

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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SANDRA D. KENNEDY
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2012 JUL -6 P 1:17

CORP COMMISSION
DOCKET CONTROL

WS-03478A-12-0307

IN THE MATTER OF THE APPLICATION OF FAR WEST WATER & SEWER, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE

DOCKET NO. WS-03478A-12-

Arizona Corporation Commission
DOCKETED

JUL - 6 2012

**APPLICATION
OF
FAR WEST WATER & SEWER, INC
JULY 6, 2012**

DOCKETED BY [Signature]

- 1 1. Far West Water & Sewer, Inc. ("Far West") hereby applies in accordance with
- 2 A.R.S. § 40-250 and the Commission's Rule R 14-2-103 for a rate increase for its wastewater
- 3 rates. Far West is a Class A Utility.
- 4 2. **Requested Rate Increase.** Far West has invested in major upgrades to its
- 5 wastewater facilities, as required by a Consent Judgment with the Arizona Department of
- 6 Environmental Quality. As of the end of the test year, Far West has completed Phase I of the
- 7 Section 14 Plant expansion, closed the Palm Shadows wastewater treatment plant and directed its
- 8 flow to the Section 14 Plant, and completed the Phase I Del Oro Plant expansion. Far West's
- 9 new wastewater treatment plants are state-of-the-art facilities that, through an ultra-filtration
- 10 process, will produce reclaimed water that is A+ quality.
- 11 3. Far West's current financial condition is grim. Far West does not have sufficient
- 12 resources to pay all of its bills as they become due and obligations to multiple parties are
- 13 severely overdue. This is largely a result of Far West's massive investment in new plant. Since

1 its last rate case, rate base has increased from \$1,549,650 (2004 test year) to \$22,800,578 (2011
2 test year). Far West's test-year income is negative. In 2009, the Commission found (Decision
3 No. 71447, page 22) that Far West's wastewater division was insolvent. Conditions have not
4 improved since then. Far West has only been able to maintain wastewater operations through
5 subsidies from its water division, additional short-term borrowings, and additional capital
6 contributions.

7 4. Far West provides wastewater service in unincorporated areas of Yuma County.
8 Far West currently charges residential customers a flat monthly charge of \$21.75 for this
9 wastewater service. By comparison, the City of Yuma charges \$43.20 per month for wastewater
10 service to customers outside the City limits, or approximately twice as much as Far West is
11 authorized to charge.

12 5. For this case, Far West accepts its original cost rate base as its fair-value rate
13 base. Far West requests a rate increase of \$3,866,046, or 173.52%, to allow it to earn a 7.409%
14 rate of return on its original cost rate base. A residential customer's monthly bill will increase by
15 \$40.90 to \$62.65 per month, an increase of 188.05%.

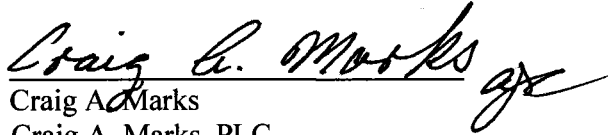
16 6. **Testimony.** This Application is supported by the testimony and exhibits of Mr.
17 Ray Jones. Mr. Jones is the Principle of ARICOR Water Solutions, LC ("ARICOR"). ARICOR
18 provides a wide range of engineering and regulatory support services to the private utility,
19 municipal utility, and development sectors. Mr. Jones also prepared and supports the required
20 schedules (A – H) that support Far West's rate request.

21 7. **Organization of Application.** The Application is organized as follows:

- 22 a. Application (Summary).
- 23 b. Testimony of Ray L. Jones.
- 24 c. Testimony Exhibits, including required Schedules (A-H).

25 7. **Requested Relief.** Far West asks that the Commission issue an order consistent
26 with the requests set forth in this Application, as more fully set forth in the accompanying
27 testimony, exhibits, and schedules.

1 Respectfully submitted on July 6, 2012, by:

2
3 

4 Craig A. Marks
5 Craig A. Marks, PLC
6 10645 N. Tatum Blvd.
7 Suite 200-676
8 Phoenix, Arizona 85028
9 (480) 367-1956
10 Craig.Marks@azbar.org
11 Attorney for Far West Water & Sewer, Inc.
12

13
14 **Original and 13 copies sent overnight**
15 on July 5, 2012, to:

16
17 Docket Control
18 Arizona Corporation Commission
19 1200 West Washington
20 Phoenix, Arizona 85007
21

22 **Copy of the foregoing mailed on**
23 July 5, 2012, to:

24
25 Residential Utility Consumer Office
26 1110 West Washington Street
27 Suite 220
28 Phoenix, Arizona 85007
29

30
31 By: 
32

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
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BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF
FAR WEST WATER & SEWER, INC., AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
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WASTEWATER RATES AND CHARGES
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DOCKET NO. WS-03478A-12-

**DIRECT TESTIMONY
OF
RAY L. JONES
ON BEHALF OF
FAR WEST WATER & SEWER, INC.
JULY 6, 2012**

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1 **EXECUTIVE SUMMARY**

2 Mr. Ray Jones testifies in support of a rate application by Far West Water & Sewer, Inc. ("Far
3 West" or "Company"). Far West seeks a determination of (i) the fair value of its wastewater
4 utility property for ratemaking purposes, (ii) a fair and reasonable rate of return thereon, and (iii)
5 increases in its rates and charges for wastewater utility service in its certificated service area.

6 Mr. Jones first testifies concerning his qualifications and then discusses Far West's wastewater
7 operations.

8 Mr. Jones next discusses Far West's recent upgrades to its wastewater facilities, as required by a
9 Consent Judgment with the Arizona Department of Environmental Quality. As of the end of the
10 test year, Far West has completed Phase I of the Section 14 Plant expansion, closed the Palm
11 Shadows wastewater treatment plant and directed its flow to the Section 14 Plant and completed
12 the Phase I Del Oro Plant expansion. Far West's new wastewater treatment plants are state-of-
13 the-art facilities that, through an ultra-filtration process, will produce reclaimed water that is A+
14 quality. Far West's plant-in-service balance has increased from \$13,420,251 (2004 test year) to
15 \$37,751,132 in this filing (2011 test year).

16 Mr. Jones next discusses Far West's regulatory history and its grim financial condition. Mr.
17 Jones explains that the present financial condition is largely a result of Far West's massive
18 investment in new plant. Since its last rate case, rate base has increased from \$1,549,650 to
19 \$22,800,578.

20 Mr. Jones next provides an overview of Far West's rate request and then discusses the request in
21 detail including test-year rate base, income, expenses, and cost of capital. Far West requests a
22 rate increase of \$3,866,046, or 173.52%, to allow it to earn a 7.409% rate of return on its original
23 cost rate base.

24 Attached to Mr. Jones' testimony are three exhibits:

- 25 • Exhibit RLJ-DT1 – Resume of Ray Jones
- 26 • Exhibit RLJ-DT2 – Description of Far West Wastewater System
- 27 • Exhibit RLJ-DT3 – Required Schedules

1 I **INTRODUCTION**

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

4 A. My name is Ray L. Jones. My business address is 25213 N. 49th Dr., Phoenix, Arizona
5 85083, and my business phone is (623) 341-4771.

6 Q. **WHAT IS YOUR PROFESSIONAL EXPERIENCE?**

7 A. I have an extensive background in the Arizona water and wastewater utility businesses. I
8 began my career as a Staff Engineer with Citizens Utilities Company (“Citizens”) at its
9 Sun City office in 1985. I held progressively more responsible positions and ultimately
10 became the Vice President and General Manager for Citizens’ Arizona Water and
11 Wastewater Operations in 1998. When Arizona-American Water Company (“Arizona-
12 American”) purchased Citizens’ water and wastewater operations in 2002, I became
13 Arizona-American’s President. In 2004, I left Arizona-American and formed my own
14 consulting firm, ARICOR Water Solutions, LC (“ARICOR”). ARICOR provides a wide
15 range of engineering and regulatory support services to the private utility, municipal
16 utility, and development sectors.

17 Q. **WHAT IS YOUR EDUCATIONAL EXPERIENCE?**

18 A. I have a B.S. in Civil Engineering from Kansas University (1985) and an M.B.A. from
19 Arizona State University (1991).

20 Q. **DO YOU HOLD ANY PROFESSIONAL LICENSES?**

21 A. I am a licensed Professional Engineer in Arizona and California and I am a Grade 3
22 Certified Operator for all four Arizona classifications.

1 **Q. WHAT IS YOUR EXPERIENCE BEFORE THE COMMISSION?**

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

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

10 A. I am testifying on behalf of the applicant, Far West Water & Sewer, Inc. (“Far West” or
11 “Company”). Far West seeks a determination of (i) the fair value of its wastewater utility
12 property for ratemaking purposes, (ii) a fair and reasonable rate of return thereon, and
13 (iii) increases in its rates and charges for wastewater utility service in its certificated
14 service area.

15 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

16 A. My testimony supports Far West’s application for rate relief. Specifically, I describe Far
17 West’s wastewater system and operations and provide a brief history of Far West’s recent
18 regulatory activity. I will also provide an overview of this filing and testify in support of
19 the Company’s proposed adjustments to its rates and charges for wastewater service. I
20 testify concerning Far West’s rate base, its net income (revenue and operating expenses),
21 its required level of revenues, and its rate design and proposed rates and charges for
22 service. Lastly, I sponsor the required filing schedules that accompany this filing.

1 **II FAR WEST'S WASTEWATER SYSTEM AND OPERATIONS**

2 **Q. WHAT IS YOUR RELATIONSHIP TO FAR WEST?**

3 A. I provide consulting services to Far West. Specifically, I have assisted and advised Far
4 West on matters related to expansion and operation of its wastewater system. In my
5 capacity as a consultant to Far West, I have been able to become familiar with their
6 wastewater facilities and operations.

7 **Q. WOULD YOU DESCRIBE FAR WEST AND ITS WASTEWATER SYSTEM?**

8 A. Far West provides water and wastewater utility services in Yuma County, Arizona. Far
9 West was issued a Certificate of Convenience and Necessity on April 8, 1998, in
10 Decision No. 60799, which authorized the transfer of the Certificate of Convenience and
11 Necessity ("CC&N") held by H&S Developers, Inc. dba Far West Water Company and
12 Far West Sewer Company to Far West. Far West currently serves approximately 7,067
13 residential wastewater customers, 44 commercial wastewater customers and 4
14 recreational vehicle parks containing 713 spaces.

15 The Far West wastewater system consists of a collection system with 16 lift stations.
16 There are six wastewater treatment plants. Treated effluent is either reused on golf
17 courses or recharged into the regional aquifer. A detailed description of Far West's
18 wastewater system is attached as *Exhibit RLJ-DT2*.

19 Far West's water division currently serves approximately 15,500 customers in Yuma
20 County. Most but not all of Far West's wastewater customers are also Far West water
21 customers.

1 **Q. PLEASE DESCRIBE RECENT CHANGES TO FAR WEST'S WASTEWATER**
2 **SYSTEM?**

3 A. Historically, Far West's wastewater system consisted of small isolated collection and
4 treatment systems serving individual subdivisions or developments. The Company
5 experienced substantial growth in the late 1990's and through the first half of the 2000's.
6 The Company's sewer facilities were simply unable to keep up with this growth and more
7 stringent environmental regulation. As a consequence, Far West Sewer received a
8 number of notices of violation from ADEQ.

9 In order to resolve ADEQ compliance issues, Far West and ADEQ ultimately entered
10 into a Consent Judgment which mandated that Far West complete a wastewater system
11 improvement program. The Consent Judgment required Far West to:

- 12 • Expand its Del Oro, Section 14, and Seasons wastewater treatment plants.
- 13 • Close its Villa del Rey and Villa Royal wastewater treatment plants, and direct their
14 flows to the upgraded Del Oro plant.
- 15 • Close the Palm Shadows wastewater treatment plant, and direct its flow to the
16 upgraded Section 14 wastewater treatment plant.

17 The improvements will consolidate Far West Sewer's wastewater collection and
18 treatment system, bring the system into compliance with all applicable regulations, and
19 position it to handle anticipated growth over the next several years.

20 **Q. WHAT IS THE STATUS OF FAR WEST'S SYSTEM IMPROVEMENTS?**

21 A. As of the end of the test year, Far West has completed Phase I of the Section 14
22 expansion, closed the Palm Shadows wastewater treatment plant and directed its flow to
23 Section 14, and completed the Phase I Del Oro plant expansion. Far West's new

1 wastewater treatment plants are state-of-the-art facilities that, through an ultra-filtration
2 process, produce reclaimed water that is A+ quality.

3 **III FAR WEST'S REGULATORY HISTORY AND FINANCIAL CONDITION**

4 **Q. WOULD YOU SUMMARIZE FAR WEST'S RECENT REGULATORY**
5 **ACTIVITY AND ITS RELATIONSHIP TO THIS APPLICATION?**

6 A. Far West's current wastewater rates are based on a calendar-year 2004 test year and went
7 into effect on February 20, 2007, pursuant to Decision No. 69335. The rate base
8 approved in Decision No. 69335 was \$1,549,650.

9 On July 7, 2007 Far West filed a financing application requesting authorization to acquire
10 up to \$25,215,000 in long-term debt to fund its wastewater system improvement program
11 and to repay and consolidate certain existing long-term and short-term debt. The
12 application was approved on October 30, 2007 in Decision No. 69950. On December 13,
13 2007, Far West obtained \$25,190,000 in financing in the form of a Yuma County
14 Industrial Development Authority Revenue Bonds pursuant to the authorization.

