$3,435.48	
21	times Cust Growth Bills (Line 12)	\$36,280	\$0.00	\$0.00	\$2,071	(\$3,435)	
22	Total Residential	<u>\$36,280</u>	Total Commercial		<u>(\$1,365)</u>	Anthem WW	
23		\$64,296	Total by District		\$7,120	Agua Fria WW	
24	Total by District	\$ 100,577	Total by District		\$ 5,755		
25	Total Per Order	\$ 103,083	Total Per Order		\$ 5,527		
26	Diff to be allocated to districts	\$ 2,506	Diff to be allocated to districts		\$ (228)		
27							
28	Additional allocation split	\$ 904	Additional allocation split		\$ 54	Anthem WW	
29		\$ 1,602			\$ (282)	Agua Fria WW	
30							
31	Increase / (Decrease) in Operating Expenses:						
32		AMOUNTS PER ORDER					
33		Fuel & Power	Chemicals	Waste Disposal	Postage	Other Cust Accounting	Total
34	Test Year Adjusted Expense from Sch C-2	\$ 274,699	\$ 299,058	\$ 196,263	\$ 71,288	\$ 167,436	\$ 1,008,743
35	Avg Customers times 12	151,308	151,308	151,308	151,308	151,308	
36	Cost per Bill	\$1.8155	\$1.9765	\$1.2971	\$0.4711	\$1.1066	
37	Sum of Cust Growth Bills (Line 12) x 12	2,184	2,184	2,184	2,184	2,184	
38	Additional Expense	\$ 3,965	\$ 4,317	\$ 2,833	\$ 1,029	\$ 2,417	\$ 14,560 Anthem/Agua Fri Per Order
39							
40	Allocation to Anthem WW Based on Customer Growth Bills						
41	Sum of Cust Growth Bills (Line 12) x 12	768	768	768	768	768	
42	Additional Expense for Anthem WW	\$1,394	\$1,518	\$996	\$362	\$850	\$5,120 Anthem WW Allocation
43							
44	Allocation to Agua Fria WW Based on Customer Growth Bills						
45	Sum of Cust Growth Bills (Line 12) x 12	1,416	1,416	1,416	1,416	1,416	
46	Additional Expense for Anthem WW	\$2,571	\$2,799	\$1,837	\$667	\$1,567	\$9,440 Agua Fria WW Allocation
47							
48							
49	Workpapers & Supporting Documents:	\Workpapers\Revenue\Anthem_Sewer 1.xls					
50	\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\	\09 Anthem WW\Schedules\2008 Anthem WW Sch H.xls					

Arizona American Water Company - Anthem Wastewater
Test Year Ended December 31, 2008
Income Statement Adjustment SLM-4

Exhibit
Schedule C-2
Page 9
Witness: Murrey

Line

No.

1 Remove Other Districts Billings

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45 Workpapers & Supporting Documents:

46 \Schedules\2008 Anthem WW Sch. A-F_Decon.xls\

47

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There were no billing errors found in Anthem Wastewater. The amount listed on the Anthem/Agua Fria Wastewater filing was all attributable to Agua Fria Wastewater district.

Arizona American Water Company - Anthem Wastewater
 Test Year Ended December 31, 2008
 Income Statement Adjustment SLM-5

Exhibit
 Schedule C-2
 Page 10
 Witness: Murrey

Line No.			
1	<u>Adjust Depreciation Expense to Reflect Test Year Adjusted Plant:</u>		
2			
3			
4	Company Adjustment to Depreciation		\$ 5,749
5			
6			
7			
8	Prorated to districts based on depreciation expense		
9		Anthem Wastewater	\$ 2,995
10		Agua Fria Wastewater	\$ 2,754
11			<u>\$ 5,749</u>
12			
13	Depreciation Expense by District		
14	Anthem Wastewater	\$ 1,987,316	52.09%
15	Agua Fria Wastewater	\$ 1,827,921	47.91%
16		<u>\$ 3,815,236</u>	
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44			
45	Workpapers & Supporting Documents:		
46	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls		
47	\\09 Anthem WWWorkpapers\Anthem WW AI 2008.xls		
48	\\Common\Workpapers\Imputed AIAC and CIAC.xls		
49	\\Common\Workpapers\2008 Reg Asset-Amort Wrkpaper.xls		
50			

Arizona American Water Company - Anthem Wastewater
Test Year Ended December 31, 2008
Income Statement Adjustment SLM-6

Exhibit
Schedule C-2
Page 11
Witness: Murrey

Line

No.

1	Normalize Fuel & Power	
2		
3	Test Year Power Expense - Anthem Wastewater District	\$ 101,015
4		
5	2008 Pro Forma Fuel & Power Expense	\$ 8,869
6		
7	Total Adjusted Test Year Fuel & Power Expense	\$ 8,869
8		
9		
10		
11	Increase/(Decrease) in Fuel & Power Expense	<u>\$ (92,146)</u>
12		
13	Adjustment to Revenue and/or Expense	<u>\$ (92,146)</u>
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45	Workpapers & Supporting Documents:	
46	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\	
47	\\Common\Power\2008 Fuel & Power Pro Forma	
48		
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Arizona American Water Company - Anthem Wastewater
Test Year Ended December 31, 2008
Income Statement Adjustment SLM-7

Exhibit
Schedule C-2
Page 12
Witness: Murrey

Line

<u>No.</u>		
1	<u>Normalize & Adjust Chemicals Expense</u>	
2		
3	Pro Forma Chemicals Expense (work paper) - Anthem Wastewater	\$ 89,200
4		
5	TY 2008 Chemicals Expense - Anthem Wastewater	\$ 64,676
6		
7	Increase/(Decrease) in Chemicals Expense	<u>\$ 24,524</u>
8		
9	Adjustment to Revenue and/or Expense	<u>\$ 24,524</u>
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45	Workpapers & Supporting Documents:	
46	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\	
47	\\Common\Chemicals\2008 Chemical Pro Forma.xls	
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Line			
No.			
1	<u>Adjust Management Fees for Labor Increases</u>		
2			
3	Test Year Management Fees		\$ 672,463
4			
5			
6	Adjusted Test Year Management Fees		\$ 672,463
7			
8	Increase in Labor Expense	\$ 761,938	
9	4 Factor Allocation to Anthem Wastewater	<u>5.7870%</u>	
10			
11	Pro forma Adjustment to Management Fees		\$ 44,094
12			
13	Pro forma adjusted test year Management Fees		\$ 716,557
14			
15			
16	Increase/(Decrease) in Management Fees		\$ 44,094
17			
18	Adjustment to Revenue and/or Expense		\$ 44,094
19			
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45	Workpapers & Supporting Documents:		
46	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\		
47	\\Common\Service Company\2008 Labor Adj-Mgmt Fees.xls		
48	\\Common\Workpapers\2008 4 Factor.xls		
49			
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Line

No.

1	<u>Adjust Management Fees for Other Expense Increases</u>	
2		
3	Test Year Management Fees	\$ 672,463
4		
5		
6	Adjusted Test Year Management Fees	\$ 672,463
7		
8	Increase in Other Expense	\$ 170,388
9	4 Factor Allocation to Anthem Wastewater	<u>5.7870%</u>
10		
11	Pro forma Adjustment to Management Fees	\$ 9,860
12		
13	Pro forma adjusted test year Management Fees	\$ 682,323
14		
15		
16	Increase/(Decrease) in Management Fees	<u>\$ 9,860</u>
17		
18	Adjustment to Revenue and/or Expense	<u>\$ 9,860</u>
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45 Workpapers & Supporting Documents:
46 \Schedules\2008 Anthem WW Sch. A-F_Decon.xls\
47 \Common\Service Company\2008 Other Expense Adj-Mgmt Fees.xls
48 \Common\Workpapers\2008 4 Factor.xls
49
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Arizona American Water Company - Anthem Wastewater
Test Year Ended December 31, 2008
Income Statement Adjustment SLM-10

Exhibit
Schedule C-2
Page 15
Witness: Murrey

Line No.		
1	<u>Remove One-Time Service Company Charges</u>	
2		
3		
4	Test Year Management Fees-Anthem Wastewater	\$ 672,463
5		
6		
7	Adjusted Test Year Management Fees	\$ 672,463
8		
9	Write-off One-Time Service Company Charges	\$ 184,301
10	4 Factor Allocation to Anthem Wastewater	5.7870%
11		
12	Adjustment to Write-off One-Time Service Company Charges	\$ (10,666)
13		
14		
15		
16	Increase/(Decrease) in Management Fees	\$ (10,666)
17		
18	Adjustment to Revenue and/or Expense	\$ (10,666)
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45	Workpapers & Supporting Documents:	
46	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\	
47	\\Common\Service Company\2008 One-Time Adj-Mgmt Fees.xls	
48	\\Common\Workpapers\2008 4 Factor.xls	
49		
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Arizona American Water Company - Anthem Wastewater
Test Year Ended December 31, 2008
Income Statement Adjustment SLM-11

Exhibit
Schedule C-2
Page 16
Witness: Murrey

Line

<u>No.</u>		
1	<u>Adjust Postage Expense for 2008 and 2009 Postage Increases</u>	
2		
3	2008 Total Corporate Postage Expense	\$ 544,875
4		
5	2008 Postage Increase (5/12/08)	1.09%
6		
7	Annualize 2008 Postage Increase	\$ 5,926
8		
9	Estimated 2008 Total Corporate Postage Expense Annualized	\$ 550,801
10		
11	2009 Postage Increase (5/11/09)	4.76%
12		
13	Annualize 2009 Postage Increase	\$ 26,229
14		
15	Test Year 2008 Pro Forma Total Company Postage Expense	\$ 577,030
16		
17	4 Factor - Anthem Wastewater	5.787%
18		
19	Test Year 2008 Pro Forma Postage Expense-Anthem Wastewater	\$ 33,393
20		
21	2008 Test year Postage Expense (CA - 575660.15 & 16)	\$ 31,532
22		
23	Increase/(Decrease) in Postage Expense	\$ 1,861
24		
25	Adjustment to Revenue and/or Expense	<u>\$ 1,861</u>
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45	Workpapers & Supporting Documents:	
46	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\	
47	109 Anthem WWW\Workpapers\Anthem WW AI 2008.xls	
48	\\Common\Workpapers\2008 4 Factor.xls	
49		
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Line

No.

1 Adjust Purchased Water for Cost Saving Program at Northwest Valley RTF

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5 This adjustment has no impact on Anthem Wastewater.

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45 Workpapers & Supporting Documents:

46 \Schedules\2008 Anthem WW Sch. A-F_Decon.xls\

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Line No.		
1	<u>Adjust Rate Case Expense</u>	
2		
3	Estimated Rate Case Expense (Workpaper)	\$ 678,425
4		
5	Estimated Amortization Period in Years	3
6		
7	Annual Rate Case Expense	<u>\$ 226,142</u>
8		
9	09 Group 4 Factor - Anthem Wastewater	12.223%
10		
11	Allocated Rate Case Expense	<u>\$ 27,841</u>
12		
13	Expected Unamortized Balance as of 9/2010	\$ 23,777
14	Estimated Amortization Period in Years	3
15	Annual Amortization of Expected Unamortized Balance	\$ 7,926
16		
17	Pro Forma Rate Case Expense	\$ 35,567
18		
19	Test Year Rate Case Expense	\$ 45,429
20		
21	Increase/(Decrease) Rate Case Expense	<u>\$ (9,863)</u>
22		
23	Adjustment to Revenue and/or Expense	<u>\$ (9,863)</u>
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45	Workpapers & Supporting Documents:	
46	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\	
47	\\Common\Workpapers\2008 Reg Asset-Amort Wrkpaper.xls	
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Line No.			
1	Adjust for Line 21 Miscellaneous Expense Clean Up		
2			
3	The Company went through the Corporate Miscellaneous General Expense account and removed		
4	those items which it anticipated the Commission would likely disallow for ratemaking purposes,		
5	such as Community Relations expense and membership dues. The Company performed the		
6	same study of the Anthem Wastewater account.		
7			
8			
9	Pro forma adjustment to Line 21 Miscellaneous Expense:		
10	Anthem Wastewater		\$ (508)
11			
12	Corporate Office amount	\$ (430,447)	
13		\$ (430,447)	
14			
15	4 Factor Allocation to Anthem Wastewater	5.7870%	
16			
17	Total Corporate disallowance		\$ (24,910)
18			
19	Pro forma disallowance to Miscellaneous Expense		\$ (25,418)
20			
21	Adjustment to Revenue and/or Expense		\$ (25,418)
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45	Workpapers & Supporting Documents:		
46	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\		
47	\\Common\Workpapers\Line21.xls		
48	\\Common\Workpapers\2007 4 Factor.xls		
49			
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Line No.		
1	<u>Normalize Test Year Labor Expense</u>	
2		
3	Total normalized Labor expense (Workpaper) - Anthem Wastewater	\$ 559,156
4		
5	Test Year Incentive Plan - Anthem Wastewater	\$ 33,558
6		
7	Total Pro Forma Labor expense - Anthem Wastewater	<u>\$ 592,714</u>
8		
9	Test Year Labor Expense	\$ 573,788
10		
11	Increase/(decrease) in Labor Expense	<u>\$ 18,926</u>
12		
13	Adjustment to Revenue and/or Expense	<u>\$ 18,926</u>
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45	Workpapers & Supporting Documents:	
46	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\	
47	\\Common\Labor\AZ 2008 Labor.xls	
48	\\08 Anthem WW\Workpapers\Anthem WW AI 2008.xls	
49		
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Line No.			
1	<u>Adjust Payroll Taxes to Reflect Adjusted Labor Expense</u>		
2			
3	Adjusted FICA Expense (work paper) - Anthem Wastewater	\$	32,133
4			
5	Adjusted FUTA Expense (work paper) - Anthem Wastewater	\$	955
6			
7	Adjusted SUTA Expense (work paper) - Anthem Wastewater	\$	1,361
8			
9	Total Adjusted Payroll Taxes	\$	<u>34,449</u>
10			
11			
12	Test year FICA Expense (General Taxes) - Anthem Wastewater	\$	38,989
13			
14	Test year FUTA Expense (General Taxes) - Anthem Wastewater	\$	508
15			
16	Test year SUTA Expense (General Taxes) - Anthem Wastewater	\$	855
17			
18	Total Test Year Payroll Taxes	\$	<u>40,352</u>
19			
20			
21	Increase/(Decrease) in Payroll Taxes (General Taxes)	\$	<u>(5,903)</u>
22			
23	Adjustment to Revenue and/or Expense for Anthem Wastewater	\$	(5,903)
24	Adjustment to Revenue and/or Expense for Agua Fria Wastewater	\$	12,314
25	Total Adjustment	\$	<u>6,411</u>
26			
27	Adjustment Approved Per Order	\$	4,706
28	Difference to be allocated to district based on adjustment amount	\$	<u>(1,705)</u>
29			
30	Additional adj for Anthem Wastewater	\$	1,570
31	Additional adj for Agua Fria Wastewater	\$	<u>(3,274)</u>
32		\$	<u>(1,705)</u>
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47	Workpapers & Supporting Documents:		
48	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\		
49	\\Common\Labor\AZ 2008 Labor.xls		
50	\\09 Anthem WW\Workpapers\Anthem WW AI 2008.xls		

Arizona American Water Company - Anthem Wastewater
Test Year Ended December 31, 2008
Income Statement Adjustment SLM-16

Exhibit
Schedule C-2
Page 22
Witness: Murrey

Line No.		
1	<u>Adjust Pension Expense to Reflect Labor Expense at District Level</u>	
2		
3	Total Pro Forma Pension expense (work paper) - Anthem Wastewater	\$ 106,762
4		
5	Test Year Pension Expense - Anthem Wastewater	\$ 100,380
6		
7	Increase/(Decrease) in Pension Expense	<u>\$ 6,382</u>
8		
9	Adjustment to Revenue and/or Expense	<u>\$ 6,382</u>
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45	Workpapers & Supporting Documents:	
46	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\	
47	\\Common\Labor\AZ 2008 Labor.xls	
48		
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Arizona American Water Company - Anthem Wastewater
Test Year Ended December 31, 2008
Income Statement Adjustment SLM-17

Exhibit
Schedule C-2
Page 23
Witness: Murrey

Line

No.

1	<u>Adjust 401k Expense to Reflect Adjusted Labor Expense</u>	
2		
3	Adjusted 401k Expense (work paper) - Anthem Wastewater	\$ 12,616
4		
5	Test year 401k Expense (Miscellaneous Expense)	\$ 11,187
6		
7	Increase/(Decrease) in 401k Expense (Miscellaneous Expense)	<u>\$ 1,429</u>
8		
9	Adjustment to Revenue and/or Expense	<u>\$ 1,429</u>
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45	Workpapers & Supporting Documents:	
46	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\	
47	\\Common\Labor\AZ 2008 Labor.xls	
48		
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Arizona American Water Company - Anthem Wastewater
Test Year Ended December 31, 2008
Income Statement Adjustment SLM-18

Exhibit
Schedule C-2
Page 24
Witness: Murrey

Line No.		
1	<u>Normalize Group Insurance</u>	
2		
3	Total normalized Group Insurance Expense (workpaper) - Anthem Wastewater	\$ 149,502
4		
5	Test Year Group Insurance Expense - Anthem Wastewater	\$ 113,181
6		
7	Increase/(Decrease) in Group Insurance Expense	<u>\$ 36,321</u>
8		
9	Adjustment to Revenue and/or Expense	<u>\$ 36,321</u>
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45	Workpapers & Supporting Documents:	
46	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\	
47	\\CommonLabor\AZ 2008 Labor.xls	
48		
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Line			
No.			
1	<u>Adjust Miscellaneous Expense for Water Testing Expenses</u>		
2			
3	Adjusted Test Year Water Testing Expense (workpaper) - Anthem Wastewater	\$	42,621
4			
5			
6	Corporate Water Testing Expense		
7	Contract Service-Lab Testing SS (A/C 536000.11)	\$	122,990
8	Misc Operating Expense WT(A/C 575000.13)		<u>7,018</u>
9	Total Included in Test Year Misc Operating Expense	\$	<u>130,008</u>
10			
11	4 Factor Allocation		<u>5.7870%</u>
12			
13	2008 Test Year Water Testing Expense - Anthem Wastewater	\$	7,524
14			
15	Increase/(Decrease) in Water Testing Expense	\$	<u>35,097</u>
16			
17	Adjustment to Revenue and/or Expense	\$	<u>35,097</u>
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24			
25	1 Water Testing Expense is part of Miscellaneous Operating Expenses		
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44			
45	Workpapers & Supporting Documents:		
46	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\		
47	\\Common\Water Testing\Water Testing Expense Pro Forma.xls		
48			
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Line No.	[A]	[B]
	Property Tax Expense	Property Tax Expense For Conversion Factor
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25	Adjustment per Order	\$	1,545		
26	Prorated based on Property Tax per District				
27	Anthem	\$	203,686	68.63%	\$ 1,060
28	Agua Fria	\$	93,118	31.37%	\$ 485
29		\$	<u>296,804</u>	100.00%	<u>\$ 1,545</u>
31		\$			<u>94,383</u>

36	Increase in Property Tax Due to Increase in Revenue Requirement (Line 32 Col [B])	\$	10,597
38	Increase in Revenue Requirement (From Sch. A1)	\$	921,279
40	Increase in Property Tax Per Dollar Increase in Revenue (Line 32/Line 34)		1.15%

43 Workpapers & Supporting Documents:
 44 \Schedules\2008 Anthem WW Sch. A-F_Decon.xls\
 45 \Common\Property Taxes\2008 pd in 08-09 AZ Tax Payment.xls
 46
 47
 48

Arizona American Water Company - Anthem Wastewater
Test Year Ended December 31, 2008
Income Statement Adjustment SLM-21

Exhibit
Schedule C-2
Page 27
Witness: Murrey

Line

No.

1	<u>Remove Other Income & Deductions</u>	
2		
3	Test Year Other Income & Deductions, Adjusted	\$ -
4		
5	Test year Other Income & Deductions, Per Books	\$ 56,192
6	Increase in Other Income	<u>\$ (56,192)</u>
7		
8	Adjustment to Revenues and/or Expense	<u>\$ (56,192)</u> (Below the line)
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45	Workpapers & Supporting Documents:	
46	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\	
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Arizona American Water Company - Anthem Wastewater
 Test Year Ended December 31, 2008
 Income Statement Adjustment SLM-22

Exhibit
 Schedule C-2
 Page 28
 Witness: Murrey

Line No.			
1	<u>Annualize OPEB Expense</u>		
2			
3	Annualized OPEB Expense (worksheet) - Anthem Wastewater	\$	95,763
4	Less: Capitalized Portion		
5	Normalized Capital Labor	\$2,374,758	
6	Normalized Total Labor	\$12,999,945	
7	Capitalization Percentage	18.3%	
8	Capitalized Portion of Normalized OPEB	\$	(17,525)
9			
10			
11			
12	Total Normalized Expense (line 1 + line 6)	\$	78,238
13	4 Factor Allocation to Anthem Wastewater	5.7870%	
14	Adjusted Test Year OPEB - Anthem Wastewater	\$	4,528
15			
16	Recorded Expense (A/C 505100)	\$	3,533
17			
18	Increase/(Decrease) in Group Insurance	\$	995
19			
20	Adjustment to Revenue and/or Expense	\$	995
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Arizona American Water Company - Anthem Wastewater
Test Year Ended December 31, 2008
Income Statement Adjustment SLM-23

Exhibit
Schedule C-2
Page 29
Witness: Murrey

Line		
No.		
1	<u>Interest Synchronization with Rate Base</u>	
2		
3	Original Cost Rate Base (Sch. B-1, Ln. 24)	\$ 25,969,396
4	Weighted Cost of Debt from Schedule D-1	<u>3.00%</u>
5	Synchronized Interest Expense	\$ 779,082
6	Test Year Interest Expense	\$ 856,714
7	Increase (decrease) in Interest Expense	<u>\$ 122,368</u>
8		
9	Adjustment to Revenues and/or Expense	<u>\$ 122,368</u>
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Arizona American Water Company - Anthem Wastewater
 Test Year Ended December 31, 2008
 Income Statement Adjustment SLM-24

Exhibit
 Schedule C-2
 Page 30
 Witness: Murrey

Line No.		[A] Test Year Adjusted Results	[B] Adjusted with Rate Increase
1	<u>Calculation of Income Taxes at Deconsolidated Rates</u>		
2			
3			
4	Operating Income Before Inc. Taxes	\$ 1,438,004	\$ 2,343,987
5	Interest Expense	\$ 779,082	\$ 779,082
6	Arizona Taxable Income	<u>658,922</u>	<u>1,564,905</u>
7			
8	Less Arizona Income Tax	\$ 45,914	\$ 109,043
9	Arizona Income Tax Rate = 6.968%		
10			
11	Federal Income Before Taxes	\$ 658,922	\$ 1,564,905
12	Less Arizona Income Taxes	45,914	109,043
13	Federal Taxable Income	<u>\$ 613,008</u>	<u>\$ 1,455,862</u>
14			
15	Federal Income Taxes: 34.000%	\$ 208,423	\$ 494,993
16			
17			
18	Total Income Tax	<u>\$ 254,336</u>	<u>\$ 604,036</u>
19			
20	Tax Rate	<u>38.60%</u>	<u>38.60%</u>
21			
22	Effective Income Tax Rates		
23	State	6.968%	6.968%
24	Federal	31.63%	31.63%
25			
26			
27	Test Year Income Taxes, Per Books	<u>\$ (97,843)</u>	
28	Increase in Income Taxes	<u>\$ 352,179</u>	
29			
30	Adjustment to Revenues and/or Expense	<u>\$ 352,179</u>	
31			
32	Test Year Income Taxes, Adjusted		\$ 254,336
33	Increase in Income Taxes		\$ 349,699
34			
35	Adjustment to Revenues and/or Expense		<u>\$ 349,699</u>
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45	Workpapers & Supporting Documents:		
46	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\		
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Line

No.

1 Staff Test Year Adjustment to Fuel and Power

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5 Staff Adjustment for Fuel and Power \$ 580

6 (RB Adj# 2 per Revised Final Schedule GTM-13)

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11 Prorated between districts based on Test Year Adjusted Fuel and Power Costs

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14 Anthem Wastewater

15 Agua Fria Wastewater

16 Total

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45 Workpapers & Supporting Documents:

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	TY Adjusted Values	Allocation
Anthem Wastewater	\$ 10,283	3.68% \$ 21
Agua Fria Wastewater	\$ 268,401	96.32% \$ 559
Total	\$ 278,684	100.00% \$ 580

Line
 No.

1 Staff Test Year Adjustment to Customer Accounting

2

3

4

5 Staff Adjustment to Customer Accounting \$ (54,183)

6 (RB Adj# 3 per Revised Final Schedule GTM-14)

7

8

9

10

11 Prorated between districts based on Test Year Adjusted Customer Accounting

12

13

	TY Adjusted Values	Allocation
14 Anthem Wastewater	\$ 112,979	48.65% \$ (25,278)
15 Agua Fria Wastewater	\$ 129,191	53.35% \$ (28,905)
16 Total	<u>\$ 242,170</u>	<u>100.00% \$ (54,183)</u>

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45 Workpapers & Supporting Documents:
 46 \Schedules\2008 Anthem WW Sch. A-F_Decon.xls\

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Line
 No.

1 Staff Test Year Adjustment to Water Testing
 2
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 5 Staff Adjustment to Water Testing \$ 21,478
 6 (RB Adj# 4 per Revised Final Schedule GTM-15)
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11 Prorated between districts based on Test Year Adjusted Water Testing Costs

	TY Adjusted Values	Allocation	
14 Anthem Wastewater	\$ 42,621	67.85%	\$ 14,574
15 Agua Fria Wastewater	\$ 20,192	32.15%	\$ 6,904
16 Total	\$ 62,813	100.00%	\$ 21,478

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45 Workpapers & Supporting Documents:
 46 \Schedules\2008 Anthem WW Sch. A-F_Decon.xls\

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Line No.					
1	<u>Staff Test Year Adjustment to Depreciation Expense</u>				
2					
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4					
5	Staff Adjustment to Depreciation Expense		\$	(417,089)	
6	(RB Adj# 5 per Revised Final Schedule GTM-16)				
7					
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11					
12					
13					
14					Per Order Combined
15	District		<u>Anthem</u>	<u>Agua Fria</u>	
16	Corporate Allocation	\$	1,987,316	\$ 1,827,921	
17	Northwest Valley		31,154	17,982	
18	Post Test Year		-	328,241	
19	Depreciation Amounts	\$	2,038,991	\$ 2,174,144	\$ 4,213,134
20					
21	Amortization of Regulatory CIAC		(107,543)	(197,344)	(304,886)
22					
23	Amortization of CIAC at Composite F	3.31%			
24					
25					
26					
27					
28					
29	Per Order Breakdown	\$	1,895,809	\$ 1,517,911	\$ 3,413,720
30					
31					
32	Company Deconsolidated	\$	2,063,331	\$ 1,767,477	\$ 3,830,808
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1 Staff Test Year Adjustment to Regulatory Expense

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5 Staff Adjustment to Regulatory Expense \$ (12,500)

6 (RB Adj# 8 per Revised Final Schedule GTM-19

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11 Prorated between districts based on unrecovered rate case expense from prior proceedings

12

	Unamortized Balance	Allocation	
14 Anthem Wastewater	\$ 23,777	63.40%	\$ (7,926)
15 Agua Fria Wastewater	\$ 13,724	36.60%	\$ (4,574)
16 Total	<u>\$ 37,500</u>	100.00%	<u>\$ (12,500)</u>

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Recovery Period 3

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\$ 12,500

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Workpapers & Supporting Documents:
 \Schedules\2008 Anthem WW Sch. A-F_Decon.xls\

Line No.				
1	<u>Staff Test Year Adjustment to Labor</u>			
2		<u>Total</u>	<u>Anthem WW</u>	<u>Aqua Fria WW</u>
3	Labor - AIP Adjustment	\$ (17,839)	\$ (8,262)	(9,376)
4	Labor - Stock Compensation Adjustment	\$ (7,845)	\$ (3,675)	(4,170)
5	Staff Adjustment to Labor	\$ (25,484)	\$ (11,937)	(13,547)
6	(RB Adj# 9 per Revised Final Schedule GTM-20)			
7				
8				
9				
10	<u>Labor - AIP Adjustment - Remove 30%</u>	<u>Per Order</u>		
11		<u>Total</u>	<u>Anthem WW</u>	<u>Aqua Fria WW</u>
12				
13	Arizona Corporate Achievement Incentive Pay	\$ 475,900	\$ 475,900	\$ 475,900
14				
15	4 Factor Allocation to Anthem / Agua Fria Wastewater	12.3543%	5.7870%	6.5673%
16	District's Water Portion of AZ Corporate AIP	\$ (58,793)	\$ (27,541)	(31,254)
17				
18	Accept RUCO Adj C-3 Disallowance Percentage	30%	30%	30%
19				
20	Adjustment to Achievement Incentive Pay	\$ (17,638)	\$ (8,262)	(9,376)
21				
22				
23				
24	<u>Labor - Stock Compensation Adjustment</u>	<u>Per Order</u>		
25		<u>Total</u>	<u>Anthem WW</u>	<u>Aqua Fria WW</u>
26				
27	Arizona Portion of Test Year Stock Based Compensation	\$ 103,974	\$ 103,974	\$ 103,974
28				
29	4 Factor Allocation to Anthem / Agua Fria Wastewater	12.3543%	5.7870%	6.5673%
30	District's Portion of Arizona Stock Based Compensation	\$ (12,845)	\$ (6,017)	(6,828)
31				
32	Difference (split proportionately based on district portion)	\$ 5,000	\$ 2,342	2,858
33				
34	Adjustment to Stock Compensation	\$ (7,845)	\$ (3,675)	(4,170)
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49	Workpapers & Supporting Documents:			
50	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\			

Arizona American Water Company - Anthem Wastewater
 Test Year Ended December 31, 2008
 Income Statement Adjustment SLM-9Fb

Exhibit
 Schedule C-2
 Page 37
 Witness: Murrey

Line No.		Total	Anthem WW	Agua Fria WW
1	<u>Staff Test Year Adjustment to Mgmt Fees</u>			
2	Mgmt Fees - AIP Adj	\$ (5,249)	\$ (2,459)	\$ (2,790)
3	Mgmt Fees - Stock Comp Adj	(19,895)	(9,319)	(10,576)
4	Mgmt Fees - Other Expense Adj	(21,050)	(9,860)	(11,190)
5	Mgmt Fees - BD Expenses	(12,453)	(5,833)	(6,620)
6	Mgmt Fees - Dues & Donations	(4,289)	(2,009)	(2,280)
7	Staff Adjustment to Mgmt Fees	<u>\$ (62,936)</u>	<u>\$ (29,480)</u>	<u>\$ (33,456)</u>
8	(RB Adj# 9 per Revised Final Schedule GTM-20)			
9				
10				
11				
12	<u>Mgmt Fees - AIP Adj</u>	<u>Per Order Total</u>	<u>Anthem WW</u>	<u>Agua Fria WW</u>
13	Service Company Portion of Test Year Stock Based Compensation	\$ 69,573	\$ 69,573	\$ 69,573
14	4 Factor Allocation to Anthem / Agua Fria Wastewater	12.3543%	5.7870%	6.5673%
15	District's Water Portion of AZ Corporate AIP	\$ (8,595)	\$ (4,026)	\$ (4,569)
16				
17	Difference (split proportionately based on district portion)	\$ 3,346	\$ 1,567	\$ 1,779
18				
19	Adjustment to Mgmt Fees - AIP	<u>\$ (5,249)</u>	<u>\$ (2,459)</u>	<u>\$ (2,790)</u>
20				
21				
22	<u>Mgmt Fees - Stock Comp Adj - Remove 30%</u>	<u>Per Order Total</u>	<u>Anthem WW</u>	<u>Agua Fria WW</u>
23	Adjusted Test Year Service Co. Achievement Incentive Pay	\$ 536,787	\$ 536,787	\$ 536,787
24				
25	4 Factor Allocation to Anthem / Agua Fria Wastewater	12.3543%	5.7870%	6.5673%
26	District's Water Portion of AZ Corporate AIP	\$ (66,317)	\$ (31,064)	\$ (35,252)
27				
28	Disallowance Percentage	30%	30%	30%
29	Adjustment to Management Fees AIP	<u>\$ (19,895)</u>	<u>\$ (9,319)</u>	<u>\$ (10,576)</u>
30				
31				
32	<u>Mgmt Fees - Other Expense Adj - Reverse ADJ MHK-4)</u>	<u>Per Order Total</u>	<u>Anthem WW</u>	<u>Agua Fria WW</u>
33	Increase in Other Expenses	\$ 170,388	\$ 170,388	\$ 170,388
34	4 Factor Allocation to Anthem / Agua Fria Wastewater	12.3543%	5.7870%	6.5673%
35	Adjustment to Other Expenses	<u>\$ (21,050)</u>	<u>\$ (9,860)</u>	<u>\$ (11,190)</u>
36				
37				
38	<u>Mgmt Fees - BD Expenses - Remove all</u>	<u>Per Order Total</u>	<u>Anthem WW</u>	<u>Agua Fria WW</u>
39	Company adjusted BD Expenses	\$ 100,799	\$ 100,799	\$ 100,799
40	4 Factor Allocation to Anthem / Agua Fria Wastewater	12.3543%	5.7870%	6.5673%
41	Adjustment to BD Expenses	<u>\$ (12,453)</u>	<u>\$ (5,833)</u>	<u>\$ (6,620)</u>
42				
43				
44	<u>Mgmt Fees - Dues & Donations - Remove all</u>	<u>Per Order Total</u>	<u>Anthem WW</u>	<u>Agua Fria WW</u>
45	Adjusted Test Year Dues & Donations in Mgmt Fees	\$ 34,716	\$ 34,716	\$ 34,716
46	4 Factor Allocation to Anthem / Agua Fria Wastewater	12.3543%	5.7870%	6.5673%
47	Adjustment to Due & Donations	<u>\$ (4,289)</u>	<u>\$ (2,009)</u>	<u>\$ (2,280)</u>
48				
49	Workpapers & Supporting Documents:			
50	\\Schedules\2008 Anthem WW Sch. A-F_Decon.xls\			

Arizona American Water Company - Anthem Wastewater
 Test Year Ended December 31, 2008
 Income Statement Adjustment SLM-9Fc

Exhibit
 Schedule C-2
 Page 38
 Witness: Murrey

Line
 No.

1 Staff Test Year Adjustment to Pension Expense

2
 3
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5 Staff Adjustment to Pension Exp \$ 18,666

6 (RB Adj# 9 per Revised Final Schedule GTM-20)

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11 Adjust Pension Expense to Reflect Pension Expense at District Level

12
 13

Per Order Total

Anthem WW Agua Fria WW

14
 15 Deferred Service Company Amortization of Pension Expense \$ 151,088 \$ 151,088 \$ 151,088

16 4 Factor Allocation to Anthem / Agua Fria Wastewater 12.3543% 5.7870% 6.5873%

17 District's Portion of Deferred Svc. Co. Amtz \$ 18,666 \$ 8,744 \$ 9,922

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45 Workpapers & Supporting Documents:
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Arizona American Water Company - Anthem Wastewater
 Test Year Ended December 31, 2008
 Computation of Gross Revenue Conversion Factor

Exhibit
 Schedule C-3
 Page 1
 Witness: Murrey

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	31.63%
2		
3	State Income Taxes	6.97%
4		
5	Property Taxes	38.60%
6	Effective Rate = 1.15% One Minus Combined	0.71%
7	Bad Debt Expense	61.40%
8	Effective Rate = 0.51% One Minus Combined	0.31%
9	Total Tax Percentage	39.62%
10		
11	Operating Income % = 100% - Tax Percentage	60.38%
12		
13		
14		
15	$\frac{1}{\text{Operating Income \%}}$ = Gross Revenue Conversion Factor	
16	Operating Income %	1.6561
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Arizona American Water Company - Anthem Wastewater
 Test Year Ended December 31, 2008
 Operating Statistics

Exhibit
 Schedule E-7
 Page 1
 Witness: Murrey

Line No.		Test Year Ended 12/31/2008	Prior Year Ended 12/31/2007	Prior Year Ended 12/31/2006
1	<u>WASTEWATER STATISTICS:</u>			
2				
3	<u>Average No. of Customers</u>			
4	Residential	7,950	7,981	7,602
5	Commercial	90	91	85
6	Industrial	0	0	0
7	Other Public Authority	-	-	-
8	Other	6	5	5
9	Total	<u>8,046</u>	<u>8,077</u>	<u>7,692</u>

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20	Annual Revenue per Average Residential Customer	\$531.09	\$437.80	\$473.21
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<u>Schedule No.</u>	<u>Title</u>	<u>Witness</u>
Schedule A-1	Computation of Increase in Gross Revenue Requirement	Witness: Murrey
Schedule B-1	Summary of Fair Value Rate Base	Witness: Murrey
Schedule B-2	Original Cost Rate Base Pro Forma Adjustments	Witness: Murrey
Schedule B-5	Computation of Working Capital	Witness: Murrey
Schedule B-6	Lead/Lag Study - Working Cash Requirement	Witness: Murrey
Schedule C-1	Adjusted Test Year Income Statement	Witness: Murrey
Schedule C-2	Income Statement Pro Forma Adjustments	Witness: Murrey
Schedule C-3	Computation of Gross Revenue Conversion Factor	Witness: Murrey
Schedule E-7	Operating Statistics	Witness: Murrey
Schedule H-1	Summary of Revenues by Customer	Witness: Murrey
Schedule H-2	Analysis of Revenues by Detailed Class	Witness: Murrey
Schedule H-3	Changes In Representative Rate Schedules	Witness: Murrey
Schedule H-4	Typical Bill Analysis	Witness: Murrey
Schedule H-5	Bill Count	Witness: Murrey

\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\

Arizona American Water Company - Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Computation of Increase in Gross Revenue Requirement

Exhibit
 Schedule A-1
 Page 1
 Witness: Murrey

Line No.				
1	Original Cost Rate Base		\$ 19,147,531	
2				
3	Adjusted Operating Income		(973,265)	
4				
5	Current Rate of Return		-5.08%	
6				
7	Required Operating Income		\$ 1,282,885	
8				
9	Required Rate of Return		6.70%	
10				
11	Operating Income Deficiency		\$ 2,256,150	
12				
13	Gross Revenue Conversion Factor		1.6561	
14				
15	Increase in Gross Revenue Requirement		\$ 3,736,490	
16				
17				
18	Customer	Test Year	Deconsolidated	Dollar
19	<u>Classification</u>	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>
20				<u>Percent</u>
21	Residential	\$ 2,588,018	\$ 6,073,076	\$ 3,485,057 134.66%
22	Commercial	85,979	200,437	114,458 133.12%
23	Effluent	-	136,975	136,975 0.00%
24				
25	Total of Water Revenues	<u>\$ 2,673,997</u>	<u>\$ 6,410,487</u>	<u>\$ 3,736,490 139.73%</u>
26				
27	Other Revenue	1,359	1,359	- 0.00%
28				
29	Total Revenue	<u>\$ 2,675,356</u>	<u>\$ 6,411,846</u>	<u>\$ 3,736,490 139.66%</u>
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Arizona American Water Company - Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Summary of Fair Value Rate Base

Exhibit
 Schedule B-1
 Page 1
 Witness: Murrey

Line No.		Original Cost Rate Base
1		
2	Gross Utility Plant in Service	\$ 73,381,516
3	Less: Accumulated Depreciation	<u>8,336,373</u>
4		
5	Net Utility Plant in Service	\$ 65,045,143
6		
7	<u>Less:</u>	
8	Advances in Aid of	
9	Construction	33,355,820
10	Contributions in Aid of	
11	Construction - Net of amortization	13,011,518
12	Imputed Regulatory Advances	-
13	Imputed Regulatory Contributions	-
14	Customer Meter Deposits	-
15	Deferred Income Taxes & Credits	(374,207)
16	Investment tax Credits	-
17	<u>Plus:</u>	
18	Unamortized Finance	
19	Charges	-
20	Deferred Tax Assets	-
21	Deferred Debits	27,587
22	Allowance for Working Capital	67,932
23	Utility Plant Acquisition Adjustment	-
24		
25	Total Rate Base	<u>\$ 19,147,531</u>
26		
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51	\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\	