15 On August 29, 2008, Far West filed an application requesting a permanent 214.8%
16 increase in wastewater rates. On December 19, 2008, Far West filed an emergency
17 application requesting an interim rate increase of 101.02% until such time as permanent
18 rates were set. On January 26, 2009, a Procedural Order was issued suspending the
19 permanent rate case while the interim rate request was being considered. On December
20 16, 2009 the Company's request for interim rate relief was denied pursuant to Decision
21 No. 71447. Due to concerns about the staleness of the test year and other matters, on
22 March 24, 2010, Far West filed a motion to withdraw the permanent rate case. On April
23 14, 2010, a Procedural Order was issued ordering that Far West's Motion to Withdraw

1 Application be held in abeyance and the current rate case suspended pending the filing of
2 a new permanent rate case.

3 **Q. WHAT IS FAR WEST'S CURRENT FINANCIAL CONDITION?**

4 A. Far West is struggling financially and is unable to meet all of its financial obligations.
5 The sewer division is insolvent on a stand-alone basis and has been for some time. In
6 2009, the Commission found (Decision No. 71447, page 22) that Far West's wastewater
7 division was insolvent. Conditions have not improved since then. Far West has only
8 been able to maintain wastewater operations through subsidies from its water division,
9 additional short-term borrowings, and additional capital contributions.

10 Far West does not have sufficient resources to pay all of its bills as they become due and
11 obligations to multiple parties are severely overdue. Far West's Debt Service Coverage
12 Ratio is negative for the wastewater division and only 0.93¹ for the Company as a whole.

13 **Q. WHAT FACTORS CONTRIBUTED TO FAR WEST'S CURRENT FINANCIAL**
14 **CONDITION?**

15 A. Far West's poor financial condition is primarily the result of the Company's wastewater
16 system improvement program. As noted in 2007 (Decision No. 69950), Staff's analysis
17 indicated that the approved debt for implementing Far West's wastewater system
18 improvement program would result in a pro forma debt service coverage ratio ("DSC")
19 of 1.15 and a times interest earned ratio ("TIER") of 0.50. While, these ratios indicated
20 that Far West could meet its debt obligations over the short-term, they were not indicative
21 of a healthy financial position or that the debt obligations were sustainable over the long-
22 term.

¹ DSCs are for the 2011 test year on an unadjusted basis.

1 Both the DSC ratio and TIER are now negative for the wastewater division and continue
2 to be at undesirably low levels for the Company as a whole. Far West's plant-in-service
3 balance has increased from \$13,420,251 (2004 test year) to \$37,751,132 in this filing.
4 The associated rate base has increased from \$1,549,650 to \$22,800,578. This enormous
5 investment in plant and equipment is primarily responsible for Far West's current
6 financial condition.

7 **Q. WHAT ARE THE CONSEQUENCES OF FAR WEST'S POOR FINANCIAL**
8 **CONDITION?**

9 A. In the short-term, Far West is unable to meet its obligations to vendors and other
10 creditors, including being unable to make its property tax payments to Yuma County, and
11 it is struggling to obtain the needed funds to complete the wastewater system
12 improvement program. In the long-term, Far West will be unable to attract the necessary
13 capital to maintain and expand the water and wastewater systems, will not be able to
14 maintain adequate staffing levels, and ultimately will be unable to provide safe and
15 reliable service to its customers. Without significant additional revenue, Far West will
16 likely be forced into insolvency as unpaid creditors take legal action to recover amounts
17 due.

18 **Q. IS TIMELY AND ADEQUATE RELIEF FROM THE COMMISSION IN THIS**
19 **CASE CRITICAL TO FAR WEST'S LONG-TERM FINANCIAL HEALTH?**

20 A. Yes. The only viable solution to Far West's financial crisis is to increase rates to allow
21 Far West to recover a reasonable rate of return on the amounts invested in new and
22 improved wastewater facilities.

23 Far West realizes that the magnitude of the increase requested in this case is very large
24 and may be a hardship for its customers. However, not addressing Far West's financial

1 condition would be even more harmful to Far West's customers. Of note, Far West
2 currently charges residential customers a flat monthly charge of only \$21.75 for
3 wastewater service. By comparison, the City of Yuma charges \$43.20 per month for
4 wastewater service to customers outside the City limits, or approximately twice as much
5 as Far West is authorized to charge.

6 Timely rate relief is critical. Far West commits to work with the Commission Staff and
7 other parties during the processing of this filing to reach a mutually acceptable outcome
8 to this case in as quickly as possible.

9 **IV OVERVIEW OF FAR WEST'S APPLICATION**

10 **Q. PLEASE SUMMARIZE THE COMPANY'S APPLICATION.**

11 A. Far West requests a rate increase of \$3,866,046, or 173.52%, to allow it to earn a 7.409%
12 rate of return on its original-cost rate base. The test year is the 12-month period ending
13 December 31, 2011. Far West also proposes certain pro forma adjustments to account for
14 known and measurable changes to rate base, expenses, and revenues, and to present a
15 normalized and more realistic relationship between revenues, expenses and rate base.

16 **Q. PLEASE IDENTIFY THE SCHEDULES PROVIDED WITH THIS**
17 **APPLICATION?**

18 A. I have prepared the following schedules, which are attached as *Exhibit RLJ-DT3*.

- 19
- Schedules A-1 through A-5 – Summary Information.
 - 20 • Schedules B-1 through B-5 – Rate Base Information and Adjustments.
 - 21 • Schedules C-1 through C-3 – Income Statements and Adjustments.
 - 22 • Schedules D-1 through D-4 – Cost of Capital Information.

- 1 • Schedules E-1 through E-9 – Financial Statements and Statistical Data.
- 2 • Schedules F-1 through F-4 – Projections and Forecasts.
- 3 • Schedules H-1 through H-5 – Effect of Proposed Rate Schedules.

4 I prepared these schedules based on my investigation and review of the relevant books
5 and records of Far West. G Schedules are omitted because the Company is not proposing
6 a change in its rate design. Further, given that the vast majority of customers are
7 residential, the Company did not feel it necessary to prepare a cost of service study.

8 **V RATE BASE AND RATE BASE ADJUSTMENTS**

9 **A RATE BASE**

10 **Q. HOW DID FAR WEST ARRIVE AT ITS TEST YEAR ORIGINAL COST RATE**
11 **BASE SHOWN ON SCHEDULE B-1, LINE 22?**

12 A. The original cost rate base was calculated by establishing the balance of utility plant in
13 service at the end of the test year, per Far West's books, as shown in the first column of
14 Schedule B-2. Deductions were made for accumulated depreciation, advances, net
15 contributions and customer security deposits. Working capital was included as an
16 addition to rate base. The Company made various pro forma adjustments (RB-1, RB-2 &
17 RB-3) to the actual test-year-end rate base to arrive at the adjusted test-year-end rate base
18 of \$22,808,578. For this case, Far West accepts its original cost rate base as its fair value
19 rate base.

1 **B WORKING CAPITAL**

2 **Q. HOW DID FAR WEST DETERMINE ITS WORKING CAPITAL**
3 **REQUIREMENT?**

4 A. The working capital was determined by adding Far West's estimated working cash
5 requirement to the test-year-end balances of materials and supplies inventory, special
6 deposits (required by IDA Bond), and prepayments.

7 **Q. HOW WAS THE WORKING CASH COMPONENT OF WORKING CAPITAL**
8 **ESTIMATED?**

9 A. A lead/lag study was used to estimate the working cash component of working capital. A
10 lead/lag study identifies the net lag between 1) the time from providing services to the
11 time customers pay for those services to 2) the time from incurring expenses until those
12 expenses are paid. For Far West, revenues lag expenses, creating a positive cash working
13 capital requirement of \$73,359.

14 **C RATE BASE ADJUSTMENTS**

15 **Q. PLEASE EXPLAIN RATE BASE ADJUSTMENT RB-1.**

16 A. Rate base adjustment RB-1, detailed on page 2 and 2.1 of Schedule B-2, decreases the
17 plant in service balance by a net of \$4,854,479 after considering several separate plant in
18 service adjustments labeled [1.1] through [1.7].

19 Adjustments [1.1] conforms the plant in service balance to Decision No. 69335.
20 Schedule B-2.1 provides a detailed reconciliation of the adjustments needed to conform
21 the plant-in-service balance to Decision No. 69335.

22 Adjustments [1.2] adjusts certain year-end 2004 plant account balances to conform to
23 balances established by the Company's outside auditors at year-end 2006. Far West

1 believes these audited balances more accurately reflect Far West's financial position at
2 12/31/2004 than the balances adopted in its last rate case and should be adopted for
3 ratemaking purposes in this case.

4 Adjustment [1.3] removes the cost of land and easements for lift-station projects which
5 are not yet completed and in service from the plant balances.

6 Adjustment [1.4] removes a 2006 adjusting entry for capitalized expenses as required by
7 Decision No. 69335 because those amounts are also captured in adjustment [1.1].

8 Adjustment [1.5] and [1.6] are to record retirement of physically retired assets which are
9 not recorded on Far West's books. Adjustment [1.5] records miscellaneous retirements
10 and Adjustment [1.6] records retirements associated with wastewater treatment plant
11 improvements.

12 Adjustment [1.7] removes from plant in service the incremental costs of plant facilities
13 installed as part of the Phase I expansion of the Section 14 wastewater treatment plant
14 that are necessary to provide Phase II capacity. The adjustment is detailed on Page 2.1 of
15 Schedule B-2.

16 **Q. PLEASE EXPLAIN RATE BASE ADJUSTMENT RB-2.**

17 A. Rate base adjustment RB-2, detailed on page 3 and 3.1 of Schedule B-2, decreases the
18 accumulated depreciation balance by a net of \$1,924,696 after considering several
19 separate accumulated depreciation adjustments labeled [2.1] through [2.5].

20 Adjustments [2.1] and [2.2] records the unbooked plant retirements discussed previously.

21 Adjustment [2.3] adjusts accumulated depreciation to the amounts calculated on Schedule
22 B-2.1. As detailed on Schedule B-2.1, accumulated depreciation was calculated from the

1 balances approved in Decision No. 69335 considering recorded plant additions and
2 retirements, plant reclassifications and adjustments and unbooked retirements.

3 Adjustment [2.4] eliminates differences resulting from rounding the calculated
4 accumulated depreciation balances.

5 Adjustments [2.5] eliminates accumulated depreciation recorded for plant facilities
6 installed as part of the Phase I expansion of the Section 14 wastewater treatment plant
7 that are necessary to provide Phase II capacity. Supporting detail is provided on page 3.1
8 of Schedule B-2.

9 **Q. PLEASE EXPLAIN RATE BASE ADJUSTMENT RB-3.**

10 A. Rate base adjustment RB-3, detailed on page 4, 4.1 and 4.2 of Schedule B-2, decreases
11 CIAC by \$713,313 and decreases the accumulated amortization of CIAC by \$393,502.
12 Page 4.1 provides a reconciliation calculation of accumulated amortization of CIAC from
13 12/31/2004 to the end of the current test year. Page 4.2 provides a reconciliation of the
14 current Far West CIAC balance to the previous rate case CIAC balance and provides
15 detail of adjustment needed to conform 2004 year-end balances to the balances
16 established by the Company's outside auditors at year-end 2006.

17 **VI INCOME STATEMENT AND INCOME STATEMENT ADJUSTMENTS**

18 **A REVENUE ADJUSTMENTS**

19 **Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-1?**

20 A. Income statement adjustment IS-1 is an adjustment to eliminate income received from
21 leased utility plant from revenues. The income is removed to prevent a mismatch of
22 revenues and rate base because the cost of the leased facilities are not included in the
23 plant-in-service balance used to determine the Company's rate base.

1 **Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-2?**

2 A. Income statement adjustment IS-2 is an adjustment to eliminate net unbilled revenues so
3 that test year revenue can be properly reconciled with billing determinates.

4 **B EXPENSE ADJUSTMENTS**

5 **Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-3?**

6 A. Income statement adjustment IS-3 normalizes purchased power expense. During the test
7 year, the Section 14 WWTP and the Del Oro WWTP were expanded. In addition the
8 Palm Shadows WWTP was removed from service and flows were redirected to the
9 Section 14 WWTP. These changes have increased power demands for aeration and
10 pumping. The changes in power costs are known and measureable and should be
11 included in the Company's expenses. Costs have been normalized based on five months
12 of actual data available since the operation of the newly configured facilities has
13 stabilized. The adjustment increases purchased power by \$54,116.

14 **Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-4?**

15 A. Income statement adjustment IS-4 annualizes salaries and wages expense based on year-
16 end staffing levels, current salary levels and estimated work hours in 2012 that reflect Far
17 West's reconfigured water treatment facilities.

18 Far West has frozen Officer and Director salaries so no adjustment is made to that
19 category of expense. Employee salaries and wages are increased by \$214,712 and the
20 associated payroll taxes are increased by \$10,127.

21 Income statement adjustment IS-4 is necessary because Far West has discontinued
22 effluent hauling to the City of Yuma and reassigned personnel and adjusted authorized
23 positions to meet the demands of the newly expanded wastewater treatment plants. No

1 adjustment is required for the eliminated expenses associated with the now closed Palm
2 Shadows plant and for discontinued effluent hauling because those expenses were
3 recorded below the line in account 434 Extraordinary Deductions.

4 **Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-13?**

5 A. Income Statement Adjustment IS-13 increases the test year expense by \$75,000. This is
6 based on Far West's estimated rate case expense at \$225,000, which it proposes to collect
7 over a three-year amortization period. The rate case expense estimate includes only the
8 estimated cost for this filing and does not include any costs for the suspended rate case or
9 emergency rate case filings. Far West will update the estimate as the case progresses to
10 reflect any changes in expected total rate case expense.

11 **Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-14?**

12 A. Income statement adjustment IS-14 synchronizes interest expense with the test-year
13 adjusted rate base. This adjustment is necessary to properly calculate the federal and
14 state income taxes (income statement adjustment IS-17) to be included in rates. Income
15 statement adjustment IS-14 decreases interest expense by \$152,676.

16 **Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-15?**

17 A. Income statement adjustment IS-15 annualizes depreciation expense using adjusted test-
18 year-end plant balances and current depreciation rates. Income statement adjustment IS-
19 15 increases depreciation expense by \$331,843.

20 **Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-16?**

21 A. Income statement adjustment IS-16 restates property taxes consistent with the method
22 supported by Commission Staff and approved in numerous recent Commission decisions.
23 Specifically, following the Arizona Department of Revenue - Centrally Valued Properties

1 method, full cash value was determined by using twice the average of three years of
2 revenue, plus an addition for CWIP and a deduction for the book value of transportation
3 equipment. Consistent with Commission practice, three times the adjusted revenues for
4 2011 was used to determine the average revenue. The assessed value (20 percent of full
5 cash value) was then multiplied by the test year property tax rate to determined adjusted
6 property tax expense. Income statement adjustment IS-16 decreases property tax expense
7 by \$26,622 for the test year, and after considering the effect of the proposed rate increase,
8 property tax expense is increased by \$53,382 from the test year adjusted amount.

9 **Q. WHAT IS INCOME STATEMENT ADJUSTMENT IS-17?**

10 A. Income statement adjustment IS-17 calculates the test year income tax expense for Far
11 West, considering all other adjustments. Income statement adjustment IS-17 increases
12 the test year income tax benefit by \$184,014, and after considering the effect of the
13 proposed rate increase, income tax expense is increased by \$877,350 from the test year
14 adjusted amount.

15 **VII COST OF CAPITAL**

16 **Q. WHAT IS THE RECOMMENDED CAPITAL STRUCTURE FOR FAR WEST?**

17 A. Far West proposes to use the adjusted test-year-end capital structure of 79.55% long-term
18 debt, 6.46% short-term debt and 13.98% equity, as shown on Schedule D-1.

19 **Q. WHAT IS THE RECOMMENDED COST OF DEBT?**

20 A. Far West proposes to use the actual weighted average cost of Far West's debt of 6.900%
21 for long-term debt and 8.073% for short-term debt, as shown on Schedule D-2.

22 **Q. WHAT IS THE RECOMMENDED COST OF EQUITY?**

23 A. Far West proposes to use a 10.00% cost of equity.

1 **Q. HOW DID YOU ARRIVE AT A 10.00% COST OF EQUITY?**

2 A. Far West's highly leveraged capital structure and associated higher than average financial
3 risk indicates that Far West will require a higher cost of equity than less leveraged
4 companies. In addition, as shown on Schedule F-2, Far West's test year operating cash
5 flow was negative and Far West's cash flow is projected to remain negative until the rates
6 requested in this case are put into effect. Far West's deteriorating financial condition,
7 negative cash flow, and a highly leveraged capital structure justify a significant financial
8 risk adjustment to any comparative cost of capital analysis. However, considering the
9 magnitude of this rate increase request, in order to somewhat mitigate the impact of this
10 request and eliminate contested issues, I selected a cost of equity of 10.00%, which does
11 not include a risk premium.

12 I based the request on a review of rate orders issued by the Commission during calendar-
13 year 2012. I identified the following cases for Class A, B and C companies for which the
14 cost of equity could be determined. The identified utilities range from 0% debt capital to
15 a high of 64.14% debt capital. Far West's test-year-end debt capital of 86.021% is well
16 above the highest debt level of the comparable companies. Based on my review of the
17 Commission's 2012 decisions, as detailed below, an 11.00% return on equity is the
18 minimum return on equity that is appropriate for Far West's capital structure and
19 financial risk profile. However, as previously discussed, Far West is proposing a 10.00%
20 cost of equity that does not include a risk premium.

<u>Company</u>	<u>Docket</u>	<u>Debt Ratio</u>	<u>Equity Return</u>	<u>Risk Premium Included</u>
Arizona-American Water ²	09-0343	64.14%	10.70%	80 basis pt.
Bermuda Water	10-0521	0.00%	8.82%	n/a
Goodman Water	10-0521	18.27%	9.95%	n/a
East Slope Water	10-0168	0.00%	9.6%	n/a
Arizona Water	10-0517	49.03%	10.0%	n/a
Arizona-American Water	10-0488	58.73%	10.6%	n/a

1 **Q. WHAT IS THE WEIGHTED AVERAGE COST OF CAPITAL?**

2 A. Based upon a capital structure consisting of 79.55 percent long-term debt, 6.46% short-
 3 term debt and 13.98 percent equity, a long-term debt cost of 6.900 percent, a short-term
 4 debt cost of 8.073%, and a cost of equity of 10.00 percent, the weighted cost of capital is
 5 7.409 percent as shown on Schedule D-1.

6 **VIII RATE DESIGN AND REVENUE PROOF**

7 **Q. PLEASE DESCRIBE THE H SCHEDULES.**

8 A. Schedule H-1 summarizes the revenue by source and customer classification as billed
 9 under present rates and the amount that would be generated by the proposed increase in
 10 sewer rates. Since the Company receives a substantial amount of revenue from it re-
 11 establishment fee, which is in effect flat rate sewer revenues paid in arrears, the re-
 12 connection fee revenue has been included in flat rate revenues.

13 Schedule H-2 analyzes revenue at present and proposed rates by source and customer
 14 class in dollar amount and percentage. The average number of customers derived from
 15 the bill count is also shown by customer class and in total.

² Commission Staff recommendation shown in table. The decision ultimately adopted RUCO's lower cost of equity due to factors that are not applicable in this matter.

1 Schedule H-3 compares present and proposed rates and shows the changes in each rate.

2 Schedule H-4 compares present and proposed rates and the percentage increase for each
3 class of service. Schedule H-5 is the bill count of the bills issued during the test year.

4 **Q. HAS FAR WEST PROPOSED A CHANGE IN RATE DESIGN?**

5 A. Far West proposed to maintain the existing flat rate for sewer service for all classes of
6 customers. Far West is proposing to change the effluent reuse rate to a market rate that
7 will not exceed \$1.00 per thousand gallons or be less than \$0.20 per thousand gallons.
8 Because groundwater pumping is unregulated in the Company's service area, Far West
9 believes the current market rate is \$0.20 per 1,000 gallons, approximately the cost to
10 pump groundwater. However, Far West does not want to create contentious issues in this
11 case and has used the existing rate of \$1.00 per 1,000 gallons (the rate in effect during the
12 test year) to determine its revenue requirement.

13 **Q. WHAT IS THE IMPACT OF FAR WEST'S PROPOSED RATES ON THE**
14 **AVERAGE RESIDENTIAL CUSTOMER?**

15 A. A residential customer's monthly bill will increase by \$40.90 to \$62.65 per month, an
16 increase of 188.05%.

17 **Q. IS FAR WEST PROPOSING ANY CHANGES TO MISCELLANEOUS SERVICE**
18 **CHARGES?**

19 A. Yes. As detailed in Schedule H-3, Far West is proposing minor adjustments to its
20 Establishment, Reconnection, and NSF check charges to be consistent with those
21 recommend by Staff in recent cases.

1 **Q DID FAR WEST VERIFY AND PROVE THE TEST YEAR REVENUES?**

2 A. Yes. Schedule H-5 lists the number of bills by for each class of customer and for the
3 number of Re-Establishment Fees billed.

4 As shown on Schedule H-1, line 15, total calculated revenues at present rates for the test
5 year were \$2,230,763 compared to total per-book adjusted revenues of \$2,227,982 shown
6 on Schedule H-1, line 20. The unreconciled difference of \$2,781 amounts to 0.12% of
7 per-book adjusted revenues.

8 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

9 A. Yes.

Far West Water & Sewer Company, Inc.

Ray Jones Direct Testimony

Exhibit RLJ-DT1

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

EMPLOYMENT HISTORY

- 2004 – Present **ARICOR Water Solutions**
Principal
ARICOR Water Solutions offers a wide range of services to the private and public sectors. Projects include water resources strategy development, water rights evaluation and development of regulatory strategies. Services also include consultation on water and wastewater utility formation, management and operations, and valuation, including due diligence analysis and preparation of financial schedules and testimony in support of CC&N, Rate Case and other filings before the Arizona Corporation Commission. ARICOR Water Solutions provides water, wastewater and water resource master planning, water and wastewater facilities design, and owner representation; including value engineering, program management and construction oversight. Lastly, ARICOR Water Solutions supports water solutions with contract operations and expert witness testimony and litigation support.
- 2002 to 2004 **Arizona-American Water Company**
President
Responsible for leadership of the Arizona business activities of Arizona-American Water Company. Key responsibilities include developing and evaluation new business opportunities, developing strategic plans, establishing effective government and community relations, insuring compliance with all regulatory requirements, and providing management and guidance to key operations and support personnel.
- 1998 to 2002 **Citizens Water Resources, Arizona Operations**
Vice President and General Manager
Responsible for leadership of the Arizona regulated and unregulated business activities of Citizens Water Resources. Key responsibilities included developing and evaluation new business opportunities, developing strategic plans, establishing effective government and community relations, insuring compliance with all regulatory requirements, and providing management and guidance to key operations and support personnel.
- 1990 to 1998 **Citizens Water Resources, Arizona Operations**
Engineering and Development Services Manager
Responsible for management of a diverse group of business growth related activities. Responsibilities include: marketing of operation and maintenance services (unregulated business growth), management of new development activity (regulated business growth), management of engineering functions (infrastructure planning and construction), management of water resources planning and compliance, management of growth-related regulatory functions (CC&N's and Franchises), and management of capital budgeting functions and capital accounting functions.
- 1985 to 1990 **Citizens Water Resources, Arizona Operations**
Civil Engineer
Responsible for the planning, coordination and supervision of capital expansion and major maintenance and rehabilitation projects as assigned. Responsible for development of capital program for Maricopa County Operations.

EDUCATION

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

PROFESSIONAL CERTIFICATION

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

PROFESSIONAL AFFILIATIONS

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

CIVIC AND COMMUNITY INVOLVEMENT

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

REGULATORY EXPERIENCE

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

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

Filing Year	Utility(ies)	Filing Type(s)	Docket(s)
2000	Citizens Water Resources Company of Arizona Citizens Water Services Company of Arizona	CC&N Extension and Accounting Order (Anthen Jacka Property and Phoenix Treatment Agreement)	SW-3455-00-1022 SW-3454-00-1022
2000	Citizens Communications Company Citizens Water Services Company of Arizona	CC&N Extension and Approval of Hook-Up Fee (Verrado)	W-0132B-00-1043 SW-0354A-00-1043
2002	Arizona-American Water Company	Ratemaking	WS-01303A-02-0867 WS-01303A-02-0868 WS-01303A-02-0869 WS-01303A-02-0870 WS-01303A-02-0908
2004	Arizona-American Water Company Rancho Cabrillo Water Company Rancho Cabrillo Sewer Company	CC&N Transfer	WS-01303A-04-0089 W-01303A-04-0089 SW-03898A-04-0089
2004	Johnson Utilities Company, LLC (Representing Pulte Home Corporation)	CC&N Extension	WS-02987A-04-0288
2005	Perkins Mountain Utility Company Perkins Mountain Water Company	New CC&N & Initial Rates	WS-20379A-05-0489 W-20380A-05-0490
2005	West End Water Company	CC&N Extension	W-01157A-05-706
2005	Arizona-American Water Company	Approvals Associated with Construction of Surface Water Treatment Facility	W-01303A-05-0718
2006	Arizona-American Water Company	Ratemaking	WS-01303A-06-0403
2008	Sunrise Water Company	Ratemaking	W-02069A-08-0406
2009	Baca Float Water Company	Ratemaking	WS-01678A-09-0376
2009	Aubrey Water Company	Lost Water Evaluation (Rate Case Compliance)	W-03476A-06-0425
2009	White Horse Ranch Owner's Assn.	Ratemaking	W-04161A-09-0471
2010	Litchfield Park Service Company	Ratemaking	W-01427A-09-0104
2010	Chino Meadows II Water Company	Ratemaking	W-02370A-10-0519
2011	Pima Utility Company	Ratemaking	W-021999A-11-0329 WS-02199A-11-0330
2012	Valley Utilities Water Company, Inc.	Ratemaking	W-01412A-12-0195

Far West Water & Sewer Company, Inc.

Ray Jones Direct Testimony

Exhibit RLJ-DT2

COMPANY NAME: Far West Water & Sewer, Inc.

Name of System: **Wastewater Inventory Number (if applicable):** 44-004

WASTEWATER COMPANY PLANT DESCRIPTION
TREATMENT FACILITY

TYPE OF TREATMENT (Extended Aeration, Step Aeration, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Trickling Filter, Septic Tank, Wetland, Etc.)	See Attachment E.
DESIGN CAPACITY OF PLANT (Gallons Per Day)	See Attachment E.

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
See Attachment F.				

FORCE MAINS

Size	Material	Length (Feet)
4-Inch	PVC	11,020
4-Inch	Ductile Iron	450
6-Inch	PVC	24,085
12-Inch	PVC	26,700

MANHOLES

Type	Quantity
Standard	1,171
Drop	32

CLEANOUTS

Quantity
120

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

COMPANY NAME: Far West Water & Sewer, Inc.
Name of System: _____ Wastewater Inventory Number (if applicable): 44-004

WASTEWATER COMPANY PLANT DESCRIPTION (CONTINUED)

COLLECTION MAINS

SERVICES

Size (in inches)	Material	Length (in feet)	Size (in inches)	Material	Quantity
2	HDPE Low Pressure	1,018	4	PVC	10,262
3	HDPE Low Pressure	1,621	6		
4	HDPE Low Pressure	795	8	PVC	1
6	HDPE Low Pressure	1,697	12		
6	PVC	5,704	15		
8	PVC	344,774	1.5		92
10	PVC	15,084			
12	PVC	37,329			
15	PVC	3,966			
18	PVC	3,285			

FOR THE FOLLOWING FIVE ITEMS, LIST THE UTILITY OWNED ASSETS IN EACH CATEGORY PER WASTEWATER SYSTEM

SOLIDS PROCESSING AND HANDLING FACILITIES	None
DISINFECTION EQUIPMENT (Chlorinator, Ultra-Violet, Etc.)	3 – 65 Gallon Upflow Chlorinators 2 - UV Systems
FILTRATION EQUIPMENT (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	
STRUCTURES (Buildings, Fences, Etc.)	See Attachment G.
OTHER (Laboratory Equipment, Tools, Vehicles, Standby Power Generators, Etc.)	See Attachment H.