Line No.	[A] Actual End of Test Year	[B] ADJ SLM-1 Adjust Accum Dep for Under Depreciation	[C] ADJ SLM-2 Allocate Corp to Districts	[D] ADJ SLM-3 All Agua Fria Add 32% NWVTP	[E] ADJ SLM-4 Leave Blank	[F] ADJ SLM-5 Adjustment to Rate Base for Contribution	[G] ADJ SLM-6 Reclass Verado WRF Phase 1	[H] ADJ SLM-7 Deferred Debits	[I] ADJ SLM-8 Decrease CIAC for CWIP	[J] ADJ SLM-9 Impute Regulatory CIAC	[K] ADJ SLM-10 Remove Acquisition Adjustment	[L] Total Pro Forma Adjustments	[M] Adjusted End of Test Year
1	\$67,539,106		\$117,194	\$8,318,584								\$8,435,778	\$75,974,885
2													
3													
4													
5													
6	4,395,846	(1,273,405)	131,191	5,072,522	611,466							4,541,773	8,937,620
7													
8	\$63,143,260	1,273,405	(13,997)	3,246,063	(611,466)							3,894,005	67,037,265
9													
10													
11													
12													
13	33,355,820												33,355,820
14													
15	11,595,908				1,415,610							1,385,504	12,981,413
16													
17													
18													
19													
20													
21	(384,119)												(384,119)
22													
23													
24	505,213												
25													
26	67,932						(477,627)					(477,627)	27,587
27	805,627												805,627
28													
29													
30	\$19,964,423	1,273,405	(13,997)	3,246,063	(611,466)	(1,415,610)	(477,627)				(805,627)	1,225,247	21,179,669
31													
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Line No.	[N]	[O]	[P]	[Q]	[R]	[S]	[T]	[U]	[V]	[W]
	ADJ	ADJ	ADJ	ADJ	ADJ	ADJ	ADJ	ADJ	ADJ	ADJ
	SLM-11	SLM-12	SLM-13	SLM-14	SLM-15	SLM-16	SLM-17	SLM-17	SLM-17	SLM-17
	Accept STAFF	Accept STAFF	Accept Staff	Accept Staff	Accept Staff	Accept STAFF	Asset Transfer	Asset Transfer	Asset Transfer	Asset Transfer
	RB ADJ # 1	RB ADJ # 2	RB ADJ # 3	RB ADJ # 4	RB ADJ # 5	RB # 6	Arithem WW to	Arithem WW to	Arithem WW to	Arithem WW to
	NWRTF	Verrado	Cash Working Capital	Deferred Income Tax	CIAC in CWIP	Accum Depr	Agua Fria WW	Agua Fria WW	Agua Fria WW	Agua Fria WW
	Adjusted	End of	Test Year						Total	Deconsolidated
									Per Order	Adjusted
									Pro Forma	End of
									Adjustments	Test Year
1	\$ 75,974,885	\$ (1,039,823)	\$ (1,838,637)				\$ 285,092	\$ (2,593,368)	\$	\$ 73,381,516
2										
3										
4										
5										
6										
7	8,937,620					(630,244)	28,997	(601,247)		8,336,373
8	\$ 67,037,265	\$ (1,039,823)	\$ (1,838,637)	\$	\$	\$ 630,244	\$ 256,095	\$ (1,992,121)	\$	\$ 65,045,143
9										
10										
11										
12										
13	33,355,820									33,355,820
14										
15	12,981,413			30,106					30,106	13,011,518
16										
17										
18	(384,119)						9,912			
19										
20										
21										
22										
23										
24										
25	27,587									27,587
26										
27	67,932									67,932
28										
29										
30	\$ 21,179,669	\$ (1,039,823)	\$ (1,838,637)	\$ (9,912)	\$ (30,106)	\$ 630,244	\$ 256,095	\$ (2,032,139)	\$	\$ 19,147,531
31										
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Line No	Object	Account	Sub Account	Description	Annual		New Rate as of 7/08		New Rate as of 7/08 Monthly	Rate	Rate	Rate	2007		2008		Retirements	Adjustments	2008	Acc Dep Transfers	2008	Dep. Expense	2008	LIG-2 Reclass Verrado WRF from acct 386000	Ending Balance December 2008	
					Rate	Rate	Rate	Rate					Rate	Rate	Rate	Rate										Rate
1	101000	304100		Struct & Imp SS	2.40%	0.20%	2.40%	0.20%	0.20%	0.20%	0.20%	0.20%	281	-	-	-	-	-	-	-	-	-	-	11,726	11,726	
2	101000	304200		Struct & Imp P	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	
3	101000	304510		Struct & Imp AG Cap Lease	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	0	
4	101000	304600		Struct & Imp Offices	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	0	
5	101000	304820		Struct & Imp Leasehold	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	101000	304830		Struct & Imp Misc	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	
7	101000	307000		Wares & Spools	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	
8	101000	346100		Office Furniture & Equip	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	
9	101000	346200		Computer Periph Equip	15.88%	1.32%	15.88%	1.32%	1.32%	1.32%	1.32%	1.32%	3,094	-	-	-	-	-	-	-	-	-	-	-	25,424	
10	101000	346300		Comp Software	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	
11	101000	346330		Other Office Equipment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	
12	101000	346350		Other Office Equip	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	
13	101000	341100		Trans Equip L1 Duty Trucks	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	
14	101000	341200		Trans Equip Hvy Duty Trucks	25.00%	2.08%	25.00%	2.08%	2.08%	2.08%	2.08%	2.08%	15,118	-	-	-	-	-	-	-	-	-	-	-	-	60,471
15	101000	341400		Tools, Shop, Garage Equip	4.02%	0.34%	4.02%	0.34%	0.34%	0.34%	0.34%	0.34%	2,088	-	-	-	-	-	-	-	-	-	-	-	-	8,352
16	101000	343000		Comm Equip Non-Telephone	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	101000	346100		Comm Equip Telephone	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	101000	346100		Comm Equip Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	101000	346200		Misc Equipment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	101000	347000		WW Franchises	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	101000	352000		WW Land & Ld Rights Coll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	101000	352000		WW Land & Ld Rights Coll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	101000	353200		WW Land & Ld Rights Coll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	101000	353500		WW Land & Ld Rights Coll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	101000	354200		WW Struct & Imp Coll	2.50%	0.21%	2.50%	0.21%	0.21%	0.21%	0.21%	0.21%	11,387	-	-	-	-	-	-	-	-	-	-	-	-	216,265
26	101000	354300		WW Struct & Imp SPP	2.50%	0.21%	2.50%	0.21%	0.21%	0.21%	0.21%	0.21%	205,364	-	-	-	-	-	-	-	-	-	-	-	-	16,810
27	101000	354400		WW Struct & Imp Gen	2.50%	0.21%	2.50%	0.21%	0.21%	0.21%	0.21%	0.21%	585,082	-	-	-	-	-	-	-	-	-	-	-	-	16,810
28	101000	354500		WW Pwr Gen Equip RWTRP	2.00%	0.17%	2.00%	0.17%	0.17%	0.17%	0.17%	0.17%	639	-	-	-	-	-	-	-	-	-	-	-	-	6,048,378
29	101000	355500		WW Pwr Gen Equip RWTRP	2.00%	0.17%	2.00%	0.17%	0.17%	0.17%	0.17%	0.17%	71,914	-	-	-	-	-	-	-	-	-	-	-	-	2,847,712
30	101000	360000		WW Collect Sewers Forced	2.07%	0.17%	2.07%	0.17%	0.17%	0.17%	0.17%	0.17%	51,934	-	-	-	-	-	-	-	-	-	-	-	-	136,851
31	101000	361100		WW Collecting Mains	2.04%	0.17%	2.04%	0.17%	0.17%	0.17%	0.17%	0.17%	88,802	-	-	-	-	-	-	-	-	-	-	-	-	2,532,763
32	101000	362000		WW Special Coll Structures	2.04%	0.17%	2.04%	0.17%	0.17%	0.17%	0.17%	0.17%	24,261	-	-	-	-	-	-	-	-	-	-	-	-	51,934
33	101000	363000		WW Services Sewer	3.31%	0.28%	3.31%	0.28%	0.28%	0.28%	0.28%	0.28%	68,802	-	-	-	-	-	-	-	-	-	-	-	-	136,851
34	101000	364000		WW Flow Measuring Devices	5.42%	0.45%	5.42%	0.45%	0.45%	0.45%	0.45%	0.45%	24,120	-	-	-	-	-	-	-	-	-	-	-	-	4,723,239
35	101000	370000		WW Flow Measuring Wells	5.42%	0.45%	5.42%	0.45%	0.45%	0.45%	0.45%	0.45%	134,605	-	-	-	-	-	-	-	-	-	-	-	-	73,548
36	101000	371000		WW Pump Equip Elec	5.42%	0.45%	5.42%	0.45%	0.45%	0.45%	0.45%	0.45%	4,474	-	-	-	-	-	-	-	-	-	-	-	-	6,775
37	101000	371200		WW Pump Equip Other Power	5.40%	0.45%	5.40%	0.45%	0.45%	0.45%	0.45%	0.45%	14,424	-	-	-	-	-	-	-	-	-	-	-	-	1,058,042
38	101000	380000		WW TD Equipment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	1,205,437
39	101000	380050		WW TD Equip Grt Removal	5.00%	0.42%	5.00%	0.42%	0.42%	0.42%	0.42%	0.42%	639	-	-	-	-	-	-	-	-	-	-	-	-	49,247
40	101000	380100		WW Equip Set Tanks/Acc	5.00%	0.42%	5.00%	0.42%	0.42%	0.42%	0.42%	0.42%	189,061	-	-	-	-	-	-	-	-	-	-	-	-	1,973,868
41	101000	380200		WW TD Equip Sludge/Fltr Rmv	5.00%	0.42%	5.00%	0.42%	0.42%	0.42%	0.42%	0.42%	1,433,810	-	-	-	-	-	-	-	-	-	-	-	-	5,296,438
42	101000	380250		WW TD Equip Sludge/Fltr Tank	5.00%	0.42%	5.00%	0.42%	0.42%	0.42%	0.42%	0.42%	8,944,253	-	-	-	-	-	-	-	-	-	-	-	-	1,787,750
43	101000	380300		WW TD Equip Sludge Dg Tank	5.00%	0.42%	5.00%	0.42%	0.42%	0.42%	0.42%	0.42%	204,581	-	-	-	-	-	-	-	-	-	-	-	-	3,041
44	101000	380400		WW TD Equip Aux Effl Trmt	5.00%	0.42%	5.00%	0.42%	0.42%	0.42%	0.42%	0.42%	-	-	-	-	-	-	-	-	-	-	-	-	-	532,857
45	101000	380500		WW TD Equip Chem Trmt PH	5.00%	0.42%	5.00%	0.42%	0.42%	0.42%	0.42%	0.42%	561,647	-	-	-	-	-	-	-	-	-	-	-	-	581,647
46	101000	380600		WW TD Equip Chem Trmt PH	5.00%	0.42%	5.00%	0.42%	0.42%	0.42%	0.42%	0.42%	649,801	-	-	-	-	-	-	-	-	-	-	-	-	649,801
47	101000	380625		WW TD Equip Gen Trmt	8.40%	0.70%	8.40%	0.70%	0.70%	0.70%	0.70%	0.70%	17,706	-	-	-	-	-	-	-	-	-	-	-	-	48,465
48	101000	380650		WW TD Equip Influent Lft S	8.40%	0.70%	8.40%	0.70%	0.70%	0.70%	0.70%	0.70%	-	-	-	-	-	-	-	-	-	-	-	-	-	24,274
49	101000	381000		WW Plant Sewers	5.00%	0.42%	5.00%	0.42%	0.42%	0.42%	0.42%	0.42%	-	-	-	-	-	-	-	-	-	-	-	-	-	657,628
50	101000	382000		WW Outfall Sewer Lines	5.00%	0.42%	5.00%	0.42%	0.42%	0.42%	0.42%	0.42%	118,575	-	-	-	-	-	-	-	-	-	-	-	-	169,131
51	101000	388100		WW Office Plant & Misc Equip Int	5.00%	0.42%	5.00%	0.42%	0.42%	0.42%	0.42%	0.42%	24,017	-	-	-	-	-	-	-	-	-	-	-	-	14,844
52	101000	390000		WW Office Furniture & Equip	4.56%	0.38%	4.56%	0.38%	0.38%	0.38%	0.38%	0.38%	153,318	-	-	-	-	-	-	-	-	-	-	-	-	155,318
53	101000	391000		WW Trans Equipment																						

Arizona American Water Company - Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Rate Base Adjustment SLM-1

Exhibit
 Schedule B-2
 Page 5
 Witness: Murray

Line No	Account	Object	Sub Account	Description	Annual		Monthly		New Rate as of 7/08		Rate Base Adj per Order Staff Adj #2 Less: Disallowed Plant Verrado		SLM-17 Asset Transfers Anthem WW to Agua Fria WW	Company Adjusted Balance December 2008	Staff Approved Depreciation Rates	Annual Depreciation Expense times TYE UPS	Col [Adj] - [Adj]
					Depr. Rate	Rate	Depr. Rate	Rate	Depr. Rate	Rate	Depr. Rate	Rate					
1	101000	304100		Struct & Imp SS	2.40%	0.20%	2.40%	0.20%	0.00%	0.00%			11,726		0.00%		
2	101000	304200		Struct & Imp P	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
3	101000	304510		Struct & Imp AG Cap Lease	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
4	101000	304600		Struct & Imp Offices	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			(0)				
5	101000	304620		Struct & Imp Leasehold	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
6	101000	304600		Struct & Imp Misc	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
7	101000	307000		Sheds & Storage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
8	101000	340100		Office Furniture & Equip	15.86%	1.92%	15.86%	1.92%	0.00%	0.00%							
9	101000	340200		Computer & Periph Equip	15.86%	1.92%	15.86%	1.92%	0.00%	0.00%							
10	101000	340300		Computer Software	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
11	101000	340330		Computer Software - Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
12	101000	340330		Other Office Equipment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
13	101000	341000		Trans Equip LI Duty Trucks	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
14	101000	341200		Trans Equip Hvy Duty Trucks	25.00%	2.08%	25.00%	2.08%	0.00%	0.00%							
15	101000	341400		Trans Equip Other	25.00%	2.08%	25.00%	2.08%	0.00%	0.00%							
16	101000	343000		Tools, Shop, Garage Equip	4.02%	0.34%	4.47%	0.37%	0.00%	0.00%							
17	101000	344000		Laboratory Equipment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
18	101000	346100		Comm Equip Non-Telephone	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
19	101000	346200		Comm Equip Telephone	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
20	101000	346300		Comm Equip Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
21	101000	347000		Misc Franchises	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
22	101000	352000		WW Land & Ld Rights Coll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
23	101000	353200		WW Land & Ld Rights Gen	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
24	101000	353500		WW Land & Ld Rights Coll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
25	101000	354200		WW Struct & Imp Coll	2.50%	0.21%	1.67%	0.14%	0.00%	0.00%							
26	101000	354300		WW Struct & Imp SPP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
27	101000	354400		WW Struct & Imp TDP	2.50%	0.21%	1.67%	0.14%	0.00%	0.00%							
28	101000	355500		WW Per Gen Equip RWTP	2.00%	0.17%	1.68%	0.14%	0.00%	0.00%							
29	101000	360000		WW Collection Sewers Forced	2.07%	0.17%	2.07%	0.17%	0.00%	0.00%							
30	101000	361000		WW Collecting Manas	2.04%	0.17%	2.04%	0.17%	0.00%	0.00%							
31	101000	362000		WW Special Coll Structures	2.04%	0.17%	2.04%	0.17%	0.00%	0.00%							
32	101000	363000		WW Services Sewer	3.31%	0.28%	2.04%	0.17%	0.00%	0.00%							
33	101000	364000		WW Flow Measuring Devices	5.42%	0.45%	5.42%	0.45%	0.00%	0.00%							
34	101000	370000		WW Recessing Wells	5.42%	0.45%	5.42%	0.45%	0.00%	0.00%							
35	101000	371000		WW Pump Equip Eiect	5.42%	0.45%	5.42%	0.45%	0.00%	0.00%							
36	101000	371200		WW Pump Equip Other Power	5.40%	0.45%	5.40%	0.45%	0.00%	0.00%							
37	101000	380000		WW TD Equipment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
38	101000	380050		WW TD Equip Oil Removal	3.00%	0.42%	3.00%	0.42%	0.00%	0.00%							
39	101000	380100		WW Equip Seed Tanks/Acc	5.00%	0.42%	5.00%	0.42%	0.00%	0.00%							
40	101000	380150		WW Equip Sludge Dig Tank	3.00%	0.42%	3.00%	0.42%	0.00%	0.00%							
41	101000	380200		WW TD Equip Sludge Dig Tank	3.00%	0.42%	3.00%	0.42%	0.00%	0.00%							
42	101000	380250		WW TD Equip Alum Eff Tank	5.00%	0.42%	5.00%	0.42%	0.00%	0.00%							
43	101000	380300		WW TD Equip Alum Eff Tank	5.00%	0.42%	5.00%	0.42%	0.00%	0.00%							
44	101000	380400		WW TD Equip Chem Trmt Pt	5.00%	0.42%	5.00%	0.42%	0.00%	0.00%							
45	101000	380500		WW TD Equip Chem Trmt Pt	5.00%	0.42%	5.00%	0.42%	0.00%	0.00%							
46	101000	380600		WW TD Equip Chem Trmt Pt	5.00%	0.42%	5.00%	0.42%	0.00%	0.00%							
47	101000	380625		WW TD Equip Chem Trmt Pt	8.40%	0.70%	8.40%	0.70%	0.00%	0.00%							
48	101000	380650		WW TD Equip Influent Lift S	8.40%	0.70%	8.40%	0.70%	0.00%	0.00%							
49	101000	381000		WW Plant Sewers	5.00%	0.42%	5.00%	0.42%	0.00%	0.00%							
50	101000	382000		WW Outfall Sewer Lines	5.00%	0.42%	5.00%	0.42%	0.00%	0.00%							
51	101000	389100		WW Other Plant & Misc Equip Int	5.00%	0.42%	4.98%	0.42%	0.00%	0.00%							
52	101000	390000		WW Office Furniture & Equip	4.56%	0.38%	4.56%	0.38%	0.00%	0.00%							
53	101000	391000		WW Trans Equipment	24.96%	2.09%	24.96%	2.09%	0.00%	0.00%							
54	101000	392000		WW Shores Equipment	3.96%	0.33%	3.96%	0.33%	0.00%	0.00%							
55	101000	393000		WW Tool Shop & Garage Equip	4.44%	0.37%	4.44%	0.37%	0.00%	0.00%							
56	101000	394000		WW Laboratory Equipment	10.30%	0.86%	10.30%	0.86%	0.00%	0.00%							
57	101000	395000		WW Power Operated Equip	5.02%	0.42%	5.02%	0.42%	0.00%	0.00%							
58	101000	396000		WW Communication Equip	10.30%	0.86%	10.30%	0.86%	0.00%	0.00%							
59	101000	397000		WW Misc Equipment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
60	101000	398000		WW Other Tangible Plant	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%							
61	101000	na		Not Classified													
62				Utility Plant													
63				Total Plant													
64				Monthly Depreciation Expense													
65				Retirements													
66				Accum. Depr. - Approved/Calculated													
67				Accum. Depr. Transfers													
68				Total Salvage													
69				Total Approved/Calculated													
70				Total Acc. Dep Per Book (Trial Balance/Column DE)													
71				Total Over/(Under) Depreciated													
72																	
73																	
74																	
75																	
76																	
77																	
78																	
79																	

Additional Accum Deprec on Verrado WRF Re-class
 6/20/04 to 07/01/08 = 48 mos depreciation
 7/1/08 to 12/31/08 = 54 mos depreciation
 6/20/04 to 12/31/08 = 6 mos depreciation
 Acc'd 354400 = 616,146 x 2.50% / 12 x 48 mos
 Acc'd 354400 = 616,146 x 1.67% / 12 x 54 mos
 Acc'd 355500 = 136,851 x 5% / 12 x 54 mos
 Acc'd 360200 = 3,041 x 5% / 12 x 54 mos
 Acc'd 381000 = 657,626 x 5% / 12 x 54 mos
 Acc'd 382000 = 14,944 x 5% / 12 x 54 mos
 Acc'd 386000 = 760,234 x 10.30% / 12 x 54 mos
 Additional Accum Deprec on Verrado WRF Re-class
 611,469

(1,639,637)
 285,092 85,965,561
 1,827,921
 66,878,439
 2,73%

Arizona American Water Company - Agua Fria Wastewater
Test Year Ended December 31, 2008
Rate Base Adjustment SLM-2

Line No.	Object Account	Sub Account	Description	Annual Dep. Rate	Monthly Dep. Rate	Audited W-01303A-07-0209 December 2006	Additions 2007	Retirements 2007	Adjustments 2007	Depr. Expense 2007	Ending Balance December 2007	Additions 2008	Retirements 2008	Adjustments 2008	Depr. Expense 2008	SLM-2 Ending Balance December 2008	Company Proposed Depreciation Rates	Annual Depreciation Expense times T/YE UFS Col (G) * [R]
1	Reconcile AZCorp Plant & Accumulated Depreciation to Amounts Previously Audited																	
2				0.00%	0.00%	30,722	(30,722)											
3			Land & Land Rights AG	5.63%	0.47%	18,209	(18,209)			(913)								
4			Struct & Imp AG Cap Lease	4.63%	0.39%													
5			Struct & Imp Offices	4.63%	0.39%	197,755				28,081	197,755				28,081	197,755	14.28%	28,239
6			Struct & Imp Misc	14.20%	1.18%					999	783,397			(783,397)				
7			Struct & Imp Leasehold	1.53%	0.13%		783,397											
8			Mains	3.30%	0.28%						51,651				712	51,651	3.30%	1,704
9			Other P/E CPS	4.04%	0.34%	1,090,182	34,725			44,115	1,124,906				42,478	1,153,056	4.04%	46,583
10			Office Furniture & Equip	15.89%	1.32%	395,932	61,597			63,685	457,529			(4,069)	75,261	500,835	10.00%	50,083
11			Comp & Periprt Equip	37.71%	3.14%	1,800,584	(233)			677,128	1,800,350			(15,698)	679,484	1,818,550	25.00%	454,638
12			Computer Software	37.71%	3.14%	36,811	9,951			14,184	46,763				17,634	46,763	25.00%	11,691
13			Other Software Other	7.13%	0.59%													
14			Other Office Equipment	28.05%	2.34%	469,000	(469,000)			(171,701)								
15			Trans Equip Lt Duty Trks	3.71%	0.31%	18,131	20,324			349	38,455				175			
16			Tools Shop Garage Equip	3.71%	0.31%													
17			Laboratory Equipment	4.64%	0.39%	47,923	(47,923)											
18			Power Operated Equipment	9.76%	0.81%	189,220	(13,140)			16,648	186,080				18,161	186,080	8.25%	15,352
19			Comm Equip Non-T-Telephone	9.76%	0.81%	48,678	(48,678)			355	4,902				117	14,346	8.25%	1,184
20			Comm Equip Telephone	7.91%	0.66%	12,887	(7,985)								388	4,902	5.35%	262
21			Misc Equipment	5.10%	0.43%													
22			WW TD Equip Aux Eff Trmt	5.00%	0.42%													
23			WW Tool Shop & Garage Equip	4.74%	0.40%													
24																		
25																		
26																		
27																		
28																		
29																		
30																		
31																		
32																		
33																		
34																		
35																		
36																		
37																		
38																		
39																		
40			Utility Plant			4,367,033	273,104			672,941	4,640,137			(837,539)	862,481	3,973,936		609,736
41			Agua Fria WW Allocation Factor	2.6164%		2,6164%				2,9334%	2,9334%				2,9491%	2,9491%		2,9491%
42			Agua Fria WW Allocation	114.258		114,258				19,740	136,116				25,435	117,194		17,982
43			Monthly Depreciation Expense															
44			Retirements															
45			Accum. Deprec. - Approved/Calculated			2,813,109				672,941	3,486,050				862,491	4,348,541		
46			Total Removal Cost			(221,540)				576	(220,968)				220,968	0		
47			Total Salvage			100,000					100,000					100,000		
48			Total Approved/Calculated			2,691,966				673,516	3,365,082				1,083,459	4,448,542		
49			Total Per Books (Trial Balance/Column BU)			(2,787,094)				(643,206)	(3,430,303)				(1,088,528)	(4,518,831)		
50			Total Over/(Under) Depreciated			95,528				(30,307)	65,221				5,069	70,290		
51			Agua Fria WW Allocation Factor			2,6164%				2,9334%	2,9334%				2,9491%	2,9491%		
52			Agua Fria WW Allocation			70,421				98,713	98,713				131,191	131,191		
53										(100,626)	(100,626)				(133,264)	(133,264)		
54										1,913	1,913				2,073	2,073		
55										98,713	98,713							

Note:
1. In 2006 we removed \$703,156 from corporate books for Western Region.
2. In 2006 the Eastern Division was not allowed.

Arizona American Water Company - Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Rate Base Adjustment SLM-3

Exhibit
 Schedule B-2
 Page 8
 Witness: Murrey

Line No.	Object	Subj.	Description	Annual Rate	Monthly Rate	Plant Balance Dec 2007	Depreciation Expense 2008	Retirements 2008	Adjustment 2008	Depreciation Expense 2008	Ending Plant Balance Dec 2008	Per Order Company Adj Plant Balance Dec 2008	Staff Approved Depreciation Rates	Annual Depreciation times Y/E UPIS
1	101000	304100	Struct & Imp SS	2.50%	0.21%	7,536	173	-	(7,536)	173	-	-	0.00%	-
2	101000	304200	Struct & Imp P	1.67%	0.14%	1,763	27	-	(1,763)	27	-	-	0.00%	-
3	101000	304600	Struct & Imp Misc	1.67%	0.14%	5,512	84	-	(5,512)	84	-	-	0.00%	-
4	101000	307000	Wells & Springs	4.63%	0.39%	6,485	276	-	(6,485)	276	-	-	0.00%	-
5	101000	312000	Pump Equip Electric	2.52%	0.21%	1,320	30	-	(1,320)	30	-	-	0.00%	-
6	101000	335000	Hydrants	2.52%	0.21%	48,335	1,140	-	(48,335)	1,140	-	-	0.00%	-
7	101000	340200	Comp & Pumph Equip	4.59%	0.38%	-	86	1,905	(1,905)	86	-	-	0.00%	-
8	101000	340500	Other Office Equipment	7.13%	0.59%	1,133	74	-	(1,133)	74	-	-	0.00%	-
9	101000	341200	Trans Equip Hwy Duty Trks	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
10	101000	341600	Trans Equip Other	0.93%	0.08%	-	-	-	-	-	-	-	0.00%	-
11	101000	343000	Tools, Shop and Garage	3.01%	0.25%	-	-	-	-	-	-	-	0.00%	-
12	101000	345000	Laboratory Equipment	3.71%	0.31%	3,469	116	-	(3,469)	116	-	-	0.00%	-
13	101000	346100	Comm Equip Non-Telephone	0.62%	0.05%	20,152	1,825	-	(20,152)	1,825	-	-	0.00%	-
14	101000	351000	WW Organization	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
15	101000	352000	WW Leases	0.00%	0.00%	417	-	-	-	-	417	365	0.00%	-
16	101000	353000	WW Leases Coll	0.00%	0.00%	144,800	-	-	-	-	144,800	128,788	0.00%	-
17	101000	353500	WW Land & Ld Equip Gen	0.00%	0.00%	6,638	-	-	-	-	6,638	5,909	0.00%	-
18	101000	354000	WW Struct & Imp Coll	0.00%	0.00%	6,539	-	-	-	-	6,539	770,965	1.67%	12,870
19	101000	354500	WW Struct & Imp Coll	5.00%	0.42%	874,084	1,783	-	1,783	15,411	308,844	271,113	5.00%	13,556
20	101000	354900	WW Struct & Imp SPP	0.00%	0.00%	308,081	-	-	-	-	-	-	0.00%	-
21	101000	355000	WW Struct & Imp Gen	0.00%	0.00%	462,914	8,035	-	5,707	8,035	511,449	447,518	1.67%	7,474
22	101000	355500	WW Pwr Gen Equip Coll	0.00%	0.00%	-	-	-	-	-	2,545	2,226	3.50%	73
23	101000	355900	WW Pwr Gen Equip Coll	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
24	101000	356000	WW Collection Sewers Forced	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
25	101000	356500	WW Collecting Mains	2.07%	0.17%	-	-	-	-	-	-	-	2.07%	-
26	101000	361100	WW Special Coll Struct	2.04%	0.17%	58,106	511	(24,701)	511	755	35,134	30,742	2.04%	627
27	101000	362000	WW Sewers Sewer	2.04%	0.17%	165,830	13,929	(121)	13,929	168	141,995	141,995	2.04%	2,958
28	101000	364000	WW Flow Measuring Devices	10.00%	0.83%	8,293	309	-	309	148	7,249	7,249	10.00%	148
29	101000	370000	WW Receiving Wells	0.00%	0.00%	1,451	-	-	-	-	1,760	1,540	10.00%	154
30	101000	371100	WW Pump Equip Elect	5.42%	0.45%	30,036	1,884	-	43,985	1,884	128,472	113,288	5.42%	6,140
31	101000	371200	WW Pump Equip Oth Pwr	0.00%	0.00%	118	-	-	-	-	104	104	5.42%	6
32	101000	380000	WW TD Equipment	5.00%	0.42%	685,963	33,389	(794)	6,865	33,389	589,720	589,720	5.00%	29,498
33	101000	380050	WW TD Equip Grk Removal	5.00%	0.42%	352,780	17,639	-	-	17,639	306,683	306,683	5.00%	15,434
34	101000	380100	WW TD Equip Sed Tanks/ACC	5.00%	0.42%	1,717,913	85,896	-	-	85,896	1,503,174	1,503,174	5.00%	75,159
35	101000	380200	WW TD Equip Sludge Rmvy	5.00%	0.42%	11,380	770	-	5,350	770	14,639	14,639	5.00%	732
36	101000	380250	WW TD Equip Sludge Dg Trk	5.00%	0.42%	22,897	1,145	-	-	1,145	20,035	20,035	5.00%	1,002
37	101000	380300	WW TD Equip Sludge Dye/Fit	5.00%	0.42%	1,952,382	97,055	(22,588)	(1,440)	97,055	1,689,588	1,689,588	5.00%	84,420
38	101000	380350	WW TD Equip Sec Trmt FR	0.00%	0.00%	3,563	-	-	-	-	7,158	7,158	5.00%	358
39	101000	380400	WW TD Equip Aux Effl Trmt	0.00%	0.00%	410,827	-	-	-	-	410,827	359,483	5.00%	17,975
40	101000	380500	WW TD Equip Chem Trmt PR	5.00%	0.42%	649	32	-	-	32	649	568	5.00%	28
41	101000	380600	WW TD Equip Oth Disp	8.40%	0.69%	332,877	27,845	-	-	27,845	332,877	291,082	5.00%	14,555
42	101000	380625	WW TD Equip Oth Disp	5.00%	0.42%	254,380	12,715	(856)	-	12,715	255,425	221,747	5.00%	11,087
43	101000	380650	WW TD Equip Influent Lift S	5.00%	0.42%	23,045	1,132	-	-	1,132	23,045	20,164	5.00%	1,008
44	101000	381000	WW Plant Sewers	0.00%	0.00%	5,251	-	-	-	-	5,251	4,985	5.00%	230
45	101000	381000	WW Outfall Sewer Lines	5.00%	0.42%	38,427	1,818	(659)	-	1,818	37,568	32,872	5.00%	1,644
46	101000	389100	WW Oth PH & Misc Equip Int	4.95%	0.42%	6,197	309	-	-	309	6,197	5,422	4.95%	270
47	101000	389600	WW Oth PH & Misc Equip	0.00%	0.00%	54,034	-	-	-	-	53,781	47,058	4.59%	2,180
48	101000	389600	WW Office Furniture & Equip	4.59%	0.38%	3,411	309	-	3,038	309	6,449	5,643	4.59%	564
49	101000	389600	WW Computer Software	0.00%	0.00%	-	-	-	-	-	20,152	17,693	25.00%	4,408
50	101000	389600	WW Computer Software	0.00%	0.00%	-	-	-	-	-	20,152	17,693	25.00%	4,408
51	101000	391000	WW Trains Equipment	25.00%	2.08%	77,061	1,320	(5,060)	1,320	20,046	76,841	67,061	20.00%	13,412
52	101000	392000	WW Tool Shop & Garage Equip	3.91%	0.33%	3,806	141	-	-	141	3,606	3,156	3.95%	125
53	101000	392000	WW Laboratory Equipment	4.47%	0.37%	38,882	1,768	(525)	-	1,768	38,753	34,784	4.47%	1,555
54	101000	394000	WW Power Operated Equip	3.71%	0.31%	26,910	1,185	(463)	(13,952)	1,185	31,594	27,696	4.71%	1,025
55	101000	395000	WW Communication Equip	5.00%	0.42%	4,145	208	-	-	208	4,145	3,627	5.00%	182
56	101000	396000	WW Misc Equipment	10.30%	0.86%	66,196	7,078	-	-	7,078	71,104	62,216	10.30%	6,408
57	101000	397000	WW Other Tangible Plant	5.10%	0.43%	22,480	1,145	(84)	-	1,145	22,396	19,596	5.10%	999
58	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
59	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
60	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
61	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
62	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
63	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
64	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
65	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
66	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
67	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
68	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
69	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
70	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
71	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
72	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
73	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
74	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
75	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
76	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
77	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
78	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
79	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
80	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
81	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
82	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-
83	101000	398000	WW Other Tangible Plant	0.00%	0.00%	-	-	-	-	-	-	-	0.00%	-

Line	
<u>No.</u>	
1	<u>Adjustment to Rate Base</u>
2	
3	
4	Reduce Rate Base for the Contribution from Pulte for the Tesota Hills True-Up for
5	the Verrado WRF Phase 2 Expansion
6	
7	<u>\$ 1,415,610</u>
8	
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Arizona American Water Company - Agua Fria Wastewater
Test Year Ended December 31, 2008
Rate Base Adjustment SLM-7

Exhibit
Schedule B-2
Page 10
Witness: Murrey

Line No.		
1	<u>Deferred Debits</u>	
2		
3		
4	Pro Forma Deferred Debit as Adjusted	\$ 27,587
5		
6	Test Year Deferred Debits Balance	<u>505,213</u>
7		
8	Increase/(Decrease) in Deferred Debit Adjustment	<u>\$ (477,627)</u>
9		
10	Adjustment to Rate Base	<u>\$ (477,627)</u>
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Line

No.

1	<u>Remove Contributions for Plant Not in Service</u>	
2		
3		
4	An adjustment is being made to Contributions in Aid of Construction for the amounts associated	
5	with projects that are in CWIP as of the end of the test year. Since these project amounts had not been	
6	transferred to Utility Plant in Service as of 12/31/08 and, therefore, are not part of Rate Base,	
7	the reduction for Contributions should also not be a part of Rate Base.	
8		
9		
10	Contributions in Aid of Construction at 12/31/08	\$ 12,456,097
11	Less: Amortization of CIAC	<u>(860,189)</u>
12		
13	Net Contributions	11,595,908
14		
15	Amount of Contributions in CWIP	<u>\$ (30,106)</u>
16		
17		
18	Pro forma Net Contributions in Aid of Contributions	\$ 11,565,803
19		
20		
21	Increase / (Decrease) to Contributions	<u>\$ (30,106)</u>

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Line		
<u>No.</u>		
1	<u>Impute Regulatory Contributions Per Dec. 63584</u>	
2		
3	Regulatory Contributions	
4		
5	Amortization 1/15/02 to 12/31/02	
6		
7	Amortization 1/01/03 to 12/31/03	
8		
9	Amortization 1/01/04 to 12/31/04	
10		
11	Amortization 1/01/05 to 12/31/05	
12		
13	Amortization 1/01/06 to 12/31/06	
14		
15	Amortization 1/01/07 to 12/31/07	
16		
17	Amortization 1/01/07 to 12/31/07	
18		
19	Amortization 1/01/08 to 12/31/08	
20		
21	Balance 12/31/08	\$ -
22		
23	Increase (decrease) in Regulatory CIAC	\$ -
24		
25	Adjustment to Rate Base	\$ -
26		
27		
28		
29		
30	Agua Fria Wastewater had no plant in service when Arizona-American bought the	
31	assets from Citizen's Utilities. All Imputed Regulatory Contributions are allocated to Anthem Wastewater.	
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Line No.		
1	<u>Remove Utility Plant Acquisition Adjustment</u>	
2		
3	Pro Forma Utility Plant Acquisition Adjustment	\$ -
4		
5	Test Year Utility Plant Acquisition Adjustment Balance	805,627
6		
7	Increase (decrease) in Utility Plant Acquisition Adjustment	<u>\$ (805,627)</u>
8		
9	Adjustment to Rate Base	<u>\$ (805,627)</u>
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Line			
<u>No.</u>			
1	<u>Adjust Deferred Income Taxes</u>		
2			
3	Deferred Income Tax Adjustment for Company	\$	336,093
4			
5	Allocation Factor (combined)		<u>8.06%</u>
6			
7	Staff adjustment to Deferred Income Tax	\$	<u>27,084</u>
8	(per Staff RB adj #4 per Revised Final Schedule GTM-8)		
9			
10			
11			
12			
13	<u>Breakout based on individual district allocation</u>		
14		\$	336,093
15			
16	Anthem Wastewater Allocation	5.11%	17,172
17			
18	Agua Fria Wastewater Allocation	2.95%	<u>9,912</u>
19		\$	<u>27,084</u>
20			
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Arizona American Water Company - Agua Fria Wastewater
Test Year Ended December 31, 2008
Computation of Working Capital

Exhibit
Schedule B-5
Page 1
Witness: Murrey

Line No.		
1		
2	Working Cash Requirement	\$ 49,501
3	Material and Supplies Inventories	2,058 ¹
4	Prepayments	16,373
5		
6		
7	Total Working Capital Allowance	<u>\$ 67,932</u>
8		
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AGUA FRIA WASTEWATER

Line No.		Test Year Adjusted Results	Revenue Lag Days	Expense Lag Days	Net Lag Days	Lead/Lag Factor	Cash Working Capital Required
1	OPERATING EXPENSES						
2	P08 Labor	711,430	46.04007	12.0000	34.0401	0.0933	\$ 66,348
3	P09 Purchased Water	1,490	46.04007	52.5225	(6.4825)	(0.0178)	(26)
4	P10 Fuel & Power	210,023	46.04007	23.4600	22.5801	0.0619	12,993
5	P11 Chemicals	0	46.04007	14.6338	31.4063	0.0860	0
6	P12 Waste disposal	65,901	46.04007	26.8986	19.1415	0.0524	3,456
7	P13 Management Fees	0	46.04007	-	46.0401	0.1261	(0)
8	P14 Group Insurance	242,515	46.04007	(13.7038)	59.7439	0.1637	39,695
9	P15 Pensions	124,800	46.04007	(2.3684)	48.4085	0.1326	16,552
10	P17 Insurance Other Than Group	50,186	46.04007	83.6844	(37.6443)	(0.1031)	(5,176)
11	P18 Customer Accounting	100,286	46.04007	20.3100	25.7301	0.0705	7,069
12	P19 Rents	62,694	46.04007	84.1608	(38.1207)	(0.1044)	(6,548)
13	P21 Miscellaneous	283,519	46.04007	16.8375	29.2025	0.0800	22,683
14	P25 Maintenance Expense	108,223	46.04007	18.2388	27.8013	0.0762	8,243
15	Other Operating Expenses ¹	92,146	46.04007	30.0000	16.0401	0.0439	4,049
16	TAXES						
17	P29 Property Taxes	136,597	46.04007	191.3713	(145.3312)	(0.3982)	(54,389)
18	P29 Taxes Other than Income	53,976	46.04007	13.3462	32.6938	0.0896	4,835
19	P30 Income Tax ²	561,419	46.04007	30.1300	15.9101	0.0436	24,472
20	P56 Interest Sync	574,426	46.04007	106.2500	(60.2099)	(0.1650)	(94,757)
21							
22	WORKING CASH REQUIREMENT	3,379,631					<u>\$ 49,500.74</u>
23							
24							

25 1) All other Operating Expenses are assumed to be paid by the 15th of the month following the receipt of goods and services.
 2) At deconsolidated rates.