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

Far West Water & Sewer, Inc.
Wastewater Division
Inventory Number 44-004
Wastewater Plant Design Capacities
2011
Attachment E

<u>WWTP</u>	<u>TREATMENT TYPE</u>	<u>DESIGN CAPACITY</u>
Marwood 14000 E. 56th St.	SBR	340,000 GPD
Section 14 12651 Avenue 14E	MBR	1,300,000 GPD
MDS - Villa Royale 12342 E. Del Rico	Ext. Aeration	10,000 GPD
MDS - Del Oro 11717 Omega Lane	MBR	495,000 GPD
MDS - Del Rey 12342 E. Del Rico	Ext. Aeration	37,500 GPD
Seasons 10301 County 10th St.	SBR	150,000 GPD

Far West Water & Sewer, Inc.
Wastewater Division
Inventory Number 44-004
Wastewater Lift Station Facilities
2011
Attachment F

Lift Station	Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (Gals)
DFE #7	13110 38th St.	2	7.5	150	3,000
FME #15	14191 E. 49th Lane	2	30	360	8,000
FME #16	12587 S. Foothills Blvd.	1	30	360	4,000
FME #25	12500 44th St.	2	11	220	4,000
FME #27	14599 52nd St.	2	7	140	4,000
FH Grocery Store	11720 S. Foothills Blvd.	1	2	40	2,000
Ocotillo Plaza	11792 S. Foothills Blvd.	1	3	60	2,000
Domino's Pizza	11361 S. Foothills Blvd.	2	1.5	30	2,000
Foothills Hardware	11748 S. Foothills Blvd.	1	3	60	2,000
Vista Del Sol	3352 Puesta Del Sol	2	15	300	4,000
Mesa Del Sol #11	10208 Cony Avenue	2	15	300	4,000
Mesa Del Sol #12	10535B 28th St.	2	15	300	4,000
Foothills Restaurant	12871B S. Frontage Rd	1	2	60	2,000
Palm Shadows	9700 E. 40th St.	2	100	1200	6,000
Del Oro WWTP	11717 Omega Lane	2	15	300	6,000
Section 14 WWTP	12651 Avenue 14E	4	30	360	8,000
Arroyo de Fortuna	13712 44th St.	2	1.5	60	4,000
Las Barrancas	12344 Avenue 14 1\2 E	2	3	60	4,000

Far West Water & Sewer, Inc.
Wastewater Division
Inventory Number 44-004
Wastewater Structures
2011
Attachment G

Facility	Structures
Marwood WWTP (Far West Sewer WWTP) 14000 E. 56th Street	Wood Frame, Stucco, Comp Roof 672 Sq. Ft. Bldg, 6 Ft. Block Wall / Chain Link Fence Wood Frame, Stucco, Metal Roof 14,100 Sq. Ft. Building .34 MGD C.L.E.A.R. WWTP
Section 14 WWTP 12651 S. Ave. 14E	Wood Frame, Stucco, Comp Roof 3,360 Sq. Ft. Control Building 936 Sq. Ft. Lab Building 1,800 Sq. Ft. Screening, Sludge Building 480 Sq. Ft. Aeration Blower Shade Structure 10' x 32' Fiberglass Lift Station 1.3 MGD MBR WWTP Surrounded with 8 Ft. Block Wall
MDS - Del Oro WWTP 11717 Omega Lane	Wood Frame, Stucco, Comp Roof 2,160 Sq. Ft. Control Building 800 Sq. Ft. Lab Building 517 Sq. Ft. Zenon Mobile Temp Plant Metal Building 10 x 18 Fiberglass Lift Station .495 MGD MBR WWTP Surrounded with 6 Ft. Block Wall
Seasons WWTP 10301 Co. 10th St.	Wood Frame, Stucco, Comp Roof 980 Sq. Ft. Bldg, 6 Ft. Block Wall 10' x 30' Fiberglass Lift Station .150 MGD C.L.E.A.R. WWTP
Del Rey WWTP 12342 E. Del Rico	.040 MGD Santec WWTP Surrounded with 6 Ft. Chain Link Fence
Villa Royale WWTP 12342 E. Del Rico	.020 MGD Santec WWTP Surrounded With 6 Ft. Block Wall
Far West Yard 12500 Foothills Blvd	Wood Frame, Stucco/Wood Siding, Comp Roof 216 Sq. Ft. Shop Bldg, Surrounded with 6 Ft. Block Wall
Palm Shadows Lift Station 9700 E. 40th St.	Wood Frame, Stucco, Comp Roof 980 Sq. Ft. Bldg., 6 Ft. Chain Link Fence 10' x 28' Lift Station

Far West Water & Sewer Company, Inc.

Ray Jones Direct Testimony

Exhibit RLJ-DT3

<u>Schedule No.</u>	<u>Title</u>
Schedule A-1	Computation of Increase in Gross Revenue Requirement
Schedule A-2	Summary of Results of Operations
Schedule A-3	Summary of Capital Structure
Schedule A-4	Construction Expenditures and Gross Utility Plant in Service
Schedule A-5	Summary Changes in Financial Position
Schedule B-1	Summary of Original Cost Rate Base Elements
Schedule B-2	Original Cost Rate Base Pro forma Adjustments
Schedule B-2.1	Reconciliation of Plant Additions, Retirements and Accumulated Depreciation
Schedule B-5	Computation of Working Capital
Schedule C-1	Adjusted Test Year Income Statement
Schedule C-2	Income Statement Pro forma Adjustments
Schedule C-3	Computation of Gross Revenue Conversion Factor
Schedule D-1	Summary of Cost of Capital
Schedule D-2	Cost of Long-Term and Short-Term Debt
Schedule D-3	Cost of Preferred Stock
Schedule D-4	Cost of Common Equity
Schedule E-1	Comparative Balance Sheet
Schedule E-2	Comparative Income Statements
Schedule E-3	Comparative Statement of Changes in Financial Position
Schedule E-4	Statement of Changes in Stockholder's Equity
Schedule E-5	Detail of Utility Plant
Schedule E-7	Operating Statistics
Schedule E-8	Taxes Charged to Operations
Schedule E-9	Notes To Financial Statements
Schedule F-1	Projected Income Statements - Present and Proposed Rates
Schedule F-2	Projected Changes in Financial Position - Present and Proposed Rates
Schedule F-3	Projected Construction Requirements
Schedule F-4	Assumptions Used in Developing Projection
Schedule H-1	Summary of Revenues by Customer Classification - Present and Proposed Rates
Schedule H-2	Analysis of Revenues by Detailed Class
Schedule H-3	Changes In Representative Rate Schedules
Schedule H-4	Typical Bill Analysis
Schedule H-5	Bill Count

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Computation of Increase in Gross Revenue Requirements

Exhibit: RLJ-DT3
 Schedule A-1
 Page 1
 Witness: Jones

Line			
<u>No.</u>			
1	Original Cost Adjusted Rate Base	\$ 22,800,578	
2			
3	Adjusted Operating Income	\$ (1,187,812)	
4			
5	Current Rate of Return	-5.21%	
6			
7	Required Operating Income	\$ 1,689,390	
8			
9	Required Rate of Return	7.409%	
10			
11	Operating Income Deficiency	\$ 2,877,202	
12			
13	Gross Revenue Conversion Factor	1.3437	
14			
15	Increase in Gross Revenue	\$ 3,866,046	173.52%
16			
17			
18		Projected	
19		Revenue	%
20		Increase Due	Dollar
21	<u>Customer Classification</u>	<u>To Rates</u>	<u>Increase</u>
22			
23			
24	Residential	3,467,625	188.05%
25	Commercial	43,599	188.05%
26	RV Park (RV Spaces)	87,442	187.87%
27	Re-Establishment (Residential)	267,363	188.05%
	Metered Reuse Revenues	-	0.00%
	Other Sewer Revenue	-	0.00%
28			
29	Total Revenue Increase	\$ 3,866,030	173.31%
30			
31	<u>Supporting Schedules:</u>		
32	B-1 C-1		
33	C-3 H-1		
34			

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Summary Results of Operations

Exhibit: RJ-DT3
 Schedule A-2
 Page 1
 Witness: Jones

Line No.	Description	Prior Years Ended		Test Year		Projected Year	
		12/31/2009	12/31/2010	Actual 12/31/2011	Adjusted 12/31/2011	Present Rates 12/31/2012	Proposed Rates 12/31/2012
1	Gross Revenues	\$ 2,132,099	\$ 2,209,632	\$ 2,239,713	\$ 2,227,982	\$ 2,227,982	\$ 6,094,028
2	Revenue Deductions and						
3	Operating Expenses	2,786,863	2,782,352	3,045,196	3,415,794	3,461,200	4,450,044
4	Operating Income	(654,764)	(572,720)	(805,483)	(1,187,812)	(1,233,218)	1,643,984
5							
6	Other Income and						
7	Deductions	274,876	1,042,027	790,493	790,493	119,086	119,086
8	Interest Expense	(1,330,155)	(1,299,287)	(1,523,207)	(1,370,531)	(1,370,531)	(1,370,531)
9	Net Income	\$ (1,710,043)	\$ (829,979)	\$ (1,538,197)	\$ (1,767,850)	\$ (2,484,664)	\$ 392,538
10							
11	Earned Per Average						
12	Common Share						
13							
14	Dividends Per						
15	Common Share						
16							
17	Payout Ratio						
18							
19	Return on Average						
20	Invested Capital	-4.6%	-2.0%	-3.6%	-4.1%	-5.5%	0.9%
21							
22	Return on Year End						
23	Capital	-4.3%	-2.0%	-3.5%	-4.0%	-5.4%	0.9%
24							
25	Return on Average						
26	Common Equity	-592.6%	-24.1%	-28.5%	-58.9%	-99.1%	10.0%
27							
28	Return on Year End						
29	Common Equity	-75.9%	-17.9%	-25.1%	-47.2%	-196.6%	9.5%
30							
31	Times Bond Interest Earned						
32	Before Income Taxes	(0.49)	(0.44)	(0.85)	(1.36)	(1.36)	1.38
33							
34	Times Total Interest and						
35	Preferred Dividends Earned						
36	After Income Taxes	(0.49)	(0.44)	(0.53)	(0.87)	(0.87)	1.23
37							
38	<u>Supplemental Data</u>						
39							
40	Debt Service Coverage (Wastewater Division)			(0.30)			
41							
42	Debt Service Coverage (Entire Company)			0.93			
43							
44	<u>Supporting Schedules:</u>						
45	E-2 F-1						
46	C-1						
47							

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Summary of Capital Structure

Exhibit: RLJ-DT3
 Schedule A-3
 Page 1
 Witness: Jones

Line No.	Description:	Prior Years Ended		Test Year	Projected Year
		12/31/2009	12/31/2010	12/31/2011	12/31/2012
3	Short-Term Debt	-	-	1,732,342	1,145,715
4	Long-Term Debt	19,941,944	21,914,277	21,323,943	21,017,517
5	Total Debt	\$ 19,941,944	\$ 21,914,277	\$ 23,056,285	\$ 22,163,232
7	Preferred Stock	-	-	-	-
8	Common Equity	2,252,564	4,641,091	3,748,573	1,263,909
9	Total Capital & Debt	\$ 22,194,508	\$ 26,555,369	\$ 26,804,859	\$ 23,427,141
12	Capitalization Ratios:				
14	Short-Term Debt	0.00%	0.00%	6.46%	4.89%
15	Long-Term Debt	89.85%	82.52%	79.55%	89.71%
16	Total Debt	89.85%	82.52%	86.02%	94.60%
18	Preferred Stock	0.00%	0.00%	0.00%	0.00%
19	Common Equity	10.15%	17.48%	13.98%	5.40%
20	Total Capital	100.00%	100.00%	100.00%	100.00%
28	Weighted Cost of				
29	Senior Capital	6.200%	5.694%	6.011%	5.806%
35	Supporting Schedules:				
36	E-1 D-1				

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Construction Expenditures and Gross Utility Plant In Service

Exhibit: RLJ-DT3
Schedule A-4
Page 1
Witness: Jones

Line No.	Year		Construction Expenditures	Net Plant Placed In Service	Gross Utility Plant In Service
1					
2	Prior Year Ended	12/31/2009	\$ 4,101,586	\$ 1,242,081	\$ 21,181,652
3					
4	Prior Year Ended	12/31/2010	3,021,716	853,174	22,034,826
5					
6	Test Year Ended	12/31/2011	2,102,526	20,570,785	42,605,611
7					
8	Projected Year Ending	12/31/2012	2,044,670	3,837,926	46,443,537
9					
10	Projected Year Ending	12/31/2013	164,500	295,413	46,738,950
11					
12	Projected Year Ending	12/31/2014	615,000	1,128,182	47,867,132
13					
14	<u>Supporting Schedules:</u>				
15	F-3				
16	E-5				
17					

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Summary Changes In Financial Position

Exhibit: RLJ-DT3
 Schedule A-5
 Page 1
 Witness: Jones

Line No.		Prior	Prior	Test	Projected Year	
		Year Ended <u>12/31/2009</u>	Year Ended <u>12/31/2010</u>	Year Ended <u>12/31/2011</u>	Present Rates <u>12/31/2012</u>	Proposed Rates <u>12/31/2013</u>
1	<u>Source of Funds</u>					
2	Operations	\$ (358,771)	\$ (2,684,431)	\$ (233,496)	\$ (1,680,645)	\$ 1,301,645
3						
4	Outside Financing	4,460,147	5,656,068	2,388,104	3,638,771	538,771
5						
6	Total Funds Provided	\$ 4,101,376	\$ 2,971,637	\$ 2,154,608	\$ 1,958,127	\$ 1,840,416
7						
8	<u>Application of Funds</u>					
9	Constriction Expenditures	\$ (4,101,586)	\$ (3,021,716)	\$ (2,102,526)	\$ (2,044,670)	\$ (2,044,670)
10						
11	Dividends/Distributions	-	-	-	-	-
12						
13	Other	-	-	-	-	-
14						
15	Total Funds Applied	\$ (4,101,586)	\$ (3,021,716)	\$ (2,102,526)	\$ (2,044,670)	\$ (2,044,670)
16						
17	Net Increase/(Decrease) in Cash	(209)	(50,079)	52,082	(86,543)	(204,254)
18						
19						
20						
21	<u>Supporting Schedules:</u>					
22	E-3					
23	F-2					
24						

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Summary of Original Cost Rate Base Elements

Exhibit: RLJ-DT3
 Schedule B-1
 Page 1
 Witness: Jones

Line No.		Original Cost <u>Rate Base*</u>
1		
2	Gross Utility Plant in Service	\$ 37,751,132
3		
4	Less: Accumulated Depreciation	<u>(4,945,733)</u>
5		
6	Net Utility Plant in Service	32,805,399
7		
8	Less:	
9	Advances in Aid of Construction	10,814,970
10		
11	Contributions in Aid of Construction	1,726,854
12	Accumulated Amortization of CIAC	<u>(909,423)</u>
13	Contributions in Aid of Construction - Net	817,431
14		
15	Customer Security Deposits	26,359
16	Deferred Income Taxes	-
17		
18	Plus:	
19	Working Capital	1,653,938
20	Net Regulatory Asset / (Liability)	-
21		
22	Rate Base	<u>\$ 22,800,578</u>

23
 24 * including pro forma adjustments

27 Supporting Schedules:

- 28 B-2 B-5
- 29 B-3 E-1
- 30

Recap Schedules:

- A-1

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Original Cost Rate Base Pro forma Adjustments

Exhibit: RLJ-DT3
 Schedule B-2
 Page 1
 Witness: Jones

Line No.	Actual End of Test Year	ADJ RB-1	ADJ RB-2	ADJ RB-3	Total Pro Forma Adjustments	Adjusted End of Test Year	
1							
2	\$ 42,605,611	\$ (4,854,479)			\$ (4,854,479)	\$ 37,751,132	
3							
4	Less: Accumulated Depreciation	(6,870,429)	1,924,696		1,924,696	(4,945,733)	
5							
6	Net Utility Plant in Service	35,735,182	(4,854,479)	1,924,696	-	(2,929,783)	32,805,399
7							
8	Less:						
9	Advances in Aid of Construction	10,814,970			-	10,814,970	
10							
11	Contributions in Aid of Construction	2,440,167		(713,313)	(713,313)	1,726,854	
12	Accumulated Amortization of CIAC	(1,302,925)		393,502	393,502	(909,423)	
13	Contributions in Aid of Construction - Net	1,137,242	-	-	(319,811)	(319,811)	817,431
14							
15	Customer Security Deposits	26,359			-	26,359	
16	Deferred Income Taxes	-			-	-	
17							
18	Plus:						
19	Working Capital	1,653,938			-	1,653,938	
20	Net Regulatory Asset / (Liability)				-	-	
21							
22	Rate Base	\$ 25,410,549	\$ (4,854,479)	\$ 1,924,696	\$ 319,811	\$ (2,609,972)	\$ 22,800,578
23							
24							
25							
26							
27							
28	<u>Supporting Schedules:</u>				<u>Recap Schedules:</u>		
29	E-1				B-1		
30							

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Rate Base Adjustment RB-1

Witness:

Plant in Service Balance

Line No.	Acct No.	Description	Actual End of Test Year	[1.1] Conform to Decision No. 69335	[1.2] 2006 Audit Adjustment ¹	[1.3] Plant Held For Future Use	Adjustments				Adjusted End of Test Year
							[1.4] Booked Capitalized Expenses	[1.5] Unbooked Misc. Plant Retirements	[1.6] Unbooked WWTP Retirements	[1.7] Exclude Section 14 Phase II Costs	
4	351	Organization Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	352	Franchise Cost	3,076	-	-	-	-	-	-	-	3,076
6	353	Land and Land Rights	1,560,847	(334,587)	334,587	(147,410)	-	-	-	-	1,413,437
7	354	Structures & Improvements	2,633,622	(9,581)	-	(75,000)	-	(71,559)	-	-	2,477,482
8	355	Power Generating Equipment	68,993	-	-	-	-	-	-	-	68,993
9	360	Collection Sewers - Force	3,705,476	(197,379)	-	-	(2,923)	-	-	(846)	3,504,328
10	361	Collection Sewers - Gravity	8,749,140	(17,640)	0	-	-	-	-	(3,923)	8,727,577
11	362	Special Collecting Structures	-	-	-	-	-	-	-	-	-
12	363	Services to Customers	173,621	-	-	-	-	-	-	-	173,621
13	364	Flow Measuring Devices	32,468	-	-	-	-	-	-	-	32,468
14	365	Flow Measuring Installations	16,683	-	-	-	-	-	-	-	16,683
15	366	Reuse Services	-	-	-	-	-	-	-	-	-
16	367	Reuse Meters and Meter Installations	2,310	-	-	-	-	-	-	-	2,310
17	370	Receiving Wells	92,784	-	-	-	-	-	-	-	92,784
18	371	Pumping Equipment	1,496,705	19,255	-	-	(19,255)	-	-	(18,557)	74,227
19	374	Reuse Distribution Reservoirs	-	-	-	-	-	-	-	(101,067)	1,395,638
20	375	Reuse Transmission and Dist. Sys.	-	-	-	-	-	-	-	-	-
21	380	Treatment and Disposal Equipment	21,650,302	(584,970)	(231,971)	-	(19,867)	(1,196,028)	-	(1,932,055)	17,685,412
22	381	Plant Sewers	736,542	-	-	-	-	(4,569)	-	(108,302)	623,671
23	382	Outfall Sewer Lines	2,256	-	-	-	-	-	-	(451)	1,805
24	389	Other Plant and Misc. Equipment	418,687	4,833	-	-	(4,833)	(24,546)	-	-	394,141
25	390	Office Furniture & Equipment	257,292	-	-	-	-	(2,720)	-	-	254,572
26	390.1	Computers & Software	30,027	-	-	-	-	(18,670)	-	-	11,356
27	391	Transportation Equipment	271,810	-	-	-	-	-	-	-	271,810
28	392	Stores Equipment	-	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	27,069	-	-	-	-	-	-	-	27,069
30	394	Laboratory Equipment	33,710	-	-	-	-	(16,292)	-	-	17,418
31	395	Power Operated Equipment	181,667	-	-	-	-	-	-	-	181,667
32	396	Communications Equipment	17,191	-	-	-	-	-	-	-	17,191
33	397	Miscellaneous Equipment	204,504	-	-	-	-	(7,633)	-	-	136,351
34	398	Other Tangible Plant	238,828	-	-	-	-	-	-	-	238,828
35											
36											
37		TOTALS	\$ 42,605,611	\$ (1,120,069)	\$ 102,617	\$ (222,410)	\$ (46,877)	\$ (69,861)	\$ (1,332,676)	\$ (2,165,201)	\$ 37,751,132
38											
39		Equity Adjustments (Schedule D-1)					\$ (46,877)			\$ (2,165,201)	\$ (3,229,531)
40		Plant In Service per Books									\$ 42,605,611
41											
42		Increase / (Decrease) in Plant in Service									\$ (4,854,479)
43											
44		Supporting Schedules:									
45	B-2.1										
46											
47											
48											

Workpapers:
 FW Rate Case Data.xlsx

¹ Adjustments of 2004 plant balances based on independent audit performed by Mallory & Associates CPA's at 12/31/2006

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Rate Base Adjustment RB-1

Used and Useful Adjustment for Section 14 WWTP

Line No.		Test Year	Projected 5-Yr Increase	Projected 12/31/2016
1	Phase I Capacity (MGD)	0.681	52.4%	
2	Phase II Capacity (MGD)	0.619	47.6%	
3	Ultimate Capacity	1.300	100.0%	
4				
5				
6	Maximum Day Flow (MGD)	0.511	0.181	0.692
7				
8				
9	Percent Phase I Capacity Utilized	75.0%	26.6%	101.6%
10	Percent Phase II Capacity Utilized	0.0%	0.0%	1.8%
11				
12				
13				
14				
15				
16	Section 14 WWTP Plant In Service	10,418,365	2,165,201	12,583,565
17				
18	Cost of Not Used and Useful Plant	-	2,165,201	2,165,201
19				

Incremental Phase I Cost
 Incremental Phase II Cost
 Total Cost

Accumulated Depreciation

Line No.	Acct No.	Description	Actual End of Test Year	Adjustments						Adjusted End of Test Year
				[2.1] Unbooked Plant Retirements	[2.2] Unbooked WWTP Retirements	[2.3] Difference From Calc'd on B-2.1	[2.4] Eliminate Rounding Differences	[2.5] Exclude Section 14 Phase II Costs	[2.6] NOT USED	
4	351	Organization Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	352	Franchise Cost	-	-	-	-	-	-	-	-
6	353	Land and Land Rights	-	-	-	-	-	-	-	-
7	354	Structures & Improvements	138,113	(71,559)	(15,284)	-	-	-	-	51,270
8	355	Power Generating Equipment	1,725	-	-	-	-	-	-	1,725
9	360	Collection Sewers - Force	181,585	-	(27,450)	-	-	(8)	-	154,126
10	361	Collection Sewers - Gravity	1,723,051	-	(10,525)	-	-	(39)	-	1,712,487
11	362	Special Collecting Structures	-	-	-	-	-	-	-	-
12	363	Services to Customers	8,395	-	(3,697)	-	-	-	-	4,698
13	364	Flow Measuring Devices	29,877	-	2,591	-	-	-	-	32,468
14	365	Flow Measuring Installations	13,766	-	2,918	-	-	-	-	16,683
15	366	Reuse Services	-	-	-	-	-	-	-	-
16	367	Reuse Meters and Meter Installations	96	-	(0)	-	0	-	-	96
17	370	Receiving Wells	1,546	-	(2)	-	2	(309)	-	1,237
18	371	Pumping Equipment	397,823	-	50,710	-	-	(6,317)	-	442,217
19	374	Reuse Distribution Reservoirs	-	-	-	-	-	-	-	-
20	375	Reuse Transmission and Dist. Sys.	-	-	-	-	-	-	-	-
21	380	Treatment and Disposal Equipment	3,825,791	(1,196,028)	(497,379)	-	-	(48,301)	-	2,084,083
22	381	Plant Sewers	27,488	(4,569)	(1,025)	-	-	(2,708)	-	19,186
23	382	Outfall Sewer Lines	38	-	(0)	-	0	(8)	-	30
24	389	Other Plant and Misc. Equipment	45,316	(24,546)	(5,758)	-	-	-	-	15,012
25	390	Office Furniture & Equipment	31,463	(2,720)	(1,559)	-	-	-	-	27,184
26	390	Computers & Software	25,306	(18,670)	(2,927)	-	-	-	-	3,709
27	391	Transportation Equipment	125,372	-	68,655	-	-	-	-	194,028
28	392	Stores Equipment	-	-	-	-	-	-	-	-
29	393	Tools, Shop & Garage Equipment	3,124	-	0	-	(0)	-	-	3,124
30	394	Laboratory Equipment	21,263	(16,292)	(4,177)	-	-	-	-	793
31	395	Power Operated Equipment	23,457	-	1	-	(1)	-	-	23,457
32	396	Communications Equipment	1,182	-	0	-	(0)	-	-	1,182
33	397	Miscellaneous Equipment	137,179	(7,633)	(19,561)	-	-	-	-	49,465
34	398	Other Tangible Plant	107,473	-	-	-	-	-	-	107,473
35		Unreconciled Difference	-	-	-	-	-	-	-	-
36			-	-	-	-	-	-	-	-
37		TOTALS	\$ 6,870,429	\$ (69,861)	\$ (1,332,676)	\$ (464,469)	\$ 1	\$ (57,690)	\$ -	\$ 4,945,733
38		Equity Adjustments (Schedule D-1)	-	-	-	\$ 464,469	(1)	\$ 57,690	-	\$ 522,158
39			-	-	-	-	-	-	-	-
40		Accumulated Depreciation per Books	\$ 6,870,429	-	-	-	-	-	-	\$ 6,870,429
41			-	-	-	-	-	-	-	-
42		Increase / (Decrease) in Accumulated Depreciation	-	-	-	-	-	-	-	-
43			-	-	-	-	-	-	-	-
44		Supporting Schedules:	-	-	-	-	-	-	-	-
45	B-2.1		-	-	-	-	-	-	-	-
46	B-2, Page 3.1		-	-	-	-	-	-	-	-
47			-	-	-	-	-	-	-	-
48			-	-	-	-	-	-	-	-