Arizona American Water Company - Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Adjusted Test Year Income Statement

Exhibit
 Schedule C-1
 Page 1
 Witness: Murrey

Line No.	[A] Test Year Book Results	[B] Total Pro Forma Adjustments	[C] Test Year Adjusted Results	[D] Deconsolidated Rate Increase	[E] Adjusted with Rate Increase
1	Revenues				
2	\$ 2,279,332	\$ 395,530	\$ 2,674,862	3,736,490	\$ 6,411,352
3	1,359	-	1,359		1,359
4					
5	\$ 2,280,691	\$ 395,530	\$ 2,676,221	\$ 3,736,490	\$ 6,412,711
6	Operating Expenses				
7	\$ 687,393	\$ 24,038	\$ 711,430		\$ 711,430
8	15,021	(13,531)	1,490		1,490
9	246,585	(36,562)	210,023		210,023
10	149,182	(11,079)	138,103		138,103
11	64,064	1,837	65,901		65,901
12	763,129	9,615	772,744		772,744
13	128,506	114,009	242,515		242,515
14	113,914	10,886	124,800		124,800
15	50,148	(13,504)	36,643		36,643
16	50,186	-	50,186		50,186
17	124,846	(24,560)	100,286	19,056	119,342
18	63,577	(883)	62,694		62,694
19	48,766	(393)	48,373		48,373
20	288,231	(4,712)	283,519		283,519
21	114,366	(6,143)	108,223		108,223
22	1,764,723	(246,812)	1,517,911		1,517,911
23	95,168	(1,566)	93,602	42,995	136,597
24	44,936	9,040	53,976		53,976
25	(111,035)	(861,898)	(972,933)	1,418,292	445,360
26					
27					
28	\$ 4,701,705	\$ (1,052,218)	\$ 3,649,486	\$ 1,480,343	\$ 5,129,830
29	\$ (2,421,014)	\$ 1,447,749	\$ (973,265)	\$ 2,256,147	\$ 1,282,881
30	Other Income & Deductions				
31	37,933	(37,933)	-		-
32	769,116	(194,690)	574,426		574,426
33	9,874	-	9,874		9,874
34	(2)	-	(2)		(2)
35	\$ (741,059)	\$ 156,757	\$ (584,302)	\$ -	\$ (584,302)
36	\$ (3,162,073)	\$ 1,604,506	\$ (1,557,567)	\$ 2,256,147	\$ 698,579

Arizona American Water Company - Agua Fria West
 Test Year Ended December 31, 2008
 Income Statement Pro Forma Adjustments

Exhibit
 Schedule C-2
 Page 3
 Witness: Murrey

Line No.	[U] ADJ SLM-20 Annualize Property Taxes	[V] ADJ SLM-21 Remove Other Income & Deductions	[W] ADJ SLM-22 Annualize OPEBs	[X] ADJ SLM-23 Interest Synchronization	[Y] ADJ SLM-24 Federal and State Income Taxes	[Z] Total Pro Forma Adjustments	[AA] Test Year As Filed Results
1						\$ 395,530	\$ 2,674,862
2	P03 Sewer Revenues						1,359
3	P04 Other Revenues						
4							
5							
6	Operating Expenses						
7	P08 Labor					55,171	742,564
8	P09 Purchased Water					(11,653)	3,368
9	P10 Fuel & Power					21,816	268,401
10	P11 Chemicals					63,474	212,656
11	P12 Waste Disposal					1,837	65,301
12	P13 Management Fees					49,125	812,254
13	P14 Group Insurance					114,063	242,569
14	P15 Pensions					964	114,878
15	P16 Regulatory Expense		1,129			(8,930)	41,218
16	P17 Insurance Other Than Group						50,186
17	P18 Customer Accounting					4,345	129,191
18	P19 Rents						63,577
19	P20 General Office Expense						48,766
20	P21 Miscellaneous					(3,617)	284,614
21	P25 Maintenance Expense						114,366
22	P27-21 Depreciation & Amortization					2,754	1,767,477
23	P29 General Taxes-Property Taxes	(2,050)				(2,050)	93,118
24	P29 General Taxes-Other					9,040	53,976
25	P30-31 Income Taxes				(861,898)	(861,898)	(972,933)
26							
27							
28	Total Operating Expenses		\$ 1,129			\$ (861,898)	\$ 4,136,146
29	Utility Operating Income						
30	Other Income & Deductions						
31	P39-41 Other Income & Deductions						
32	P66-61 Interest Expense						
33	P48-51 Other Expense						
34	P43 Gain/Loss Sale of Fixed Assets						
35	Net Other Income & Deductions						
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Arizona American Water Company - Agua Fria Wast
 Test Year Ended December 31, 2008
 Income Statement Pro Forma Adjustments

Exhibit
 Schedule C-2
 Page 5
 Witness: Murrey

Line No.	[AK] ADJ SLM-9Fb Accept Staff Adj for Maint Fees	[AL] ADJ SLM-9Fc Accept Staff Adj for Pension Exp	[AM]	[AN] Total Pro Forma Adjustments	[AO] Test Year Adjusted Results	[AP] Deconsolidated Rate Increase	[AQ] Adjusted with Rate Increase
1							
2					\$ 2,674,862	\$ 3,736,490	\$ 6,411,352
3	P03 Sewer Revenues				1,359		1,359
4	P04 Other Revenues						
5					\$ 2,676,221	\$ 3,736,490	\$ 6,412,711
6							
7	Operating Expenses						
8	P08 Labor			(31,134)	711,430		\$ 711,430
9	P09 Purchased Water			(1,878)	1,490		\$ 1,490
10	P10 Fuel & Power			(58,377)	210,023		\$ 210,023
11	P11 Chemicals			(74,553)	138,103		\$ 138,103
12	P12 Waste Disposal				65,901		\$ 65,901
13	P13 Management Fees			(39,510)	772,744		\$ 772,744
14	P14 Group Insurance			(54)	242,515		\$ 242,515
15	P15 Pensions		9,922	9,922	124,800		\$ 124,800
16	P16 Regulatory Expense			(4,574)	36,643		\$ 36,643
17	P17 Insurance Other Than Group				50,186		\$ 50,186
18	P18 Customer Accounting				100,286	19,056	\$ 119,342
19	P19 Rents			(28,905)	62,694		\$ 62,694
20	P20 General Office Expense			(883)	48,373		\$ 48,373
21	P21 Miscellaneous			(1,096)	283,519		\$ 283,519
22	P25 Maintenance Expense			(6,143)	108,223		\$ 108,223
23	P27-2i Depreciation & Amortization			(249,566)	1,517,911		\$ 1,517,911
24	P29 General Taxes-Property Taxes			485	93,602	42,995	\$ 136,597
25	P29 General Taxes-Other				53,976		\$ 53,976
26	P30-3' Income Taxes				(972,933)	1,418,292	\$ 445,360
27							
28	Total Operating Expenses			\$ (33,456)	\$ 3,649,486	\$ 1,480,343	\$ 5,129,830
29	Utility Operating Income			\$ 33,456	\$ (9,922)	\$ 2,256,147	\$ 1,282,881
30	Other Income & Deductions						
31	P39-4: Other Income & Deductions						
32	P66-6i Interest Expense				574,426		\$ 574,426
33	P48-6' Other Expense				9,874		\$ 9,874
34	P43 Gain/Loss Sale of Fixed Assets				(2)		\$ (2)
35	Net Other Income & Deductions			\$ 33,456	\$ (9,922)	\$ 2,256,147	\$ 688,579
36	Net Profit (Loss)						
37							
38							
39							
40							
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Line

No.

1 Remove Net Unbilled Revenue Accrual

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3 The Unbilled Revenue for the Anthem / Agua Fria Wastewater tariff is recorded in Anthem Wastewater District only.

4 There is nothing to remove from the books of Agua Fria Wastewater for Unbilled Revenue.

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45 Workpapers & Supporting Documents:

46 \Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\

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Line

No.

Adjust Booked Revenues to Reflect Annualized Rate Increase Adjustments

The rates were increased for Agua Fria Wastewater effective June 4, 2008. The below represents the billing determinants during the test year billed at the new rates versus the actual billing during the test year. This adjustment annualizes the rate increase.

Rate Schedule	Description		<u>\$ due to Revenue Increase</u>
E1MS1	Agua Fria Sewer Residential	\$ 312,473.48	
	Total Residential		<u>\$ 312,473</u>
E2MS2	Agua Fria Sewer Commercial 3/4"	\$ 58.11	
E2MS3	Agua Fria Sewer Commercial 1"	\$ 251.94	
E2MS4	Agua Fria Sewer Commercial Large	\$ 10,305.55	
	Total Commercial		<u>\$ 10,616</u>
	Total Revenue Adjustment		<u>\$ 323,089</u>

45 Workpapers & Supporting Documents:
 46 \Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\
 47 \09 Agua Fria WWSchedules\2008 Agua Fria WW Sch H.xls
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Line No.	Customer Growth Annualization of Test Year Revenue:	Residential	Commercial				
			5/8"	3/4"	1"	Large	
4	<u>Customer Growth Statistics:</u>						
5	From the H-2's						
6	Average Customers	4,551	-	1	2	21	
7	Average Monthly Gallons	5,297	-	-	9,500	53,313	
9	Actual TYE Bills	4,667	-	1	2	23	
10	Cust Growth Bills	116	-	-	-	2	
11	(Line 11- Line 8)						
13	Cust Growth Volumes (1,000 gals)						
14	(Line 12 x Line 9 / 1,000)	614.45	-	-	-	106.63	
16	<u>Customer Growth Revenue:</u>						
17	Meter Charge	\$27.76	\$27.76	\$41.64	\$55.58	\$111.12	
18	Volumetric - 1st block limit	7,000	10,000	15,000	20,000	9,999,999	
19	1st block rate	\$3.48	\$3.48	\$3.48	\$3.48	\$3.48	
20	Revenue per additional dwelling unit	\$554.28	\$333.12	\$499.68	\$1,063.68	\$3,559.80	
21	times Cust Growth Bills (Line 12)	\$64,296	\$0.00	\$0.00	\$0.00	\$7,120	
22	Total Residential	\$64,296				\$7,120	
23		\$36,280				(\$1,365)	
24	Total by District	\$ 100,577				\$ 5,755	
25	Total Per Order	\$ 103,083				\$ 5,527	
26	Diff to be allocated to districts	\$ 2,506				\$ (228)	
28	Additional allocation	\$ 1,602				\$ (282)	
29		\$ 904				\$ 54	
31	<u>Increase / (Decrease) in Operating Expenses:</u>		AMOUNTS PER ORDER				
32			Fuel & Power	Chemicals	Waste Disposal	Postage	Other Cust Accounting
33							Total
34	Test Year Adjusted Expense from Sch C-2	\$ 274,699	\$ 299,058	\$ 196,263	\$ 71,288	\$ 167,436	\$ 1,008,743
35	Avg Customers times 12	151,308	151,308	151,308	151,308	151,308	
36	Cost per Bill	\$1,8155	\$1,9765	\$1,2971	\$0,4711	\$1,1066	
37	Sum of Cust Growth Bills (Line 12) x 12	2,184	2,184	2,184	2,184	2,184	
38	Additional Expense	\$ 3,965	\$ 4,317	\$ 2,833	\$ 1,029	\$ 2,417	\$ 14,560
40	Allocation to Agua Fria WW Based on Customer Growth Bills						Per Order
41	Sum of Cust Growth Bills (Line 12) x 12	1,416	1,416	1,416	1,416	1,416	
42	Additional Expense	\$2,571	\$2,799	\$1,837	\$667	\$1,567	\$9,440
44	Allocation to Anthem WW Based on Customer Growth Bills						Allocation
45	Sum of Cust Growth Bills (Line 12) x 12	768	768	768	768	768	
46	Additional Expense	\$1,394	\$1,518	\$996	\$362	\$850	\$5,120

49 Workpapers & Supporting Documents:
 50 \Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls

\\09 Agua Fria WW\Workpapers\Revenue\Agua Fria WW 12_2008.xls
 \\09 Agua Fria WW\Schedules\2008 Agua Fria WW Sch H.xls

Arizona American Water Company - Agua Fria Wastewater
Test Year Ended December 31, 2008
Income Statement Adjustment SLM-4

Exhibit
Schedule C-2
Page 9
Witness: Murrey

Line

No.

1	<u>Remove Billings for Other Districts:</u>		
2			
3	There were a few customers on rates in Sun City and Sun City West Wastewater whose revenue was		
4	booked in error to Agua Fria Wastewater. The district designation was corrected during the test year.		
5	This adjustment removes the revenue recorded in error to Agua Fria Wastewater.		
6			
7	Customers billing for other districts showing in AF		
8	A1MS1	Sun City Sewer Residential	\$32.94
9	A1S1A	Sun City Sewer Residential S Unit 5/8" & 3/4"	\$13.69
10	B1MS1	Sun City West Sewer Residential	\$185.04
11	B1S1B	Sun City West Sewer Residential S-Unit 1"	\$62.53
12			<hr/>
13	Revenue to be removed		<u>\$294.20</u>
14			
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45	Workpapers & Supporting Documents:		
46	\09 Agua Fria WWSchedules\2008 Agua Fria WW Sch H.xls		
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Line			
<u>No.</u>			
1	<u>Adjust Depreciation Expense to Reflect Test Year Adjusted Plant:</u>		
2			
3	Company Adjustment to Depreciation		\$ 5,749
4			
5			
6			
7	Prorated to districts based on depreciation expense		
8		Anthem Wastewater	\$ 2,995
9		Agua Fria Wastewater	\$ 2,754
10			<u>\$ 5,749</u>
11			
12	Depreciation Expense by District		
13	Anthem Wastewater	\$ 1,987,316	52.09%
14	Agua Fria Wastewater	\$ 1,827,921	47.91%
15		<u>\$ 3,815,236</u>	
16			
17			
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45	Workpapers & Supporting Documents:		
46	\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\		
47	109 Agua Fria WW\Workpapers\Agua Fria WW AI 2008.xls		
48	\Common\Workpapers\Imputed AIAC and CIAC.xls		
49	\Common\Workpapers\2008 Reg Asset-Amort Wrkpaper.xls		
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Arizona American Water Company - Agua Fria Wastewater
Test Year Ended December 31, 2008
Income Statement Adjustment SLM-6

Exhibit
Schedule C-2
Page 11
Witness: Murrey

Line No.		
1	<u>Normalize Fuel & Power</u>	
2		
3	Test Year Power Expense - Agua Fria Wastewater District	\$ 246,585
4		
5	2008 Pro Forma Fuel & Power Expense	\$ 265,830
6		
7	Total Adjusted Test Year Fuel & Power Expense	<u>\$ 265,830</u>
8		
9		
10		
11	Increase/(Decrease) in Fuel & Power Expense	<u>\$ 19,245</u>
12		
13	Adjustment to Revenue and/or Expense	<u>\$ 19,245</u>
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45	Workpapers & Supporting Documents:	
46	\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\	
47	\\Common\Power\2008 Fuel & Power Pro Forma	
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Arizona American Water Company - Agua Fria Wastewater
Test Year Ended December 31, 2008
Income Statement Adjustment SLM-7

Exhibit
Schedule C-2
Page 12
Witness: Murrey

Line No.		
1	<u>Normalize & Adjust Chemicals Expense</u>	
2		
3	Pro Forma Chemicals Expense (work paper) - Agua Fria Wastewater	\$ 209,858
4		
5	TY 2008 Chemicals Expense - Agua Fria Wastewater	\$ 149,182
6		
7	Increase/(Decrease) in Chemicals Expense	<u>\$ 60,675</u>
8		
9	Adjustment to Revenue and/or Expense	<u>\$ 60,675</u>
10		
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45	Workpapers & Supporting Documents:	
46	\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\	
47	\\Common\Chemicals\2008 Chemical Pro Forma.xls	
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Line			
<u>No.</u>			
1	<u>Adjust Management Fees for Labor Increases</u>		
2			
3	Test Year Management Fees	\$	763,129
4			
5			
6	Adjusted Test Year Management Fees	\$	763,129
7			
8	Increase in Labor Expense	\$761,938	
9	4 Factor Allocation to Agua Fria Wastewater	6.5673%	
10			
11	Pro forma Adjustment to Management Fees		50,039
12			
13	Pro forma adjusted test year Management Fees	\$	813,168
14			
15			
16	Increase/(Decrease) in Management Fees	\$	50,039
17			
18	Adjustment to Revenue and/or Expense	\$	50,039
19			
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45	Workpapers & Supporting Documents:		
46	\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\		
47	\\Common\Service Company\2008 Labor Adj-Mgmt Fees.xls		
48	\\Common\Workpapers\2008 4 Factor.xls		
49			
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Line			
<u>No.</u>			
1	<u>Adjust Management Fees for Other Expense Increases</u>		
2			
3	Test Year Management Fees	\$	763,129
4			
5			
6	Adjusted Test Year Management Fees	\$	763,129
7			
8	Increase in Other Expenses	\$170,388	
9	4 Factor Allocation to Agua Fria Wastewater	<u>6.5673%</u>	
10			
11	Pro forma Adjustment to Management Fees		<u>11,190</u>
12			
13	Pro forma adjusted test year Management Fees	\$	774,319
14			
15			
16	Increase/(Decrease) in Management Fees	\$	<u>11,190</u>
17			
18	Adjustment to Revenue and/or Expense	\$	<u>11,190</u>
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45	Workpapers & Supporting Documents:		
46	\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\		
47	\\Common\Service Company\2008 Other Expense Adj-Mgmt Fees.xls		
48	\\Common\Workpapers\2008 4 Factor.xls		
49			
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Arizona American Water Company - Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Income Statement Adjustment SLM-10

Exhibit
 Schedule C-2
 Page 15
 Witness: Murrey

Line			
<u>No.</u>			
1	<u>Remove One-Time Service Company Charges</u>		
2			
3			
4	Test Year Management Fees-Agua Fria Wastewater	\$	763,129
5			
6			
7	Adjusted Test Year Management Fees	\$	763,129
8			
9	Write-off One-Time Service Company Charges	\$184,301	
10	4 Factor Allocation to Agua Fria Wastewater	<u>6.5673%</u>	
11			
12	Adjustment to Write-off One-Time Service Company Charges		<u>(12,104)</u>
13			
14			
15			
16	Increase/(Decrease) in Management Fees	\$	<u>(12,104)</u>
17			
18	Adjustment to Revenue and/or Expense	\$	<u>(12,104)</u>
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45	Workpapers & Supporting Documents:		
46	\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\		
47	\\Common\Service Company\2008 One-Time Adj-Mgmt Fees.xls		
48	\\Common\Workpapers\2008 4 Factor.xls		
49			
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Line			
No.			
1	<u>Adjust Postage Expense for 2008 and 2009 Postage Increases</u>		
2			
3	2008 Total Corporate Postage Expense	\$	544,875
4			
5	2008 Postage Increase (5/12/08)	1.09%	
6			
7	Annualize 2008 Postage Increase	\$	<u>5,926</u>
8			
9	Estimated 2008 Total Corporate Postage Expense Annualized	\$	550,801
10			
11	2009 Postage Increase (5/11/09)	4.76%	
12			
13	Annualize 2009 Postage Increase	\$	<u>26,229</u>
14			
15	Test Year 2008 Pro Forma Total Company Postage Expense	\$	577,030
16			
17	4 Factor - Agua Fria Wastewater		6.5673%
18			
19	Test Year 2008 Pro Forma Postage Expense-Agua Fria Wastewater	\$	37,895
20			
21	2008 Test year Postage Expense (CA - 575660.15 & 16)	\$	35,784
22			
23	Increase/(Decrease) in Postage Expense	\$	2,111
24			
25	Adjustment to Revenue and/or Expense	\$	<u><u>2,111</u></u>
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45	Workpapers & Supporting Documents:		
46	\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\		
47	\\Common\Workpapers\2008 4 Factor.xls		
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Arizona American Water Company - Agua Fria Wastewater
Test Year Ended December 31, 2008
Income Statement Adjustment SLM-12

Exhibit
Schedule C-2
Page 17
Witness: Murrey

Line			
<u>No.</u>			
1	<u>Adjust Purchased Water for Cost Saving Program at Northwest Valley RTF</u>		
2			
3	Test Year Purchased Water Expense - Agua Fria Wastewater	\$	15,021
4			
5	Adjusted NWWTP Purchased Water Expense (workpaper)	\$	10,524
6			
7	Agua Fria Allocation of NWWTP		32.0%
8			
9	Agua Fria Wastewater Adjusted TY Purchased Water Expense	\$	<u>3,368</u>
10			
11	Increase/(Decrease) in Purchased Water Expense	\$	<u>(11,653)</u>
12			
13	Adjustment to Revenue and/or Expense	\$	<u>(11,653)</u>
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45	Workpapers & Supporting Documents:		
46	\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\		
47	\\Common\Purchased Water\2008 NWWTP Purch Water Pro Forma		
48			
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Arizona American Water Company - Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Income Statement Adjustment SLM-13

Exhibit
 Schedule C-2
 Page 18
 Witness: Murrey

Line			
<u>No.</u>			
1	<u>Adjust Rate Case Expense</u>		
2			
3	Estimated Rate Case Expense (Workpaper)	\$	678,425
4			
5	Estimated Amortization Period in Years		3
6			
7	Annual Rate Case Expense	\$	<u>226,142</u>
8			
9	09 Group 4 Factor - Agua Fria Wastewater		14.12%
10			
11	Allocated Rate Case Expense	\$	<u>31,928</u>
12			
13	Expected Unamortized Balance as of 9/2010	\$	13,724
14	Estimated Amortization Period in Years		3
15	Annual Amortization of Expected Unamortized Balance	\$	4,575
16			
17	Pro Forma Rate Case Expense	\$	<u>36,503</u>
18			
19	Test Year Rate Case Expense	\$	45,433
20			
21	Increase/(Decrease) Rate Case Expense	\$	<u>(8,930)</u>
22			
23	Adjustment to Revenue and/or Expense	\$	<u>(8,930)</u>
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45	Workpapers & Supporting Documents:		
46	\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\		
47	\\Common\Workpapers\2008 Reg Asset-Amort Wrkpaper.xls		
48			
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Line

No.

1	<u>Adjust for Line 21 Miscellaneous Expense Clean Up</u>		
2			
3	The Company went through the Corporate Miscellaneous General Expense account and removed		
4	those items which it anticipated the Commission would likely disallow for ratemaking purposes,		
5	such as Community Relations expense and membership dues. The Company performed the		
6	same study of the Agua Fria Wastewater account.		
7			
8			
9	Pro forma adjustment to Line 21 Miscellaneous Expense:		
10	Agua Fria Wastewater		\$1,243
11			
12	Corporate Office amount	\$ (430,447)	
13		\$ (430,447)	
14			
15	4 Factor Allocation to Agua Fria Wastewater	<u>6.5673%</u>	
16			
17	Total Corporate disallowance		\$ (28,269)
18			
19	Pro forma disallowance to Miscellaneous Expense		<u>(\$27,026)</u>
20			
21	Adjustment to Revenue and/or Expense		<u>\$ (27,026)</u>
22			
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45	Workpapers & Supporting Documents:		
46	\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\		
47	\\Common\Workpapers\Line21.xls		
48	\\Common\Workpapers\2008 4 Factor.xls		
49			
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Line			
<u>No.</u>			
1	Normalize Test Year Labor Expense		
2			
3	Total normalized Labor expense (Workpaper)		
4	Agua Fria Wastewater	\$	557,315
5	Northwest Valley Regional Treatment Facility @ 32%		147,167
6	Total Adjusted Test Year Labor Expense		<u>\$ 704,482</u>
7			
8	Test Year Incentive Plan		
9	Agua Fria Wastewater	\$	38,082
10	Northwest Valley Regional Treatment Facility @ 32%		
11	Total Adjusted Test Year Labor Expense		<u>\$ 38,082</u>
12			
13	Total Adjusted Test Year Labor expense - Agua Fria Wastewater		<u>\$ 742,564</u>
14			
15	Test Year Labor Expense		<u>\$ 687,393</u>
16			
17	Increase/(decrease) in Labor Expense		<u>\$ 55,171</u>
18			
19	Adjustment to Revenue and/or Expense		<u>\$ 55,171</u>
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45	Workpapers & Supporting Documents:		
46	\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\		
47	\Common\Labor\AZ 2008 Labor.xls		
48	\09 Agua Fria WW\Workpapers\Agua Fria WW AI 2008.xls		
49			
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Line No.			
1	<u>Adjust Payroll Taxes to Reflect Adjusted Labor Expense</u>		
2	Adjusted Test Year FICA Expense (work paper)		
3	Agua Fria Wastewater	\$ 42,635	
4	Northwest Valley Regional Treatment Facility @ 32%	11,258	
5	Total Adjusted Test Year FICA Expense		\$ 53,893
6			
7	Adjusted Test Year FUTA Expense (work paper)		
8	Agua Fria Wastewater	2,311	
9	Northwest Valley Regional Treatment Facility @ 32%	223	
10	Total Adjusted Test Year FUTA Expense		2,534
11			
12	Adjusted SUTA Expense (work paper)		
13	Agua Fria Wastewater	3,294	
14	Northwest Valley Regional Treatment Facility @ 32%	318	
15	Total Adjusted Test Year SUTA Expense		3,612
16			
17	Total Adjusted Test Year Payroll Taxes		\$ 60,039
18			
19	Test year FICA Expense (General Taxes)		
20	Agua Fria Wastewater	35,849	
21	Northwest Valley Regional Treatment Facility @ 32%	10,171	
22	Total Adjusted Test Year FICA Expense		46,020
23			
24	Test year FUTA Expense (General Taxes)		
25	Agua Fria Wastewater	525	
26	Northwest Valley Regional Treatment Facility @ 32%	116	
27	Total Adjusted Test Year FUTA Expense		641
28			
29	Test year SUTA Expense (General Taxes)		
30	Agua Fria Wastewater	865	
31	Northwest Valley Regional Treatment Facility @ 32%	199	
32	Total Adjusted Test Year SUTA Expense		1,064
33			
34	Total Test Year Payroll Taxes		\$ 47,725
35	Increase/(Decrease) in Payroll Taxes (General Taxes)		\$ 12,314
36			
37	Adjustment to Revenue and/or Expense for Agua Fria Wastewater	\$	12,314
38	Adjustment to Revenue and/or Expense for Anthem Wastewater	\$	(5,903)
39	Total Adjustment	\$	6,411
40			
41	Adjustment Approved Per Order	\$	4,706
42	Difference to be allocated to district based on adjustment amount	\$	(1,705)
43			
44	Additional adj for Agua Fria	\$	(3,274)
45	Additional adj for Anthem	\$	1,570
46		\$	(1,705)
47	Workpapers & Supporting Documents:		
48	\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls		
49	\Common\Labor\AZ 2008 Labor.xls		
50	\09 Agua Fria WWW\Workpapers\Agua Fria WW AI 2008.xls		

Line No.		
1	<u>Adjust Pension Expense to Reflect Labor Expense at District Level</u>	
2		
3	Total Pro Forma Pension expense (work paper) - Agua Fria Wastewater	\$ 81,711
4		
5	Add: Normalized Pension Expense (workpaper) - NWRRTF	
6	Northwest Valley Regional Treatment Facility @ 32%	33,167
7		
8	Total Adjusted Test Year Pension Expense - Agua Fria Wastewater	\$ 114,878
9		
10	Test Year Pension Expense - Agua Fria Wastewater	113,914
11		
12	Increase/(Decrease) in Pension Expense	\$ 964
13		
14	Adjustment to Revenue and/or Expense	\$ 964
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45	Workpapers & Supporting Documents:	
46	\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\	
47	\Common\Labor\AZ 2008 Labor.xls	
48		
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Line No.		
1	<u>Adjust 401k Expense to Reflect Adjusted Labor Expense</u>	
2		
3	Adjusted 401k Expense (work paper) - Agua Fria Wastewater	\$ 17,427
4		
5	Add: Normalized 401K Expense (workpaper) - NWWRTF	
6	Northwest Valley Regional Treatment Facility @ 32%	3,972
7		
8	Total Adjusted Test Year 401K Expense - Agua Fria Wastewater	\$ 21,399
9		
10	Test year 401k Expense (Miscellaneous Expense)	
11	Agua Fria Wastewater	\$ 7,000
12	Northwest Valley Regional Treatment Facility @ 32%	2,644
13	Total Test Year 401K Expense	9,644
14		
15	Increase/(Decrease) in 401k Expense (Miscellaneous Expense)	\$ 11,755
16		
17	Adjustment to Revenue and/or Expense	\$ 11,755
18		
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45	Workpapers & Supporting Documents:	
46	\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\	
47	\Common\Labor\AZ 2008 Labor.xls	
48	\09 Agua Fria WWW\Workpapers\Agua Fria WWW AI 2008.xls	
49		
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Line No.		
1	<u>Normalize Group Insurance</u>	
2		
3	Total normalized Group Insurance Expense (workpaper) - Agua Fria Wastewater	\$ 203,452
4		
5	Add: Normalized Group Insurance Expense (workpaper) - NWWRTF	
6	Northwest Valley Regional Treatment Facility @ 32%	33,978
7		
8	Total Adjusted Test Year Group Insurance - Agua Fria Wastewater	<u>\$ 237,430</u>
9		
10	Test Year Group Insurance Expense - Agua Fria Wastewater	124,496
11		
12	Increase/(Decrease) in Group Insurance Expense	<u>\$ 112,934</u>
13		
14	Adjustment to Revenue and/or Expense	<u>\$ 112,934</u>
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45	Workpapers & Supporting Documents:	
46	\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\	
47	\Common\Labor\AZ 2008 Labor.xls	
48		
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Arizona American Water Company - Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Income Statement Adjustment SLM-19

Exhibit
 Schedule C-2
 Page 25
 Witness: Murrey

Line			
No.			
1	<u>Adjust Miscellaneous Expense for Water Testing Expenses¹</u>		
2			
3	Adjusted Test Year Water Testing Expense - Agua Fria Wastewater	\$	15,382
4	Northwest Valley Regional Treatment Facility @ 32%		<u>4,810</u>
5	Adjusted Test Year Water Testing Expense - Agua Fria Wastewater	\$	20,192
6			
7	Corporate Water Testing Expense		
8	Contract Service-Lab Testing SS (A/C 536000.11)	\$	122,990
9	Misc Operating Expense WT(A/C 575000.13)		<u>7,018</u>
10	Total Included in Test Year Misc Operating Expense	\$	130,008
11			
12	4 Factor Allocation		<u>6.5673%</u>
13			
14	2008 Test Year Water Testing Expense	\$	8,538
15			
16	Increase/(Decrease) in Water Testing Expense		<u>\$ 11,654</u>
17			
18	Adjustment to Revenue and/or Expense		<u>\$ 11,654</u>
19			
20			
21			
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24			
25	¹ Water Testing Expense is part of Miscellaneous Operating Expenses		
26			
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45	Workpapers & Supporting Documents:		
46	\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\		
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Line No.		[A]	[B]
		Property Tax Expense	Property Tax Expense For Conversion Factor
1	<u>Adjust Property Taxes to Reflect Deconsolidated Revenues:</u>		
2			
3	Adjusted Revenues in year ended Dec. 2007	\$ 2,676,221	\$ 2,676,221
4	Adjusted Revenues in year ended Dec. 2007	2,676,221	2,676,221
5	Deconsolidated Revenues	<u>\$ 2,676,221</u>	<u>\$ 6,412,711</u>
6	Average of three year's of revenue	<u>\$ 2,676,221</u>	<u>\$ 3,921,718</u>
7	Average of three year's of revenue, times 2	\$5,352,442	\$7,843,435
8	Add:		
9	Construction Work in Progress at 10%	43,226	43,082
10	Deduct:		
11	Net Book Value of Transportation Equipment	<u>\$ -</u>	<u>\$ -</u>
12			
13	Full Cash Value	\$ 5,395,668	\$ 7,886,517
14	Assessment Ratio	22%	22%
15	Assessed Value	<u>1,187,047</u>	<u>1,735,034</u>
16	Property Tax Rate	7.844489%	7.844489%
17			
18	Property Tax	93,118	136,105
19	Tax on Parcels	-	-
20			
21	Total Property Tax at Deconsolidated Rates	<u>\$ 93,118</u>	<u>\$ 136,105</u>
22	Property Taxes in the test year	95,168	93,118
23	Adjustment to Revenues and/or Expenses	<u>\$ (2,050)</u>	<u>\$ 42,987</u>
24			
25	Adjustment per Order	\$ 1,545	
26	Prorated based on Property Tax per District		
27	Anthem	\$ 203,686 68.63%	\$ 1,060
28	Agua Fria	<u>\$ 93,118 31.37%</u>	<u>485</u>
29		<u>\$ 296,804 100.00%</u>	<u>\$ 1,545</u>
30			
31		<u>\$ (2,050)</u>	
32			
33			
34			Rounding 8
35			
36	Increase in Property Tax Due to Increase in Revenue Requirement (Line 32 Col [B])		\$ 42,995
37			
38	Increase in Revenue Requirement (From Sch. A1)		\$ 3,736,490
39			
40	Increase in Property Tax Per Dollar Increase in Revenue (Line 32/Line 34)		1.15%
41			
42			
43	Workpapers & Supporting Documents:		
44	\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\		
45			
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Arizona American Water Company - Agua Fria Wastewater
Test Year Ended December 31, 2008
Income Statement Adjustment SLM-21

Exhibit
Schedule C-2
Page 27
Witness: Murrey

Line

No.

1	<u>Remove Other Income & Deductions</u>	
2		
3	Test Year Other Income & Deductions, Adjusted	\$ -
4		
5	Test year Other Income & Deductions, Per Books	<u>37,933</u>
6	Increase in Other Income	<u>\$ (37,933)</u>
7		
8	Adjustment to Revenues and/or Expense	<u>(37,933)</u> (Below the line)
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45	Workpapers & Supporting Documents:	
46	\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\	
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Arizona American Water Company - Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Income Statement Adjustment SLM-22

Exhibit
 Schedule C-2
 Page 28
 Witness: Murrey

Line			
No.			
1	<u>Annualize OPEB Expense</u>		
2			
3	Annualized OPEB Expense (worksheet) - Agua Fria Wastewater	\$	95,763
4	Less: Capitalized Portion		
5	Normalized Capital Labor	\$2,374,756	
6	Normalized Total Labor	\$12,999,945	
7	Capitalization Percentage	18.3%	
8	Capitalized Portion of Normalized OPEB		\$ (17,525)
9			
10			
11			
12	Total Normalized Expense (line 1 + line 6)	\$	78,238
13	4 Factor Allocation to Agua Fria Wastewater		6.5673%
14	Adjusted Test Year OPEB - Agua Fria Wastewater	\$	5,138
15			
16	Recorded Expense (A/C 505100)	\$	4,009
17			
18	Increase/(Decrease) in Group Insurance	\$	1,129
19			
20	Adjustment to Revenue and/or Expense	\$	1,129
21			
22			
23			
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45	Workpapers & Supporting Documents:		
46	\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\		
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Arizona American Water Company - Agua Fria Wastewater
Test Year Ended December 31, 2008
Income Statement Adjustment SLM-23

Exhibit
Schedule C-2
Page 29
Witness: Murrey

Line		
<u>No.</u>		
1	<u>Interest Synchronization with Rate Base</u>	
2		
3	Original Cost Rate Base (Sch. B-1, Ln. 24)	\$ 19,147,531
4	Weighted Cost of Debt from Schedule D-1	3.00%
5	Synchronized Interest Expense	\$ 574,426
6	Test Year Interest Expense	\$ 769,116
7	Increase (decrease) in Interest Expense	\$ (194,690)
8		
9	Adjustment to Revenues and/or Expense	\$ (194,690)
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45	Workpapers & Supporting Documents:	
46	\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\	
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Line No.		[A] Test Year Adjusted Results	[B] Adjusted with Rate Increase
1	<u>Calculation of Income Taxes at Deconsolidated Rates</u>		
2			
3			
4	Operating Income Before Inc. Taxes	\$ (1,946,198)	\$ 1,728,241
5	Interest Expense	\$ 574,426	\$ 574,426
6	Arizona Taxable Income	<u>(2,520,624)</u>	<u>1,153,815</u>
7			
8	Less Arizona Income Tax	\$ (175,637)	\$ 80,398
9	Arizona Income Tax Rate = 6.968%		
10			
11	Federal Income Before Taxes	\$ (2,520,624)	\$ 1,153,815
12	Less Arizona Income Taxes	(175,637)	80,398
13	Federal Taxable Income	<u>\$ (2,344,987)</u>	<u>\$ 1,073,417</u>
14			
15	Federal Income Taxes: 34.000%	\$ (797,296)	\$ 364,962
16			
17			
18	Total Income Tax	\$ (972,933)	\$ 445,360
19			
20	Tax Rate	38.60%	38.60%
21			
22	Effective Income Tax Rates		
23	State	6.968%	6.968%
24	Federal	31.63%	31.63%
25			
26			
27	Test Year Income Taxes, Per Books	\$ (111,035)	
28	Increase in Income Taxes	<u>(861,898)</u>	
29			
30	Adjustment to Revenues and/or Expense	\$ (861,898)	
31			
32	Test Year Income Taxes, Adjusted		\$ (972,933)
33	Increase in Income Taxes		1,418,292
34			
35	Adjustment to Revenues and/or Expense		<u>1,418,292</u>
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45	Workpapers & Supporting Documents:		
46	\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\		
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Line

No.

1 Staff Test Year Adjustment to Fuel and Power Expense

2

3

4

5

Staff Adjustment for Fuel and Power Expense \$ 580

6

(RB Adj# 2 per Revised Final Schedule GTM-13)

7

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9

10

11

Prorated between districts based on Test Year Adjusted Fuel and Power Expense

12

13

14

Anthem Wastewater

TY Adjusted Values

\$ 10,263

Allocation

3.68% \$ 21

15

Agua Fria Wastewater

\$ 268,401

96.32% \$ 559

16

Total

\$ 278,664

100.00% \$ 580

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Workpapers & Supporting Documents:

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\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\

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Line

No.

1 Staff Test Year Adjustment to Customer Accounting

2

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4

5

Staff Adjustment to Customer Accounting \$ (54,183)
 (RB Adj# 3 per Revised Final Schedule GTM-14)

7

8

9

10

11

Prorated between districts based on Test Year Adjusted Customer Accounting Costs

12

13

14

	<u>TY Adjusted Values</u>	<u>Allocation</u>
Anthem Wastewater	\$ 112,979	46.65% \$ (25,278)
Agua Fria Wastewater	\$ 129,191	53.35% \$ (28,905)
Total	<u>\$ 242,170</u>	<u>100.00% \$ (54,183)</u>

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Workpapers & Supporting Documents:

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\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\

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Line

No.

1 Staff Test Year Adjustment to Water Testing

2

3

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5 Staff Adjustment to Water Testing

\$ 21,478

6

(RB Adj# 4 per Revised Final Schedule GTM-15)

7

8

9

10

11 Prorated between districts based on Test Year Adjusted Water Testing Costs

12

13

14 Anthem Wastewater

TY Adjusted Values

\$ 42,621

Allocation

67.85% \$ 14,574

15

Agua Fria Wastewater

\$ 20,192

32.15% \$ 6,904

16

Total

\$ 62,813

100.00% \$ 21,478

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Workpapers & Supporting Documents:

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Arizona American Water Company - Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Income Statement Adjustment SLM-5F

Exhibit
 Schedule C-2
 Page 34
 Witness: Murrey

Line No.					
1	<u>Staff Test Year Adjustment to Depreciation Expense</u>				
2					
3					
4					
5	Staff Adjustment to Depreciation Expense			\$	(417,089)
6	(RB Adj# 5 per Revised Final Schedule GTM-16)				
7					
8					
9					
10					
11					
12					
13					
14					Per Order Combined
15	District		<u>Anthem</u>	\$	1,987,316
16	Corporate Allocation			\$	1,827,921
17	Northwest Valley				17,982
18	Post Test Year				328,241
19	Depreciation Amounts			\$	2,038,991
20				\$	2,174,144
21	Amortization of Regulatory CIAC				(304,886)
22					
23	Amortization of CIAC at Composite Rate	3.31%			
24			<u>CIAC Balances</u>		
25	Anthem		1,077,324		
26	Agua Fria		13,871,707		
27			<u>14,949,031</u>	494,528	<u>(494,528)</u>
28					
29	Per Order Breakdown			\$	1,895,809
30				\$	1,517,911
31					\$ 3,413,720
32	Company Deconsolidated			\$	2,063,331
33				\$	1,767,477
34		Rounding			1
35	Adjustment per District			\$	(167,523)
36				\$	(249,566)
37					\$ (417,089)

45 Workpapers & Supporting Documents:
 46 \Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\
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Arizona American Water Company - Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Income Statement Adjustment SLM-8F

Exhibit
 Schedule C-2
 Page 35
 Witness: Murrey

Line

No.

1 Staff Test Year Adjustment to Regulatory Expense
 2
 3
 4
 5 Staff Adjustment to Regulatory Expense \$ (12,500)
 6 (RB Adj# 8 per Revised Final Schedule GTM-19
 7
 8
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 15
 16

17 Prorated between districts based on unrecovered rate case expense from prior proceedings

	Unamortized Balance	Allocation	
20 Anthem Wastewater	\$ 23,777	63.40%	\$ (7,926)
21 Agua Fria Wastewater	\$ 13,724	36.60%	\$ (4,574)
22 Total	\$ 37,500	100.00%	\$ (12,500)

23
 24 Recovery Period 3

25
 26 \$ 12,500.0

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 45 Workpapers & Supporting Documents:
 46 \Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\

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Line

No.