Workpapers:
 FW Rate Case Data.xlsx

Accumulated Depreciation Related to Section 14 WWTP Phase II Facilities

Line No.	Plant Acct	Plant Adjustment	Depreciation Rate	Years	Accumulated Depreciation
1	351 Organization Cost	\$ -	0.00%	0.5	\$ -
2	352 Franchise Cost	-	0.00%	0.5	-
3	353 Land and Land Rights	-	0.00%	0.5	-
4	354 Structures & Improvements	-	3.33%	0.5	-
5	355 Power Generating Equipment	-	5.00%	0.5	-
6	360 Collection Sewers - Force	(846)	2.00%	0.5	(8)
7	361 Collection Sewers - Gravity	(3,923)	2.00%	0.5	(39)
8	362 Special Collecting Structures	-	2.00%	0.5	-
9	363 Services to Customers	-	2.00%	0.5	-
10	364 Flow Measuring Devices	-	10.00%	0.5	-
11	365 Flow Measuring Installations	-	10.00%	0.5	-
12	366 Reuse Services	-	2.00%	0.5	-
13	367 Reuse Meters and Meter Installations	-	8.33%	0.5	-
14	370 Receiving Wells	(18,557)	3.33%	0.5	(309)
15	371 Pumping Equipment	(101,067)	12.50%	0.5	(6,317)
16	374 Reuse Distribution Reservoirs	-	2.50%	0.5	-
17	375 Reuse Transmission and Dist. Sys.	-	2.50%	0.5	-
18	380 Treatment and Disposal Equipment	(1,932,055)	5.00%	0.5	(48,301)
19	381 Plant Sewers	(108,302)	5.00%	0.5	(2,708)
20	382 Outfall Sewer Lines	(451)	3.33%	0.5	(8)
21	389 Other Plant and Misc. Equipment	-	6.67%	0.5	-
22	390 Office Furniture & Equipment	-	6.67%	0.5	-
23	390 Computers & Software	-	20.00%	0.5	-
24	391 Transportation Equipment	-	20.00%	0.5	-
25	392 Stores Equipment	-	4.00%	0.5	-
26	393 Tools, Shop & Garage Equipment	-	5.00%	0.5	-
27	394 Laboratory Equipment	-	10.00%	0.5	-
28	395 Power Operated Equipment	-	5.00%	0.5	-
29	396 Communications Equipment	-	5.00%	0.5	-
30	397 Miscellaneous Equipment	-	10.00%	0.5	-
31	398 Other Tangible Plant	-	10.00%	0.5	-
32	Totals	\$ (2,165,201)			\$ (57,690)
33	Increase/(Decrease) in Accumulated Depreciation				\$ (57,690)
34					
35					

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

Line No.	<u>CIAC</u>	<u>Accumulated Amortization</u>
1		
2	\$ 1,726,854	\$ 909,423
3		
4	\$ 2,440,167	\$ 1,302,925
5		
6	<u>\$ (713,313)</u>	<u>\$ (393,502)</u>
7		
8	<u>\$ 713,313</u>	<u>\$ (393,502)</u>
9		
10		
11		
12		
13		
14		
15	Supporting Schedules:	
16	B-2, Page 4.1	
17		

Calculation of CIAC Balances

Line No.	Description	Amort Rate	Decision No. 69335		2005		2006		2007	
			Balance 12/31/2004	Adjustments Per 2006 Audit	Amount	Balance	Additions	Balance	Additions	Balance
1										
2	CIAC - 361 Collection Sewers		64,397	(44,113)	20,284	20,284	20,284	20,284	20,284	20,284
3	CIAC - 380 Treatment & Disposal Eq.		3,182,660	(1,476,090)	1,706,570	1,706,570	1,706,570	1,706,570	1,706,570	1,706,570
4										
5	Total CIAC		3,247,057		1,726,854	1,726,854	1,726,854	1,726,854	1,726,854	1,726,854
6										
7	Amortization CIAC (half-yr convention)									
8	CIAC - 361 Collection Sewers	2.0%	3,220	(2,206)	1,014	1,420	406	1,826	406	2,231
9	CIAC - 380 Treatment & Disposal Eq.	5.0%	382,074	(73,805)	308,270	393,598	85,329	478,927	85,329	564,255
10										
11	Accumulated Amortization of CIAC		385,294		309,284	395,018	480,752	566,486		
12										
13	Net CIAC		2,861,763		1,417,570	1,331,836	1,246,102	1,160,368		
14										
15										
16										
17										
18										
19										
20	CIAC - 361 Collection Sewers		20,284		20,284	20,284	20,284	20,284	20,284	20,284
21	CIAC - 380 Treatment & Disposal Eq.		1,706,570		1,706,570	1,706,570	1,706,570	1,706,570	1,706,570	1,706,570
22										
23	Total CIAC		1,726,854		1,726,854	1,726,854	1,726,854	1,726,854	1,726,854	1,726,854
24										
25	Amortization CIAC (half-yr convention)									
26	CIAC - 361 Collection Sewers	2.0%	2,231	406	2,637	3,043	3,448	3,854	406	406
27	CIAC - 380 Treatment & Disposal Eq.	5.0%	564,255	85,329	649,584	734,912	820,241	905,569	85,329	85,329
28										
29	Accumulated Amortization of CIAC		566,486		652,221	737,955	823,689	909,423		
30										
31	Net CIAC		1,160,368		1,074,633	988,899	903,165	817,431		
32										
33										
34										
35										
36										
37	Supporting Schedules:									
38										
39	B-2, Page 4.2									
40										

Composite Amortization Rate 4.9648%

Witness:

Detail of Adjustments for CIAC and Amortization of CIAC

Line No.	DESCRIPTION	DATE ACQ	A/C NO.	LOC #	ORIGINAL BOOK BASIS	Adjust Dec. No.	Adjusted Balance Per Decision	2006 Audit Adjustment ¹	2004 Adjusted Balance
1	CIAC Adjustments								
2									
3	COLL SEWERS-GRAVITY-CIAC								
4	Payson (Fortuna Rd Ext, 5)	7/1/2000	361C	S2	69,500	(69,500)	20,284	(44,113)	20,284
5	Swins(Ave 10E, Lines & 11 MH	7/1/2001	361C	S2	73,684	(53,400)	20,284	(44,113)	20,284
6	Seasons Unit 3 Lines	7/1/2002	361C	S3	121,515	(77,402)	44,113	(44,113)	20,284
7	Palm-Shadows Fortuna Rd Ext	7/1/2002	361C		264,699	(200,302)	64,397	(44,113)	20,284
8									
9									
10									
11	TREATMENT, DISPOSAL EQ CIAC								
12	Marwood Sewer Plant-Final	7/1/1999	380C	S8	426,690	(344,910)	81,780	(44,113)	81,780
13	Palm Shdws Treatment Pit	7/1/1999	380C	S2	408,981	(139,756)	269,225	(44,113)	269,225
14	Seasons Treatment Plant	7/1/1999	380C	S3	345,247	(64,698)	280,549	(44,113)	280,549
15	Palm Shadows Additions	7/1/2000	380C	S2	6,864	-	6,864	(44,113)	6,864
16	Del Rey Sewer Plant-Estab	7/1/2001	380C	S5	65,000	-	65,000	(44,113)	65,000
17	Royale Sewer Plant	7/1/2001	380C	S6	65,000	-	65,000	(44,113)	65,000
18	Del Oro Plnt 20% Est w LS	7/1/2001	380C	S4	52,000	-	52,000	(44,113)	52,000
19	Palm Shdws Plant Addn	7/1/2001	380C	S2	593,731	(30,937)	562,794	(44,113)	562,794
20	Section 14 WWTP w\ Lift Station	7/1/2003	380C	S7	756,614	(126,069)	630,545	(44,113)	630,545
21	MDS Plant Upgrade	7/1/2004	380C	S4	333,471	(10,113)	323,358	(44,113)	323,358
22	Del Oro WWTP	7/1/2004	380C	S4	845,545	-	845,545	(44,113)	845,545
23					3,899,143	(716,483)	3,182,660	(1,476,090)	1,706,570
24									
25	TOTAL CIAC		361C		264,699	(200,302)	64,397	(44,113)	20,284
26	TOTAL CIAC		380C		3,899,143	(716,483)	3,182,660	(1,476,090)	1,706,570
27	TOTALS				4,163,842	(916,785)	3,247,057	(1,520,203)	1,726,854
28									
29	Accumulated Amortization Adjustments								
30									
31									
32									
33									
34									
35	COLL SEWERS-GRAVITY-CIAC								
36	Palm Shadows Fortuna Rd Ext	7/1/2002	2.0%	(441)	(882)	(882)	(2,206)	(882)	(2,206)
37				(441)	(882)	(882)	(2,206)	(882)	(2,206)
38	TREATMENT, DISPOSAL EQ CIAC								
39									
40	Section 14 WWTP w\ Lift Station	7/1/2003	5.0%	(441)	(882)	(882)	(2,206)	(882)	(2,206)
41	Del Oro WWTP	7/1/2004	5.0%	(441)	(882)	(882)	(2,206)	(882)	(2,206)
42				(441)	(882)	(882)	(2,206)	(882)	(2,206)
43				(441)	(882)	(882)	(2,206)	(882)	(2,206)
44	TOTAL Amortization of CIAC			(441)	(882)	(882)	(2,206)	(882)	(2,206)
45	TOTAL Amortization of CIAC			(441)	(882)	(882)	(2,206)	(882)	(2,206)
46	TOTALS			(441)	(882)	(882)	(2,206)	(882)	(2,206)
47				(441)	(882)	(882)	(2,206)	(882)	(2,206)

¹ Adjustments of 2004 plant balances based on independent audit performed by Mallory & Associates CPA's at 12/31/2006

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011

Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Exhibit: RU-DT3
 Schedule B-2.1
 Page 1
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Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Per Decision No. 69335 - 02/20/2007										Witness:				
				[1] Book Plant at 12/31/2004 ¹ (CSB-4)	[2] Unsupported Plant (CSB-5)	[3] Expensed Plant (CSB-6)	[4] Capitalized Affil. Profit (CSB-7)	[5] Adjusted Plant at 12/31/2004 ² [(1)+(2)+(3)+(4)]	[6] Adjusted Accum Depr 12/31/2004 ² (CSB-9)	[7] Adjusted Net Plant 12/31/2004 ² [(5)-(6)]	[8] Book Plant at 12/31/2004 (FW G/L)	[9] Conforming Plant Adjustment ³ [(5)-[8]]	[10] Adjusted Plant at 12/31/2004 [(8)+(9)]		[11] 2006 Audit Adjustment ³ (FW G/L)	[12] Adjusted Plant at 12/31/2004 [(10)+(11)]	[13] Adjusted Net Plant 12/31/2004 [(12)-(11)]	
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	3,076	-	-	-	3,076	-	3,076	-	-	3,076	-	3,076	-	3,076	3,076
3	353	Land and Land Rights	0.00%	82,567	-	-	-	82,567	-	82,567	-	-	82,567	-	82,567	-	82,567	82,567
4	354	Structures & Improvements	3.33%	213,157	-	-	(9,581)	203,576	-	21,707	-	(334,587)	213,157	(9,581)	203,576	334,587	417,154	417,154
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	(9,581)	203,576	-	203,576	-	203,576	181,869
6	360	Collection Sewers - Force	2.00%	423,126	(200,302)	2,923	-	225,747	-	51,906	-	(197,379)	423,126	(197,379)	225,747	-	225,747	173,841
7	361	Collection Sewers - Gravity	2.00%	7,689,131	-	-	(17,640)	7,671,491	-	541,187	-	(17,640)	7,689,131	(17,640)	7,671,491	0	7,671,491	7,130,304
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	363	Services to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	365	Flow Measuring Installations	10.00%	25,725	-	-	-	25,725	-	18,836	-	-	25,725	-	25,725	-	25,725	6,889
12	366	Reuse Services	2.00%	11,378	-	-	-	11,378	-	8,331	-	-	11,378	-	11,378	-	11,378	3,047
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	192,774	-	-	-	192,774	-	72,264	-	-	192,774	-	192,774	-	192,774	139,765
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	5,444,879	(716,483)	19,867	(120,324)	4,627,939	-	675,053	-	(584,970)	5,212,909	(584,970)	4,627,939	(231,971)	4,395,968	3,720,915
19	381	Plant Sewers	5.00%	20,168	-	-	-	20,168	-	2,332	-	-	20,168	-	20,168	-	20,168	17,836
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	16,044	-	-	-	16,044	-	6,153	-	-	16,044	-	16,044	-	16,044	14,724
22	390	Office Furniture & Equipment	6.67%	7,530	-	-	-	7,530	-	1,395	-	-	7,530	-	7,530	-	7,530	6,135
23	390.1	Computers & Software	20.00%	13,442	-	-	-	13,442	-	2,490	-	-	13,442	-	13,442	-	13,442	10,952
24	391	Transportation Equipment	20.00%	193,939	-	-	-	193,939	-	55,437	-	-	193,939	-	193,939	-	193,939	138,502
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	4,236	-	-	-	4,236	-	212	-	-	4,236	-	4,236	-	4,236	4,024
28	395	Power Operated Equipment	5.00%	2,940	-	-	-	2,940	-	221	-	-	2,940	-	2,940	-	2,940	2,719
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	93,591	-	-	-	93,591	-	30,948	-	-	93,591	-	93,591	-	93,591	62,643
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32																		
33																		
34																		
35																		
36		TOTAL		14,437,703	(916,785)	46,877	(147,545)	13,420,251	1,488,472	11,931,779	14,540,320	(1,120,069)	13,420,251	102,617	13,522,867	12,034,395		

¹ During last case balances in Acct. 365 were included in Acct. 364 and balances in Acct. 390.1 were included in Acct. 390.
² Accumulated Depreciation for Acct. 364 and 390 were allocated on a prorata basis to Acct. 365 and 390.1, respectively.
³ Adjustments of 2004 plant balances based on independent audit performed by Mallory & Associates CPAs at 12/31/2006