1	<u>Staff Test Year Adjustment to Labor</u>			
2				
3	Labor - AIP Adjustment	\$	(17,639)	\$ (8,262) (9,376)
4	Labor - Stock Compensation Adjustment	\$	(7,845)	\$ (3,675) \$ (4,170)
5	Staff Adjustment to Labor	\$	(25,484)	\$ (11,937) \$ (13,547)
6	(RB Adj# 9 per Revised Final Schedule GTM-20)			
7				
8				
9				
10	<u>Labor - AIP Adjustment - Remove 30%</u>	Per Order		
11		Total		Anthem WW Aqua Fria WW
12				
13	Arizona Corporate Achievement Incentive Pay	\$	475,900	\$ 475,900 \$ 475,900
14				
15	4 Factor Allocation to Anthem / Agua Fria Wastewater		12.3543%	5.7870% 6.5673%
16	District's Water Portion of AZ Corporate AIP	\$	(58,793)	\$ (27,541) \$ (31,254)
17				
18	Accept RUCO Adj C-3 Disallowance Percentage		30%	30% 30%
19				
20	Adjustment to Achievement Incentive Pay	\$	(17,638)	\$ (8,262) \$ (9,376)
21				
22				
23				
24	<u>Labor - Stock Adjustment</u>	Per Order		
25		Total		Anthem WW Aqua Fria WW
26				
27	Arizona Portion of Test Year Stock Based Compensation	\$	103,974	\$ 103,974 \$ 103,974
28				
29	4 Factor Allocation to Anthem / Agua Fria Wastewater		12.3543%	5.7870% 6.5673%
30	District's Portion of Arizona Stock Based Compensation	\$	(12,845)	\$ (6,017) \$ (6,828)
31				
32	Difference(split proportionately based on district)	\$	5,000	\$ 2,342 \$ 2,658
33				
34	Adjustment to Stock Adjustment	\$	(7,845)	\$ (3,675) \$ (4,170)
35				
36				
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44				
45	Workpapers & Supporting Documents:			
46	\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\			
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Arizona American Water Company - Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Income Statement Adjustment SLM-9Fb

Exhibit
 Schedule C-2
 Page 37
 Witness: Murrey

Line No.		Total	Anthem WW	Agua Fria WW
1	<u>Staff Test Year Adjustment to Mgmt Fees</u>			
2	Mgmt Fees - AIP Adj	\$ (5,249)	\$ (2,459)	\$ (2,790)
3	Mgmt Fees - Stock Comp Adj	(19,895)	(9,319)	(10,576)
4	Mgmt Fees - Other Expense Adj	(21,050)	(9,860)	(11,190)
5	Mgmt Fees - BD Expenses	(12,453)	(5,833)	(6,620)
6	Mgmt Fees - Dues & Donations	(4,289)	(2,009)	(2,280)
7	Staff Adjustment to Mgmt Fees	\$ (62,936)	\$ (29,480)	\$ (33,456)
8	(RB Adj# 9 per Revised Final Schedule GTM-20)			
9				
10				
11				
12	<u>Mgmt Fees - AIP Adj</u>	<u>Per Order Total</u>	<u>Anthem WW</u>	<u>Agua Fria WW</u>
13	Service Company Portion of Test Year Stock Based Compensation	\$ 69,573	\$ 69,573	\$ 69,573
14	4 Factor Allocation to Anthem / Agua Fria Wastewater	12.3543%	5.7870%	6.5673%
15	District's Water Portion of AZ Corporate AIP	\$ (8,595)	\$ (4,026)	\$ (4,569)
16				
17	Difference (split proportionately based on district portion)	\$ 3,346	\$ 1,567	\$ 1,779
18				
19	Adjustment to Mgmt Fees - AIP	\$ (5,249)	\$ (2,459)	\$ (2,790)
20				
21				
22	<u>Mgmt Fees - Stock Comp Adj - Remove 30%</u>	<u>Per Order Total</u>	<u>Anthem WW</u>	<u>Agua Fria WW</u>
23	Adjusted Test Year Service Co. Achievement Incentive Pay	\$ 536,787	\$ 536,787	\$ 536,787
24				
25	4 Factor Allocation to Anthem / Agua Fria Wastewater	12.3543%	5.7870%	6.5673%
26	District's Water Portion of AZ Corporate AIP	\$ (66,317)	\$ (31,064)	\$ (35,252)
27				
28	Disallowance Percentage	30%	30%	30%
29	Adjustment to Management Fees AIP	\$ (19,895)	\$ (9,319)	\$ (10,576)
30				
31				
32	<u>Mgmt Fees - Other Expense Adj - Reverse ADJ MHK-4)</u>	<u>Per Order Total</u>	<u>Anthem WW</u>	<u>Agua Fria WW</u>
33	Increase in Other Expenses	\$ 170,388	\$ 170,388	\$ 170,388
34	4 Factor Allocation to Anthem / Agua Fria Wastewater	12.3543%	5.7870%	6.5673%
35	Adjustment to Other Expenses	\$ (21,050)	\$ (9,860)	\$ (11,190)
36				
37				
38	<u>Mgmt Fees - BD Expenses - Remove all</u>	<u>Per Order Total</u>	<u>Anthem WW</u>	<u>Agua Fria WW</u>
39	Company adjusted BD Expenses	\$ 100,799	\$ 100,799	\$ 100,799
40	4 Factor Allocation to Anthem / Agua Fria Wastewater	12.3543%	5.7870%	6.5673%
41	Adjustment to BD Expenses	\$ (12,453)	\$ (5,833)	\$ (6,620)
42				
43				
44	<u>Mgmt Fees - Dues & Donations - Remove all</u>	<u>Per Order Total</u>	<u>Anthem WW</u>	<u>Agua Fria WW</u>
45	Adjusted Test Year Dues & Donations in Mgmt Fees	\$ 34,716	\$ 34,716	\$ 34,716
46	4 Factor Allocation to Anthem / Agua Fria Wastewater	12.3543%	5.7870%	6.5673%
47	Adjustment to Due & Donations	\$ (4,289)	\$ (2,009)	\$ (2,280)
48				
49	Workpapers & Supporting Documents:			
50	\\Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\			

Arizona American Water Company - Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Income Statement Adjustment SLM-9Fc

Exhibit
 Schedule C-2
 Page 38
 Witness: Murrey

Line

No.

1 Staff Test Year Adjustment to Pension Expense

2

3

4

5 Staff Adjustment to Pension Exp \$ 18,666

6 (RB Adj# 9 per Revised Final Schedule GTM-20)

7

8

9

10

11 Adjust Pension Expense to Reflect Pension Expense at District Level

12

13

14

15 Deferred Service Company Amortization of Pension Expense \$ 151,088

16 4 Factor Allocation to Anthem / Agua Fria Wastewater 12.3543%

17 District's Portion of Deferred Svc. Co. Amtz \$ 18,666

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45 Workpapers & Supporting Documents:

46 \Schedules\2008 Agua Fria Wastewater Sch. A-F_Decon.xls\

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Per Order Total

Anthem WW

Agua Fria WW

\$ 151,088	\$ 151,088	\$ 151,088
12.3543%	5.7870%	6.5673%
<u>\$ 18,666</u>	<u>\$ 8,744</u>	<u>\$ 9,922</u>

Arizona American Water Company - Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Computation of Gross Revenue Conversion Factor

Exhibit
 Schedule C-3
 Page 1
 Witness: Murrey

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	31.63%
2		
3	State Income Taxes	6.97%
4		
5	Property Taxes	38.60%
6	Effective Rate = 1.1507% One Minus Combined	61.40%
7	Bad Debt Expense	0.71%
8	Effective Rate = 0.51% One Minus Combined	61.40%
9	Total Tax Percentage	39.62%
10		
11	Operating Income % = 100% - Tax Percentage	60.38%
12		
13		
14		
15	$\frac{1}{\text{Operating Income \%}}$ = Gross Revenue Conversion Factor	
16	Operating Income %	1.6561
17		
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Arizona American Water Company - Agua Fria Wastewater
 Test Year Ended December 31, 2008
 Operating Statistics

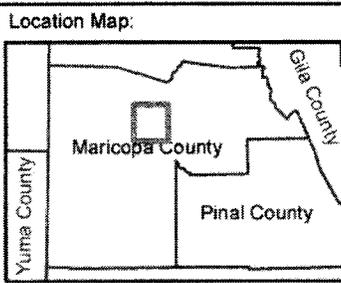
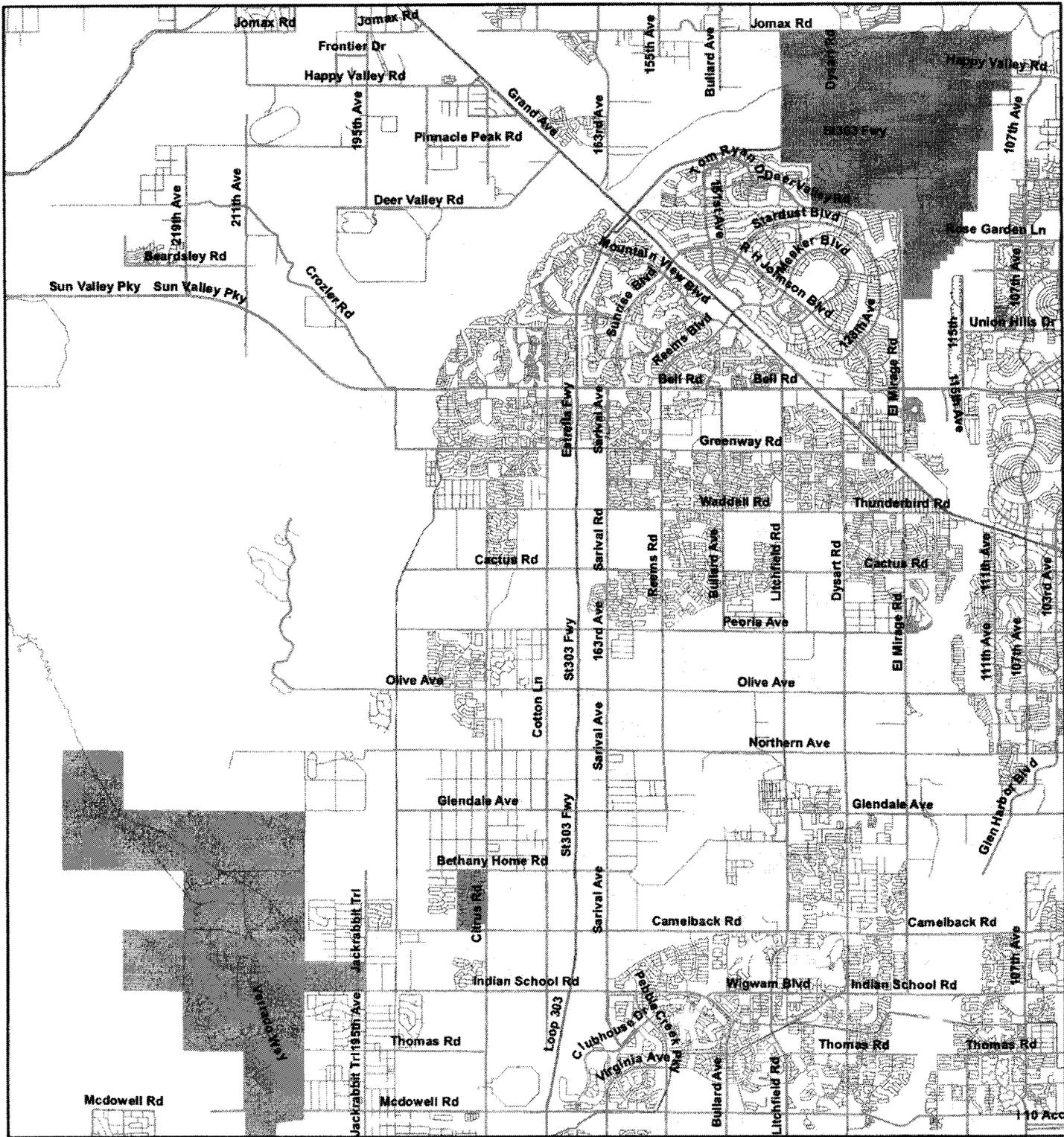
Exhibit
 Schedule E-7
 Page 1
 Witness: Murrey

Line No.		Test Year Ended 12/31/2008	Prior Year Ended 12/31/2007	Prior Year Ended 12/31/2006
1	<u>WASTEWATER STATISTICS:</u>			
2				
3	<u>Average No. of Customers</u>			
4	Residential	4,530	4,196	2,943
5	Commerical	33	30	26
6	Industrial	-	-	-
7	Other Public Authority	-	-	-
8	Other	-	-	-
9	Total	<u>4,563</u>	<u>4,226</u>	<u>2,969</u>
10				
11				
12				
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14				
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16				
17				
18				
19				
20	Annual Revenue per Average			
21	Residential Customer	\$ 487.84	\$ 388.21	\$ 342.89
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Exhibit SLM-1

Map

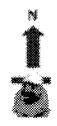
Agua Fria Wastewater CC&N Areas



Notes:
Date: March 30, 2011

Legend: 1" = 11,650'

- Highway
- Major Road
- Local Road
- Agua Fria Wastewater Service Area



Agua Fria Wastewater Service Area

Arizona American Water
15626 N. Del Webb Blvd.
Sun City, AZ 85351

Arizona American Water Company -
 Anthem Wastewater
 Docket No. SW-01303A-09-0343
 Test Year Ended December 31, 2008

Rate Design



Schedule GWB-1
 SURREBUTTAL

Monthly Usage Charge	Rate Schedule	Test Year	Company Proposed Rates	Staff Recommended Rates
Anthem Residential	E1MS1	\$ 27.76	\$ 30.48	\$ 30.00
Anthem Commercial 5/8"	E2MS1	27.76	30.48	30.00
Anthem Commercial 3/4"	E2MS2	41.84	45.72	45.00
Anthem Commercial 1"	E2MS3	55.58	61.02	60.06
Anthem Commercial LG	E2MS4	111.12	122.00	120.09
Anthem Wholesale Phoenix	E5M2	-	-	-
Commodity Charge				
Anthem Wastewater Residential	E1MS1			
First 7,000 gallons		\$ 3.4800	\$ 4.2900	\$ 3.7500
Over 7,000 gallons		-	-	-
Anthem Wastewater Commercial 5/8"	E2MS1			
First 10,000 gallons		3.4800	4.2900	3.7500
Over 10,000 gallons		-	-	-
Anthem Wastewater Commercial 3/4"	E2MS2			
First 15,000 gallons		3.4800	4.2900	3.7500
Over 15,000 gallons		-	-	-
Anthem Wastewater Commercial 1"	E2MS3			
First 20,000 gallons		3.4800	4.2900	3.7500
Over 20,000 gallons		-	-	-
Anthem Wastewater Commercial LG	E2MS4			
All Usage		3.4800	4.2900	3.7500
Anthem Wholesale Phoenix	E5M2			
All Usage		3.1700	5.5760	3.4200
All gallons (Per Acre-foot)		250.00	250.00	250.00
All gallons (Per 1,000 gallons)		1.4300	0.7700	0.7700

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Test Year Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,814	\$ 47.99	\$ 55.42	\$ 7.43	15.48%
Median Usage	7,000	52.12	60.51	\$ 8.39	16.10%
Staff Recommended					
Average Usage	5,814	\$ 47.99	\$ 51.80	\$ 3.81	7.94%
Median Usage	7,000	52.12	56.25	\$ 4.13	7.92%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Test Year Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 27.76	\$ 30.48	9.80%	\$ 30.00	8.07%
1,000	31.24	34.77	11.30%	33.75	8.03%
2,000	34.72	39.06	12.50%	37.50	8.01%
3,000	38.20	43.35	13.48%	41.25	7.98%
4,000	41.68	47.64	14.30%	45.00	7.97%
5,000	45.16	51.93	14.99%	48.75	7.95%
6,000	48.64	56.22	15.58%	52.50	7.94%
7,000	52.12	60.51	16.10%	56.25	7.92%
8,000	52.12	60.51	16.10%	56.25	7.92%
9,000	52.12	60.51	16.10%	56.25	7.92%
10,000	52.12	60.51	16.10%	56.25	7.92%
11,000	52.12	60.51	16.10%	56.25	7.92%
12,000	52.12	60.51	16.10%	56.25	7.92%
13,000	52.12	60.51	16.10%	56.25	7.92%
14,000	52.12	60.51	16.10%	56.25	7.92%
15,000	52.12	60.51	16.10%	56.25	7.92%
16,000	52.12	60.51	16.10%	56.25	7.92%
17,000	52.12	60.51	16.10%	56.25	7.92%
18,000	52.12	60.51	16.10%	56.25	7.92%
19,000	52.12	60.51	16.10%	56.25	7.92%
20,000	52.12	60.51	16.10%	56.25	7.92%
25,000	52.12	60.51	16.10%	56.25	7.92%
30,000	52.12	60.51	16.10%	56.25	7.92%
35,000	52.12	60.51	16.10%	56.25	7.92%
40,000	52.12	60.51	16.10%	56.25	7.92%
45,000	52.12	60.51	16.10%	56.25	7.92%
50,000	52.12	60.51	16.10%	56.25	7.92%
75,000	52.12	60.51	16.10%	56.25	7.92%
100,000	52.12	60.51	16.10%	56.25	7.92%

Arizona American Water Company -
 Agua Fria Wastewater
 Docket No. SW-01303A-09-0343
 Test Year Ended December 31, 2008

Rate Design

Schedule GWB-3
 SURREBUTTAL

Monthly Usage Charge	Rate Schedule	Test Year	Company Proposed Rates	Staff Recommended Rates
Agua Fria Residential	E1MS1	\$ 27.76	\$ 66.12	\$ 66.12
Agua Fria Commercial 5/8"	E2MS1	27.76	66.12	66.12
Agua Fria Commercial 3/4"	E2MS2	41.64	99.18	99.18
Agua Fria Commercial 1"	E2MS3	55.58	132.39	132.39
Agua Fria Commercial LG	E2MS4	111.12	264.68	264.68
DMB @ Verrado Golf	C8M2A	-	-	-
Commodity Charge				
Agua Fria Wastewater Residential	E1MS1			
First 7,000 gallons		\$ 3.4800	\$ 7.9700	\$ 7.9700
Over 7,000 gallons		-	-	-
Agua Fria Wastewater Commercial 5/8"	E2MS1			
First 10,000 gallons		3.4800	7.9700	7.9700
Over 10,000 gallons		-	-	-
Agua Fria Wastewater Commercial 3/4"	E2MS2			
First 15,000 gallons		3.4800	7.9700	7.9700
Over 15,000 gallons		-	-	-
Agua Fria Wastewater Commercial 1"	E2MS3			
First 20,000 gallons		3.4800	7.9700	7.9700
Over 20,000 gallons		-	-	-
Agua Fria Wastewater Commercial LG	E2MS4			
All Usage		3.4800	7.9700	7.9700
DMB @ Verrado Golf	C8M2A			
All Usage		0.7700	0.7700	0.7700

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Test Year Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,297	\$ 46.19	\$ 108.34	\$ 62.14	134.53%
Median Usage	7,000	52.12	121.91	\$ 69.79	133.90%
Staff Recommended					
Average Usage	5,297	\$ 46.19	\$ 108.34	\$ 62.14	134.53%
Median Usage	7,000	52.12	121.91	\$ 69.79	133.90%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Test Year Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 27.76	\$ 66.12	138.18%	\$ 66.12	138.18%
1,000	31.24	74.09	137.16%	74.09	137.16%
2,000	34.72	82.06	136.35%	82.06	136.35%
3,000	38.20	90.03	135.68%	90.03	135.68%
4,000	41.68	98.00	135.12%	98.00	135.12%
5,000	45.16	105.97	134.65%	105.97	134.65%
6,000	48.64	113.94	134.25%	113.94	134.25%
7,000	52.12	121.91	133.90%	121.91	133.90%
8,000	52.12	121.91	133.90%	121.91	133.90%
9,000	52.12	121.91	133.90%	121.91	133.90%
10,000	52.12	121.91	133.90%	121.91	133.90%
11,000	52.12	121.91	133.90%	121.91	133.90%
12,000	52.12	121.91	133.90%	121.91	133.90%
13,000	52.12	121.91	133.90%	121.91	133.90%
14,000	52.12	121.91	133.90%	121.91	133.90%
15,000	52.12	121.91	133.90%	121.91	133.90%
16,000	52.12	121.91	133.90%	121.91	133.90%
17,000	52.12	121.91	133.90%	121.91	133.90%
18,000	52.12	121.91	133.90%	121.91	133.90%
19,000	52.12	121.91	133.90%	121.91	133.90%
20,000	52.12	121.91	133.90%	121.91	133.90%
25,000	52.12	121.91	133.90%	121.91	133.90%
30,000	52.12	121.91	133.90%	121.91	133.90%
35,000	52.12	121.91	133.90%	121.91	133.90%
40,000	52.12	121.91	133.90%	121.91	133.90%
45,000	52.12	121.91	133.90%	121.91	133.90%
50,000	52.12	121.91	133.90%	121.91	133.90%
75,000	52.12	121.91	133.90%	121.91	133.90%
100,000	52.12	121.91	133.90%	121.91	133.90%

Arizona American Water Company -
 Anthem Wastewater
 Docket No. SW-01303A-09-0343
 Test Year Ended December 31, 2008

Rate Design

Schedule GWB-5
 SURREBUTTAL

Monthly Usage Charge	Rate Schedule	Currently Authorized Rates	Company Proposed Rates	Staff Recommended Rates
Anthem Residential	E1MS1	\$ 39.84	\$ 30.48	\$ 30.00
Anthem Commercial 5/8"	E2MS1	44.48	30.48	30.00
Anthem Commercial 3/4"	E2MS2	66.72	45.72	45.00
Anthem Commercial 1"	E2MS3	89.06	61.02	60.06
Anthem Commercial LG	E2MS4	178.05	122.00	120.09
Anthem Wholesale Phoenix	E5M2	-	-	-
Commodity Charge				
Anthem Wastewater Residential	E1MS1			
First 7,000 gallons		\$ 4.9946	\$ 4.2900	\$ 3.7500
Over 7,000 gallons		-	-	-
Anthem Wastewater Commercial 5/8"	E2MS1			
First 10,000 gallons		5.5760	4.2900	3.7500
Over 10,000 gallons		-	-	-
Anthem Wastewater Commercial 3/4"	E2MS2			
First 15,000 gallons		5.5760	4.2900	3.7500
Over 15,000 gallons		-	-	-
Anthem Wastewater Commercial 1"	E2MS3			
First 20,000 gallons		5.5760	4.2900	3.7500
Over 20,000 gallons		-	-	-
Anthem Wastewater Commercial LG	E2MS4			
All Usage		5.5760	4.2900	3.7500
Anthem Wholesale Phoenix	E5M2			
All Usage		5.5760	5.5760	3.4200
All gallons (Per Acre-foot)		250.00	250.00	250.00
All gallons (Per 1,000 gallons)		0.7700	0.7700	0.7700

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Currently Authorized Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,814	\$ 68.88	\$ 55.42	\$ (13.46)	-19.54%
Median Usage	7,000	74.80	60.51	\$ (14.29)	-19.11%
Staff Recommended					
Average Usage	5,814	\$ 68.88	\$ 51.80	\$ (17.08)	-24.79%
Median Usage	7,000	74.80	56.25	\$ (18.55)	-24.80%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Currently Authorized Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 39.84	\$ 30.48	-23.49%	\$ 30.00	-24.70%
1,000	44.83	34.77	-22.45%	33.75	-24.72%
2,000	49.83	39.06	-21.61%	37.50	-24.74%
3,000	54.82	43.35	-20.93%	41.25	-24.76%
4,000	59.82	47.64	-20.36%	45.00	-24.77%
5,000	64.81	51.93	-19.88%	48.75	-24.78%
6,000	69.81	56.22	-19.46%	52.50	-24.79%
7,000	74.80	60.51	-19.11%	56.25	-24.80%
8,000	74.80	60.51	-19.11%	56.25	-24.80%
9,000	74.80	60.51	-19.11%	56.25	-24.80%
10,000	74.80	60.51	-19.11%	56.25	-24.80%
11,000	74.80	60.51	-19.11%	56.25	-24.80%
12,000	74.80	60.51	-19.11%	56.25	-24.80%
13,000	74.80	60.51	-19.11%	56.25	-24.80%
14,000	74.80	60.51	-19.11%	56.25	-24.80%
15,000	74.80	60.51	-19.11%	56.25	-24.80%
16,000	74.80	60.51	-19.11%	56.25	-24.80%
17,000	74.80	60.51	-19.11%	56.25	-24.80%
18,000	74.80	60.51	-19.11%	56.25	-24.80%
19,000	74.80	60.51	-19.11%	56.25	-24.80%
20,000	74.80	60.51	-19.11%	56.25	-24.80%
25,000	74.80	60.51	-19.11%	56.25	-24.80%
30,000	74.80	60.51	-19.11%	56.25	-24.80%
35,000	74.80	60.51	-19.11%	56.25	-24.80%
40,000	74.80	60.51	-19.11%	56.25	-24.80%
45,000	74.80	60.51	-19.11%	56.25	-24.80%
50,000	74.80	60.51	-19.11%	56.25	-24.80%
75,000	74.80	60.51	-19.11%	56.25	-24.80%
100,000	74.80	60.51	-19.11%	56.25	-24.80%

Arizona American Water Company -
 Agua Fria Wastewater
 Docket No. SW-01303A-09-0343
 Test Year Ended December 31, 2008

Rate Design

Schedule GWB-7
 SURREBUTTAL

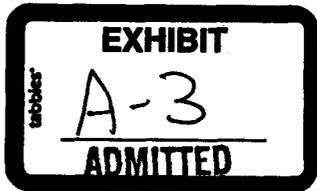
Monthly Usage Charge	Rate Schedule	Currently Authorized Rates	Company Proposed Rates	Staff Recommended Rates
Agua Fria Residential	E1MS1	\$ 39.84	\$ 66.12	\$ 66.12
Agua Fria Commerical 5/8"	E2MS1	44.48	66.12	\$ 66.12
Agua Fria Commerical 3/4"	E2MS2	66.72	99.18	\$ 99.18
Agua Fria Commercial 1"	E2MS3	88.06	132.39	\$ 132.39
Agua Fria Commercial LG	E2MS4	178.05	264.68	\$ 264.68
DMB @ Verrado Golf	C8M2A	-	-	-
Commodity Charge				
Agua Fria Wastewater Residential	E1MS1			
First 7,000 gallons		\$ 4.9946	\$ 7.9700	\$ 7.9700
Over 7,000 gallons		-	-	-
Agua Fria Wastewater Commerical 5/8"	E2MS1			
First 10,000 gallons		5.5760	7.9700	7.9700
Over 10,000 gallons		-	-	-
Agua Fria Wastewater Commerical 3/4"	E2MS2			
First 15,000 gallons		5.5760	7.9700	7.9700
Over 15,000 gallons		-	-	-
Agua Fria Wastewater Commercial 1"	E2MS3			
First 20,000 gallons		5.5760	7.9700	7.9700
Over 20,000 gallons		-	-	-
Agua Fria Wastewater Commercial LG	E2MS4			
All Usage		5.5760	7.9700	7.9700
DMB @ Verrado Golf	C8M2A			
All Usage		0.7700	0.7700	0.7700

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Currently Authorized Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,297	\$ 66.30	\$ 108.34	\$ 42.04	63.41%
Median Usage	7,000	74.80	121.91	\$ 47.11	62.98%
Staff Recommended					
Average Usage	5,297	\$ 66.30	\$ 108.34	\$ 42.04	63.41%
Median Usage	7,000	74.80	121.91	\$ 47.11	62.98%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Currently Authorized Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 39.84	\$ 66.12	65.96%	\$ 66.12	65.96%
1,000	44.83	74.09	65.25%	74.09	65.25%
2,000	49.83	82.06	64.68%	82.06	64.68%
3,000	54.82	90.03	64.22%	90.03	64.22%
4,000	59.82	98.00	63.83%	98.00	63.83%
5,000	64.81	105.97	63.50%	105.97	63.50%
6,000	69.81	113.94	63.22%	113.94	63.22%
7,000	74.80	121.91	62.98%	121.91	62.98%
8,000	74.80	121.91	62.98%	121.91	62.98%
9,000	74.80	121.91	62.98%	121.91	62.98%
10,000	74.80	121.91	62.98%	121.91	62.98%
11,000	74.80	121.91	62.98%	121.91	62.98%
12,000	74.80	121.91	62.98%	121.91	62.98%
13,000	74.80	121.91	62.98%	121.91	62.98%
14,000	74.80	121.91	62.98%	121.91	62.98%
15,000	74.80	121.91	62.98%	121.91	62.98%
16,000	74.80	121.91	62.98%	121.91	62.98%
17,000	74.80	121.91	62.98%	121.91	62.98%
18,000	74.80	121.91	62.98%	121.91	62.98%
19,000	74.80	121.91	62.98%	121.91	62.98%
20,000	74.80	121.91	62.98%	121.91	62.98%
25,000	74.80	121.91	62.98%	121.91	62.98%
30,000	74.80	121.91	62.98%	121.91	62.98%
35,000	74.80	121.91	62.98%	121.91	62.98%
40,000	74.80	121.91	62.98%	121.91	62.98%
45,000	74.80	121.91	62.98%	121.91	62.98%
50,000	74.80	121.91	62.98%	121.91	62.98%
75,000	74.80	121.91	62.98%	121.91	62.98%
100,000	74.80	121.91	62.98%	121.91	62.98%



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
SANDRA D. KENNEDY
PAUL NEWMAN
BOB STUMP
BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE ITS ANTHEM WATER DISTRICT AND ITS SUN CITY WATER DISTRICT, AND POSSIBLE RATE CONSOLIDATION FOR ALL OF ARIZONA AMERICAN WATER COMPANY' S DISTRICTS.

DOCKET NO. W-01303A-09-0343

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

DOCKET NO. SW-01303A-09-0343

**REBUTTAL TESTIMONY
OF
SANDRA L. MURREY
REGARDING
CONSIDERATION OF STAND-ALONE REVENUE REQUIREMENTS AND RATE
DESIGNS FOR THE ANTHEM/AGUA FRIA WASTEWATER DISTRICT
ON BEHALF OF
ARIZONA AMERICAN WATER COMPANY
SEPTEMBER 13, 2011**

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Sandra L. Murrey. My business address is 2355 West Pinnacle Peak, Suite
4 300, Phoenix, Arizona 85027.

5 **Q. ARE YOU THE SAME SANDRA L. MURREY WHO PREVIOUSLY**
6 **SUBMITTED DIRECT TESTIMONY IN THIS DOCKET ON APRIL 1, 2011?**

7 A. Yes.

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9 A. The purpose of my rebuttal testimony is to address and clarify various issues that were
10 raised by other parties in their direct testimony.

11 **CITY OF PHOENIX**

12 **Q. IN YOUR DIRECT TESTIMONY, ARIZONA-AMERICAN PROPOSED**
13 **ADJUSTING THE TEST YEAR USAGE FOR CITY OF PHOENIX TO**
14 **REFLECT FLUME WASTEWATER READS, WHICH WERE ESTIMATED AT**
15 **APPROXIMATELY 30% OF THE EXISTING WATER METER READS. IS 30%**
16 **STILL A GOOD ESTIMATE?**

17 A. At this time, we cannot corroborate that percentage. The 30% estimate was based on
18 common industry standards. In other words, it stands to reason that wastewater flow is
19 much less than water flow because much of the later is consumed outside the home or
20 business and is not received back as wastewater. However, Arizona American began
21 compiling actual flume reads back to January 2009. Please see Exhibit SLM-1 for these
22 monthly reads through July 2011. I was not aware of the flume based meter reads until
23 just recently.

1 **Q. PLEASE SUMMARIZE THE RESULTS OF THE ACTUAL FLUME**
2 **WASTEWATER READS AS COMPARED TO THE 2008 TEST YEAR WATER**
3 **USAGE BILLED TO THE CITY OF PHOENIX.**

4 A. The actual flume wastewater readings are much higher than the original estimate and are
5 close to the test-year water usage as shown in the table below.

6 **Table 1 – City of Phoenix Wastewater Flume vs. Water Flow**

<u>(in kgals)</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Test Year Water Usage	231,722		
Wastewater Flume Reads		189,997	225,813

7 Based on these reads, it would seem to make little difference whether the volumes billed
8 to the City of Phoenix for wastewater are based on flume readings or on the existing
9 proxy of water-meter reads. It is my understanding the City of Phoenix and the Company
10 have had discussions concerning the accuracy of the Company's wastewater flume
11 readings and that the Company has taken some remedial actions in that regard, but that
12 higher than expected readings have continued.

13 **Q. DOES THE CITY OF PHOENIX HAVE ITS OWN FLUME METER READINGS?**

14 A. Yes. It is my understanding the City of Phoenix also has its own meter placed a distance
15 ahead of the Company's flume meter. I received several days of flume reads based on
16 the City of Phoenix meter just moments prior to filing my testimony. This data appears
17 to more closely support the industry norm. Please see Exhibit SLM-2 for the City's
18 flume reads for the period May 1, 2011 to May 4, 2011.

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~~MR. ANDY TERREY AND MS. TAMMY RYAN, BOTH CLAIM THAT THEY DID NOT RECEIVE A WRITTEN NOTICE OF THE RATE INCREASE IN DOCKET NO. 09-0343. HOW DO YOU RESPOND?~~

A. The City of Phoenix was timely noticed. The current address for the "OWU" account in question is:

Al Eneboe, Water Service Budget & Fiscal
FL 9
City of Phoenix
200 W. Washington
Phoenix, AZ 85003

Arizona-American provided notice to the City through Mr. Eneboe. I do not know what happened to the notice after it was received by the City.

Q. SINCE RECEIVING MS. RYAN'S TESTIMONY, HAS ARIZONA-AMERICAN DONE ANYTHING TO BETTER UNDERSTAND THE CITY'S ALLEGATION OF LACK OF NOTICE?

A. Yes, especially since Ms. Ryan states (Page 2-5, Line 9) that she questioned the Budget & Fiscal Section staff. I have attempted unsuccessfully several times to contact Ms. Ryan to discuss the situation. Recently, I left her a detailed phone message indicating that Mr. Eneboe is the City's designated point of contact. I note that it is the City's responsibility to provide Arizona-American with any necessary updates of customer contact information.

Q. IN MR. TERREY'S TESTIMONY (PAGE 1-7, Lines 15-17), HE ASKS THAT A STUDY BE COMPLETED TO DETERMINE THE COST OF PROVIDING WHOLESALE WASTEWATER SERVICE TO WEST ANTHEM. WHAT IS ARIZONA-AMERICAN'S POSITION?

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A study is not necessary at this time. Such a study would be outside the scope of this case. In Decision No. 72047, the Commission ordered (page 122):

IT IS FURTHER ORDERED that the docket in this proceeding shall remain open for the sole purpose of considering the design and implementation of stand-alone revenue requirements and rate designs as agreed to in the settlement reached during the Open Meeting for the Anthem Wastewater district and Agua Fria Wastewater district.

IT IS FURTHER ORDERED that Arizona-American Water Company shall file, no later than April 1, 2011, an application supporting consideration of stand-alone revenue requirements and rate designs as set forth in the Agreement reached during the Open Meeting for the Anthem Wastewater district and Agua Fria Wastewater district.

Arizona-American has fully complied with the Commission's Decision. There is nothing in the Decision that requires a new cost-of-service study. The Commission rarely, if ever, approves rates for an individual customer or class of customers that exactly reflects its cost of providing service to that customer or class. There are many additional factors the Commission considers in approving rates beyond the exact cost of service. It is not unusual for a rate case not to even include a new cost of service study, but rather rely on a study from a prior case.

Q. THE CITY IS ALSO REQUESTING A CORRECTION OF THE WHOLESALE OWU RATE AND THE INCLUSION OF A WATER WHEELING RATE THAT WERE ESTABLISHED IN DECISION NO. 72047. SHOULD THIS REQUEST BE ADDRESSED IN THIS COMPLIANCE FILING?

A. No. The City's request concerns water rates which are also outside the scope of this case, but, the Company disagrees with the City that the water wheeling rate is incorrect in the

filed tariff.

1 **III. ANTHEM CITY COUNCIL**

2 **Q. MR. DAN NEIDLINGER, ON BEHALF OF THE ANTHEM COMMUNITY**
3 **COUNCIL, PROPOSES A THREE STEP, THREE YEAR PHASE-IN PLAN TO**
4 **MITIGATE THE RATE IMPACT OF THE DECONSOLIDATION PROPOSAL**
5 **ON THE AGUA FRIA CUSTOMERS. DOES ARIZONA-AMERICAN HAVE**
6 **ANY CONCERNS WITH THE USE OF THE TERM "PHASE-IN"?**

7 A. Yes. Arizona-American prefers that the parties use the term "revenue transition" or
8 something similar. The term "phase-in" has a specific meaning concerning rates and
9 accounting, to the effect that Arizona-American would receive additional revenue
10 gradually over time. However, since the current application is not a rate case, it will have
11 a revenue-neutral impact on Arizona-American. In order to avoid giving the false
12 impression to others that Arizona-American will receive some gain from the present
13 application, Arizona-American asks that the parties refer to the Anthem City Council
14 proposal as a revenue transition, not as a phase-in.

15 **Q. IF AFTER WEIGHING THE EVIDENCE THE COMMISSION DECIDES TO**
16 **APPROVE DECONSOLIDATION FOR THE ANTHEM/AGUA FRIA**
17 **WASTEWATER DISTRICT, WOULD MR. NEIDLINGER'S REVENUE**
18 **TRANSITION PROPOSAL BE HELPFUL?**

19 A. Yes.

20 **IV. OTHER ISSUES**

21 **Q. IN YOUR DIRECT TESTIMONY, YOU STATED THAT ARIZONA-AMERICAN**
22 **WOULD PREFER TO FURTHER POSTPONE WINTER-AVERAGE RATE**
23 **DESIGNS. IS THIS STILL ARIZONA-AMERICAN'S POSITION?**

24 A. Yes. Decision No. 72047 established an implementation date of June 1, 2012, for winter
25 average rate design for residential wastewater customers of the Anthem/Agua Fria

1 district. This upcoming winter— January through March 2012—will be the first winter
2 measurement period and Arizona-American must shortly begin to further inform
3 customers about this upcoming important change. However, for the reasons cited in the
4 earlier phase of this docket, Arizona-American still prefers to postpone this
5 implementation at least until the next rate case.

6 Several other parties in this application, such as Anthem Community Council and
7 Verrado Community Association, also recommend that winter-average rate design be
8 postponed. RUCO has also responded via a data request that it does not oppose Arizona-
9 American's position on winter-average rate design. Arizona-American is concerned that
10 we do not yet have a handle on how much and during what season this rate design will
11 reduce or increase consumption.

12 We are also concerned about causing further customer upset in these districts at a time
13 when a water rate case is also pending. A postponement of even an additional one year
14 would be helpful. Because we do not know when this compliance case will be decided, it
15 would be even further confusing for customers to implement winter-average rates June 1,
16 2012 (thereby presumably providing certainty as to the wastewater billing for the next
17 twelve months), only later to have them deconsolidated and changed during that year.

18 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

19 A. Yes. I am not responding to additional issues raised by the other parties either because
20 the issue is outside of the scope of this limited compliance proceeding or because no
21 additional response is needed. Arizona-American is doing its best to fulfill the
22 compliance requirement in Decision No. 72047, which embodied the settlement
23 agreement with the Anthem Community Council.



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
SANDRA D. KENNEDY
PAUL NEWMAN
BOB STUMP
BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE ITS ANTHEM WATER DISTRICT AND ITS SUN CITY WATER DISTRICT, AND POSSIBLE RATE CONSOLIDATION FOR ALL OF ARIZONA AMERICAN WATER COMPANY' S DISTRICTS.

DOCKET NO. W-01303A-09-0343

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

DOCKET NO. SW-01303A-09-0343

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**REJOINDER TESTIMONY
OF
SANDRA L. MURREY
REGARDING
CONSIDERATION OF STAND-ALONE REVENUE REQUIREMENTS AND RATE
DESIGNS FOR THE ANTHEM/AGUA FRIA WASTEWATER DISTRICT
ON BEHALF OF
ARIZONA AMERICAN WATER COMPANY
NOVEMBER 1, 2011**

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I. INTRODUCTION 1
II. RESPONSE TO FRED BOTHA 1
III. RESPONSE TO ANTHEM GOLF AND COUNTRY CLUB (“CLUB”) 2

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Sandra L. Murrey. My business address is 2355 West Pinnacle Peak, Suite
4 300, Phoenix, Arizona 85027.

5 **Q. ARE YOU THE SAME SANDRA L. MURREY WHO PREVIOUSLY**
6 **SUBMITTED DIRECT TESTIMONY IN THIS DOCKET ON APRIL 1, 2011 AND**
7 **REBUTTAL TESTIMONY ON SEPTEMBER 13, 2011?**

8 A. Yes.

9 **Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY?**

10 A. The purpose of my rejoinder testimony is to address and clarify various issues that were
11 raised by other parties in their Surrebuttal testimony.

12 **II. RESPONSE TO FRED BOTHA**

13 **Q. MR. BOTHA IS RECOMMENDING THAT THE COMPANY "PROVIDE**
14 **DIRECT ACCESS ON THEIR WEBSITE TO THE APPROPRIATE BASIC**
15 **HISTORICAL WATER AND WASTE WATER INFORMATION, AS WELL AS**
16 **THE ASSOCIATED CUMULATIVE COST AND REVENUE INFORMATION AS**
17 **SOON AS AND PRACTICAL AS POSSIBLE." WHAT ARE THE COMPANY'S**
18 **THOUGHTS ON MR. BOTHA'S RECOMMENDATION?**

19 A. The Company commends Mr. Botha for his interest and initiative in attempting to further
20 enhance awareness of the rate case process. As Mr. Botha indicated, he had met with
21 various members of Arizona American Water on several occasions. We informed Mr.
22 Botha that most of the general information he was seeking could currently be found on
23 our website or within our Annual Report which is filed with the Commission. We also
24 provided Mr. Botha with a link to the Water Infrastructure Finance Authority of Arizona

1 as another good source of data, whereas they list various water and wastewater statistics
2 for utilities in the state. These were very informative meetings in that there was a good,
3 open exchange of information from both sides; however, the Company was left unsure of
4 exactly what Mr. Botha was asking for in his broad request of information.

5 **Q. MR. BOTHA CLAIMS THIS IMPROVEMENT CAN BE “EASILY AND**
6 **INEXPENSIVELY”ACHIEVED AND WOULD TAKE “3 -6 DAYS TO SPECIFY**
7 **AND MAKE INITIAL, BASIC INFORMATION AVAILABLE”. IS THIS**
8 **RESULT REALISTIC?**

9 A. No, unfortunately achieving Mr. Botha’s ultimate outcome is not that simple. His broad
10 request entails summarization of a massive amount of information which is never an easy
11 task. A project of this size would be very costly. We are unsure where the “3-6 day”
12 estimate to complete this project arose as the Company never provided any timeline.

13 **Q. SHOULD THIS REQUEST BE CONSIDERED IN THIS FILING?**

14 A. No. Not only is this request inappropriate for the factors previously mentioned, this
15 request is outside the scope of this compliance filing.

16 **III. RESPONSE TO ANTHEM GOLF AND COUNTRY CLUB (“CLUB”)**

17 **Q. WHAT IS ANTHEM GOLF AND COUNTRY CLUB’S POSITION ON**
18 **WHETHER THE EFFLUENT RATE SHOULD BE CHANGED?**

19 A. The Club recommends that Effluent Rate authorized in Decision No 72047 should remain
20 unchanged as a result of this compliance proceeding. Arizona-American agrees with this
21 recommendation. Other parties such as Staff and DMB White Tanks, LLC, also agree
22 that the effluent rate should remain unchanged.

- 1 **Q. DOES THIS CONCLUDE YOUR REJOINDER TESTIMONY?**
- 2 A. Yes. I am not responding to additional issues raised by the other parties because either
- 3 the issue is outside of the scope of this limited compliance proceeding or because no
- 4 additional response is needed.

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY, AN ARIZONA CORPORATION,
FOR A DETERMINATION OF THE
CURRENT VALUE OF ITS UTILITY PLANT
AND PROPERTY AND FOR INCREASES IN
ITS RATES AND CHARGES BASED
THEREON FOR UTILITY SERVICE BY ITS
ANTHEM WATER DISTRICT AND ITS SUN
CITY WATER DISTRICT, AND POSSIBLE
RATE CONSOLIDATION FOR ALL OF
ARIZONA AMERICAN WATER
COMPANY'S DISTRICTS.

DOCKET NO. W-01303A-09-0343

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY, AN ARIZONA CORPORATION,
FOR A DETERMINATION OF THE
CURRENT VALUE OF ITS UTILITY PLANT
AND PROPERTY AND FOR INCREASES IN
ITS RATES AND CHARGES BASED
THEREON FOR UTILITY SERVICE BY ITS
ANTHEM/AGUA FRIA WASTEWATER
DISTRICT AND ITS SUN CITY WEST
WASTERWATER DISTRICT, AND
POSSIBLE RATE CONSOLIDATION FOR
ALL OF ARIZONA AMERICAN WATER
COMPANY'S DISTRICTS.

DOCKET NO. SW-01303A-09-0343

**NOTICE OF FILING DIRECT
TESTIMONY OF ROBERT RIALS ON
BEHALF OF CORTE BELLA
COUNTRY CLUB ASSOCIATION,
INC.**

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- 17 Daniel L. Brown, Assistant City Attorney
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DIRECT TESTIMONY OF ROBERT RIALS
ON BEHALF OF
CORTE BELLA COUNTRY CLUB ASSOCIATION, INC.

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I. INTRODUCTION

Q. PLEASE PROVIDE YOUR NAME, POSITION, BUSINESS ADDRESS, AND TELEPHONE NUMBER.

A. My name is Robert E. Rials. I am President of the Board of Directors for Corte Bella Country Club Association, Inc. ("Corte Bella"). The business address for Corte Bella is 22155 North Mission Drive, Sun City West, Arizona, 85375. My business phone is 623-328-5068.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND EDUCATION.

A. I was elected to the Board of Directors for Corte Bella in 2007. At that time, I was also nominated and elected as President of the Board. I have held that position for the past 3 ½ years.

Prior to moving to Corte Bella, I worked in the telecommunications industry. I was employed by General Telephone and Electronics ("GTE") for 35 years and, at retirement, was a Manger in the GTE – California Planning and Engineering Department. My responsibility was to plan and engineer plant and infrastructure, ensuring customer service demands were being met as established by the California Utilities Commission. My Department was responsible for over 1.5 million customers along the California coast stretching from Long Beach through Santa Monica to Santa Barbara. The annual budget was over \$100 million and laid the foundation for all infrastructure. I hold a Bachelor of Science degree in Business Administration from Redlands University.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. Yes. I submitted pre-filed testimony in Docket No. W-01303A-11-0101, regarding American Water Works Company, Inc.'s application to transfer all issued and outstanding shares of Arizona American Water Company ("Arizona-American") to EPCOR Water USA, Inc.

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II. SCOPE AND PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to express Corte Bella's concerns regarding the proposed deconsolidation of the Anthem / Agua Fria Wastewater District and, more specifically, the severe financial impact that a 139.7% increase in wastewater rates will have upon Corte Bella residents.

My understanding is that this proceeding arose from a meeting between Arizona-American, Anthem Community Council ("Anthem"), the Residential Utility Consumer Office ("RUCO") and Commission Staff during the Open Meeting held in December 2010. I do not believe that any representatives from Agua Fria were part of that meeting, whereby those entities agreed to examine deconsolidation in a subsequent proceeding. Corte Bella intervened in this proceeding in order to make the Commission aware of its opposition to deconsolidation.

Q. PLEASE DESCRIBE CORTE BELLA.

A. Corte Bella is an age-restricted community (55 +) that contains approximately 1,650 single-family homes. The community was developed by Pulte and turned over to its members in 2007. There is no potential for future growth in Corte Bella – as the community is completely built-out at 1,650 homes.

Corte Bella is located adjacent to Sun City West and receives all of its water and wastewater services from Arizona-American. A vast majority of Corte Bella residents are retirees on fixed and/or reduced incomes.

Q. PLEASE DESCRIBE YOUR UNDERSTANDING OF ARIZONA-AMERICAN'S DECONSOLIDATION FILING.

A. My understanding is that Arizona-American is not advocating for deconsolidation of the Anthem / Agua Fria Wastewater District. In fact, I believe that most of the parties in the rate proceeding testified about the many benefits favoring rate consolidation, but that the rate impacts would be too significant on certain customers in other Arizona-American districts to support full consolidation at that time. Thus, I believe that Arizona-American made its filing in accordance with Decision No. 72047 so that the Commission could examine whether deconsolidating Anthem and Agua Fria wastewater rates made sense and could be done fairly. My testimony describes why it is unfair

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to Corte Bella residents, as well as other customers located within the Agua Fria district.

Q. IN YOUR OPINION, DOES A 139.7% INCREASE IN WASTERWATER RATES CONSTITUTE RATE SHOCK?

A. Yes. Although I am not an expert witness in this case, everyone agrees that a 139.7% increase in wastewater rates constitutes rate shock. If deconsolidation is approved, the average wastewater bill for Corte Bella residents will increase from \$67.97 per month (which includes the 53.93% increase already approved in Decision No. 72047) to an astonishing \$108.34 per month. That, by definition, is rate shock.

Most notably, in the underlying rate case, Dan Neidlinger for Anthem testified that a proposed increase of 82% in wastewater rates, which would increase the average monthly bill by \$38.00, was clearly rate shock. Here, Agua Fria residents would face an increase of almost 140.0% in wastewater rates over then-existing rates during the test year. That is, Corte Bella residents potentially face an increase of 59.39% (on average) over *current* rates in late 2011 or early 2012, which is in addition to the approximate 54.0% increase in rates Corte Bella residents experienced in early 2011. By all accounts, Corte Bella residents will experience rate shock if the Commission approves deconsolidation.

Q. IS CORTE BELLA FACING OTHER PROPOSED RATE INCREASES FROM ARIZONA-AMERICAN?

A. Yes. In addition to the proposed 139.7% increase in wastewater rates, Corte Bella is also facing a proposed 82.9% increase in water rates as part of Docket No. W-01303A-10-0448. Although I understand that the Commission may approve rates for the Agua Fria Water District that are different than Arizona-American's proposal, it is highly likely that Corte Bella residents will end up paying significantly higher rates for water. This only compounds the added hardship that Corte Bella residents will experience if deconsolidation is approved.

Q. WILL A 139.7% INCREASE IN WASTEWATER RATES NEGATIVELY IMPACT THE RESIDENTS OF CORTE BELLA?

A. Absolutely. As previously stated, Corte Bella is an age-restricted community in which a vast majority of its residents are on fixed and/or reduced incomes. Arizona-American's deconsolidation "proposal" would mean an additional,

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significant increase in wastewater rates in approximately 12 to 15 months. Although a 139.7% increase in wastewater rates will adversely impact any consumer (regardless of age), it has an even more profound impact on age-restricted communities.

If deconsolidation is approved, Corte Bella residents will be paying (on average) an *additional* \$40.37 per month for sewer service. That amounts to nearly \$500.00 more a year for each resident – with a combined annual impact on Corte Bella residents of nearly \$800,000.00 (1,650 homes x \$40.37). A monthly increase of \$40.37 will pose a significant financial burden on many Corte Bella residents that are already struggling financially in this economy and who are already paying significantly more for wastewater service than they did a year ago.

The financial impact is further exasperated by the fact that Corte Bella residents are facing a potential 82.9% increase in water rates as part of Docket No. W-01303A-10-0448. If approved, the average water bill for Corte Bella residents will increase by another \$25.13.

Simply put, Corte Bella residents cannot absorb this drastic increase in wastewater rates on top of the increase earlier this year. This increase will alter the lifestyle of Corte Bella residents and other retirees living in Agua Fria. The Commission should not approve deconsolidation of rates that will cause this additional increase to Corte Bella residents – especially given the prospect of an increase to water rates.

Q IS THE PROPOSED DECONSOLIDATION OF THE ANTHEM / AGUA FRIA WASTEWATER DISTRICT UNFAIR TO CORTE BELLA RESIDENTS?

A. Yes. Anthem proposed deconsolidation as an alternative because their residents receive no service from the Northwest Treatment Plant (“NTP”) and, therefore, do not wish to pay for any costs associated therewith. Yet, Agua Fria residents have likely paid for and will pay for facilities serving Anthem that provide no service to Agua Fria.

More importantly, it is my belief that residents within the Anthem / Agua Fria Wastewater District benefit from being within the same district. While the four service areas in the district (i.e., Verrado, Russell Ranch, Anthem and Agua Fria) are not physically connected in any way, customers of each development do not have to solely bear the burden of the costs for those facilities. I believe keeping the district intact has benefited and will continue to benefit all residents

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within the Agua Fria / Anthem Wastewater District. Conversely, Arizona-American's deconsolidation proposal results in big increases to Corte Bella and other residents within Agua Fria whenever facilities need to be replaced.

I also understand that Arizona-American must propose a consolidation proposal in its next rate case. Thus, I think deconsolidation would be counter-productive if consolidation is to be seriously considered in the next full rate proceeding.

Q. DO YOU BELIEVE THERE HAS EVER BEEN ANY INTENT TO DECONSOLIDATE ANTHEM FROM AGUA FRIA BEFORE NOW?

A. No. The current Anthem / Agua Fria Wastewater District has existed for nearly ten (10) years. The Commission approved the Certificate of Convenience and Necessity ("CC&N") for Arizona-American where Verrado, Russell Ranch, Anthem and Corte Bella (which is part of the Northeast Agua Fria area) are all part of the Anthem / Agua Fria Wastewater District. I believe this is the first time deconsolidating the Anthem / Agua Fria Wastewater District has ever been an issue.

Q. DID ANTHEM ADVOCATE FOR CONSOLIDATION IN THE RATE PROCEEDING?

A. Yes. Significantly, Anthem noted the many benefits consolidation offers, including: (1) lower administrative costs through unified customer accounting and billing systems; (2) reduction in the number of rate cases and associated expenses; (3) elimination of distorted cost allocations among districts in rate filings; (4) implementation of standard customer service policies and related service rates and charges; (5) improved rate stability and elimination of rate shock; (6) reduced customer confusion with respect to the Company's currently differing rate schedules; (7) development and implementation of a targeted and comprehensive water conservation program for all of its systems; and (8) improved opportunities for future acquisitions. My understanding is that Anthem proposed deconsolidation only in the alternative. So, to me, deconsolidation appears to be completely inapposite to Anthem's primary position in the rate case.

Q. DID STAFF OR ARIZONA AMERICAN SUPPORT ANTHEM'S ALTERNATIVE PROPOSAL TO DECONSOLIDATE THE ANTHEM / AGUA FRIA WASTEWATER DISTRICT?

A. No. In fact, both indicated there was not enough evidence in the record to support deconsolidated revenue requirements. I agree and believe there is still

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not enough evidence to support deconsolidation.

Q IN YOUR OPINION, WILL DECONSOLIDATION OF THE ANTHEM / AGUA FRIA WASTEWATER DISTRICT RESULT IN ADDITIONAL EXPENSES FOR BOTH DISTRICTS?

A. Yes. In response to the second set of data requests from Verrado Community Association, Arizona-American stated that “deconsolidation will increase regulatory expense associated with rate cases and tariff administration.”

Q. DO YOU BELIEVE IT MAKES SENSE FOR THE COMMISSION TO DECONSOLIDATE THE ANTHEM / AGUA FRIA WASTEWATER DISTRICT NOW IF CONSOLIDATION MAY OCCUR IN THE FUTURE?

A. No, it does not.

III. CONCLUSION

Q. IN YOUR OPINION, SHOULD THE COMMISSION APPROVE DECONSOLIDATION OF THE ANTHEM / AGUA FRIA WASTEWATER DISTRICT?

A. No. It is unfair to Corte Bella residents (as well as other residents of Agua Fria) to deconsolidate this district after ten (10) years – especially when deconsolidation will produce such a disparate result. The benefit to Anthem is greatly outweighed by the severe financial impact of a 139.7% increase in wastewater rates on the remaining customers in the Agua Fria District. Deconsolidation of the Anthem / Agua Fria District would clearly result in rate shock to Corte Bella residents.

Further, deconsolidation is inconsistent with the Commission’s directive to evaluate the feasibility of full rate consolidation in the next rate proceeding. As part of Decision 72047, Arizona-American is required to develop and file a comprehensive consolidation proposal as part of its next rate application. If the Commission is considering consolidation as a long-term solution for rate stability, then deconsolidating the Anthem / Agua Fria Wastewater District makes no sense.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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- GARY PIERCE, Chairman
- BOB STUMP
- SANDRA D. KENNEDY
- PAUL NEWMAN
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AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM WATER DISTRICT AND ITS SUN CITY WATER DISTRICT, AND POSSIBLE RATE CONSOLIDATION FOR ALL OF ARIZONA AMERICAN WATER COMPANY'S DISTRICTS.

DOCKET NO. W-01303A-09-0343

DOCKET NO. SW-01303A-09-0343

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM/AGUA FRIA WASTEWATER DISTRICT AND ITS SUN CITY WEST WASTERWATER DISTRICT, AND POSSIBLE RATE CONSOLIDATION FOR ALL OF ARIZONA AMERICAN WATER COMPANY'S DISTRICTS.

NOTICE OF FILING SURREBUTTAL TESTIMONY OF ROBERT RIALS ON BEHALF OF CORTE BELLA COUNTRY CLUB ASSOCIATION, INC.

MDW
Mack Crucker & Watson
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EXHIBIT
CB-2
ADMITTED

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Corte Bella Country Club Association, Inc. (hereinafter, "Corte Bella"), by and through undersigned counsel, hereby files the surrebuttal testimony of Robert Rials.

DATED this 11th day of October 2011.

MACK DRUCKER & WATSON, P.L.C.



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ORIGINAL and 13 copies filed this 11th day of October 2011 with:

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COPIES of the foregoing mailed this 11th day of October 2011 to:

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SURREBUTTAL TESTIMONY OF ROBERT RIALS
ON BEHALF OF
CORTE BELLA COUNTRY CLUB ASSOCIATION, INC.

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I. INTRODUCTION

Q. PLEASE PROVIDE YOUR NAME, POSITION, BUSINESS ADDRESS AND TELEPHONE NUMBER.

A. My name is Robert E. Rials. I am President of the Board of Directors for Corte Bella Country Club Association, Inc. ("Corte Bella"). The business address for Corte Bella is 22155 North Mission Drive, Sun City West, Arizona, 85375. My business phone is 623-328-5068.

Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS CASE?

A. Yes, I did.

II. SCOPE AND PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. The purpose of my testimony is to express Corte Bella's concerns regarding the proposed "phase-in" or "revenue transition" plan set forth by Anthem Community Council's ("Anthem") witness, Dan Neidlinger. My testimony also addresses the "cost of service" and "subsidization" arguments made by Mr. Neidlinger.

Q. DOES THE PROPOSED "PHASE-IN" OR "REVENUE TRANSITION" PLAN STILL RESULT IN RATE SHOCK TO CORTE BELLA RESIDENTS?

A. Yes. Anthem's proposal still constitutes rate shock and has a significant impact on Corte Bella residents.

As you know, Corte Bella residents already experienced a 54% increase in wastewater rates in early 2011. This cannot be overlooked when evaluating Anthem's proposal. An increase of 54% in 2011, coupled with a combined increase of 60% over the next three (3) years (thereby increasing the average wastewater bill from \$67.97 a month to \$108.34 a month), clearly constitutes rate shock. Corte Bella residents would experience a sizeable increase in their wastewater bills for four (4) consecutive years. That is entirely unreasonable.

Again, Corte Bella is an age-restricted community in which a vast majority of its residents are on fixed and/or reduced incomes. Corte Bella residents are

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struggling in this economy and cannot absorb another increase in wastewater rates on top of the 54% increase implemented earlier this year. To make matters worse, Corte Bella residents are also facing a potential 82.9% increase in water rates as part of Docket No. W-01303A-10-0448.

Anthem's proposed "phase-in" or "revenue transition" plan cannot disguise the fact that Corte Bella residents (and other Agua Fria customers) will endure a 139.7% increase in wastewater rates since 2010.

Q. WITH THE CURRENT MAKEUP OF THE ANTHEM / AGUA FRIA WASTEWATER DISCTRICT, DO YOU FIND ANTHEM'S "COST OF SERVICE" ARGUMENT PRACTICAL AND/OR PERSUASIVE?

A. No. Anthem proposed deconsolidation because their residents receive no service from the Northwest Treatment Plant and, therefore, do not wish to pay for any costs associated therewith. This "cost of service" argument is not practical and/or persuasive.

In this regard, the four (4) service areas in the Anthem / Agua Fria Wastewater District (i.e., Anthem, Corte Bella, Verrado and Russell Ranch) are not physically connected in any way. Each of these service areas utilizes a separate wastewater collection system and treatment plant. Thus, it is not practical to dismantle the district based solely on what wastewater facilities serve which areas. Consistent herewith, no other party (except Anthem) advocated for deconsolidation during the full rate proceeding.

In response to Corte Bella's second set of data requests, Arizona-American also admitted that systems are not required to be interconnected for rates to be consolidated.

Q. DO YOU FIND ANTHEM'S "SUBSIDIZATION" ARGUMENT TROUBLING?

Yes. First off, Anthem originally proposed consolidation so that other districts could subsidize its facilities. However, because the Commission did not adopt full rate consolidation (in large part because of the impact to customers in other districts), Anthem now proposes deconsolidation. This is unfair to Agua Fria customers – who now face an additional 60% increase in wastewater rates.

Secondly, there is no way to determine whether or how much Agua Fria customers have subsidized Anthem customers over the past ten (10) years by paying for costs associated with Anthem's wastewater system. Anthem fails to

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acknowledge any prior benefits it received while being part of a consolidated district. And, if deconsolidation is approved, Anthem customers can still propose consolidation to have the costs of their future facilities subsidized by customers in other districts. This is simply unfair.

Lastly, according to Arizona-American, Agua Fria customers will likely subsidize any future capital improvements to Anthem's wastewater system. This shows that all residents will continue to benefit by keeping the Anthem / Agua Fria Wastewater District intact.

III. CONCLUSION

Q. IN YOUR OPINION, SHOULD THE COMMISSION DECONSOLIDATE THE ANTHEM / AGUA FRIA WASTEWATER DISTRICT?

A. No. Corte Bella believes the Commission should leave the Anthem / Agua Fria Wastewater District intact and maintain the rates set forth in Decision No. 72047.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes.

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ARIZONA-AMERICAN WATER COMPANY



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

DIRECT TESTIMONY

OF

WILLIAM A. RIGSBY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

AUGUST 16, 2011

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EXECUTIVE SUMMARY

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

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

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

1 **INTRODUCTION**

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

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

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

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

15

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

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

19

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

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

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

4

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

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

9

10 Q. How is your testimony organized?

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

17

18 **FILING BACKGROUND**

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

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

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

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

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

27

28 **ANALYSIS**

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

30 A. Yes.

31 ...

32

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

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

8

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

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

14

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

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

21

22 ...

23

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

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

9
10 Q. Does RUCO still support deconsolidation of AAWC's Anthem/Agua Fria
11 Wastewater District given the rate impact on Agua Fria customers?

12 A. Yes.

13
14 Q. Why does RUCO still support deconsolidation of AAWC's Anthem/Agua
15 Fria Wastewater District given the rate impact on Agua Fria customers?

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

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

12

13 **RATE IMPACT MITIGATION PROPOSAL**

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

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

21

22 ...

23

1 Q. Briefly describe the Anthem Mitigation Plan.

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

10

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

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

21

22

23

1 **RECOMMENDATIONS**

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

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

7

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

10 A. No, it does not.

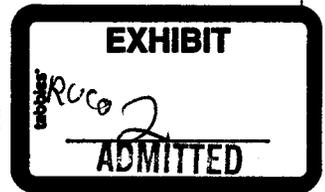
11

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

14 A. Yes, it does.

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BEFORE THE ARIZONA CORPORATION COMMISSION



- GARY PIERCE
CHAIRMAN
- BOB STUMP
COMMISSIONER
- SANDRA D. KENNEDY
COMMISSIONER
- PAUL NEWMAN
COMMISSIONER
- BRENDA BURNS
COMMISSIONER

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

Docket No. W-01303A-09-0343

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

Docket No. SW-01303A-09-0343

NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the Surrebuttal Testimony of William A. Rigsby, CRRA, in the above-referenced matter.

1 RESPECTFULLY SUBMITTED THIS 11th day of October, 2011

2
3 

4 Daniel W. Pozefsky
5 Chief Counsel

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7 of the foregoing filed this 11th day
8 of October, 2011 with:

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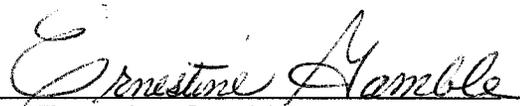
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By 
Ernestine Gamble

ARIZONA-AMERICAN WATER COMPANY

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

SURREBUTTAL TESTIMONY

OF

WILLIAM A. RIGSBY, CRRA

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

OCTOBER 11, 2011

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EXECUTIVE SUMMARY

RUCO agrees with Arizona-American Water Company, Inc.'s preference for the term "revenue transition" to describe the Anthem Community Council's plan to mitigate the rate impact of Arizona-American Water Company, Inc.'s proposed deconsolidation of the Anthem/Agua Fria Wastewater District.

RUCO is in agreement with the Company's position on winter-average rate design.

1 **INTRODUCTION**

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

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

6
7 **Q. Have you filed any prior testimony on AAWC's Deconsolidation
8 Proposal in this proceeding on behalf of RUCO?**

9 A. Yes. I filed testimony on AAWC's Deconsolidation Proposal with the
10 Commission on August 16, 2011.

11
12 **Q. Please state the purpose of your surrebuttal testimony.**

13 A. The purpose of my surrebuttal testimony is to present RUCO's response
14 to AAWC's rebuttal testimony filed with the ACC on September 13, 2011.

15
16 **SUMMARY OF AAWC'S REBUTTAL TESTIMONY**

17 **Q. Have you had an opportunity to analyze AAWC's rebuttal testimony?**

18 A. Yes. I have reviewed the rebuttal testimony of Company witness Sandra
19 L. Murrey.

20

21 ...

22

1 **Q. Please summarize Ms. Murrey's rebuttal testimony that relates to**
2 **RUCO.**

3 A. Ms. Murrey's rebuttal testimony addresses the Anthem Mitigation Plan,
4 developed by Anthem consultant Dan Neidlinger, which RUCO supports.
5 Ms. Murrey also addresses RUCO's agreement with AAWC's position on
6 the winter-average rate design issue.

7

8 **RATE IMPACT MITIGATION PROPOSAL**

9 **Q. Does RUCO agree with AAWC's preferred term of "revenue**
10 **transition," as opposed to "phase-in' for the Anthem Mitigation Plan**
11 **proposed by Anthem witness Dan Neidlinger which RUCO supports**
12 **in this proceeding?**

13 A. Yes.

14

15 **Q. Is the Company in agreement with Anthem and RUCO that Anthem's**
16 **revenue transition recommendation will help to mitigate the rate**
17 **shock that Aqua Fria ratepayers will experience as a result of**
18 **AAWC's proposed deconsolidation?**

19 A. Yes. Ms. Murrey stated in her rebuttal testimony that Anthem's revenue
20 transition recommendation, which RUCO supports, will be helpful.

21

22

23

1 **WINTER-AVERAGE RATE DESIGN**

2 **Q. Is RUCO in agreement with AAWC's position on winter-average rate**
3 **design?**

4 **A. Yes. RUCO is in agreement with the Company's position on winter-**
5 **average rate design.**

6
7 **Q. Does your silence on any of the positions taken by the Company**
8 **constitute your acceptance of those positions?**

9 **A. No, it does not.**

10

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

13 **A. Yes, it does.**

ARIZONA-AMERICAN WATER COMPANY



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

DIRECT TESTIMONY

OF

RODNEY L. MOORE

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

AUGUST 16, 2011

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EXECUTIVE SUMMARY

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

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

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

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

1 **INTRODUCTION**

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

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

6
7 Q. What is the purpose of your testimony?

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

13
14 Q. Have you filed any prior testimony in this proceeding on behalf of RUCO?

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

17
18 Q. Please summarize your testimony.

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

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

5

6 **ANALYSIS**

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

9 A. Yes.

10

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

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

18

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

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

22

23

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

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

5
6 Q. Please explain the basis for RUCO's recommend rate design for Anthem.

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

13
14 RUCO believes deconsolidation should not require residential ratepayers
15 to pay for the loss revenue from the City of Phoenix. Residential
16 ratepayers should not be required to contribute a higher percentage of the
17 required revenue than proposed in the interim rate design authorized in
18 ACC Decision No. 72047.

19
20 Q. Please explain the Company's manipulation of Anthem's interim rate
21 design.

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

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

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

12
13 Q. What is RUCO's recommendation?

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

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

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

9

10 **TYPICAL BILL ANALYSIS**

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

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

16

17 Q. Does this conclude your testimony?

18 A. Yes, it does.

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

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

Arizona-American Water Company
 Docket Nos. SW & W-01303A-09-0343
 Test Year Ended December 31, 2008

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

LINE NO.	DESCRIPTION	(A) PRESENT	(B) PRESENT	(C) DECISION NO. 72047 (INTERIM)	(D) DECISION NO. 72047 (INTERIM)	(E) RUCO PROPOSED	(F) RUCO PROPOSED
1	REVENUE ALLOCATION						
2	RESIDENTIAL	\$ 4,828,681	81.05%	\$ 5,472,260	79.52%	\$ 5,472,260	79.52%
3	OTHER	1,128,782	18.95%	1,409,287	20.48%	1,409,287	20.48%
	TOTAL	\$ 5,957,463	100.00%	\$ 6,881,548	100.00%	\$ 6,881,548	100.00%
RESIDENTIAL (5/8" X 3/4") RATE DESIGN							
4	BASIC MONTHLY CHARGE	\$ 27.76		\$ 39.84		\$ 29.91	
5	COMMODITY CHARGE						
	PRESENT	\$ 3.48		\$ 4.9946		\$ 4.2102	
	Max Gallons Included	7,000		7,000			

RESIDENTIAL BILL COMPARISONS

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

MEDIAN RESIDENTIAL BILL COMPARISONS

LINE NO.	DESCRIPTION	VARIABLE MONTHLY USAGE	% AVERAGE USAGE OF 7,000	INTERIM MONTHLY COST	RUCO PROPOSED MONTHLY COST	RUCO MONTHLY INCREASE	PERCENTAGE MONTHLY INCREASE
11	MEDIAN RESIDENTIAL BILL COMPARISONS	1,750	25.00%	\$ 48.58	\$ 37.28	\$ (11.30)	-23.26%
12	COST OF WATER SERVICE AT DIFFERENT LEVELS OF USAGE AND THE PERCENTAGE INCREASE IN BILL	3,500	50.00%	\$ 57.32	\$ 47.39	\$ (9.93)	-17.32%
13		7,000	100.00%	\$ 74.80	\$ 59.38	\$ (15.42)	-20.61%
14		10,500	150.00%	\$ 74.80	\$ 59.38	\$ (15.42)	-20.61%
15		14,000	200.00%	\$ 74.80	\$ 59.38	\$ (15.42)	-20.61%

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

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

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

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

RESIDENTIAL (5/8" X 3/4") RATE DESIGN		DECISION NO. 72047 (INTERIM)		RUCO PROPOSED	
4	BASIC MONTHLY CHARGE	\$ 27.76	\$ 66.12	\$ 66.12	
COMMODITY CHARGE					
5	PRESENT				
	Max Gallons Included	7,000			
	PROPOSED				
	Max Gallons Included	####			
		\$ 3,4800	\$ 7,9700	\$ 7,9700	

RESIDENTIAL BILL COMPARISONS						
AVERAGE RESIDENTIAL BILL COMPARISONS						
COST OF WATER SERVICE AT DIFFERENT LEVELS OF USAGE AND THE PERCENTAGE INCREASE IN BILL						
	VARIABLE MONTHLY USAGE	% AVERAGE USAGE OF 7,000	INTERIM MONTHLY COST	RUCO PROPOSED MONTHLY COST	RUCO MONTHLY INCREASE	PERCENTAGE MONTHLY INCREASE
6	1,324	25.00%	\$ 46.45	\$ 76.68	\$ 30.22	65.06%
7	2,649	50.00%	\$ 53.07	\$ 87.23	\$ 34.16	64.37%
8	5,297	100.00%	\$ 66.30	\$ 108.34	\$ 42.04	63.42%
9	7,946	150.00%	\$ 74.80	\$ 121.91	\$ 47.11	62.98%
10	10,594	200.00%	\$ 74.80	\$ 121.91	\$ 47.11	62.98%

MEDIAN RESIDENTIAL BILL COMPARISONS						
COST OF WATER SERVICE AT DIFFERENT LEVELS OF USAGE AND THE PERCENTAGE INCREASE IN BILL						
	VARIABLE MONTHLY USAGE	% AVERAGE USAGE OF 7,000	INTERIM MONTHLY COST	RUCO PROPOSED MONTHLY COST	RUCO MONTHLY INCREASE	PERCENTAGE MONTHLY INCREASE
11	1,750	25.00%	\$ 48.56	\$ 80.07	\$ 31.49	64.82%
12	3,500	50.00%	\$ 57.32	\$ 94.02	\$ 36.70	64.02%
13	7,000	100.00%	\$ 74.80	\$ 121.91	\$ 47.11	62.98%
14	10,500	150.00%	\$ 74.80	\$ 121.91	\$ 47.11	62.98%
15	14,000	200.00%	\$ 74.80	\$ 121.91	\$ 47.11	62.98%



BEFORE THE ARIZONA CORPORATION COMMISSION

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- GARY PIERCE
CHAIRMAN
- BOB STUMP
COMMISSIONER
- SANDRA D. KENNEDY
COMMISSIONER
- PAUL NEWMAN
COMMISSIONER
- BRENDA BURNS
COMMISSIONER

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

Docket No. W-01303A-09-0343

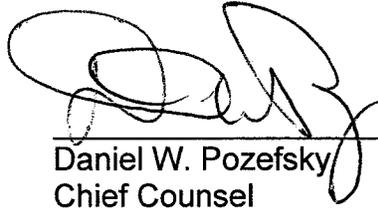
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS ANTHEM/AGUA FRIA WASTEWATER DISTRICT, ITS SUN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

Docket No. SW-01303A-09-0343

NOTICE OF ERRATA

The Residential Utility Consumer Office ("RUCO") hereby provides filing this notice of errata to the Executive Summary of Rodney L. Moore's Direct Testimony and his Testimony Summary, in the above-referenced matter. The revised pages are attached.

1 RESPECTFULLY SUBMITTED THIS 14th day of November, 2011

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4 
5 Daniel W. Pozefsky
Chief Counsel

6 AN ORIGINAL AND THIRTEEN COPIES
7 of the foregoing filed this 14th day
8 of November , 2011 with:

9 Docket Control
10 Arizona Corporation Commission
11 1200 West Washington
12 Phoenix, Arizona 85007

13 COPIES of the foregoing hand delivered/
14 Mailed this 14th day of November, 2011 to:

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Craig A. Marks, PLC
- 4 10645 N. Tatum Blvd., Suite 200-676
Phoenix, Arizona 85028
- 5 Gary Verburg, City Attorney
- 6 Daniel L. Brown, Assistant City Attorney
Office of the City Attorney
- 7 200 W. Washington Street, Suite 1300
Phoenix, AZ 85003-1611
- 8 Tammy Ryan
- 9 Andy Terrey
City of Phoenix
- 10 Water Services Department
200 W. Washington Street, 9th Floor
- 11 Phoenix, AZ 85003-1611
- 12 Troy B. Stratman
Mack Drucker & Watson, PLC
- 13 3200 North Central Avenue, Suite 1200
Phoenix, AZ 85012
- 14 Pauline A. Harris Henry
President, Board of Directors
Russell Ranch Homeowners' Assoc., Inc.
- 15 21448 N. 75th Avenue, Suite 6
Glendale, AZ 85308
- 16 Frederick G. Botha
- 17 23024 N. Giovota Drive
Sun City West, AZ 85375
- 18 Norman D. James
- 19 Fennemore Craig, P.C.
3003 N. Central Avenue, Suite 2600
- 20 Phoenix, AZ 85012
- 21
- 22
- 23
- 24

1 Jason D. Gellman
Roshka, DeWulf & Patten, PLC
2 400 East Van Buren Street, Suite 800
Phoenix, AZ 85004
3

4

5

6

By Cheryl Fraulob
Cheryl Fraulob

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EXECUTIVE SUMMARY

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

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

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

17
18 Under RUCO'S recommendations, a typical Anthem customer's bill, with
19 average water usage of 5,814 gallons per month, would be \$54.39 or a
20 decrease of 21.03 percent over the present rate of \$68.88. A typical Agua
21 Fria customer's bill, with average water usage of 5,297 gallons per month,
22 would be \$108.34 or an increase of 63.42 percent over the present rate of
23 \$66.30.

SUMMARY OF THE TESTIMONY OF RODNEY L. MOORE (Cont.)

Mr. Moore also recommends increasing the revenue generated in Anthem from the OWU customer class to \$500,000. Mr. Moore believes that a \$500,000 revenue requirement will beneficially impact the Anthem residential ratepayers' contribution rate by maintaining it at approximately 80 percent.

Under RUCO'S recommendations, a typical Anthem customer's bill, with average water usage of 5,814 gallons per month, would be \$54.39 or a decrease of 21.03 percent over the present rate of \$68.88. A typical Agua Fria customer's bill, with average water usage of 5,297 gallons per month, would be \$108.34 or an increase of 63.42 percent over the present rate of \$66.30.



Thomas M. Broderick P 623-445-2420
2355 W. Pinnacle Peak Rd., #300 F 623-445-2451
Phoenix, Arizona 85027
Thomas.Broderick@amwater.com

October 25, 2011

George M. Turner (Gturner38@cox.net, George.Turner@APS.com)
HOA Boardmember of the Russell Ranch Community

Re: Arizona-American Water Company Rate Case
Docket Numbers W-1303A-09-0343 and SW-1303A-09-0343

Dear Mr. Turner:

Attached for your review are Arizona-American's **electronic** responses to Russell Ranch Homeowners' Association's **First** Set of Data Requests.

Please contact me with any other questions you or Staff may have.

Very truly yours,

Thomas M. Broderick
Director, Rates and Regulation

Cc: Judith M. Dworkin, Attorney for Anthem Community Council (judith.dworkin@sackstierney.com)
Lawrence V. Robertson, Jr., Esq., Attorney for Anthem Comm. Council (tubaclawyer@aol.com)
Janice Alward, Attorney for ACC (jalward@azcc.gov)
Daniel Pozefsky, Attorney for RUCO (dpozefsky@azruco.gov)
Michele Van Quathem, Attorney for Verrado DMB (mvq@rcalaw.com)
Troy B. Stratman, Attorney for Corte Bella (tstratman@mackazlaw.com)
Jay Shapiro, Attorney for EPCOR (jshapiro@fclaw.com)
Craig Marks, Attorney for AZ American Water (craig.marks@azbar.org)

Attachments



COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-10-0448

Response provided by: Sandy Murrey

Title: Rate Analyst

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Russell Ranch 1.1

Q: Russell Ranch Sewage Treatment Facility:

The Capital Costs to date since the acquisition of the facility?

A: See table below.

<u>work_order_number</u>	<u>total_cost</u>
448398	\$2,274
449269	\$2,880
459750	\$2,314
460157	\$7,550
465879	\$1,987
50062301	\$35
519657	\$2,278
523647	\$7,402
533752	\$18,399
50069461	\$11,726
	<u>\$56,845</u>

COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-10-0448

Response provided by: Sandy Murrey

Title: Rate Analyst

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Russell Ranch 1.2

Q: Russell Ranch Sewage Treatment Facility:

The Operating and Maintenance (O&M) expenses to date since the acquisition of the facility?

A: We do not have O&M expense detail on individual facilities. The Company maintains expenses on a district level.

COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-10-0448

Response provided by: Sandy Murrey

Title: Rate Analyst

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Russell Ranch 1.3

Q: Russell Ranch Sewage Treatment Facility:

The actual monitored monthly wastewater influent processed into the facility for the last two years?

A: See the table below.

**Russell Ranch Influent History
October 2009 through September 2011
Quantity in Gallons**

Sept 2011	841,957
Aug 2011	741,677
July 2011	918,614
June 2011	1,017,588
May 2011	1,017,243
Apr 2011	1,045,703
Mar 2011	980,761
Feb 2011	921,859
Jan 2011	1,037,068
Dec 2010	993,471
Nov 2010	996,762
Oct 2010	1,048,248
	<hr/>
	11,560,951

Sept 2010	877,955
Aug 2010	951,013
July 2010	876,319
June 2010	849,318
May 2010	950,157
Apr 2010	1,024,333
Mar 2010	1,009,991
Feb 2010	870,499
Jan 2010	1,015,269
Dec 2009	939,304
Nov 2009	881,150
Oct 2009	898,549
	<hr/>
	11,143,857

COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: Sandy Murrey

Title: Rate Analyst

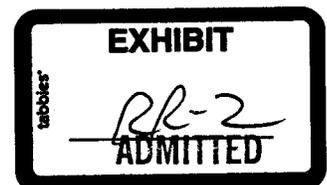
Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

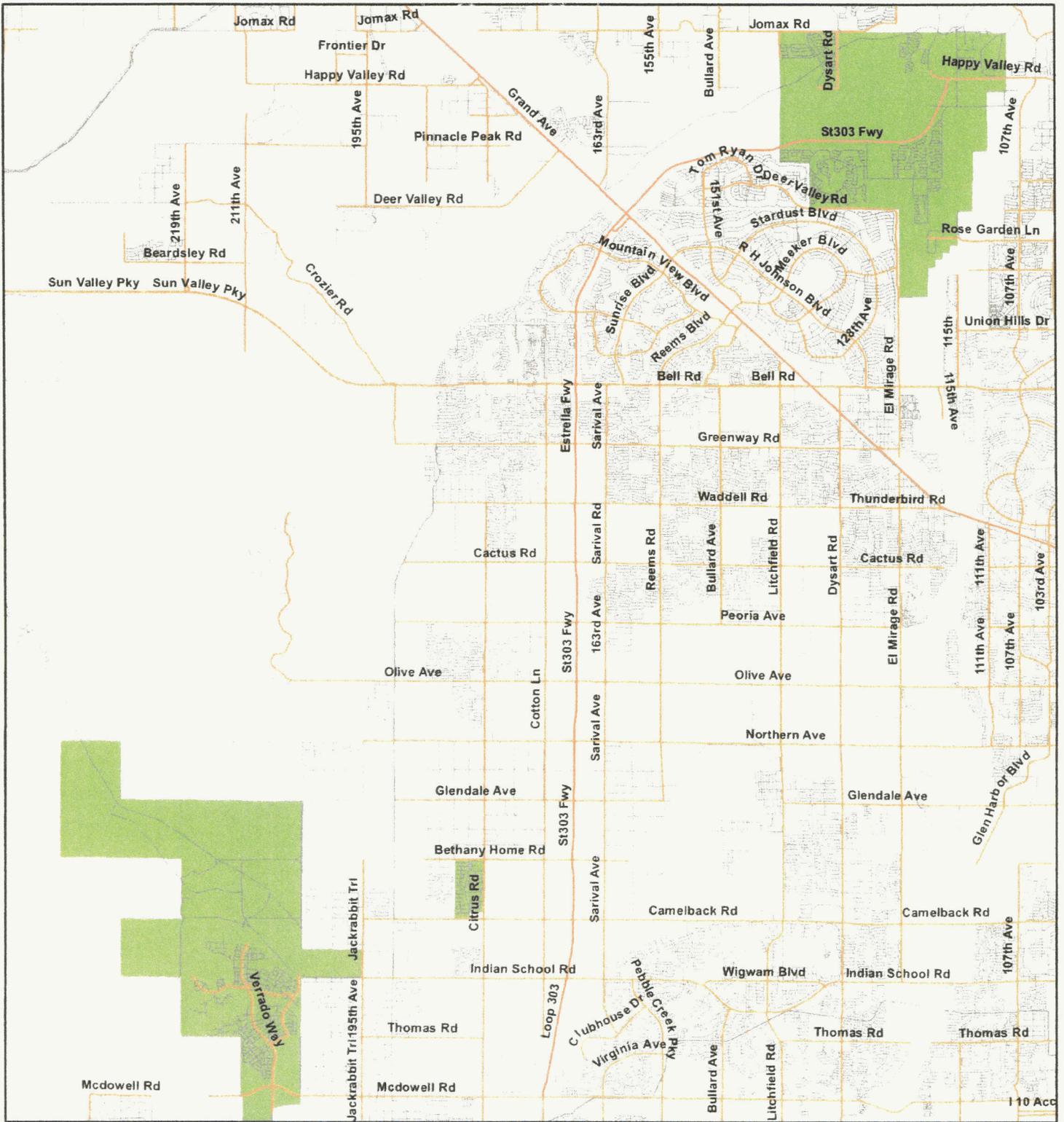
Company Response Number: Russell Ranch 2.1

Q: Capital Costs
I need the date and description of work performed for each work order listed.

A: See the table below.