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011

Reconciliation of Plant Additions, Retirements and Accumulated Depreci

Exhibit: RLJ-DT3
 Schedule B-2.1
 Page 5
 Witness: Jones

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2008													
				Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant			
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	353	Land and Land Rights	0.00%	201,500	-	201,500	-	-	-	-	-	-	-	3,076	-	3,076	-
4	354	Structures & Improvements	3.33%	25,729	-	25,729	-	-	-	-	-	-	-	618,654	-	618,654	-
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	8,008	253,356	51,685	201,672	-
6	360	Collection Sewers - Force	2.00%	21,950	-	21,950	-	-	-	-	-	-	10,625	542,233	84,857	457,377	-
7	361	Collection Sewers - Gravity	2.00%	-	-	-	-	-	-	-	-	-	171,547	8,577,352	1,195,317	7,382,035	-
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	363	Services to Customers	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	-	-	3,247	32,468	31,255	1,213	-
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	1,668	16,683	13,678	3,005	-
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	40,191	-	40,191	-	-	-	-	-	-	-	-	-	-	-
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	150,102	-	150,102	-	-	-	-	-	-	368,493	7,444,914	1,896,013	5,548,901	-
19	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	-	-	780	15,599	1,454	14,145	-
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	63,900	-	63,900	-	1,285	1,285	-	-	-	-	78,749	(2,145)	80,894	-
22	390	Office Furniture & Equipment	6.67%	(2,928)	-	(2,928)	-	2,720	2,720	-	-	-	-	13,764	2,747	11,017	-
23	390.1	Computers & Software	20.00%	7,679	-	7,679	-	6,518	6,518	-	-	-	-	17,530	3,732	13,798	-
24	391	Transportation Equipment	20.00%	62,812	-	62,812	-	-	-	-	-	-	-	167,995	62,214	105,781	-
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	-	-	-	-	(4,000)	(4,000)	-	-	-	-	35,865	15,611	20,254	-
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	6,449	1,423	5,026	-
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	10,826	-	10,826	-	68,153	68,153	-	-	-	-	122,278	11,550	110,727	-
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	238,828	35,824	203,004	-
32																	
33																	
34																	
35																	
36																	
TOTAL				581,761	-	581,761	-	74,676	74,676	-	-	-	688,567	18,578,158	3,627,870	14,950,288	-

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011

Exhibit: RL-D13
 Schedule B-2.1
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 Witness: Jones

Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2009		Adjusted Plant	Retirement Adjustments	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions	Adjusted Additions							
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-
2	352	Franchise Cost	0.00%	-	-	-	-	-	3,076	-	-	3,076
3	353	Land and Land Rights	0.00%	719,461	719,461	-	-	-	1,338,115	-	-	1,338,115
4	354	Structures & Improvements	3.33%	131,745	131,745	-	-	10,630	385,101	62,315	-	322,786
5	355	Power-Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-
6	360	Collection Sewers - Force	2.00%	3,775	3,775	-	-	10,882	546,008	95,739	-	450,269
7	361	Collection Sewers - Gravity	2.00%	-	-	-	-	171,547	8,577,352	1,366,864	-	7,210,488
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-
9	363	Services to Customers	2.00%	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	-
11	365	Flow Measuring Installations	10.00%	-	-	-	-	1,713	32,468	32,468	-	-
12	366	Reuse Services	2.00%	-	-	-	-	1,668	16,683	15,346	-	1,337
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	19,160	19,160	-	-	50,243	411,524	272,899	-	138,624
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	25,114	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	126,907	126,907	-	-	374,791	7,546,707	2,245,690	-	5,301,018
19	381	Plant Sewers	5.00%	-	-	-	-	780	15,599	2,234	-	13,365
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	-	-	-	763	-	77,987	2,320	-	75,667
22	390	Office Furniture & Equipment	6.67%	330	330	-	-	929	14,094	3,676	-	10,418
23	390.1	Computers & Software	20.00%	348	348	-	4,024	3,138	13,853	2,846	-	11,007
24	391	Transportation Equipment	20.00%	53,818	53,818	-	-	38,981	221,813	101,195	-	120,618
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	23,664	23,664	-	-	592	23,664	592	-	23,072
27	394	Laboratory Equipment	10.00%	(4,000)	(4,000)	-	-	2,537	14,872	1,155	-	13,718
28	395	Power Operated Equipment	5.00%	166,875	166,875	-	16,993	4,494	173,324	5,917	-	167,406
29	396	Communications Equipment	10.00%	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	-	-
31	398	Other Tangible Plant	10.00%	-	-	-	-	12,228	122,278	23,778	-	98,500
32				-	-	-	-	23,883	238,828	59,707	-	179,121
33				-	-	-	-	-	-	-	-	-
34				-	-	-	-	-	-	-	-	-
35				-	1,242,081	-	46,894	-	713,763	4,294,740	-	15,478,605
36		TOTAL		-	1,242,081	-	46,894	-	713,763	4,294,740	-	15,478,605

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Reconciliation of Plant Additions, Retirements and Accumulated Depreciation

Exhibit: RLJ-DT3
 Schedule B-2.1
 Page 7
 Jones
 Witness:

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2010										Net Plant										
				Plant Additions	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.											
1	351	Organization Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2	352	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,076
3	353	Land and Land Rights	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,338,115
4	354	Structures & Improvements	3.33%	843	-	843	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	310,791
5	355	Power Generating Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75,153
6	360	Collection Sewers - Force	2.00%	348,184	-	348,184	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	894,192
7	361	Collection Sewers - Gravity	2.00%	51,333	-	51,333	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	110,141
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	172,060
9	363	Services to Customers	2.00%	148,087	-	148,087	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,538,924
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	148,087
11	365	Flow Measuring Installations	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,468
12	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,683
13	367	Reuse Meters and Meter Installations	8.33%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	371	Pumping Equipment	12.50%	39,434	-	39,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	375	Reuse Transmission and Dist. Sys.	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	380	Treatment and Disposal Equipment	5.00%	23,879	-	23,879	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	381	Plant Sewers	5.00%	3,811	-	3,811	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	389	Other Plant and Misc. Equipment	6.67%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	390	Office Furniture & Equipment	6.67%	204,014	-	204,014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	390.1	Computers & Software	20.00%	4,179	-	4,179	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	391	Transportation Equipment	20.00%	19,291	-	19,291	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26	393	Tools, Shop & Garage Equipment	5.00%	1,618	-	1,618	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	394	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	396	Communications Equipment	10.00%	3,225	-	3,225	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	397	Miscellaneous Equipment	10.00%	5,277	-	5,277	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35				853,174	-	853,174	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		TOTAL		853,174	-	853,174	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Computation of Working Capital

Exhibit: RLJ-DT3
Schedule B-5
Page 1
Witness: Jones

Line No.		<u>Working Capital</u>
1		
2	Cash Working Capital	\$ 73,359
3	(Schedule B-5, Page 2)	
4		
5	Material and Supplies Inventories	18,440
6		
7	Working Funds and Special Deposits	1,548,498
8		
9	Prepayments	13,641
10		
11	Total Working Capital Allowance	<u>\$ 1,653,938</u>
12		
13	<u>Supporting Schedules:</u>	
14	E-1	
15		

Recap Schedules:
B-1

Line No.		Test Year Adjusted Amount	Revenue Lag Days	Expense Lag Days	Net Lag Days	Lead / Lag Factor	Cash Working Capital Required
1	OPERATING EXPENSES						
2	Salaries and Wages	\$ 939,071	49.5768	12.0000	37.5768	0.1030	\$ 96,677
3	Group Insurance	27,421	49.5768	(2.3334)	51.9102	0.1422	\$ 3,900
4	Sludge Removal	55,247	49.5768	239.8508	(190.2740)	(0.5213)	\$ (28,800)
5	Purchased Power	342,364	49.5768	21.5002	28.0766	0.0769	\$ 26,335
6	Chemicals	219,910	49.5768	63.9648	(14.3880)	(0.0394)	\$ (8,669)
7	Repairs and Maintenance	181,981	49.5768	66.6282	(17.0514)	(0.0467)	\$ (8,501)
8	Contractual Services	258,836	49.5768	67.2163	(17.6395)	(0.0483)	\$ (12,509)
9	Rent - Buildings	20,669	49.5768	(18.5294)	68.1062	0.1866	\$ 3,857
10	Rent - Equipment	45,758	49.5768	25.4922	24.0846	0.0660	\$ 3,019
11	Transportation Expense	129,723	49.5768	(11.7634)	61.3402	0.1681	\$ 21,801
12	Insurance	62,877	49.5768	20.6635	28.9133	0.0792	\$ 4,981
13	Depreciation & Amortization	1,497,193	49.5768	-	49.5768	0.1358	\$ 203,359
14	Other Operating Expenses ^{1 3}	122,581	49.5768	15.5000	34.0768	0.0934	\$ 11,444
15	TAXES						
16	Taxes Other than Income	76,451	49.5768	15.9481	33.6287	0.0921	\$ 7,044
17	Property Taxes ²	149,110	49.5768	729.6032	(680.0264)	(1.8631)	\$ (277,804)
18	Income Tax ²	200,446	49.5768	-	49.5768	0.1358	\$ 27,226
19							
20							
21							
22							
23	WORKING CASH REQUIREMENT						<u>\$ 73,359</u>

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

²At proposed rates.

³Bad Debt at proposed rates.

Workpapers:

FW Lead Lag Study.xlsx

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Adjusted Test Year Income Statement

Exhibit: RLJ-DT3
 Schedule C-1
 Page 1
 Witness: Jones

Line No.		Actual for Test Year Ended 12/31/2011	Total Pro forma Adjustments	Test Year Results After Pro forma Adjustments	Proposed Rate Increase	Adjusted With Rate Increase
1	Revenues					
2	413 Income Utility Plant Leased to Others	\$ 3,612	\$ (3,612)	\$ -		\$ -
3	521 Flat Rate Revenue	2,061,278	(8,119)	2,053,159	3,866,046	5,919,205
4	536 Other Sewer Revenues	43,064	-	43,064		43,064
5	541 Metered Reuse Revenue	131,759	-	131,759		131,759
6	Total Revenues	\$ 2,239,713	\$ (11,731)	\$ 2,227,982	\$ 3,866,046	\$ 6,094,028
7	Operating Expenses					
8	701 Salaries and Wages	\$ 683,996	\$ 118,075	\$ 802,071		\$ 802,071
9	703 Salaries and Wages - Officers and Directors	137,000	(0)	137,000		137,000
10	704 Employee Pension and Benefits	27,421	-	27,421		27,421
11	710 Purchased Sewer Treatment	-	-	-		-
12	711 Sludge Removal Expense	55,247	-	55,247		55,247
13	715 Purchased Power	288,248	54,116	342,364		342,364
14	718 Chemicals	219,910	-	219,910		219,910
15	720 Repairs and Maintenance	181,981	-	181,981		181,981
16	731 Contractual Services - Engineering	-	-	-		-
17	732 Contractual Services - Accounting	7,230	-	7,230		7,230
18	733 Contractual Services - Legal	43,865	-	43,865		43,865
19	734 Contractual Services - Management Fees	-	-	-		-
20	735 Contractual Services - Testing	147,025	-	147,025		147,025
21	736 Contractual Services - Other	60,716	-	60,716		60,716
22	741 Rent - Buildings	20,669	-	20,669		20,669
23	742 Rent - Equipment	45,758	-	45,758		45,758
24	750 Transportation Expense	129,723	-	129,723		129,723
25	756 Insurance - Vehicle	12,610	-	12,610		12,610
26	757 Insurance - General Liability	33,142	-	33,142		33,142
27	758 Insurance - Workman's Compensation	17,125	-	17,125		17,125
28	759 Insurance - Other	-	-	-		-
29	760 Advertising Expense	476	-	476		476
30	766 Regulatory Commission Expense - Rate Case	-	75,000	75,000		75,000
31	767 Regulatory Expense - Other	-	-	-		-
32	770 Bad Debt Expense	33,490	-	33,490	58,112	91,602
33	775 Miscellaneous Expense	30,503	-	30,503		30,503
34	403 Depreciation Expense	1,165,350	331,843	1,497,193		1,497,193
35	408 Taxes Other Than Income	74,250	2,201	76,451		76,451
36	408.11 Property Taxes	122,350	(26,622)	95,728	53,382	149,110
37	409 Income Tax	(492,891)	(184,014)	(676,904)	877,350	200,446
38	Total Operating Expenses	\$ 3,045,196	\$ 370,598	\$ 3,415,794	\$ 988,844	\$ 4,404,638
39	Operating Income	\$ (805,483)	\$ (382,329)	\$ (1,187,812)	\$ 2,877,202	\$ 1,689,390
40	Other Income (Expense)					
41	409.20 Income Tax - Other Income and Deductions	\$ 449,875	\$ -	\$ 449,875		\$ 449,875
42	415 Revenue from Jobbing, Contract Work	26,176	-	26,176		26,176
43	416 Expenses from Jobbing, Contract Work	(26,176)	-	(26,176)		(26,176)
44	419 Interest and Dividend Income	246	-	246		246
45	420 AFUDC	748,855	-	748,855		748,855
46	421 Non-Utility Income	-	-	-		-
47	426 Miscellaneous Non-Utility Expenses	(33,219)	-	(33,219)		(33,219)
48	427 Interest Expense	(1,523,207)	152,676	(1,370,531)		(1,370,531)
49	428 Amortization of Debt Discount and Expense	(49,593)	-	(49,593)		(49,593)
50	429 Amortization of Premium on Debt	3,285	-	3,285		3,285
51	434 Extraordinary Deductions	(328,956)	-	(328,956)		(328,956)
52	Total Other Income (Expense)	\$ (732,714)	\$ 152,676	\$ (580,038)	\$ -	\$ (580,038)
53	Net Income (Loss)	\$ (1,538,197)	\$ (229,653)	\$ (1,767,850)	\$ 2,877,202	\$ 1,109,352

Supporting Schedules:
 E-2 C-2

Recap Schedules:
 A-1

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Income Statement Pro forma Adjustments

Exhibit: RU-DT3
 Schedule C-2
 Page 1
 Jones

Line No.	Actual for Test Year Ended 12/31/2011	ADJ IS-1	ADJ IS-2	ADJ IS-3	ADJ IS-4	ADJ IS-5	ADJ IS-6	ADJ IS-7	ADJ IS-8	ADJ IS-9	ADJ IS-10	ADJ IS-11
1	Revenues											
2	413 Income Utility Plant Leased to Others	\$ 3,612	\$ (3,612)									
3	521 Flat Rate Revenue	2,061,278		(8,119)								
4	536 Other Sewer Revenues	43,064										
5	541 Metered Reuse Revenue	131,759										
6	Total Revenues	\$ 2,239,713	\$ (3,612)	\$ (8,119)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Operating Expenses											
8	701 Salaries and Wages	\$ 683,996			\$ 118,075							
9	703 Salaries and Wages - Officers and Directors	137,000			(0)							
10	704 Employee Pension and Benefits	27,421										
11	710 Purchased Sewer Treatment	-										
12	711 Sludge Removal Expense	55,247										
13	715 Purchased Power	288,748										
14	718 Chemicals	219,910			54,116							
15	720 Repairs and Maintenance	181,981										
16	731 Contractual Services - Engineering	7,230										
17	732 Contractual Services - Accounting	43,865										
18	733 Contractual Services - Legal	-										
19	734 Contractual Services - Management Fees	-										
20	735 Contractual Services - Testing	147,025										
21	736 Contractual Services - Other	60,716										
22	741 Rent - Buildings	20,669										
23	742 Rent - Equipment	45,758										
24	750 Transportation Expense	129,723										
25	756 Insurance - Vehicle	12,610										
26	757 Insurance - General Liability	33,142										
27	758 Insurance - Workman's Compensation	17,125										
28	759 Insurance - Other	-										
29	760 Advertising Expense	476										
30	766 Regulatory Commission Expense - Rate Case	-										
31	767 Regulatory Expense - Other	-										
32	770 Bad Debt Expense	33,490										
33	775 Miscellaneous Expense	30,503										
34	403 Depreciation Expense	1,165,350										
35	408 Taxes Other Than Income	74,250										
36	408.11 Property Taxes	122,350			2,201							
37	409 Income Tax	(492,891)										
38	Total Operating Expenses	\$ 3,045,196	\$ -	\$ -	\$ 54,116	\$ 120,275	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39	Other Income (Expense)	\$ (805,483)	\$ (3,612)	\$ (8,119)	\$ (54,116)	\$ (120,275)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40	Operating Income	\$ 449,875										
41	409.20 Income Tax - Other Income and Deductions	26,176										
42	415 Revenue from Jobbing, Contract Work	(26,176)										
43	416 Expenses from Jobbing, Contract Work	246										
44	419 Interest and Dividend Income	748,855										
45	420 AFUDC	-										
46	421 Non-Utility Income	(33,219)										
47	426 Miscellaneous Non-Utility Expenses	(1,523,207)										
48	427 Interest Expense	(49,593)										
49	428 Amortization of Debt Discount and Expense	3,285										
50	429 Amortization of Premium on Debt	(328,956)										
51	434 Extraordinary Deductions											
52	Total Other Income (Expense)	\$ (732,714)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
53	Net Income (Loss)	\$ (1,538,197)	\$ (3,612)	\$ (8,119)	\$ (54,116)	\$ (120,275)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Recap Schedules:
 C-1

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Income Statement Pro Forma Adjustments

Exhibit: RU-DT3
 Schedule C-2
 Page 2
 Witness: Jones

Line No.	ADJ IS-12 Not Used	ADJ IS-13	ADJ IS-14	ADJ IS-15	ADJ IS-16	ADJ IS-17	Total Adjustments	Test Year Adjusted Results
1								
2							(3,612)	
3							(8,119)	2,053,159
4								43,064
5								131,759
6							(11,731)	2,227,982
7								
8								
9							118,075	802,071
10							(0)	137,000
11								27,421
12								55,247
13							54,116	342,364
14								219,910
15								181,981
16								7,230
17								43,865
18								147,025
19								60,716
20								20,669
21								45,758
22								129,723
23								12,610
24								33,142
25								17,125
26								476
27								75,000
28								
29								
30		75,000					75,000	75,000
31								
32								
33								33,490
34								30,503
35				331,843			331,843	1,497,193
36							2,201	76,451
37					(26,622)		(26,622)	95,728
38						(184,014)	(184,014)	(676,904)
39		75,000		331,843	(26,622)	(184,014)	370,598	3,415,794
40		(75,000)		(331,843)	26,622	184,014	(382,329)	(1,187,812)
41								
42								449,875
43								26,176
44								(26,176)
45								246
46								748,855
47								
48								(33,219)
49			152,676				152,676	(1,370,531)
50								(49,593)
51								3,285
52								(328,956)
53								(580,038)
54								(1,767,850)
55								
56								

Recap Schedules:
 C-1

Line

No.

1 Adjust Revenue to Eliminate Income From Leased Utility Plant

2

3 Revenues received from leased utility plant should be removed from revenue in order
4 to match revenues to rate base, which excludes leased utility plant.

5

6

7 Book revenue from Leased Utility Plant

\$ 3,612

8

9 Increase/(Decrease) in Revenue

\$ (3,612)

10

11

12

13

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-2

Exhibit: RLJ-DT3
Schedule C-2
Page 4
Witness: Jones

Line

No.

1 Adjust Revenue to eliminate unbilled revenue

2

3 Revenue is accrued at year-end to account for unbilled revenue based on an estimate
4 of the usage that has occurred since the December meter reading. The following year the
5 unbilled revenue entry is reversed. The net of these entries should be eliminated.

6

7 Flat Rate Revenue

8 Reversal of 2010 Unbilled Revenue (Residential) \$ (115,489)

9 Reversal of 2010 Unbilled Revenue (Commercial) (1,321)

10 Reversal of 2010 Unbilled Revenue (RV Parks) (2,493)

11 Booked 2011 Unbilled Revenue (Residential) 122,111

12 Booked 2011 Unbilled Revenue (Commercial) 1,432

13 Booked 2011 Unbilled Revenue (RV Parks) 3,879

14 Net Unbooked Revenue \$ 8,119

15

16 Increase/(Decrease) in Revenues \$ (8,119)

17

18

19

20

21

22 Workpaper

23 FW Rate Case Data.xlsx - Trial Bal Adj

24

Line
No.

1 Adjust Purchased Power to Reflect New and Reconfigured Treatment Facilities

2

3 The Section 14 WWTP and the Del Oro WWTPs were expanded during the test year. In addition,
 4 the Palm Shadows WWTP was removed from service with flows redirected to Section 14. The expanded
 5 Section 14 WWTP and Del Oro WWTP's and the redirected flows from Palm Shadows cause an increase in costs
 which is known and measureable and should be included in the Company's expenses.

6

7 Del Oro WWTP

8 Test Year Purchased Power \$ 69,246

9 Purchased Power for 5-month period 12/30/2011 - 6/4/2012 36,235

10 Annualized Cost of Purchased Power divide by (5/12) 86,965

11

12 Increase/(Decrease) in Purchased Power \$ 17,719

13

14 Section 14 & Palm Shadows

15 Test Year Purchased Power \$ 102,835

16 Purchased Power for 5-month period 12/30/2011 - 6/4/2012 58,013

17 Annualized Cost of Purchased Power divide by (5/12) 139,232

18

19 Increase/(Decrease) in Purchased Power \$ 36,397

20

21 Total Increase/(Decrease) in Purchased Power \$ 54,116

22

26

27 Workpaper

28 FW Rate Case Data.xlsx - Power

29

Line			
<u>No.</u>			
1	<u>Annualize Salaries and Wages</u>		
2			
3	Salaries and wages are annualized based on current staffing levels, current salary levels and estimated 2012 hours.		
4			
5	<u>Officers and Directors</u>		
6	Test Year Salaries and Wages	\$	137,000
7	Annualized Salaries and Wages		137,000
8			
9	Increase (Decrease) in Salaries and Wages	\$	<u>(0)</u>
10			
11	<u>Employee Salaries and Wages</u>		
12	Test Year Salaries and Wages	\$	683,996
13	Annualized Salaries and Wages		802,071
14			
15	Increase (Decrease) in Salaries and Wages	\$	<u>118,075</u>
16			
19	<u>Taxes Other Than Income</u>		
20	Test Year Payroll Taxes	\$	74,250
21	Annualized Payroll Taxes		76,451
22			
23	Increase (Decrease) in Payroll Taxes	\$	<u>2,201</u>
24			
25	Total Increase (Decrease)	\$	<u><u>120,275</u></u>
26			
27	<u>Workpaper</u>		
28	FW Rate Case Data.xlsx - Payroll		
29			

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-13

Exhibit: RLJ-DT3
Schedule C-2
Page 6
Witness: Jones

Adjust Rate Case Expense

Line			
<u>No.</u>			
1	Estimated Rate Case Expense	\$	225,000
2			
3	Amortization Period (Years)		3
4			
5	Annualized Rate Case Expense	\$	75,000
6			
7	Test Year Rate Case Expense		-
8			
9	Increase / (Decrease) in Rate Case Expense		75,000
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Income Statement Adjustment IS-14

Exhibit: RLJ-DT3
Schedule C-2
Page 7
Witness: Jones

Synchronize Interest Expense with Rate Base

Line			
<u>No.</u>			
1	Adjusted Rate Base	\$ 22,800,578	Sch. B-1
2			
3	Weighted Cost of Long-Term Debt	5.489%	Sch. D-1
4	Weighted Cost of Short-Term Debt	0.522%	Sch. D-1
5			
6	Synchronized Long-Term Interest	\$ 1,251,576	
7	Synchronized Short-Term Interest	<u>118,955</u>	
8	Synchronized Interest Expense	1,370,531	
9			
10	Test Year Interest Expense	1,523,207	
11			
12	Increase / (Decrease) In Interest Expense	(152,676)	
13			
14			
15			
16			
17			

Adjust Depreciation Expense to Reflect Adjusted Plant Balances

Line No.	Acct Description	Adjusted Test Year Balance 12/31/2011	Proposed Depreciation Rate	Depreciation Expense
1				
2	351 Organization Cost	\$ -	0.00%	\$ -
3	352 Franchise Cost	3,076	0.00%	-
4	353 Land and Land Rights	1,413,437	0.00%	-
5	354 Structures & Improvements	2,477,482	3.33%	82,500
6	355 Power Generating Equipment	68,993	5.00%	3,450
7	360 Collection Sewers - Force	3,504,328	2.00%	70,087
8	361 Collection Sewers - Gravity	8,727,577	2.00%	174,552
9	362 Special Collecting Structures	-	2.00%	-
10	363 Services to Customers	173,621	2.00%	3,472
11	364 Flow Measuring Devices	32,468	10.00%	3,247
12	365 Flow Measuring Installations	16,683	10.00%	1,668
13	366 Reuse Services	-	2.00%	-
14	367 Reuse Meters and Meter Installations	2,310	8.33%	192
15	370 Receiving Wells	74,227	3.33%	2,472
16	371 Pumping Equipment	1,395,638	12.50%	174,455
17	374 Reuse Distribution Reserviors	-	2.50%	-
18	375 Reuse Transmission and Dist. Sys.	-	2.50%	-
19	380 Treatment and Disposal Equipment	17,685,412	5.00%	884,271
20	381 Plant Sewers	623,671	5.00%	31,184
21	382 Outfall Sewer Lines	1,805	3.33%	60
22	389 Other Plant and Misc. Equipment	394,141	6.67%	26,289
23	390 Office Furniture & Equipment	254,572	6.67%	16,980
24	390 Computers & Software	11,356	20.00%	2,271
25	391 Transportation Equipment	271,810	20.00%	54,362
26	392 Stores Equipment	-	4.00%	-
27	393 Tools, Shop & Garage Equipment	27,069	5.00%	1,353
28	394 Laboratory Equipment	17,418	10.00%	1,742
29	395 Power Operated Equipment	181,667	5.00%	9,083
30	396 Communications Equipment	17,191	10.00%	1,719
31	397 Miscellaneous Equipment	136,351	10.00%	13,635
32	398 Other Tangible Plant	238,828	10.00%	23,883
33		-		-
34		-		-
35	TOTALS	\$ 37,751,132		\$ 1,582,927
36				
37	Less: Amortization of CIAC	\$ 1,726,854	4.9648%	\$ 85,734
38				
39	Adjusted Test Year Depreciation Expense			\$ 1,497,193
40				
41	Test Year Depreciation Expense			\$ 1,165,350
42				
43	Increase / (Decrease) in Depreciation Expense			\$ 331,843
44				

Adjust Property Tax Expense to Reflect Adjusted Test Year and Proposed Revenues

Line No.	Description	Company As Adjusted	Company Proposed
1	Adjusted Test Year Revenue	\$ 2,227,982	\$ 2,227,982
2	Adjusted Test Year Revenue	2,227,982	2,227,982
3	Adjusted Test Year Revenue	2,227,982	
4	Proposed Revenues after Increase		6,094,028
5	Average of three year's of revenue	2,227,982	3,516,664
6	Average of three year's of revenue, times 2	4,455,963	7,033,327
7	Add:		
8	Construction Work In Progress at 10%	243,735	243,735
9	Deduct:		
10	Net Book Value of Transportation Equipment	77,783	77,783
11			
12	Full Cash Value	4,621,916	7,199,280
13	Assessment Ratio	20.0%	20.0%
14	Assessed Value	924,383	1,439,856
15	Property Tax Rate (Test Year)	10.3559%	10.3559%
16			
17	Adjusted Test Year Property Tax	\$ 95,728	
18	Recorded Test Year Property Tax	122,350	
19	Test Year Adjustment	\$ (26,622)	
20			
21	Property Tax at Proposed Rates		\$ 149,110
22	Adjusted Test Year Property Tax		95,728
23	Increase in Property Tax due to Rate Increase		\$ 53,382
24			
25	Increase to Property Tax Expense		\$ 53,382
26	Increase in Revenue Requirement		\$ 3,866,046
27	Property Tax Factor (L25 / L26)		1.3808%
28			
29			

Adjust Income Tax Expense to Reflect Adjusted Test Year and Proposed Revenues

Line <u>No.</u>	<u>Description</u>	<u>Adjusted