Work Order Number	Total Cost	Description	Completion Date
448398	\$2,274	2 HP submersible grinder pump	3/28/2009
449269	\$2,880	3 HP blower for the equalizer basin	4/27/2009
459750	\$2,314	Grinder pump	12/22/2009
460157	\$7,550	20 HP motor and blower rebuild for aeration basin	12/22/2009
465879	\$1,987	Replace roller assembly and bearing for clarifier arm	5/26/2010
50062301	\$35	updates Russell Ranch WRF Ph 2	12/31/2007
519657	\$2,278	Replacement of submersible centrifugal grinder pump.	2/24/2011
523647	\$7,402	Air header replacement	5/26/2011
533752	\$18,399	Decking, slues box, guide rails, support beam etc. replaced	9/26/2011
50069461	\$11,726	Security for Russell Ranch	12/21/2004
	<u>\$56,845</u>		





Location Map:



Notes:

Date: March 30, 2011



Legend: 1" = 11,650'

- Highway
- Major Road
- Local Road
- Agua Fria Wastewater Service Area



Agua Fria Wastewater Service Area



Arizona American Water
15626 N. Del Webb Blvd.
Sun City, AZ 85351

Russell Ranch Wastewater Treatment Facility
Sewage Influent

24 Month Sample
October 2009 - September 2011



Month	Monthly Sewage Influent	Monthly Sewage Influent (Avg Annually)	Avg Monthly Influent Per each of 211 Homes	Avg Monthly Influent Per each of 211 Homes (Avg Annually)
Oct-09	898,549	928,655	4,259	4401
Nov-09	881,150	928,655	4,176	4401
Dec-09	939,304	928,655	4,452	4401
Jan-10	1,015,269	928,655	4,812	4401
Feb-10	870,499	928,655	4,126	4401
Mar-10	1,009,991	928,655	4,787	4401
Apr-10	1,024,333	928,655	4,855	4401
May-10	950,157	928,655	4,503	4401
Jun-10	849,318	928,655	4,025	4401
Jul-10	876,319	928,655	4,153	4401
Aug-10	951,013	928,655	4,507	4401
Sep-10	877,955	928,655	4,161	4401
Oct-10	1,048,248	963,413	4,968	4566
Nov-10	996,762	963,413	4,724	4566
Dec-10	993,471	963,413	4,708	4566
Jan-11	1,037,068	963,413	4,915	4566
Feb-11	921,859	963,413	4,369	4566
Mar-11	980,761	963,413	4,648	4566
Apr-11	1,045,703	963,413	4,956	4566
May-11	1,017,243	963,413	4,821	4566
Jun-11	1,017,588	963,413	4,823	4566
Jul-11	918,614	963,413	4,354	4566
Aug-11	741,677	963,413	3,515	4566
Sep-11	841,957	963,413	3,990	4566

Data Acquired for Arizona-American Water Company
Per Request Sent October 25th November 4th, 2011.

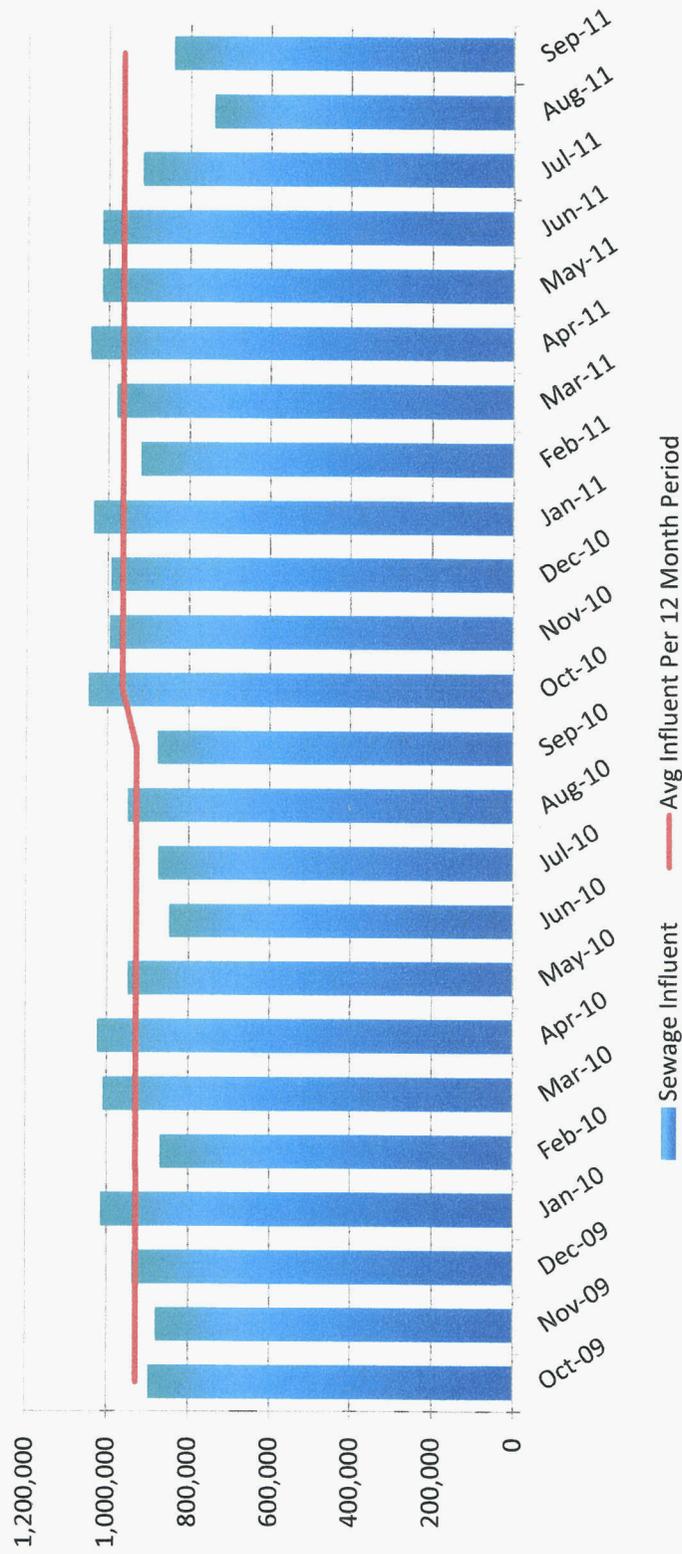
Submitted 11/14/2011 by George M. Turner, President, Russell Ranch HOA

Russell Ranch Wastewater Treatment Facility

Monthly Sewage Influent

2010 Monthly Avg = 928,655 gals

2011 monthly avg = 963,413 gals



24 Month Period
 Oct 2009 - Sept 2010
 Oct 2010 - Sept 2011

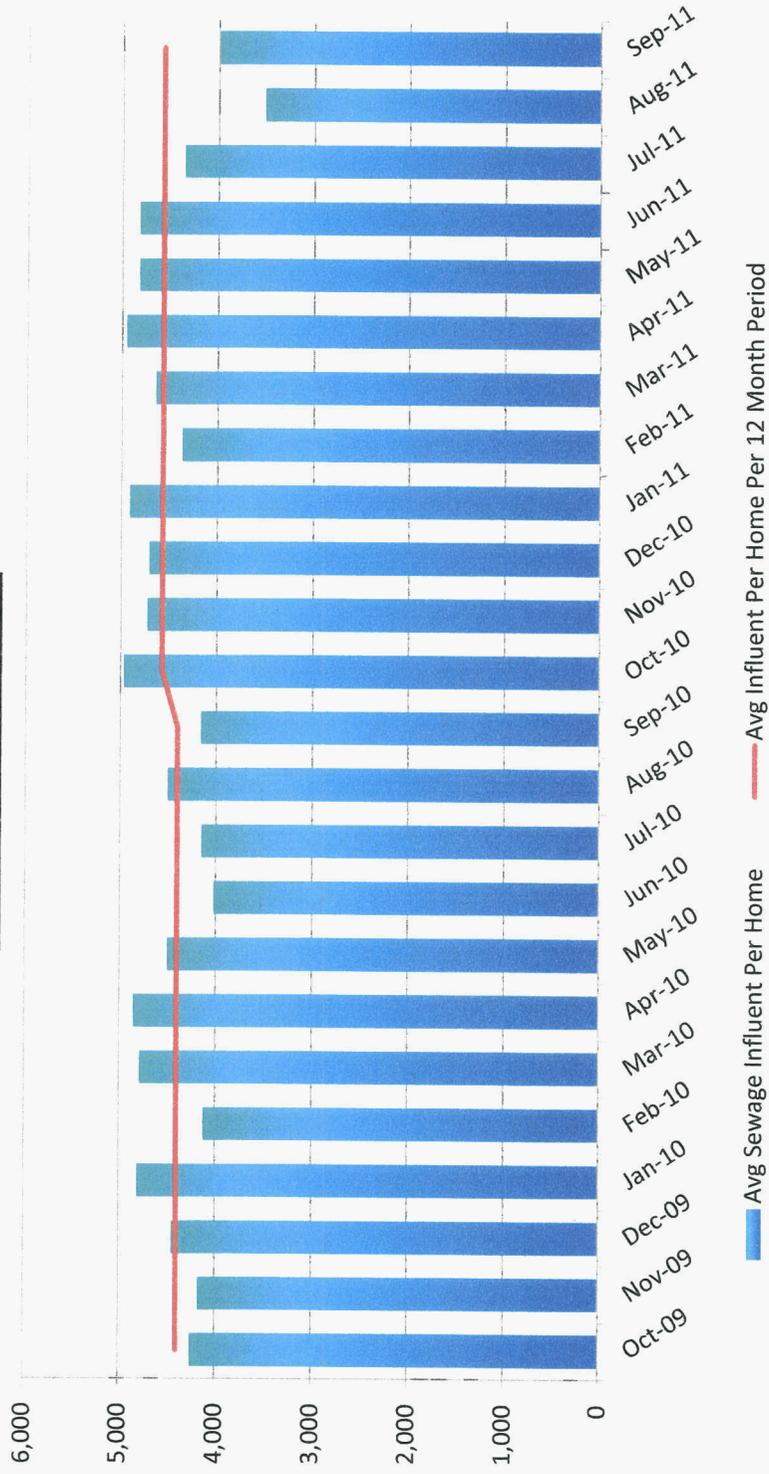
Russell Ranch Wastewater Treatment Facility

Single Resident Influent

2010 Monthly Avg = 4401 gals

2011 Monthly Avg = 4566 gals

Based on 211 Residences



24 Month Period

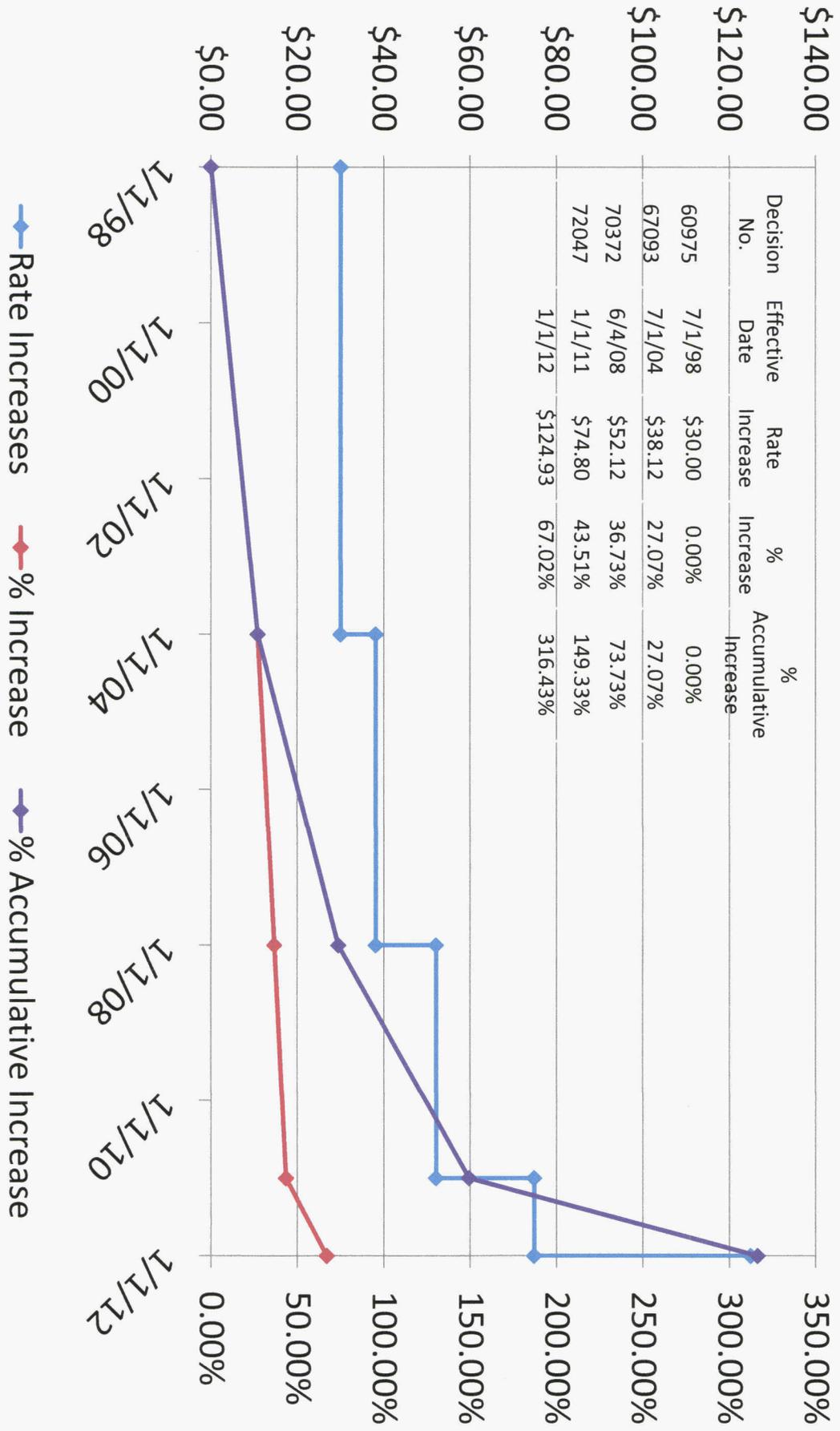
Oct 2009 - Sept 2010

Oct 2010 - Sept 2011

Agua Fria Wastewater District Effective Rate Increases 7/1/1998 thru Projected Deconsolidation



Decision No.	Effective Date	Rate Increase	% Increase	% Accumulative Increase
60975	7/1/98	\$30.00	0.00%	0.00%
67093	7/1/04	\$38.12	27.07%	27.07%
70372	6/4/08	\$52.12	36.73%	73.73%
72047	1/1/11	\$74.80	43.51%	149.33%
	1/1/12	\$124.93	67.02%	316.43%



ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

2011 AUG 18 A 10:47

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

REVISED

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY, AN ARIZONA
CORPORATION, FOR A
DETERMINATION OF THE CURRENT
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED
THEREON FOR UTILITY SERVICE BY ITS
ANTHEM WATER DISTRICT AND ITS
SUN CITY WATER DISTRICT, AND
POSSIBLE RATE CONSOLIDATION FOR
ALL OF ARIZONA-AMERICAN WATER
COMPANY'S DISTRICTS.

Docket No. W-01303A-09-0343

Arizona Corporation Commission
DOCKETED

AUG 18 2011

DOCKETED BY 

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY, AN ARIZONA
CORPORATION, FOR A
DETERMINATION OF THE CURRENT
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED
THEREON FOR UTILITY SERVICE BY ITS
ANTHEM/AGUA FRIA WASTEWATER
DISTRICT AND ITS SUN CITY WEST
WASTEWATER DISTRICT, AND
POSSIBLE RATE CONSOLIDATION FOR
ALL OF ARIZONA-AMERICAN WATER
COMPANY'S DISTRICTS.

Docket No. SW-01303A-09-0343

PRESENTED TESTIMONY IN
SUPPORT OF THE RUSSELL RANCH
HOMEOWNERS' ASSOCIATION,
INC.'S MOTION TO INTERVENE

DIRECT TESTIMONY
OF
DANIEL O'CONNOR
ON BEHALF OF THE
RUSSELL RANCH HOMEOWNER'S ASSOCIATION, INC.
AUGUST 16, 2011

EXHIBIT
RR-6
7/27/11

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, ADDRESS, AND TELEPHONE NUMBER.**

3 A. Daniel A. O'Connor, 5606 North 180th Lane., Litchfield Park, AZ 85340, 623-
4 297-0263

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

6 A. No.

7 **Q. ARE YOU A HOMEOWNER IN RUSSELL RANCH?**

8 A. Yes.

9 **Q. ARE YOU A BOARD MEMBER OF THE RUSSELL RANCH HOA?**

10 A. No.

11 **Q. WERE YOU AWARE THAT RUSSELL RANCH WAS LOCATED IN THE
12 AGUA FRIA WASTEWATER DISTRICT?**

13 A. No, I was not and all Russell Ranch homeowner that I had spoken too, with the
14 exception of the gentleman who alerted me to the issue were also unaware that this
15 issue affected them.

16 **II. SCOPE AND PURPOSE OF TESTIMONY**

17 **Q. WHAT IS YOUR INVOLVEMENT WITH RUSSELL RANCH?**

18 A. I was one of the managing partners of the real estate development company that
19 developed Russell Ranch. My partner, John R. Luke, were the managers of
20 Russell Ranch, LLC, the developer of Russell Ranch. Russell Ranch, LLC
21 purchased the land for Russell Ranch Phases 1 – 5. Russell Ranch, LLC hired the
22 project design engineers, obtained the zoning and entitlements from Maricopa
23 County, supervised the improvements and sold the developed lots for custom
24 home construction.

25

1 Russell Ranch, LLC was also responsible for constructing the Russell Ranch
2 Wastewater Treatment Facility. Russell Ranch, LLC obtained the approvals from
3 Maricopa County, hired the contractor, while interfacing with Citizens Utility, the
4 predecessor of Arizona-American Water Company. Russell Ranch, LLC turned
5 over the facility to them upon completion.

6 **Q. WHY DID YOU CONSTRUCT THE WASTEWATER TREATMENT**
7 **FACILITY FOR RUSSELL RANCH?**

8 A. At the time we began development of Russell Ranch, there were no wastewater
9 treatment facilities or sewer line service in that area of the valley. All housing
10 located north of Interstate 10 to the Town of Surprise, and between the White Tank
11 Mountains and Highway 303 were on septic tanks. To meet the needs of Russell
12 Ranch, Maricopa County required us to erect a self-contained wastewater
13 treatment facility sized to service approximately 492 homes. The facility is state
14 of the art, purifying the facility's effluent for ground water recharge. In fact, I
15 understand that Arizona-American receives water credits for the quality of its
16 effluent discharge.

17 **Q. HOW MANY LOTS COMPOSE RUSSELL RANCH AND HOW MANY**
18 **HOMES ARE ERRECTED?**

19 A. Russell Ranch was originally planned for five Phases, currently only Phases 1, 2
20 & 3 have been developed at this time. The table below illustrates the breakdown
21 of the number of lots per Phase and the total number of houses erected in each
22 Phase.

	<u>PHASE NUMBER</u>	<u>LOT NUMBER</u>	<u>HOMES ERRECTED</u>
23			
24	1	104	101
25	2	103	87

1	3	114	23
2	<u>TOTAL</u>	321	211

3 Additionally, Phases 4 and 5 would have contained 80 and 25 lots, respectively. ,

4 ~~BEEN~~ The total number of homes planned for all five phases of Russell Ranch ^{WOULD HAVE} ~~AS NOW~~
5 ~~BEEN~~ 426 homes which would ^{HAVE BEEN} ~~be~~ approximately 86.6% of ^{its} ~~its~~ designed capacity.

6 **Q. WHAT WAS THE PLAN FOR RUSSELL RANCH VI, LLC, IF IT WAS ^{THE WASTEWATER TREATMENT} ~~AS~~ ^{FACILITY'S}**
7 **NOT TO BE TIED INTO THE RUSSELL RANCH WASTEWATER**
8 **TREATMENT FACILITY?**

9 A. During the planning stages of Russell Ranch VI, LLC development of new
10 subdivisions west of Russell Ranch, up to Jackrabbit Road, warranted a need for a
11 larger scale sewer service. Maricopa County required the installation of a 12 inch
12 sewer line which ran along Camelback Road from Jackrabbit Road to the Liberty
13 Water sewage treatment facility, located at the corner of 135th Avenue &
14 McDowell Road. Maricopa County required Russell Ranch VI, LLC to be tied
15 into that sewer line and receive wastewater service from Liberty Water.

16 **Q. IF THAT WAS ARIZONA-AMERICAN'S SERVICE AREA, WHY DIDN'T**
17 **THEY PROVIDE THE SEWAGE NEEDS FOR THE NEW HOUSING**
18 **GROWTH?**

19 A. I don't know.

20 **Q. HOW DID ARIZONA-AMERICAN ACQUIRE THE RUSSELL RANCH**
21 **WASTEWATER TREATMENT FACILITY?**

22 A. As previously indicated, the development of Russell Ranch required the erection
23 of the wastewater treatment facility. Since Citizens Utility, predecessor to
24 Arizona-American, had the rights to that service area, Maricopa County required
25 Russell Ranch, LLC to turn the facility and operational control over to them. So,

1 in the year 2002, upon completion of the facility, Russell Ranch, LLC turned the
2 wastewater treatment facility over as a turnkey operation to Citizens Utility for the
3 purpose of operating the facility.

4 **Q. WHO PAID FOR THE WASTEWATER TREATMENT FACILITY?**

5 A. Russell Ranch, LLC paid approximately \$1,267,630. to construct the wastewater
6 facility for Russell Ranch. In addition, Russell Ranch, LLC included an area
7 equivalent to approximately three 1-acre lots for the placement of the facility and
8 percolation fields. Russell Ranch, LLC has sold some of the acre lots in the
9 development for over \$300,000. The value of the land included with the
10 wastewater treatment facility IS NOT included in the \$1,267,630 referenced
11 above.

12 **Q. HAVE YOU RECEIVED ANY RE-IMBURSEMENT FOR YOUR**
13 **EXPENDITURES OF THE WASTEWATER TREATMENT FACILITY?**

14 A. Yes. Per the terms of the LXA agreement with Citizen's Utilities Russell Ranch,
15 LLC receives a "one-time refund of \$375.00 per lot for each lot initiating
16 wastewater service". However, ^{ALSO} also included in the LXA agreement ~~is the~~ ^{DELETED}
17 ~~notification from the Utility Company that, "Developer is hereby notified that~~
18 ~~Utility intends to apply to the Commission for a Wastewater Service Hook-Up Fee~~
19 ~~in the amount of \$750.00 per lot to defer its cost of constructing WWTP facilities"~~

20 Russell Ranch, LLC receives partial re-imbursement from the Russell Ranch
21 residents in the form of a Sewer Development Fee. Per Section 5.8 of the Russell
22 Ranch Covenants, Conditions and Restrictions (CC&Rs), a \$2750.00 Sewer
23 Development Fee is assessed each lot at the time the residential construction
24 permits are drawn. This fee paid to Russell Ranch, LLC to partially offset the cost

25 *THE DEVELOPER WAS ALSO REQUIRED BY THE UTILITY
COMPANY TO PAY AN ADDITIONAL WASTEWATER
HOOK-UP FEE OF \$750.00 PER LOT TO DEFER THE
UTILITY'S COST OF EXPANDING THE WASTEWATER
FACILITY.*

INSERT

1 of the wastewater treatment facility and the costs for constructing the sewer lines
2 within the community.

3 **Q. SINCE THE WASTEWATER TREATMENT FACILITY WAS GIVEN TO**
4 **ARIZONA-AMERICAN AS A NO COST TURNKEY FACILITY, WAS**
5 **THERE ANY CONSIDERATION GIVEN TO HOLDING DOWN THE**
6 **SEWAGE SERVICE COSTS FOR THE RESIDENTS OF RUSSELL**
7 **RANCH?**

8 **A.** Yes, the representatives of Citizens Utility implied, at the time we turned over the
9 facility, that the sewage treatment cost per household should not exceed \$30.00
10 per month. However, the current sewer service fee for each household is \$75.00
11 per month.

12 **III. CLOSING**

13 **Q. IS THERE ANYTHING YOU WOULD LIKE TO ADD?**

14 **A.** The "Agua Fria Wastewater CC&N Areas" are delineated in Green within ~~the~~
15 ~~attached Exhibit SLM-1~~ ^{RR-3}. It seems inappropriate that Russell Ranch would be
16 included in this service area being its location, size and the fact that the sewage
17 treatment infrastructure was provided and paid for by the developer and residents
18 of Russell Ranch, with no capital expenses accrued by Arizona-American. The
19 facility is practically self sufficient and does not warrant the elevated sewer
20 service fee currently imposed on the residents of Russell Ranch, not to mention the
21 exorbitant 139.7% rate increase that Arizona-American would like to impose.

22
23 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

24 **A.** Yes.
25



BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman

BOB STUMP
Commissioner

SANDRA D. KENNEDY
Commissioner

PAUL NEWMAN
Commissioner

BRENDA BURNS
Commissioner

IN THE MATTER OF THE COMPLIANCE)
APPLICATION OF ARIZONA-AMERICAN)
WATER COMPANY TO SUPPORT)
CONSIDERATION OF STAND-ALONE)
REVENUE REQUIREMENTS AND RATE)
DESIGNS FOR THE ANTHEM/AGUA FRIA)
WASTEWATER DISTRICT)

DOCKET NO. SW-01303A-09-0343

DIRECT

TESTIMONY

OF

GERALD W. BECKER

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

AUGUST 16, 2011

TABLE OF CONTENTS

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INTRODUCTION	1
GENERAL INFORMATION	2
STAFF ANALYSIS	3
OTHER WHOLESALE UTILITIES	4
RATE DESIGN	6
RECOMMENDATIONS	7

SCHEDULES

Staff's Rates as Compared to Test Year Rates

Anthem Wastewater Rate Design	GWB-1
Anthem Wastewater Typical Bill Analysis	GWB-2
Agua Fria Wastewater Rate Design	GWB-3
Agua Fria Wastewater Typical Bill Analysis	GWB-4

Staff's Rates as Compared to Currently-Authorized Rates

Anthem Wastewater Rate Design	GWB-5
Anthem Wastewater Typical Bill Analysis	GWB-6
Agua Fria Wastewater Rate Design	GWB-7
Agua Fria Wastewater Typical Bill Analysis	GWB-8

EXECUTIVE SUMMARY
ARIZONA-AMERICAN WATER COMPANY, INC.
DOCKET NO. SW-01303A-09-0343

Arizona-American Water Company, Inc. ("AAW" or "Company") is an Arizona public service corporation and a Class "A" water and wastewater utility. AAW provides water and wastewater utility services in 17 communities located in Maricopa, Mohave, and Santa Cruz Counties in the State of Arizona. These communities include the Anthem/Agua Fria Wastewater district.

AAW filed a compliance application with the Arizona Corporation Commission ("Commission") on April 1, 2011, to comply with the requirements of Decision No. 72047. Decision No. 72047 requires AAW to file no later than April 1, 2011, an application to set forth the revenue requirements and rate designs for an Anthem Wastewater District ("Anthem") and an Agua Fria Wastewater District ("Agua Fria"), each on a stand-alone basis. The Company's application states that Decision No. 72047 authorized an overall rate increase of 53.98 percent on a combined basis over the previous rates and the stand-alone rate increases for Anthem and Agua Fria would have been 15.5 percent and 139.7 percent, respectively.

Staff has reviewed the filing and agrees with the total amount of the Company's restated increase for each district on an overall basis. However, Staff disagrees with the Company's rate design calculation of the rates for Anthem. Staff disagrees with Anthem's rate design due to differences in the treatment of activity related to the City of Phoenix.

Staff further recommends that the deconsolidation issue also be evaluated with information relative to the non-deconsolidated rates approved in Decision No. 72047, in addition to being evaluated against the test year rates, as the Company proposes in its application. On this second basis, a typical Anthem 5/8 x 3/4-inch meter residential customer with a median usage of 7,000 gallons would experience a \$14.29, or a 19.11 percent decrease from \$74.80 to \$60.51, under the Company's proposed methodology and an \$18.55, or a 24.80 percent decrease from \$74.80 to \$56.25, under Staff's recommended rates. Also on this second basis, the typical Agua Fria 5/8 x 3/4-inch meter residential customer with a median usage of 7,000 gallons would experience a \$47.11, or a 62.98 percent increase from \$74.80 to \$121.91, under both the Company's proposed methodology and under Staff's recommended rates.

Staff recommends that any approval granted in this proceeding be subject to certain conditions as follows:

1. That the billing activity remain unchanged for the activity with the City of Phoenix.
2. That any adjustments to rates be shared proportionately by all customers, except for the newly-created group of effluent customers.
3. That the rate for the effluent group remain unchanged.

1 **INTRODUCTION**

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

3 A. My name is Gerald Becker. I am a Public Utilities Analyst V employed by the Arizona
4 Corporation Commission (“Commission”) in the Utilities Division (“Staff”). My business
5 address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Briefly describe your responsibilities as a Public Utilities Analyst V.**

8 A. I am responsible for the examination and verification of financial and statistical
9 information included in utility rate applications. In addition, I develop revenue
10 requirements, and prepare written reports, testimonies, and schedules that include Staff
11 recommendations to the Commission. I am also responsible for testifying at formal
12 hearings on these matters.

13
14 **Q. Please describe your educational background and professional experience.**

15 A. I received a Masters of Business Administration with an emphasis in Accounting from
16 Pace University. I am a Certified Public Accountant and a Certified Internal Auditor.

17
18 I have participated in multiple rate, financing and other regulatory proceedings. I attended
19 the National Association of Regulatory Utility Commissioners Utilities Rate School.

20
21 I began employment with the Commission as a utilities regulatory analyst in April 2006.
22 Prior to joining the Commission, I worked as an Auditor at the Department of Economic
23 Security and Department of Revenue in the Taxpayer Assistance Section. Prior to those
24 jobs, I worked for 15 years as an Auditor, Analyst, Financial Analyst, and Budget
25 Manager at United Illuminating, an investor-owned electric company in New Haven, CT.
26

1 **Q. What is the scope of your testimony in this case?**

2 A. The purpose of my testimony in this proceeding is to present Staff's position and
3 recommendations regarding the application of Arizona-American Water Company, Inc.
4 ("AAW" or "Company"). My testimony addresses the technical accuracy of the
5 application along with other concerns.

6
7 **Q. What is the basis of your recommendations?**

8 A. I performed a financial analysis of the application and the Company's responses to various
9 inquiries and data requests. Staff's recommendations are made to ensure that the
10 Company's rate payers are relatively unharmed by the potential deconsolidation.

11
12 **GENERAL INFORMATION**

13 **Q. Please briefly describe AAW.**

14 A. AAW is an Arizona public service corporation and a Class "A" water and wastewater
15 utility. AAW provides water and wastewater utility services in 17 communities located in
16 Maricopa, Mohave, and Santa Cruz Counties in the State of Arizona. At the present time,
17 AAW provides water services to approximately 106,600 customers and wastewater
18 services to approximately 51,700 customers, of which the vast majority are residential
19 customers.

20
21 **Q. Please describe the compliance application that is the subject of this filing.**

22 A. The purpose of the application is to meet a compliance requirement in Decision No. 72047
23 which required AAW to file documentation supporting consideration of stand-alone rates
24 for its Anthem Wastewater District "(Anthem)" and Agua Fria Wastewater District
25 ("Agua Fria"). In its application, AAW segregates the components of its revenue
26 requirement of the existing combined districts. From the resulting revenue requirement

1 for each system, AAW then proposes a rate design that supports each respective revenue
2 requirement. AAW also states that it has not changed the rate it charges for effluent, since
3 this rate was newly established by Decision No. 72047. AAW also proposes to treat its
4 activity with the City of Phoenix differently from the treatment in the earlier phases of this
5 proceeding.

6
7 **STAFF ANALYSIS**

8 **Q. Has Staff reviewed the application?**

9 A. Yes.

10
11 **Q. Does Staff have any comments regarding the application?**

12 A. Yes. Staff has reviewed the application and notes that, appropriately, AAW has not
13 changed the aggregate rate base or revenue requirement that were approved in Decision
14 No. 72047. Staff's comments relate to AAW's proposed treatment of its effluent customer
15 group and its Other Wholesale Utilities ("OWU")¹ which relates to services provided for
16 the City of Phoenix by its Anthem District. Staff disagrees with AAW's proposal to keep
17 the effluent rate unchanged as well as the Company's proposed volumetric adjustment for
18 the activity with the City of Phoenix.

19
20 Staff further recommends that the application also be evaluated considering the rates
21 approved in Decision No. 72047 in this docket. Staff notes that the Company's filing
22 compared the deconsolidated rates with the test year rates that existed prior to the issuance
23 of Decision No. 72047. Staff finds this basis of comparison to be valid, but also offers a

¹ "OWU" is a rate class which is also described as "Other Water Users", as used by the Company in this application. However, discussion with Company personnel indicates that although the terms "Other Water Users" and "Other Wholesale Utilities" are somewhat interchangeable, the more correct and commonly used description is "Other Wholesale Utilities".

1 comparison of the deconsolidated rates with those approved in Decision No. 72047 during
2 the initial phase of this proceeding.

3
4 **OTHER WHOLESALE UTILITIES**

5 **Q. Please describe the treatment of the OWU activity in earlier phases of this**
6 **proceeding and any changes proposed by the Company.**

7 A. AAW is party to a contract known as the Phoenix Interconnect Agreement, which governs
8 the provision of water and wastewater services to an area of Phoenix west of Interstate 17.
9 Presently, billing for both water and wastewater services are based on the amounts of
10 water delivered. According to the application, the City of Phoenix recently informed the
11 Company that it prefers that its wastewater billings be based on the actual wastewater
12 flows at the wastewater 'flume' rather than on the basis of water deliveries. AAW
13 estimates that wastewater flows are approximately 30 percent of existing water deliveries,
14 which in the test year, were 231,722 thousand gallons ("k gals"). For this phase of the
15 proceeding, AAW has adjusted its billing data to reduce the test year activity by 70
16 percent from 231,722 k gals to 69,517 k gals. Also, in an apparent attempt to mitigate the
17 revenue loss, AAW does not reduce the OWU billing rate of \$5.576 per k gals that was
18 approved in Decision No. 72047 in proportion to the rate adjustments proposed for the
19 other customers in this district (except for the effluent customers as discussed above).

20
21 **Q. Does Staff agree with the proposed treatment of OWU customers?**

22 A. No. Staff disagrees with both the volumetric adjustments being made to the Company's
23 billing data as well as the Company's proposal to keep the OWU rate unchanged.
24 Decision No. 72047 ordered that this docket remain open for the limited purpose of
25 exploring stand-alone rates for the two areas of the existing district. Making changes to
26 billing data during this phase is not appropriate. Further, the rates approved in Decision

1 No. 72047 indicate that the volumetric rates for the OWU customers are \$3.17 per k gals
2 for all gallons and the rate for most other customers is \$3.48 per k gals that the OWU rate
3 is approximately 91.1 percent of the volumetric rate applied to certain gallons used by
4 customers in other rates. In this application, however, the Company fails to reduce the
5 rate for its OWU rate consistent with the proposed adjustments to the volumetric rates for
6 most other customers.

7
8 **Q. Has Staff reviewed the Phoenix Interconnect Agreement?**

9 A. Staff has performed a partial review of the agreement to determine the intended basis of
10 wastewater billings. Staff's review indicates that the original intention of the agreement
11 was that wastewater billings would be based on water deliveries rather than wastewater
12 flows. However, Staff provides this for informational purposes only, since the
13 Commission does not approve third party contracts.

14
15 **Q. What is Staff's recommendation?**

16 A. Staff recommends that the City of Phoenix billing activity remain unchanged and continue
17 to reflect the test year results. Further, any adjustment to billing rates afforded to other
18 customers should be shared proportionately with all customers except for the newly-
19 created effluent group. The rate for the effluent group should remain unchanged.

20

1 **RATE DESIGN**

2 **Q. Did Staff develop a rate design to incorporate the above?**

3 A. Yes. Staff has designed rates to reflect test year activity and does not adjust the rates for
4 the effluent group. The attached Schedules GWB-1 through GWB-4 reflect Staff's
5 recommended deconsolidated rates as compared with the test year rates, consistent with
6 the Company's basis of comparison. Schedules GWB-5 through GWB-8 reflect Staff's
7 recommended deconsolidated rates as compared with the currently-authorized non-
8 deconsolidated rates as approved in Decision No. 72047.

9
10 **Q. Please provide an overview of Staff's recommended rate design for Anthem.**

11 A. Staff has altered the Company's proposed rates to incorporate the unchanged billing
12 process for the City of Phoenix. Staff's recommended rates are presented in Schedules
13 GWB-1 and GWB-5.

14
15 **Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in
16 Anthem?**

17 A. As compared with test year rates, the typical 5/8 x 3/4-inch meter residential customer
18 with a median usage of 7,000 gallons would experience an \$8.39, or a 16.10 percent
19 increase from \$52.12 to \$60.51, under the Company's proposed rates and a \$4.13, or a
20 7.92 percent increase from \$52.12 to \$56.25, under Staff's recommended rates. A typical
21 bill analysis for this scenario is provided in Schedule GWB-2.

22
23 As compared with the non-deconsolidated rates approved in Decision No. 72047, the
24 typical 5/8 x 3/4-inch meter residential customer with a median usage of 7,000 gallons
25 would experience a \$14.29, or a 19.11 percent decrease from \$74.80 to \$60.51, under the
26 Company's proposed rates and an \$18.55, or a 24.80 percent decrease from \$74.80 to

1 \$56.25, under Staff's recommended rates. A typical bill analysis for this scenario is
2 provided in Schedule GWB-6.

3
4 **Q. Please provide an overview of Staff's recommended rate design for Agua Fria.**

5 A. Staff agrees with the Company's rates design, therefore, there are no changes to the
6 information underlying Company's proposed rates. Staff's recommended rates are
7 presented in Schedules GWB-3 and GWB-7.

8
9 **Q. What is the rate impact on a typical 5/8 x 3/4-inch meter residential customer in
10 Agua Fria?**

11 A. As compared with test year rates, the typical 5/8 x 3/4-inch meter residential customer
12 with a median usage of 7,000 gallons would experience a \$69.79, or a 133.90 percent
13 increase from \$52.12 to \$121.91, under both the Company's proposed rates and Staff's
14 recommended rates. A typical bill analysis for this scenario is provided in Schedule
15 GWB-4.

16
17 As compared with the non-deconsolidated rates approved in Decision No. 72047, the
18 typical 5/8 x 3/4-inch meter residential customer with a median usage of 7,000 gallons
19 would experience a \$47.11, or a 62.98 percent increase from \$74.80 to \$121.91, under
20 both the Company's proposed rates and under Staff's recommended rates. A typical bill
21 analysis for this scenario is provided in Schedule GWB-8.

22
23 **RECOMMENDATIONS**

24 **Q. What are Staff's recommendations?**

25 A. Staff recommends that any approval granted in this proceeding be subject to certain
26 conditions as follows:

- 1 1. That the billing activity remain unchanged for the activity with the City of
2 Phoenix.
3
4 2. That any adjustments to rates be shared proportionately by all customers, except
5 for the newly-created group of effluent customers.
6
7 3. That the rate for the effluent group remain unchanged.

8
9 **Q. Does this conclude your Direct Testimony?**
10 **A. Yes, it does.**

Arizona American Water Company -
 Anthem Wastewater
 Docket No. SW-01303A-09-0343
 Test Year Ended December 31, 2008

Rate Design

Schedule GWB-1

Monthly Usage Charge	Rate Schedule	Test Year	Company Proposed Rates	Staff Recommended Rates
Anthem Residential	E1MS1	\$ 27.76	\$ 30.48	\$ 30.00
Anthem Commercial 5/8"	E2MS1	27.76	30.48	30.00
Anthem Commercial 3/4"	E2MS2	41.64	45.72	45.00
Anthem Commercial 1"	E2MS3	55.58	61.02	60.06
Anthem Commercial LG	E2MS4	111.12	122.00	120.09
Anthem Wholesale Phoenix	E5M2	-	-	-
Commodity Charge				
Anthem Wastewater Residential	E1MS1			
First 7,000 gallons		\$ 3.4800	\$ 4.2900	\$ 3.7500
Over 7,000 gallons		-	-	-
Anthem Wastewater Commercial 5/8"	E2MS1			
First 10,000 gallons		3.4800	4.2900	3.7500
Over 10,000 gallons		-	-	-
Anthem Wastewater Commercial 3/4"	E2MS2			
First 15,000 gallons		3.4800	4.2900	3.7500
Over 15,000 gallons		-	-	-
Anthem Wastewater Commercial 1"	E2MS3			
First 20,000 gallons		3.4800	4.2900	3.7500
Over 20,000 gallons		-	-	-
Anthem Wastewater Commercial LG	E2MS4			
All Usage		3.4800	4.2900	3.7500
Anthem Wholesale Phoenix	E5M2			
All Usage		3.4800	5.5760	3.4200
All gallons (Per Acre-foot)		250.00	250.00	250.00
All gallons (Per 1,000 gallons)		0.7700	0.7700	0.7700

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Test Year Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,814	\$ 47.99	\$ 55.42	\$ 7.43	15.48%
Median Usage	7,000	52.12	60.51	\$ 8.39	16.10%
Staff Recommended					
Average Usage	5,814	\$ 47.99	\$ 51.80	\$ 3.81	7.94%
Median Usage	7,000	52.12	56.25	\$ 4.13	7.92%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Test Year Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 27.76	\$ 30.48	9.80%	\$ 30.00	8.07%
1,000	31.24	34.77	11.30%	33.75	8.03%
2,000	34.72	39.06	12.50%	37.50	8.01%
3,000	38.20	43.35	13.48%	41.25	7.98%
4,000	41.68	47.64	14.30%	45.00	7.97%
5,000	45.16	51.93	14.99%	48.75	7.95%
6,000	48.64	56.22	15.58%	52.50	7.94%
7,000	52.12	60.51	16.10%	56.25	7.92%
8,000	52.12	60.51	16.10%	56.25	7.92%
9,000	52.12	60.51	16.10%	56.25	7.92%
10,000	52.12	60.51	16.10%	56.25	7.92%
11,000	52.12	60.51	16.10%	56.25	7.92%
12,000	52.12	60.51	16.10%	56.25	7.92%
13,000	52.12	60.51	16.10%	56.25	7.92%
14,000	52.12	60.51	16.10%	56.25	7.92%
15,000	52.12	60.51	16.10%	56.25	7.92%
16,000	52.12	60.51	16.10%	56.25	7.92%
17,000	52.12	60.51	16.10%	56.25	7.92%
18,000	52.12	60.51	16.10%	56.25	7.92%
19,000	52.12	60.51	16.10%	56.25	7.92%
20,000	52.12	60.51	16.10%	56.25	7.92%
25,000	52.12	60.51	16.10%	56.25	7.92%
30,000	52.12	60.51	16.10%	56.25	7.92%
35,000	52.12	60.51	16.10%	56.25	7.92%
40,000	52.12	60.51	16.10%	56.25	7.92%
45,000	52.12	60.51	16.10%	56.25	7.92%
50,000	52.12	60.51	16.10%	56.25	7.92%
75,000	52.12	60.51	16.10%	56.25	7.92%
100,000	52.12	60.51	16.10%	56.25	7.92%

Monthly Usage Charge	Rate Schedule	Test Year	Company Proposed Rates	Staff Recommended Rates
Anthem Residential	E1MS1	\$ 27.76	\$ 66.12	\$ 66.12
Anthem Commercial 5/8"	E2MS1	27.76	66.12	\$ 66.12
Anthem Commercial 3/4"	E2MS2	41.64	99.18	\$ 99.18
Anthem Commercial 1"	E2MS3	55.58	132.39	\$ 132.39
Anthem Commercial LG	E2MS4	111.12	264.68	\$ 264.68
DMB @ Verrado Golf	C8M2A	-	-	-
Commodity Charge				
Anthem Wastewater Residential	E1MS1			
First 7,000 gallons		\$ 3.4800	\$ 7.9700	\$ 7.9700
Over 7,000 gallons		-	-	-
Anthem Wastewater Commercial 5/8"	E2MS1			
First 10,000 gallons		3.4800	7.9700	7.9700
Over 10,000 gallons		-	-	-
Anthem Wastewater Commercial 3/4"	E2MS2			
First 15,000 gallons		3.4800	7.9700	7.9700
Over 15,000 gallons		-	-	-
Anthem Wastewater Commercial 1"	E2MS3			
First 20,000 gallons		3.4800	7.9700	7.9700
Over 20,000 gallons		-	-	-
Anthem Wastewater Commercial LG	E2MS4			
All Usage		3.4800	7.9700	7.9700
DMB @ Verrado Golf	C8M2A			
All Usage		0.7700	0.7700	0.7700

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Test Year Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,297	\$ 46.19	\$ 108.34	\$ 62.14	134.53%
Median Usage	7,000	52.12	121.91	\$ 69.79	133.90%
Staff Recommended					
Average Usage	5,297	\$ 46.19	\$ 108.34	\$ 62.14	134.53%
Median Usage	7,000	52.12	121.91	\$ 69.79	133.90%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Test Year Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 27.76	\$ 66.12	138.18%	\$ 66.12	138.18%
1,000	31.24	74.09	137.16%	74.09	137.16%
2,000	34.72	82.06	136.35%	82.06	136.35%
3,000	38.20	90.03	135.68%	90.03	135.68%
4,000	41.68	98.00	135.12%	98.00	135.12%
5,000	45.16	105.97	134.65%	105.97	134.65%
6,000	48.64	113.94	134.25%	113.94	134.25%
7,000	52.12	121.91	133.90%	121.91	133.90%
8,000	52.12	121.91	133.90%	121.91	133.90%
9,000	52.12	121.91	133.90%	121.91	133.90%
10,000	52.12	121.91	133.90%	121.91	133.90%
11,000	52.12	121.91	133.90%	121.91	133.90%
12,000	52.12	121.91	133.90%	121.91	133.90%
13,000	52.12	121.91	133.90%	121.91	133.90%
14,000	52.12	121.91	133.90%	121.91	133.90%
15,000	52.12	121.91	133.90%	121.91	133.90%
16,000	52.12	121.91	133.90%	121.91	133.90%
17,000	52.12	121.91	133.90%	121.91	133.90%
18,000	52.12	121.91	133.90%	121.91	133.90%
19,000	52.12	121.91	133.90%	121.91	133.90%
20,000	52.12	121.91	133.90%	121.91	133.90%
25,000	52.12	121.91	133.90%	121.91	133.90%
30,000	52.12	121.91	133.90%	121.91	133.90%
35,000	52.12	121.91	133.90%	121.91	133.90%
40,000	52.12	121.91	133.90%	121.91	133.90%
45,000	52.12	121.91	133.90%	121.91	133.90%
50,000	52.12	121.91	133.90%	121.91	133.90%
75,000	52.12	121.91	133.90%	121.91	133.90%
100,000	52.12	121.91	133.90%	121.91	133.90%

Monthly Usage Charge	Rate Schedule	Currently Authorized Rates	Company Proposed Rates	Staff Recommended Rates
Anthem Residential	E1MS1	\$ 39.84	\$ 30.48	\$ 30.00
Anthem Commercial 5/8"	E2MS1	39.84	30.48	30.00
Anthem Commercial 3/4"	E2MS2	66.72	45.72	45.00
Anthem Commercial 1"	E2MS3	89.06	61.02	60.06
Anthem Commercial LG	E2MS4	178.05	122.00	120.09
Anthem Wholesale Phoenix	E5M2	-	-	-
Commodity Charge				
Anthem Wastewater Residential	E1MS1			
First 7,000 gallons		\$ 4.9948	\$ 4.2900	\$ 3.7500
Over 7,000 gallons		-	-	-
Anthem Wastewater Commercial 5/8"	E2MS1			
First 10,000 gallons		3.4800	4.2900	3.7500
Over 10,000 gallons		-	-	-
Anthem Wastewater Commercial 3/4"	E2MS2			
First 15,000 gallons		3.4800	4.2900	3.7500
Over 15,000 gallons		-	-	-
Anthem Wastewater Commercial 1"	E2MS3			
First 20,000 gallons		3.4800	4.2900	3.7500
Over 20,000 gallons		-	-	-
Anthem Wastewater Commercial LG	E2MS4			
All Usage		3.4800	4.2900	3.7500
Anthem Wholesale Phoenix	E5M2			
All Usage		3.4800	5.5760	3.4200
All gallons (Per Acre-foot)		250.00	250.00	250.00
All gallons (Per 1,000 gallons)		0.7700	0.7700	0.7700

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Currently Authorized Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,814	\$ 68.88	\$ 55.42	\$ (13.46)	-19.54%
Median Usage	7,000	74.80	60.51	\$ (14.29)	-19.11%
Staff Recommended					
Average Usage	5,814	\$ 68.88	\$ 51.80	\$ (17.08)	-24.79%
Median Usage	7,000	74.80	56.25	\$ (18.55)	-24.80%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Currently Authorized Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 39.84	\$ 30.48	-23.49%	\$ 30.00	-24.70%
1,000	44.83	34.77	-22.45%	33.75	-24.72%
2,000	49.83	39.06	-21.61%	37.50	-24.74%
3,000	54.82	43.35	-20.93%	41.25	-24.76%
4,000	59.82	47.64	-20.36%	45.00	-24.77%
5,000	64.81	51.93	-19.88%	48.75	-24.78%
6,000	69.81	56.22	-19.46%	52.50	-24.79%
7,000	74.80	60.51	-19.11%	56.25	-24.80%
8,000	74.80	60.51	-19.11%	56.25	-24.80%
9,000	74.80	60.51	-19.11%	56.25	-24.80%
10,000	74.80	60.51	-19.11%	56.25	-24.80%
11,000	74.80	60.51	-19.11%	56.25	-24.80%
12,000	74.80	60.51	-19.11%	56.25	-24.80%
13,000	74.80	60.51	-19.11%	56.25	-24.80%
14,000	74.80	60.51	-19.11%	56.25	-24.80%
15,000	74.80	60.51	-19.11%	56.25	-24.80%
16,000	74.80	60.51	-19.11%	56.25	-24.80%
17,000	74.80	60.51	-19.11%	56.25	-24.80%
18,000	74.80	60.51	-19.11%	56.25	-24.80%
19,000	74.80	60.51	-19.11%	56.25	-24.80%
20,000	74.80	60.51	-19.11%	56.25	-24.80%
25,000	74.80	60.51	-19.11%	56.25	-24.80%
30,000	74.80	60.51	-19.11%	56.25	-24.80%
35,000	74.80	60.51	-19.11%	56.25	-24.80%
40,000	74.80	60.51	-19.11%	56.25	-24.80%
45,000	74.80	60.51	-19.11%	56.25	-24.80%
50,000	74.80	60.51	-19.11%	56.25	-24.80%
75,000	74.80	60.51	-19.11%	56.25	-24.80%
100,000	74.80	60.51	-19.11%	56.25	-24.80%

Monthly Usage Charge	Rate Schedule	Currently Authorized Rates	Company Proposed Rates	Staff Recommended Rates
Anthem Residential	E1MS1	\$ 39.84	\$ 66.12	\$ 66.12
Anthem Commercial 5/8"	E2MS1	39.84	66.12	\$ 66.12
Anthem Commercial 3/4"	E2MS2	66.72	99.18	\$ 99.18
Anthem Commercial 1"	E2MS3	89.06	132.39	\$ 132.39
Anthem Commercial LG	E2MS4	178.05	264.68	\$ 264.68
DMB @ Verrado Golf	C8M2A	-	-	-
Commodity Charge				
Anthem Wastewater Residential	E1MS1			
First 7,000 gallons		\$ 4.9946	\$ 7.9700	\$ 7.9700
Over 7,000 gallons		-	-	-
Anthem Wastewater Commercial 5/8"	E2MS1			
First 10,000 gallons		5.5760	7.9700	7.9700
Over 10,000 gallons		-	-	-
Anthem Wastewater Commercial 3/4"	E2MS2			
First 15,000 gallons		5.5760	7.9700	7.9700
Over 15,000 gallons		-	-	-
Anthem Wastewater Commercial 1"	E2MS3			
First 20,000 gallons		5.5760	7.9700	7.9700
Over 20,000 gallons		-	-	-
Anthem Wastewater Commercial LG	E2MS4			
All Usage		5.5760	7.9700	7.9700
DMB @ Verrado Golf	C8M2A			
All Usage		0.7700	0.7700	0.7700

Typical Bill Analysis
 General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Currently Authorized Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,297	\$ 66.30	\$ 108.34	\$ 42.04	63.41%
Median Usage	7,000	74.80	121.91	\$ 47.11	62.98%
Staff Recommended					
Average Usage	5,297	\$ 66.30	\$ 108.34	\$ 42.04	63.41%
Median Usage	7,000	74.80	121.91	\$ 47.11	62.98%

Present & Proposed Rates (Without Taxes)
 General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Currently Authorized Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 39.84	\$ 66.12	65.96%	\$ 66.12	65.96%
1,000	44.83	74.09	65.25%	74.09	65.25%
2,000	49.83	82.06	64.68%	82.06	64.68%
3,000	54.82	90.03	64.22%	90.03	64.22%
4,000	59.82	98.00	63.83%	98.00	63.83%
5,000	64.81	105.97	63.50%	105.97	63.50%
6,000	69.81	113.94	63.22%	113.94	63.22%
7,000	74.80	121.91	62.98%	121.91	62.98%
8,000	74.80	121.91	62.98%	121.91	62.98%
9,000	74.80	121.91	62.98%	121.91	62.98%
10,000	74.80	121.91	62.98%	121.91	62.98%
11,000	74.80	121.91	62.98%	121.91	62.98%
12,000	74.80	121.91	62.98%	121.91	62.98%
13,000	74.80	121.91	62.98%	121.91	62.98%
14,000	74.80	121.91	62.98%	121.91	62.98%
15,000	74.80	121.91	62.98%	121.91	62.98%
16,000	74.80	121.91	62.98%	121.91	62.98%
17,000	74.80	121.91	62.98%	121.91	62.98%
18,000	74.80	121.91	62.98%	121.91	62.98%
19,000	74.80	121.91	62.98%	121.91	62.98%
20,000	74.80	121.91	62.98%	121.91	62.98%
25,000	74.80	121.91	62.98%	121.91	62.98%
30,000	74.80	121.91	62.98%	121.91	62.98%
35,000	74.80	121.91	62.98%	121.91	62.98%
40,000	74.80	121.91	62.98%	121.91	62.98%
45,000	74.80	121.91	62.98%	121.91	62.98%
50,000	74.80	121.91	62.98%	121.91	62.98%
75,000	74.80	121.91	62.98%	121.91	62.98%
100,000	74.80	121.91	62.98%	121.91	62.98%



BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

IN THE MATTER OF THE COMPLIANCE)
APPLICATION OF ARIZONA-AMERICAN)
WATER COMPANY TO SUPPORT)
CONSIDERATION OF STAND-ALONE)
REVENUE REQUIREMENTS AND RATE)
DESIGNS FOR THE ANTHEM/AGUA FRIA)
WASTEWATER DISTRICT)
_____)

DOCKET NO. SW-01303A-09-0343

SURREBUTTAL
TESTIMONY
OF
GERALD W. BECKER
PUBLIC UTILITIES ANALYST V
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

OCTOBER 11, 2011

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1 **INTRODUCTION**

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

3 A. My name is Gerald Becker. I am a Public Utilities Analyst V employed by the Arizona
4 Corporation Commission (“Commission”) in the Utilities Division (“Staff”). My business
5 address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Are you the same Gerald Becker who previously submitted Direct Testimony in this**
8 **case?**

9 A. Yes, I am.

10
11 **PURPOSE OF SURREBUTTAL TESTIMONY**

12 **Q. What is the purpose of your Surrebuttal Testimony in this proceeding?**

13 A. The purpose of my Surrebuttal Testimony in this proceeding is to clarify my Direct
14 Testimony and to present corrected schedules on Staff’s position.

15
16 **Q. Do you attempt to address every issue raised by the Company and other parties in**
17 **their respective testimonies?**

18 A. No. I limit my discussion to the clarification of one issue as discussed. My silence on any
19 particular issue raised in the Company’s Rebuttal Testimony does not indicate that Staff
20 agrees with the Company’s stated Rebuttal position on the issue. I rely on my Direct
21 Testimony unless modified by this Surrebuttal Testimony.

22
23 **Q. What issue do you clarify?**

24 A. In my Direct Testimony, I discuss the commodity rates for the Other Wholesale Utilities /
25 City of Phoenix activity of \$3.17 per thousand gallons (“k gals”) and herein clarify that
26 the rate of \$3.17 per k gals is the rate in effect during the test year and not the rate

1 approved in Decision No. 72047. The rate approved in Decision No. 72047 is \$5.5760 per
2 k gals which is the same commodity rate charged for all other commercial customers.
3 Staff offers the corrections as shown on the attached Surrebuttal Schedules GWB-1
4 through GWB-8. There are no substantive changes to the typical bill analyses as shown
5 on Surrebuttal Schedules GWB-2, GWB-4, GWB-6, and GWB-8.

6
7 **CONCLUSION**

8 **Q. What is Staff's conclusion?**

9 A. Staff does not have any conclusion regarding the benefits or detriments that might result
10 from approval of the proposed application. However, Staff concludes that the application
11 should have certain modifications, as discussed above, and that the rate for the effluent
12 group should remain unchanged.

13
14 **Q. Does this conclude your Surrebuttal Testimony?**

15 A. Yes, it does.

Monthly Usage Charge	Rate Schedule	Test Year	Company Proposed Rates	Staff Recommended Rates
Anthem Residential	E1MS1	\$ 27.76	\$ 30.48	\$ 30.00
Anthem Commercial 5/8"	E2MS1	27.76	30.48	30.00
Anthem Commercial 3/4"	E2MS2	41.64	45.72	45.00
Anthem Commercial 1"	E2MS3	55.58	61.02	60.06
Anthem Commercial LG	E2MS4	111.12	122.00	120.09
Anthem Wholesale Phoenix	E5M2	-	-	-
Commodity Charge				
Anthem Wastewater Residential	E1MS1	\$ 3.4800	\$ 4.2900	\$ 3.7500
First 7,000 gallons		-	-	-
Over 7,000 gallons		-	-	-
Anthem Wastewater Commercial 5/8"	E2MS1	3.4800	4.2900	3.7500
First 10,000 gallons		-	-	-
Over 10,000 gallons		-	-	-
Anthem Wastewater Commercial 3/4"	E2MS2	3.4800	4.2900	3.7500
First 15,000 gallons		-	-	-
Over 15,000 gallons		-	-	-
Anthem Wastewater Commercial 1"	E2MS3	3.4800	4.2900	3.7500
First 20,000 gallons		-	-	-
Over 20,000 gallons		-	-	-
Anthem Wastewater Commercial LG	E2MS4	3.4800	4.2900	3.7500
All Usage		-	-	-
Anthem Wholesale Phoenix	E5M2	3.1700	5.5760	3.4200
All Usage		-	-	-
All gallons (Per Acre-foot)		250.00	250.00	250.00
All gallons (Per 1,000 gallons)		1.4300	0.7700	0.7700

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Test Year Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,814	\$ 47.99	\$ 55.42	\$ 7.43	15.48%
Median Usage	7,000	52.12	60.51	\$ 8.39	16.10%
Staff Recommended					
Average Usage	5,814	\$ 47.99	\$ 51.80	\$ 3.81	7.94%
Median Usage	7,000	52.12	56.25	\$ 4.13	7.92%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Test Year Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 27.76	\$ 30.48	9.80%	\$ 30.00	8.07%
1,000	31.24	34.77	11.30%	33.75	8.03%
2,000	34.72	39.06	12.50%	37.50	8.01%
3,000	38.20	43.35	13.48%	41.25	7.98%
4,000	41.68	47.64	14.30%	45.00	7.97%
5,000	45.16	51.93	14.99%	48.75	7.95%
6,000	48.64	56.22	15.58%	52.50	7.94%
7,000	52.12	60.51	16.10%	56.25	7.92%
8,000	52.12	60.51	16.10%	56.25	7.92%
9,000	52.12	60.51	16.10%	56.25	7.92%
10,000	52.12	60.51	16.10%	56.25	7.92%
11,000	52.12	60.51	16.10%	56.25	7.92%
12,000	52.12	60.51	16.10%	56.25	7.92%
13,000	52.12	60.51	16.10%	56.25	7.92%
14,000	52.12	60.51	16.10%	56.25	7.92%
15,000	52.12	60.51	16.10%	56.25	7.92%
16,000	52.12	60.51	16.10%	56.25	7.92%
17,000	52.12	60.51	16.10%	56.25	7.92%
18,000	52.12	60.51	16.10%	56.25	7.92%
19,000	52.12	60.51	16.10%	56.25	7.92%
20,000	52.12	60.51	16.10%	56.25	7.92%
25,000	52.12	60.51	16.10%	56.25	7.92%
30,000	52.12	60.51	16.10%	56.25	7.92%
35,000	52.12	60.51	16.10%	56.25	7.92%
40,000	52.12	60.51	16.10%	56.25	7.92%
45,000	52.12	60.51	16.10%	56.25	7.92%
50,000	52.12	60.51	16.10%	56.25	7.92%
75,000	52.12	60.51	16.10%	56.25	7.92%
100,000	52.12	60.51	16.10%	56.25	7.92%

Arizona American Water Company -
 Agua Fria Wastewater
 Docket No. SW-01303A-09-0343
 Test Year Ended December 31, 2008

Rate Design

Schedule GWB-3
 SURREBUTTAL

Monthly Usage Charge	Rate Schedule	Test Year	Company Proposed Rates	Staff Recommended Rates
Agua Fria Residential	E1MS1	\$ 27.76	\$ 66.12	\$ 66.12
Agua Fria Commerical 5/8"	E2MS1	27.76	66.12	66.12
Agua Fria Commerical 3/4"	E2MS2	41.64	99.18	99.18
Agua Fria Commercial 1"	E2MS3	55.58	132.39	132.39
Agua Fria Commercial LG	E2MS4	111.12	264.68	264.68
DMB @ Verrado Golf	C8M2A	-	-	-
Commodity Charge				
Agua Fria Wastewater Residential	E1MS1			
First 7,000 gallons		\$ 3.4800	\$ 7.9700	\$ 7.9700
Over 7,000 gallons		-	-	-
Agua Fria Wastewater Commerical 5/8"	E2MS1			
First 10,000 gallons		3.4800	7.9700	7.9700
Over 10,000 gallons		-	-	-
Agua Fria Wastewater Commerical 3/4"	E2MS2			
First 15,000 gallons		3.4800	7.9700	7.9700
Over 15,000 gallons		-	-	-
Agua Fria Wastewater Commercial 1"	E2MS3			
First 20,000 gallons		3.4800	7.9700	7.9700
Over 20,000 gallons		-	-	-
Agua Fria Wastewater Commercial LG	E2MS4			
All Usage		3.4800	7.9700	7.9700
DMB @ Verrado Golf	C8M2A			
All Usage		0.7700	0.7700	0.7700

Typical Bill Analysis
 General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Test Year Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,297	\$ 46.19	\$ 108.34	\$ 62.14	134.53%
Median Usage	7,000	52.12	121.91	\$ 69.79	133.90%
Staff Recommended					
Average Usage	5,297	\$ 46.19	\$ 108.34	\$ 62.14	134.53%
Median Usage	7,000	52.12	121.91	\$ 69.79	133.90%

Present & Proposed Rates (Without Taxes)
 General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Test Year Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 27.76	\$ 66.12	138.18%	\$ 66.12	138.18%
1,000	31.24	74.09	137.16%	74.09	137.16%
2,000	34.72	82.06	136.35%	82.06	136.35%
3,000	38.20	90.03	135.68%	90.03	135.68%
4,000	41.68	98.00	135.12%	98.00	135.12%
5,000	45.16	105.97	134.65%	105.97	134.65%
6,000	48.64	113.94	134.25%	113.94	134.25%
7,000	52.12	121.91	133.90%	121.91	133.90%
8,000	52.12	121.91	133.90%	121.91	133.90%
9,000	52.12	121.91	133.90%	121.91	133.90%
10,000	52.12	121.91	133.90%	121.91	133.90%
11,000	52.12	121.91	133.90%	121.91	133.90%
12,000	52.12	121.91	133.90%	121.91	133.90%
13,000	52.12	121.91	133.90%	121.91	133.90%
14,000	52.12	121.91	133.90%	121.91	133.90%
15,000	52.12	121.91	133.90%	121.91	133.90%
16,000	52.12	121.91	133.90%	121.91	133.90%
17,000	52.12	121.91	133.90%	121.91	133.90%
18,000	52.12	121.91	133.90%	121.91	133.90%
19,000	52.12	121.91	133.90%	121.91	133.90%
20,000	52.12	121.91	133.90%	121.91	133.90%
25,000	52.12	121.91	133.90%	121.91	133.90%
30,000	52.12	121.91	133.90%	121.91	133.90%
35,000	52.12	121.91	133.90%	121.91	133.90%
40,000	52.12	121.91	133.90%	121.91	133.90%
45,000	52.12	121.91	133.90%	121.91	133.90%
50,000	52.12	121.91	133.90%	121.91	133.90%
75,000	52.12	121.91	133.90%	121.91	133.90%
100,000	52.12	121.91	133.90%	121.91	133.90%

Monthly Usage Charge	Rate Schedule	Currently Authorized Rates	Company Proposed Rates	Staff Recommended Rates
Anthem Residential	E1MS1	\$ 39.84	\$ 30.48	\$ 30.00
Anthem Commercial 5/8"	E2MS1	44.48	30.48	30.00
Anthem Commercial 3/4"	E2MS2	66.72	45.72	45.00
Anthem Commercial 1"	E2MS3	89.06	61.02	60.06
Anthem Commercial LG	E2MS4	178.05	122.00	120.09
Anthem Wholesale Phoenix	E5M2	-	-	-
Commodity Charge				
Anthem Wastewater Residential	E1MS1	\$ 4.9946	\$ 4.2900	\$ 3.7500
First 7,000 gallons		-	-	-
Over 7,000 gallons		-	-	-
Anthem Wastewater Commercial 5/8"	E2MS1	5.5760	4.2900	3.7500
First 10,000 gallons		-	-	-
Over 10,000 gallons		-	-	-
Anthem Wastewater Commercial 3/4"	E2MS2	5.5760	4.2900	3.7500
First 15,000 gallons		-	-	-
Over 15,000 gallons		-	-	-
Anthem Wastewater Commercial 1"	E2MS3	5.5760	4.2900	3.7500
First 20,000 gallons		-	-	-
Over 20,000 gallons		-	-	-
Anthem Wastewater Commercial LG	E2MS4	5.5760	4.2900	3.7500
All Usage		-	-	-
Anthem Wholesale Phoenix	E5M2	5.5760	5.5760	3.4200
All Usage		-	-	-
All gallons (Per Acre-foot)		250.00	250.00	250.00
All gallons (Per 1,000 gallons)		0.7700	0.7700	0.7700

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Currently Authorized Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,814	\$ 68.88	\$ 55.42	\$ (13.46)	-19.54%
Median Usage	7,000	74.80	60.51	\$ (14.29)	-19.11%
Staff Recommended					
Average Usage	5,814	\$ 68.88	\$ 51.80	\$ (17.08)	-24.79%
Median Usage	7,000	74.80	56.25	\$ (18.55)	-24.80%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Currently Authorized Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 39.84	\$ 30.48	-23.49%	\$ 30.00	-24.70%
1,000	44.83	34.77	-22.45%	33.75	-24.72%
2,000	49.83	39.06	-21.61%	37.50	-24.74%
3,000	54.82	43.35	-20.93%	41.25	-24.76%
4,000	59.82	47.64	-20.36%	45.00	-24.77%
5,000	64.81	51.93	-19.88%	48.75	-24.78%
6,000	69.81	56.22	-19.46%	52.50	-24.79%
7,000	74.80	60.51	-19.11%	56.25	-24.80%
8,000	74.80	60.51	-19.11%	56.25	-24.80%
9,000	74.80	60.51	-19.11%	56.25	-24.80%
10,000	74.80	60.51	-19.11%	56.25	-24.80%
11,000	74.80	60.51	-19.11%	56.25	-24.80%
12,000	74.80	60.51	-19.11%	56.25	-24.80%
13,000	74.80	60.51	-19.11%	56.25	-24.80%
14,000	74.80	60.51	-19.11%	56.25	-24.80%
15,000	74.80	60.51	-19.11%	56.25	-24.80%
16,000	74.80	60.51	-19.11%	56.25	-24.80%
17,000	74.80	60.51	-19.11%	56.25	-24.80%
18,000	74.80	60.51	-19.11%	56.25	-24.80%
19,000	74.80	60.51	-19.11%	56.25	-24.80%
20,000	74.80	60.51	-19.11%	56.25	-24.80%
25,000	74.80	60.51	-19.11%	56.25	-24.80%
30,000	74.80	60.51	-19.11%	56.25	-24.80%
35,000	74.80	60.51	-19.11%	56.25	-24.80%
40,000	74.80	60.51	-19.11%	56.25	-24.80%
45,000	74.80	60.51	-19.11%	56.25	-24.80%
50,000	74.80	60.51	-19.11%	56.25	-24.80%
75,000	74.80	60.51	-19.11%	56.25	-24.80%
100,000	74.80	60.51	-19.11%	56.25	-24.80%

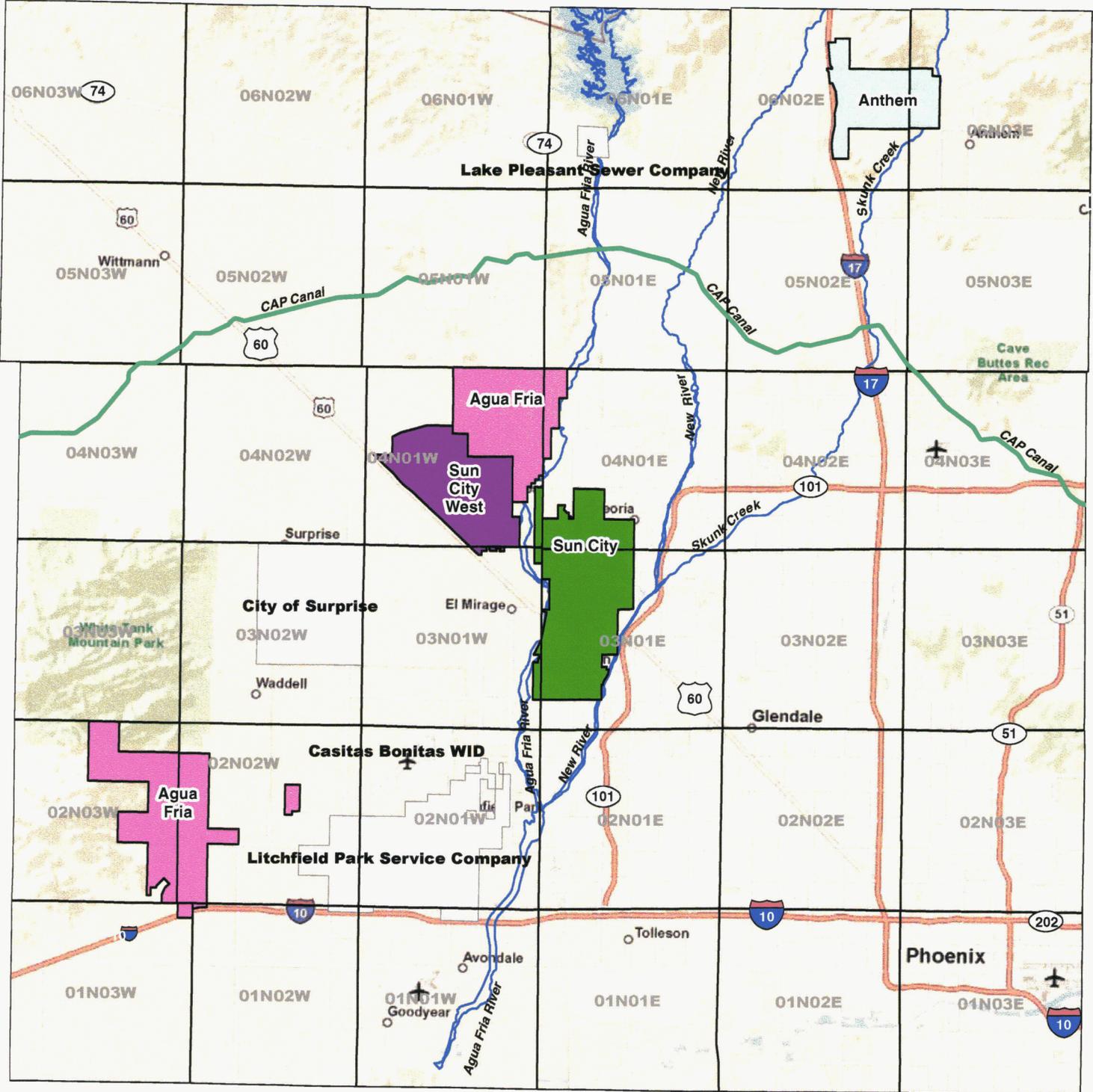
Monthly Usage Charge	Rate Schedule	Currently Authorized Rates	Company Proposed Rates	Staff Recommended Rates
Agua Fria Residential	E1MS1	\$ 39.84	\$ 66.12	\$ 66.12
Agua Fria Commerical 5/8"	E2MS1	44.48	66.12	\$ 66.12
Agua Fria Commerical 3/4"	E2MS2	66.72	99.18	\$ 99.18
Agua Fria Commercial 1"	E2MS3	89.06	132.39	\$ 132.39
Agua Fria Commercial LG	E2MS4	178.05	264.68	\$ 264.68
DMB @ Verrado Golf	C8M2A	-	-	-
Commodity Charge				
Agua Fria Wastewater Residential	E1MS1	\$ 4.9946	\$ 7.9700	\$ 7.9700
First 7,000 gallons				
Over 7,000 gallons		-	-	-
Agua Fria Wastewater Commerical 5/8"	E2MS1	5.5760	7.9700	7.9700
First 10,000 gallons				
Over 10,000 gallons		-	-	-
Agua Fria Wastewater Commerical 3/4"	E2MS2	5.5760	7.9700	7.9700
First 15,000 gallons				
Over 15,000 gallons		-	-	-
Agua Fria Wastewater Commercial 1"	E2MS3	5.5760	7.9700	7.9700
First 20,000 gallons				
Over 20,000 gallons		-	-	-
Agua Fria Wastewater Commercial LG	E2MS4	5.5760	7.9700	7.9700
All Usage				
DMB @ Verrado Golf	C8M2A	0.7700	0.7700	0.7700
All Usage				

Typical Bill Analysis
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Currently Authorized Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,297	\$ 66.30	\$ 108.34	\$ 42.04	63.41%
Median Usage	7,000	74.80	121.91	\$ 47.11	62.98%
Staff Recommended					
Average Usage	5,297	\$ 66.30	\$ 108.34	\$ 42.04	63.41%
Median Usage	7,000	74.80	121.91	\$ 47.11	62.98%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Currently Authorized Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 39.84	\$ 66.12	65.96%	\$ 66.12	65.96%
1,000	44.83	74.09	65.25%	74.09	65.25%
2,000	49.83	82.06	64.68%	82.06	64.68%
3,000	54.82	90.03	64.22%	90.03	64.22%
4,000	59.82	98.00	63.83%	98.00	63.83%
5,000	64.81	105.97	63.50%	105.97	63.50%
6,000	69.81	113.94	63.22%	113.94	63.22%
7,000	74.80	121.91	62.98%	121.91	62.98%
8,000	74.80	121.91	62.98%	121.91	62.98%
9,000	74.80	121.91	62.98%	121.91	62.98%
10,000	74.80	121.91	62.98%	121.91	62.98%
11,000	74.80	121.91	62.98%	121.91	62.98%
12,000	74.80	121.91	62.98%	121.91	62.98%
13,000	74.80	121.91	62.98%	121.91	62.98%
14,000	74.80	121.91	62.98%	121.91	62.98%
15,000	74.80	121.91	62.98%	121.91	62.98%
16,000	74.80	121.91	62.98%	121.91	62.98%
17,000	74.80	121.91	62.98%	121.91	62.98%
18,000	74.80	121.91	62.98%	121.91	62.98%
19,000	74.80	121.91	62.98%	121.91	62.98%
20,000	74.80	121.91	62.98%	121.91	62.98%
25,000	74.80	121.91	62.98%	121.91	62.98%
30,000	74.80	121.91	62.98%	121.91	62.98%
35,000	74.80	121.91	62.98%	121.91	62.98%
40,000	74.80	121.91	62.98%	121.91	62.98%
45,000	74.80	121.91	62.98%	121.91	62.98%
50,000	74.80	121.91	62.98%	121.91	62.98%
75,000	74.80	121.91	62.98%	121.91	62.98%
100,000	74.80	121.91	62.98%	121.91	62.98%

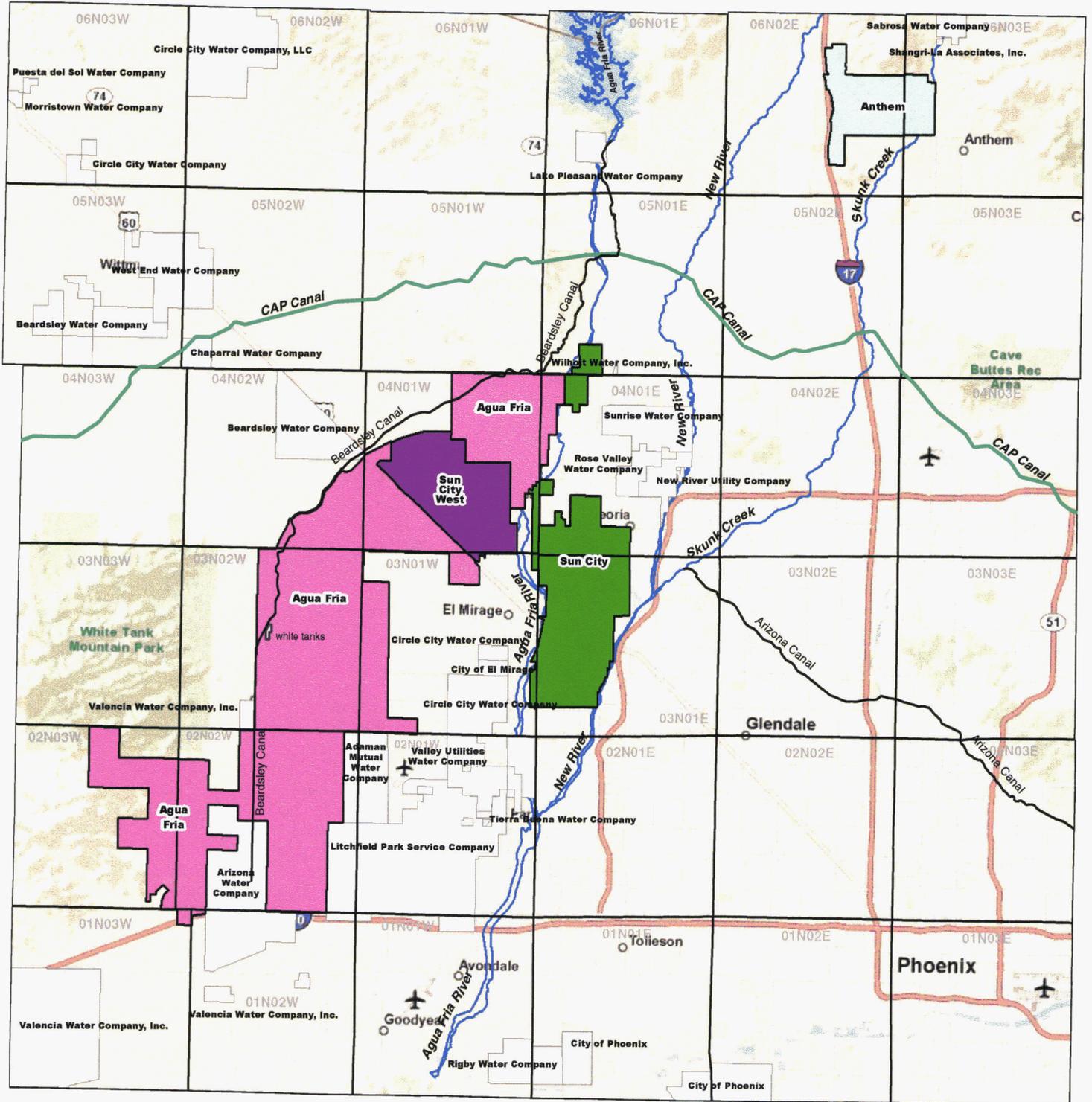


Maricopa County

Arizona American Water Company (Sewer)

Maricopa County

Arizona American Water Company (Water)



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2011 AUG 16 P 3:36
ARIZONA CORPORATION COMMISSION
DIRECT TESTIMONY

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

7 **GARY PIERCE, Chairman**
8 **SANDRA D. KENNEDY**
9 **PAUL NEWMAN**
10 **BOB STUMP**
11 **BRENDA BURNS**

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

Docket No. W-01303A-09-0343
SW-01303A-09-0343

**Notice of Filing Verrado
Community Association, Inc.'s
Direct Testimony**

19 Verrado Community Association, Inc., through its undersigned counsel, hereby provides
20 notice of filing the Direct Testimony of Melinda Gulick and Kent Simer in the above-referenced
21 matter.

22 DATED this 16th day of August, 2011.

23 Arizona Corporation Commission
24 **DOCKETED**
25 **AUG 16 2011**

26 DOCKETED BY *[Signature]*

24 RYLEY CARLOCK & APPLEWHITE

25 By Michele Van Quathem
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Attorneys for Verrado Community
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2 filed this 16th day of August, 2011, with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, Arizona 85007

7 COPY of the foregoing mailed this
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10 Chief Administrative Law Judge
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13 Phoenix, Arizona 85007

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By 

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 GARY PIERCE, Chairman
4 SANDRA D. KENNEDY
5 PAUL NEWMAN
6 BOB STUMP
7 BRENDA BURNS

Docket No. W-01303A-10-0448

8 IN THE MATTER OF THE APPLICATION
9 OF ARIZONA-AMERICAN WATER
10 COMPANY, AN ARIZONA
11 CORPORATION, FOR A
12 DETERMINATION OF THE CURRENT
13 FAIR VALUE OF ITS UTILITY PLANT
14 AND PROPERTY AND FOR INCREASES
15 IN ITS RATES AND CHARGES BASED
16 THEREON FOR UTILITY SERVICE BY
17 ITS AGUA FRIA WATER DISTRICT,
18 HAVASU WATER DISTRICT, AND
19 MOHAVE WATER DISTRICT

20 **Direct Testimony**
21 **of**

22 **Melinda Gulick**

23 **on behalf of Verrado Community Association, Inc.**

24 **August 16, 2011**

1 **Executive Summary**

2 Melinda Gulick is the President of Verrado Community Association, Inc. (the
3 "Association"). Ms. Gulick describes the Association's concerns regarding the proposed
4 deconsolidation of Arizona-American Water Company's Agua Fria/Anthem Wastewater District
5 which, if granted, will significantly impact Verrado residents.

6 Verrado is a new community of homes and businesses located near the White Tank
7 Mountains in Buckeye, Arizona. Verrado is expected to have approximately 11,000 homes
8 spanning 8,800 acres. Currently, there are roughly 1813 homes occupied in the community,
9 approximately nine businesses and four schools. All of Verrado's water and sewer service is
10 provided by Arizona-American Water Company.

11 The Association is a non-profit corporation that serves approximately 5892 current
12 Verrado residents through a variety of services and community and recreational activities. The
13 Association is seriously concerned about the impact of a large sewer rate increase on its current
14 residents. Sewer rates for typical residential customers were just increased in December in this
15 case by approximately 43.5% (see Decision No. 72047, Exhibit A, p. xii). The current
16 deconsolidation proposal would extend that increase to approximately 135%, or to a combined
17 increase in sewer rates in this case alone of \$46.19 per month for the average residential user.
18 Our concern regarding increased sewer rates is aggravated by a current proposal to increase the
19 Agua Fria Water District water rates approximately 83% in case number WS-01303A-10-0448.
20 Verrado residents pay both water and sewer rates to Arizona-American. Verrado residents, who
21 fund the Association, will also be impacted by increases to the Association's overall costs.

22 Verrado's residents include many people who are on fixed or reduced incomes that have
23 already been significantly impacted by adverse economic conditions in the Phoenix area in
24 recent years. The Association opposes any unfair or untimely increases in water and sewer
25 rates, especially during these trying economic times, and requests that the Commission carefully
26 examine and consider in making its decision in this case all of the consumer comments and
27 proposed remedies entered in this docket.

28 The Anthem/Agua Fria Wastewater District should not be deconsolidated in this case
because it is unfair and unnecessary. The original application filed by Arizona-American on
July 2, 2009 did not propose to deconsolidate any of the four separate wastewater systems
currently in the Anthem/Agua Fria Wastewater District, nor did the application warn Verrado
customers of the very high rates now offered for the proposed three-system Agua Fria
Wastewater District. Verrado customers were not part of the settlement agreement reached by
Arizona-American, Anthem, RUCO, and Staff that is described in Decision No. 72047, and had
insufficient warning prior to Decision No. 72047 of the enormous sewer rate increase now
proposed for the new district. It is unfair to Verrado customers to make such a drastic last-

1 minute change in Arizona-American's application after the discussion of the underlying bases
2 for the overall rate increase has already been closed.

3 In addition, Arizona-American was ordered in the last paragraph of Decision No. 72047
4 to develop a consolidation proposal that includes all of its systems and file the consolidation
5 proposal in a future rate application. It makes no sense now to require a last-minute
6 deconsolidation of one of the four Anthem/Agua Fria Wastewater District systems when the
7 Commission intends to entertain a more comprehensive consolidation proposal in an upcoming
8 rate case. Both deconsolidation and consolidation should be considered in a new rate case
9 where all participants will see up front all the rate proposals under consideration and will have
10 the opportunity to fully participate in all aspects of the rate case.
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1 **Q. Please state your name, position, business address, and telephone number.**

2 A. My name is Melinda Gulick. I am the current President of Verrado Community
3 Association, Inc. (the "Association"). I am also employed by DMB Associates as Vice
4 President of Community Life. My business address for the Association is 4236 North
5 Verrado Way, Suite A200, Buckeye, Arizona 85396.

6 **Q. Have you previously testified before the Commission?**

7 A. Yes. I provided testimony on behalf of the Association in Arizona-American Water
8 Company's ("Arizona-American's") ongoing water rate case, Docket No. W-01303A-10-
9 0448.

10 **Q. What is the purpose of your testimony?**

11 A. The purpose of my testimony is to describe the Association and its interest as an
12 Intervenor in this case. In particular, I am describing the Association's concerns with the
13 proposed deconsolidation of the Anthem/Agua Fria Wastewater District in this case and
14 the proposed change in rates will have on the Association and residents.

15 **Q. Please describe Verrado.**

16 A. Verrado is a new community of homes and businesses located near the White Tank
17 Mountains in Buckeye, Arizona. Verrado is expected to have approximately 11,000
18 homes spanning 8,800 acres. Currently, there are roughly 1813 homes occupied in the
19 community, approximately nine businesses and four schools. All of Verrado's water and
20 sewer service is provided by Arizona-American.

21 **Q. Please describe the Association.**

22 A. The Association is a non-profit corporation that serves approximately 5892 current
23 Verrado residents through a variety of services and community and recreational activities.

24 **Q. Please described the Association's interest in this case.**

25 A. The Association has two overriding interests in this case. First, the Association is
26 seriously concerned about the impact of another large sewer rate increase on its current
27 residents. Sewer rates were just increased in December in this case for typical residential
28 customers by approximately 43.5% (see Decision No. 72047, Exhibit A, p. xii). The

1 current deconsolidation proposal would extend that increase to approximately 135%, or
2 to a combined increase in sewer rates in this case alone of \$46.19 per month for the
3 average residential user. Our concern regarding increased sewer rates is aggravated by a
4 current proposal to increase the Agua Fria Water District water rates approximately 83%
5 in case number WS-01303A-10-0448. Verrado residents pay both water and sewer rates
6 to Arizona-American.

7 Verrado's residents include many people who are on fixed or reduced incomes that
8 have already been significantly impacted by adverse economic conditions in the Phoenix
9 area in recent years. The Association opposes any unfair or untimely increases in water
10 and sewer rates, especially during these trying economic times, and requests that the
11 Commission carefully examine and consider in making its decision on this case all of the
12 consumer comments and proposed remedies entered in this docket.

13 Second, the Association pays sewer bills too, and Verrado residents who fund the
14 Association will be impacted by increases to the Association's overall costs.

15 **Q. Does Verrado have an opinion regarding the proposal to deconsolidate the**
16 **Anthem/Agua Fria Wastewater District into two separate districts?**

17 **A.** Yes. The Anthem/Agua Fria Wastewater District should not be deconsolidated in this
18 case because it is unfair and unnecessary. The original application filed by Arizona-
19 American on July 2, 2009 in this case did not propose to deconsolidate any of the four
20 separate wastewater systems currently in the Anthem/Agua Fria Wastewater District, nor
21 did the application warn Verrado customers of the very high rates now offered for the
22 proposed three-system Agua Fria Wastewater District. Verrado customers were not part
23 of the settlement agreement reached by Arizona-American, Anthem, RUCO and Staff
24 that is described in Decision No. 72047, and had insufficient warning prior to Decision
25 No. 72047 of the enormous sewer rate increase now proposed for the new district. It is
26 unfair to Verrado customers to make such a drastic last-minute change in Arizona-
27
28

1 American's application after the discussion of the underlying bases for the overall rate
2 increase has already been closed.

3
4 In addition, Arizona-American was ordered in the last paragraph of Decision No.
5 72047 to develop a consolidation proposal that includes all of its systems and file the
6 consolidation proposal in a future rate application. It makes no sense now to require a
7 last-minute deconsolidation of one of the four Anthem/Agua Fria Wastewater District
8 systems when the Commission intends to entertain a more comprehensive consolidation
9 proposal in an upcoming rate case. Both deconsolidation and consolidation should be
10 considered in a new rate case where all participants will see up front all the rate proposals
11 under consideration and will have the opportunity to fully participate in all aspects of the
12 rate case.

13 **Q. Does this conclude your testimony in this case?**

14 **A. Yes.**

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
SANDRA D. KENNEDY
PAUL NEWMAN
BOB STUMP
BRENDA BURNS

Docket No. W-01303A-09-0343
SW-01303A-09-0343

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY, AN ARIZONA
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DETERMINATION OF THE CURRENT
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IN ITS RATES AND CHARGES BASED
THEREON FOR UTILITY SERVICE BY
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WASTEWATER DISTRICT, SUN CITY
WASTEWATER DISTRICT, AND SUN
CITY WEST WASTEWATER DISTRICT

**Notice of Filing Verrado
Community Association, Inc.'s
Direct Testimony**

Verrado Community Association, Inc., through its undersigned counsel, hereby provides notice of filing the Direct Testimony of Melinda Gulick and Kent Simer in the above-referenced matter.

DATED this 16th day of August, 2011.

RYLEY CARLOCK & APPLEWHITE

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Attorneys for Verrado Community
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Arizona Corporation Commission
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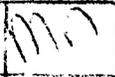
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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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6 BOB STUMP
7 BRENDA BURNS

Docket No. W-01303A-09-0343

8 IN THE MATTER OF THE APPLICATION
9 OF ARIZONA-AMERICA WATER
10 COMPANY FOR A DETERMINATION OF
11 THE CURRENT FAIR VALUE OF ITS
12 UTILITY PLANT AND PROPERTY AND
13 FOR INCREASES IN ITS RATES AND
14 CHARGES BASED THEREON FOR
15 UTILITY SERVICE BY ITS ANTHEM
16 WATER DISTRICT AND ITS SUN CITY
17 WATER DISTRICT, AND POSSIBLE
18 RATE CONSOLIDATION FOR ALL OF
19 ARIZONA-AMERICAN WATER
20 COMPANY'S DISTRICTS.

21 **Direct Testimony**
22 **of**

23 **Kent Simer**

24 **on behalf of Verrado Community Association, Inc.**

25 **August 16, 2011**
26
27
28

TABLE OF CONTENTS

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I. EXECUTIVE STATEMENT 1
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III. BACKGROUND..... 3
IV. SUPPORT BY PARTIES FOR/AGAINST DECONSOLIDATION 4
V. CONSOLIDATION PROPOSAL..... 7
VI. RATE DESIGN/SHOCK IMPACT 8
VII. OTHER CONSEQUENCES OF DECONSOLIDATION..... 10

1 **I. EXECUTIVE STATEMENT**

2 Kent Simer provides direct testimony on behalf of Verrado Community Association, Inc.
3 ("Verrado"). Verrado is in the Agua Fria Wastewater District and faces the potential of
4 significant rate shock if a decision is made to deconsolidate the Anthem/Agua Fria Wastewater
5 District.

6 Mr. Simer reminds the Commission that Arizona-American Water Company ("Arizona-
7 American") has also been ordered in this case to propose a complete consolidation of their water
8 systems in a future rate application. Mr. Simer testifies against any decision to deconsolidate
9 prior to a Commission decision on consolidation. Mr. Simer testifies that customers expect
10 stable and predictable rates, and decisions authorizing both deconsolidation and consolidation
11 have the potential to create unstable rates.

12 Mr. Simer testifies that the proposed deconsolidation will lead to significant rate shock
13 for Agua Fria customers and lead to a significant disparity in rates between territories for the
14 same type of service. Mr. Simer believes the establishment of a significant disparity in rates for
15 the same type of service is inconsistent with A.R.S. section 40-334(B).

16 Mr. Simer testifies that deconsolidation would lead to increased rate case expense and
17 regulatory lag between rate settings. Mr. Simer testifies that increased lag may impact Arizona-
18 American's ability to collect its authorized rate of return in a timely manner.

19 Mr. Simer testifies that implementation of the use of winter-average rates as a measure of
20 sewer usage, a proposal adopted in Decision No. 72047, should be postponed until after a
21 decision on consolidation is made by the Commission to avoid any added confusion and
22 changes to the rates of the customers.

23 Arizona-American's proposal to shift revenue from the OWU class to respond to the City
24 of Phoenix request for a change in water measurement methodology is outside the scope of this
25 proceeding and should not be considered.

26 Finally, Mr. Simer testifies that deconsolidation may lead to different management
27 practices being deployed throughout Arizona-American districts versus common management
28 practices under a consolidated Arizona-American.

1 **II. INTRODUCTION**

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

3 **A1.** My name is Kent R. Simer. My business address is 160 N. Pasadena, Suite 101, Mesa,
4 Arizona. I am a Utility Rate Consultant for K. R. Saline & Associates, PLC, a firm that
5 provides electrical engineering services, management consulting, and ongoing business
6 operational services primarily to wholesale public electric utilities.
7

8 **Q2. PLEASE DESCRIBE YOUR PROFESSIONAL QUALIFICATIONS AND**
9 **EXPERIENCE.**

10 **A2.** I have been employed at K. R. Saline & Associates, PLC for the past thirteen years,
11 providing various services to our clients. For the past six years my primary
12 responsibilities have included performing cost-of-service and rate design, economic
13 analyses and computer-aided modeling for power supply planning, load forecasting,
14 financial forecasting, and cost/benefit analysis for various municipal, tribal and public
15 utilities throughout Arizona.
16

17 I have a Bachelors Degree in Interdisciplinary Studies in Business and Communications
18 from Arizona State University. Additionally I have completed American Public Power
19 Association basic and advanced Utility Cost of Service and Retail Rate Design courses.
20

21 **Q3. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

22 **A3.** Yes. I am currently providing testimony in Arizona-American Water Company's rate
23 case filed in Docket No. W-01303A-10-0448.
24

25 **Q4. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

26 **A4.** I am appearing on behalf of the Verrado Community Association, Inc. ("Verrado").
27 Verrado is a customer of Arizona-American's Water Company's Anthem/Agua Fria
28

1 Wastewater District ("Arizona-American"), and has as members numerous residential
2 and commercial customers who are directly impacted by the proposal to deconsolidate
3 the Anthem/Agua Fria Wastewater District.
4

5 **Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

6 **A5.** In my testimony I address why it is not appropriate to consider deconsolidation at this
7 time, the rate shock consequences of deconsolidation, rate design matters, and regulatory
8 impact on Arizona-American.
9

10 **III. BACKGROUND**

11 **Q6. PLEASE DESCRIBE THE BACKGROUND REGARDING RATE**
12 **DECONSOLIDATION.**

13 **A6.** On January 6, 2011, the Commission issued Decision No. 72047 in the current Docket,
14 which required the Docket to remain open for the sole purpose of considering the design
15 and implementation of stand-alone revenue requirements and rate designs. Consideration
16 of stand-alone revenue requirements and rate design was a term of the settlement
17 agreement reached during the Open Meeting for the Anthem/Agua Fria Wastewater
18 District and certain other districts.¹ The settlement agreement was the result of last-
19 minute discussions between Arizona-American, the Anthem Community Council,
20 RUCO, and Staff during the Open Meeting. Verrado was not a party to the settlement
21 agreement.
22

23 On April 1, 2011, Arizona-American filed a compliance application containing proposed
24 deconsolidated stand-alone revenue requirements and rate designs for the proposed
25 Anthem and Agua Fria Wastewater districts. Sanda L. Murrey submitted direct
26

27 ¹ Commission Decision No. 72047, January 6, 2011. Docket No. SW-01303A-09-0343, p. 84
28

1 testimony providing stand-alone revenue requirements for each district including the
2 53.98% increase approved in Decision No. 72047. The impact of deconsolidating the
3 wastewater districts, combined with rate impacts from Decision No. 72047, would result
4 in a 15.5% rate increase for Anthem Wastewater customers and 139.7% rate increase to
5 Agua Fria Wastewater customers.² In Sandra Murrey's response to Verrado/DMB 2.4
6 (copy attached), Murrey attributes the disparity in deconsolidated rates to the Northwest
7 Valley Regional Reclamation Facility, the Verrado Reclamation Facility and its
8 expansion, as well as the Russell Ranch Reclamation Facility. If the districts are
9 deconsolidated, the costs of these facilities would be fully allocated to the Agua Fria
10 Wastewater district only.

11
12 **IV. SUPPORT BY PARTIES FOR/AGAINST DECONSOLIDATION**

13 **Q7. DOES ARIZONA-AMERICAN SUPPORT DECONSOLIDATION OF THE**
14 **WASTEWATER DISTRICTS?**

15 **A7.** No. Thomas M. Broderick restates in Verrado/DMB response 2.1 (copy attached) that
16 Arizona-American has never proposed to deconsolidate its districts but rather supports
17 consolidating all five of its wastewater districts for the purpose of ratemaking. In his
18 Direct Testimony, Paul G. Townsley lays out the benefits of consolidation which include:

19 *...improved rate case efficiency, improved ability to make needed capital*
20 *investments in smaller districts without imposing burdensome rate*
21 *increases, improved ability to acquire small troubled water systems,*
22 *improved ability to implement Best Management Practices ("BMPs") for*
23 *water conservation, improved ability to fund and manage low-income*
24 *programs for customers, and a desire to bring the tariff structure of water*

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² Compliance Application, April 1, 2011. Docket No. SW-01303A-09-0343, p. 2
28

1 *and wastewater utilities more in line with those of other regulated utilities*
2 *in Arizona.*³

3 As Arizona-American has also been ordered to file a consolidation proposal in a future
4 rate case that includes all of its systems⁴, Mr. Broderick also questions deconsolidating at
5 this time stating "It would be counter-productive to put forth an effort to de-consolidate
6 these districts' rates then later re-consolidate them with the Company's other wastewater
7 districts."⁵

8
9 **Q8. DOES ANYONE ELSE SUPPORT DECONSOLIDATION OF THE**
10 **WASTEWATER DISTRICTS?**

11 **A8.** I am aware that Anthem Community Council supported deconsolidation of the
12 wastewater districts **IF** the consolidation of all Arizona-American's districts is not
13 adopted by the Commission. In the absence of a Commission decision to consolidate all
14 of Arizona-American's utilities, Anthem believes Anthem wastewater customers should
15 not continue to be burdened by the subsidization of Agua Fria wastewater customers on
16 the basis that the subsidization deviates from cost of service rate design principles.
17 Anthem believes the Commission should also deconsolidate due to the fact that the Agua
18 Fria and Anthem wastewater districts are not interlinked and Anthem customers receive
19 no benefit from the Agua Fria wastewater facilities.

20
21 However, Anthem's position earlier in this case was that consolidation of all of Arizona-
22 American's water and wastewater districts would benefit all customers. Anthem supports
23 complete consolidation only as partial-consolidation does not realize the maximum
24 benefits offered through consolidation. For Anthem, the benefits of consolidation include:
25

26 ³ Direct Testimony of Paul G. Townsley, Docket No. W-01303A-09-0343, July 2, 2009, p. 14.

27 ⁴ Decision No. 72047, Docket No. W-01303A-09-0343, January 6, 2011, p. 123.

28 ⁵ Direct Testimony of Thomas M. Broderick, Docket No. W-01303A-09-0343, July 2, 2009, p. 19.

1 (i) lower administrative costs through unified customer accounting and billing systems;
2 (ii) reduction in the number of rate cases and associated expenses; (iii) elimination of
3 distorted cost allocations among districts in rate filings; (iv) implementation of standard
4 customer service policies and related service rates and charges; (v) improved rate stability
5 and elimination of rate shock; (vi) reduced customer confusion with respect to the
6 Company's currently differing rate schedules; (vii) development and implementation of a
7 target and comprehensive water conservation program for all of its systems; and (viii)
8 improved opportunities for future acquisitions, especially of troubled water systems.⁶
9

10 **Q9. IS DECONSOLIDATION CONSISTENT WITH PAST COMMISSION OPINION?**

11 **A9.** I don't believe so given the Commission's recent focus on consolidation. For example, in
12 Docket No. W-01303A-08-0227, Commissioner Mayes submitted a request for
13 information to evaluate the consolidation of Arizona-American's water systems. In her
14 request, Mayes states that consolidation "can provide administrative efficiencies, create
15 economies of scale, facilitate rate stability and bolster reliability, among other benefits."⁷
16 Consolidation was reviewed but not approved in that Docket for several reasons;
17 however, in its Decision No. 71410, the Commission seemed to support Mayes, taking
18 the position that "unnecessary delay does not allow customers to benefit" from the
19 efficiencies that would result through consolidation.⁸ The Commission has also recently
20 approved the first steps toward full consolidation in Arizona Water Company's districts.
21 See Decision No. 71845, pp. 50-53.
22

23 In this case, the Commission has been somewhat inconsistent in its opinions regarding
24 consolidation. The Commission stated in Decision No. 72047 that "Good public policy
25

26 ⁶ Anthem Community Council, Post-Hearing Brief, Docket W-01303A-09-0343, July 16, 2010, pp. 15-20.

27 ⁷ Correspondence, Kristin Mayes, Docket W-01303A-08-0227, November 12, 2008 (copy attached).

28 ⁸ Decision No. 71410, Docket No. W-01303A-08-0227, December 8, 2009, p. 51.

1 requires the Commission to correctly assign cost responsibility for all ratemaking
2 components in as expeditious a manner as possible, and deconsolidation of Anthem Agua
3 Fria Wastewater District is consistent with such action,” yet on the following page the
4 Commission ordered Arizona-American to present a consolidation proposal in a future
5 rate application.⁹
6

7 **V. CONSOLIDATION PROPOSAL**

8 **Q10. HAS THE COMMISSION REQUESTED ARIZONA-AMERICAN PRESENT A**
9 **PROPOSAL TO CONSOLIDATE RATES?**

10 **A10.** Yes. The Commission first requested Arizona-American present a proposal to
11 consolidate rates in Docket No. W-0303A-08-0227; however, the Commission ultimately
12 decided to defer any decision on consolidation until a more thorough vetting, discussion,
13 and public participation regarding consolidation could occur. The Commission ordered at
14 least one proposal for consolidation be presented in the next rate case¹⁰. In the current
15 case, consolidation was discussed at great length, with Arizona-American, Anthem, and
16 others giving significant support to the complete consolidation of Arizona-American’s
17 complete water system. In the instant proceeding most, but not all, of Arizona-
18 American’s water systems were being considered. In Decision No. 72047, the
19 Commission cited the need for Arizona-American to include all of its systems in a
20 consolidation proposal, and to file the proposal in a future rate application.¹¹
21

22 **Q11. IS IT APPROPRIATE FOR THE COMMISSION TO ISSUE A DECISION ON**
23 **DECONSOLIDATION PRIOR TO CONSIDERATION OF CONSOLIDATING**
24 **ALL OF ARIZONA-AMERICAN’S WATER SYSTEMS?**
25

26 ⁹ Decision No. 72047, Docket No. W-01303A-09-0343, January 6, 2011, pp. 84-85.

27 ¹⁰ Decision No. 71410, p. 51.

28 ¹¹ Decision No. 72047, pp. 84, 123.

1 A11. No. Consolidation has been discussed at great lengths in the previous and current rate
2 application; however, the Commission has yet to be presented with a proposal that
3 includes all Arizona-American water systems. Consolidation appears to be preferred by
4 Arizona-American, with a number of benefits being touted by the Company. A full
5 consolidation proposal will be heard by the Commission in a future rate application. It
6 does not make sense to consider deconsolidation now. Customers expect stable and
7 predictable rates that are just and reasonable. Adopting deconsolidated rates now may
8 lead to multiple rate changes that have the potential to vary wildly if consolidation is
9 accepted as well. Consolidation will lead to rates that will be the same across the board
10 for the same type of service across Arizona-American systems, whereas deconsolidating
11 will lead to significant disparity between rates. Without the benefit of a full review,
12 discussion, and public comment regarding a full consolidation proposal for Arizona-
13 American's water systems, the Commission cannot fully consider the wisdom of
14 deconsolidation. The Commission should delay any decision on deconsolidation until
15 after the consolidation proposal is considered.
16

17 **VI. RATE DESIGN/SHOCK IMPACT**

18 **Q12. WHAT ARE THE RATE SHOCK IMPLICATIONS OF THE PROPOSED**
19 **DECONSOLIDATION?**

20 A12. Deconsolidation will lead to a significant rate increase to Agua Fria wastewater
21 customers due to recent capital investments in the Agua Fria area. Agua Fria wastewater
22 customers will be subject to a 139.7% rate increase if deconsolidation occurs. The
23 Northwest Valley Regional Reclamation Facility, the Verrado Reclamation Facility and
24 its expansion, as well as the Russell Ranch Reclamation Facility are part of the
25 Anthem/Agua Fria rate base. Deconsolidation would place the burden of these
26 investments on the Agua Fria customers only. The resulting rate shock would by any
27 measure be considered excessive and would create a significant disparity to rates charges
28

1 to customers receiving the same type of service in the Anthem and Agua Fria districts. If
2 the Anthem and Agua Fria wastewater districts are deconsolidated, residential rates for
3 7,000 gallons would be \$56.51 while the same service for Agua Fria customers would be
4 \$121.91. Arizona Revised Statutes, Title 40, Chapter 2, Article 6, section 334(B)
5 provides that:

6 *No public service corporation shall establish or maintain any unreasonable*
7 *difference as to rates, charges, service, facilities or in any other respect,*
8 *either between localities or between classes of service. (emphasis added).*

9 The disparity between Anthem and Aqua Fria residential rates under a deconsolidated
10 scenario in these circumstances is an "unreasonable difference" and therefore the
11 Commission should reject the proposal to deconsolidate.
12

13 **Q13. ARE THERE ANY ISSUES REGARDING RATE DESIGN?**

14 **A13.** Yes. Arizona-American has presented winter-average rate designs for the stand-alone
15 Anthem and Agua Fria wastewater districts. Winter-average rate design was approved for
16 the consolidated Anthem/Agua Fria district in Decision No. 72047. In the
17 deconsolidation application, Arizona-American questions whether the winter-average rate
18 design is appropriate for either or both districts and would prefer to further postpone
19 implementing the new rate design.
20

21 **Q14. SHOULD COMMISSION ACCEPT THE STAND-ALONE WINTER-AVERAGE**
22 **RATE DESIGN FOR ANTHEM AND AGUA FRIA WASTEWATER**
23 **DISTRICTS?**

24 **A14.** No. With the proposal for consolidation still outstanding and a decision in the present
25 case still forthcoming, customers are likely to experience a number of rate design changes
26 in a very short timeframe. A guiding principle in rates setting is that rates should be
27 stable and predictable. The new winter-average rate design is likely to add to customer
28

1 confusion, and establishing the rate before a decision on consolidation is made, which
2 may result in a new rate, would be premature. The Commission should, as suggested by
3 Arizona-American, postpone implementing the new rate design.
4

5 **Q15. WHAT IS THE PROPOSED INCREASE OF \$387,153 IN REVENUES TO**
6 **ANTHEM WASTEWATER CUSTOMERS AND SHOULD IT BE ADDRESSED**
7 **IN THIS PROCEEDING?**

8 **A15.** The deconsolidated proposal includes a \$387,153 proposed increase in revenues to
9 Anthem wastewater customers related to a revenue shortfall created from proposed
10 changes to the City of Phoenix's account in the OWU class. The City of Phoenix
11 recently informed Arizona-American of their preference that wastewater billings be based
12 on their actual wastewater usage for reads at the flume. The proposed change in how
13 measurements are being conducted will result in a revenue shortfall that Arizona-
14 American proposed to make up through an increase to other Arizona-American
15 customers. As Mr. Broderick explains in Anthem response 1.3 (copy attached), test year
16 revenues for the account were supposed to be \$733,665, but \$346,512 is proposed to be
17 shifted to residential and commercial customers via the proposed rate design. Mr.
18 Broderick correctly acknowledges that this is a rate design change and leaves it to the
19 Commission to determine if the proposed shift is outside of the scope of this limited
20 compliance proceeding. Arizona-American's proposal to shift revenue from the OWU
21 class to other customers is clearly outside the 2008 test year window, and rate design for
22 the OWU class was already addressed in Decision No. 72047. The Commission should
23 reject this new proposal, and it should instead be considered in a future rate case.
24

25 **VII. OTHER CONSEQUENCES OF DECONSOLIDATION**

26 **Q16. WHAT ARE SOME OF THE CONSEQUENCES OF DECONSOLIDATING THE**
27 **ANTHEM AND AQUA FRIA WASTEWATER DISTRICTS?**
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A16. Many of the consolidation benefits outlined by both Arizona-American and Anthem are negated if the Commission proceeds with deconsolidating the wastewater districts. Most importantly, deconsolidation would lead to increased rate case expenses due to the separate rate filings of each utility. This increase in rate expenses would impact both Agua Fria and Anthem customers through increased rates. Separate rate filings would create significant burden on Arizona-American and Commission staff which may lead to increased regulatory lag between rate changes affecting Arizona-American's ability to earn an appropriate return on their investment. Arizona-American's operating districts have under-earned for several years, and as a whole, has lost over \$31 million since the 2002 purchase of facilities from Citizens Utilities. It would not be in the best interest of Arizona-American or its customers to implement anything that might add unnecessary additional stress to their financial position.

Deconsolidating utilities may lead to a disparity in management practices. Though Arizona-American's water utilities are not interconnected, the sources of water often are connected. Consolidation allows Arizona-American to deploy best management practices consistently throughout its utilities to ensure its customers receive the same level of service and commitment to best management practices.

Deconsolidation will result in a significant rate shock to Agua Fria wastewater customers and create a significant disparity between Arizona-American's wastewater utilities for the same type of service.

Q17. SHOULD THE COMMISSION DECONSOLIDATE THE ANTHEM/AGUA-FRIA WASTEWATER DISTRICTS?

A17. No. The Commission should not elect to deconsolidate the Anthem/Agua-Fria Wastewater districts because (1) the Commission has not yet decided on full

1 consolidation of Arizona-American's water systems, (2) deconsolidation would lead to
2 significant rate shock to Agua Fria customers and is contrary to A.R.S. 40-334(B), (3)
3 deconsolidation would lead to increased rate case expenses and regulatory lag between
4 rate settings, potentially impacting Arizona-American's ability to earn their authorized
5 rate of return in a timely manner, and (4) deconsolidation may lead to different levels of
6 services in the different water districts as management practices are deployed more
7 independently.
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9 **Q18. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 **A18. Yes.**
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COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: Sandy Murrey

Title: Rate Analyst

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Verrado DMB 2.4

- Q. The Compliance Application indicates de-consolidation would increase the Agua Fria area rates significantly, and would reduce the Anthem area rates from those authorized in Decision No. 72047. Please identify the main factors that contribute to the large disparity between the de-consolidated rates for the Agua Fria wastewater customers and the de-consolidated rates for the Anthem area customers.
- A: The main factors contributing to disparity in de-consolidated rates are the Northwest Valley Regional Reclamation Facility, the Verrado Reclamation Facility and its expansion as well as the Russell Ranch Reclamation Facility.

COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: Thomas M. Broderick

Title: Director, Rates & Regulation

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Verrado DMB 2.1

Q. Please explain why Arizona-American Water Company has not previously proposed to de-consolidate the Anthem/Agua Fria Wastewater District.

A: Arizona-American has never proposed to deconsolidate any of its water or wastewater districts. This case is the result of the Commission ordering Arizona-American to file "an application supporting consideration" by the Commission whether to de-consolidate Anthem/Agua Fria Wastewater District.

Arizona-American previously supported and proposed to consolidate all five of its wastewater districts in Arizona into a single district for tariff/ratemaking purposes. Further, irrespective of the outcome of this case, another requirement of Decision #72047 is that the Company file in a future rate case "a consolidation proposal which includes all of its systems..." (Page 123, lines 15-16).

COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: Thomas M. Broderick

Title: Director, Rates & Regulation

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Anthem 1.3

- Q. With reference to page 13, line 11 – page 14, line 6 of the prepared Direct Testimony of AAWC witness Sandra L. Murrey, please explain why the \$387,153 proposed increase in revenues to Anthem wastewater customers (on a deconsolidated basis) does not constitute a rate increase outside the scope of the limited nature of this proceeding described by Ms. Murrey at page 8, lines 7-12 of her prepared Direct Testimony.
- A: The amount of \$387,153 refers to the proposed revenue from the City of Phoenix's account in the OWU class as a result of reducing the test year volumes to volumes at the flume. Test year revenues for this account were \$733,665 and, thus, under the proposal, \$346,512 is being shifted to residential and commercial customers via the proposed rate design. For the purposes of this limited proceeding, the Company now considers this a rate design change. Whether or not this proposal is outside the scope of the limited proceeding is up to the Commission to determine, but the Company acknowledges it was not aware of the City of Phoenix's preferences regarding the proposed rate design treatment of this account at the December 15, 2010 open meeting where the Company, the Anthem Council and the other parties negotiated the open meeting settlement which resulted in this limited proceeding. The Company's rates team has not yet had an opportunity to review the City of Phoenix's June 23, 2011 motion for the impact, if any, of the proposal in this limited proceeding.

COMMISSIONERS
MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE



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ARIZONA CORPORATION COMMISSION

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November 10, 2008 AZ CORP COMMISSION
DOCKET CONTROL

SW-01303A-08-0227
W-01303A-08-0227

**Re: Arizona-American Water Company's Rate Case Application, Docket No: 08-0227;
Request for information regarding the potential consolidation of Arizona-
American's water systems.**

Dear Parties to the Docket:

As you know, the Commission has previously been presented with proposals addressing water consolidation. In 2002 Arizona-American Water Company first proposed consolidation for its Agua Fria and Anthem wastewater customers. In its current Application, Arizona-American acknowledges its interest in reaching a statewide tariff and its general interest in rate consolidation, but declines to make a specific proposal regarding consolidation of its water system.

I write to request that the Parties provide the Commission, as part of their testimony in this case, an analysis addressing the predicted impacts of statewide and select consolidation of Arizona-American's water systems. As you know, consolidation can provide administrative efficiencies, create increased economies of scale, facilitate rate stability and bolster reliability, among other benefits.

Notwithstanding these potential benefits, consolidation efforts may not make sense in every instance. Issues such as an absence of present and projected rate comparability, or differences in supply sources and operational distinctions may result in poor combinations. Recognizing these limitations, I would like the Parties to propose combinations of systems where potential benefits outweigh the limitations. Specifically, Parties should consider combinations which would not result in marked rate changes post consolidation. Please also provide the Commission with an analysis of rates and operations under a statewide consolidation of Arizona-American's water systems.

Thank you for your consideration of these matters.

Sincerely,

Kris Mayes
Commissioner

Arizona Corporation Commission
DOCKETED

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DOCKETED BY

Parties to the Docket, No. 01303A-08-0227
November 10, 2008
Page 2

Cc: Chairman Mike Gleason
Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
Commissioner Gary Pierce
Ernest Johnson
Janice Alward
Lyn Farmer
Brian McNeil
Rebecca Wilder

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6 Michele L. Van Quathem - 019185
7 Attorneys for DMB White Tank, LLC

2011 AUG 16 P 3:35

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
SANDRA D. KENNEDY
PAUL NEWMAN
BOB STUMP
BRENDA BURNS

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

Docket No. W-01303A-09-0343
SW-01303A-09-0343

DMB White Tank, LLC's
Direct Testimony

DMB White Tank, LLC through its undersigned counsel, hereby provides notice of filing the Direct Testimony of David Nilsen in the above-referenced matter.

DATED this 16th day of August 2011.

RYLEY CARLOCK & APPLEWHITE

Arizona Corporation Commission

DOCKETED

AUG 16 2011

DOCKETED BY [Signature]

By Michele Van Quathem
Michele Van Quathem
One North Central Avenue, Suite 1200
Phoenix, Arizona 85004-4417
Attorneys for DMB White Tank, LLC
mvanquathem@rcalaw.com

EXHIBIT
V-3
ADMITTED

1 Andrew M. Miller, Town Attorney
2 Town of Paradise Valley
3 6401 E. Lincoln Dr.
4 Paradise Valley, Arizona 85253

5 Sun City Grand Community Assoc.
6 19726 N. Remington Dr.
7 Surprise, Arizona 85374

8 Larry Woods
9 Property Owners and Residents Assoc.
10 13815 E. Camino Del Sol
11 Sun City West, Arizona 85735-4409

12 Pauline A. Harris Henry
13 Russell Ranch Homeowners Assoc., Inc.
14 21448 N. 75th Avenue, Suite 6
15 Glendale, Arizona 85308

16 Chad R. Kaffer
17 Troy Stratman
18 Mack, Drucker & Watson, PLC
19 3200 N. Central Ave., Suite 1200
20 Phoenix, AZ 85012

21 Larry D. Woods
22 15141 W. Horseman Lane
23 Sun City West, Arizona 85375

24 Thomas M. Broderick
25 Arizona-American Water Company
26 2355 W. Pinnacle Peak Rd., Suite 300
27 Phoenix, Arizona 85027

28 Philip H. Cook
10122 W. Signal Butte Circle
Sun City, Arizona 85373

Desi Howe
Anthem Golf & Country Club
2708 W. Anthem Club Dr.
Anthem, Arizona 85086

Gary Verburg, City Attorney
Daniel L. Brown, Asst. City Attorney
City of Phoenix
200 W. Washington, Suite 1300
Phoenix, AZ 85003

Jason D. Gellman
Roshka, DeWulf & Patten, PLC
400 E. Van Buren St., Suite 800
Phoenix, AZ 85004

Frederick Botha
23024 N. Giovota Drive
Sun City West, Arizona 85735

By 

1 **Q. Please state your name, position, business address, and telephone number.**

2 A. My name is David Nilsen. I am Director of Development for DMB Associates. I am
3 responsible for development activities in the Verrado master planned community, and the
4 operation of subsidiary entities relating to Verrado, including DMB White Tank, LLC
5 (collectively "DMB"). My business address is 7600 E. Doubletree Ranch Road, Suite
6 300, Scottsdale, Arizona 85258-2137. My telephone number is (480) 367-7000.

7 **Q. Have you previously testified before the Commission?**

8 A. Yes. I testified in Arizona-American Water Company's ("Arizona-American's") ongoing
9 water rate case, case number W-01303A-10-0448.

10 **Q. What is the purpose of your testimony?**

11 A. The purpose of my testimony is to describe DMB's interest as an Intervenor in this case.
12 In particular, I am describing DMB's understandings regarding the sewer rates it pays in
13 Arizona-American's Anthem/Agua Fria Wastewater District.

14 **Q. Please describe the business of DMB as it relates to this case.**

15 A. DMB is developing the Verrado master planned community, including contracting for
16 construction of much of the major infrastructure. DMB is a customer of Arizona-
17 American's Anthem/Agua Fria Wastewater District in that it pays for sewer service and
18 purchases effluent generated by the Verrado Wastewater Plant for use on the Raven Golf
19 Club at Verrado golf course and for construction uses.

20 **Q. Does DMB have an opinion regarding the effluent rate in this case?**

21 A. Yes. DMB requests that the effluent rate remain at the current amount set in the earlier
22 Decision in this matter, Decision No. 72047 (\$250 per acre-foot), for all the reasons cited
23 in DMB's earlier testimony and filings in this case. *See, for example, DMB's closing*
24 *briefs filed on July 16, 2010 and August 6, 2010.* Arizona-American's April 1, 2011
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1 compliance application proposes the effluent rate remain at \$250 per acre-foot, and we
2 agree.

3 **Q. Does DMB have an opinion regarding the proposed deconsolidation of the**
4 **Anthem/Agua Fria Wastewater District in this case?**

5 A. Yes. DMB agrees with the Verrado Community Association, Inc. that the Anthem/Agua
6 Fria Wastewater District should remain consolidated at least until a future rate case where
7 the parties will have the opportunity to fully evaluate the proposed rate increase and
8 further consolidation proposals.

9 **Q. Does this conclude your testimony in this case?**

10 A. Yes.
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COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: Alessandro Lovisetto

Title: Sr. Planning Engineer

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Verrado DMB 3.3

Q. How many separate public water systems ("PWS") does Arizona-American Water Company own throughout the State of Arizona that are not directly physically interconnected to another Arizona-American Water Company PWS?

A: There are a total of twelve AAW PWS that are not physically interconnected with another AAW PWS. Those systems are listed below:

<u>Name of System</u>	<u>Public Water System Number</u>
• Sun City	04-07-099
• Tierra Del Rio	04-07-532
• Anthem	04-07-504
• Paradise Valley	04-07-056
• Tubac	04-12-001
• Havasu	04-08-015
• Mohave	04-08-032
• Camp Mohave	04-08-037
• Lake Mohave	04-08-062
• Desert Foothills	04-08-137
• Arizona Gateway	04-08-163
• Rio Vista	04-08-333



COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: Brad Finke

Title: Manager of Developer Services

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Verrado DMB 3.4

Q. How many separate wastewater service systems does Arizona-American Water Company own throughout the State of Arizona that are not directly physically interconnected to another Arizona-American Water Company wastewater service system?

A: The following wastewater collection systems are not physically connected with any other Arizona-American Water Company wastewater collection systems:

- Agua Fria Verrado
- Agua Fria Russell Ranch
- NE Agua Fria
- Sun City
- Sun City West
- Anthem
- Mohave Wishing Well
- Mohave Arizona Gateway

Please note that though the above listed wastewater collection systems are not physically connected with any other Arizona-American Water Company wastewater collection systems, two of the above wastewater collection systems are served by the same wastewater treatment facility. The following two wastewater collection systems are served by the Northwest Valley Regional Water Reclamation Facility:

- NE Agua Fria
- Sun City West



COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: **Karan Moore**

Title: **Operations Specialist**

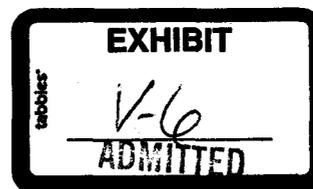
Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Anthem 4.1

Q. Please provide a current customer connection count for each of the individual wastewater systems located within the proposed stand-alone Agua Fria Wastewater District.

A: The customer count shown below is based on the number of billed wastewater customers as of September 30, 2011 and the meter routes to distinguish the customers among the individual wastewater systems.

Agua Fria Wastewater Customers as of 9/30/11	
Northeast Agua Fria (includes Corte Bella)	3,174
Russell Ranch	213
Verrado	1,902



COMPANY: ARIZONA AMERICAN WATER COMPANY
DOCKET NO: W-01303A-09-0343

Response provided by: Sandy Murrey

Title: Rate Analyst

Address: 2355 W. Pinnacle Peak Rd., #300
Phoenix, AZ 85027

Company Response Number: Corte Bella 3.3

Q. Please provide a current customer connection count for the wastewater system located within the proposed stand-alone Anthem Wastewater District.

A: The current customer count is approximately 8,450 for the Anthem Wastewater District.

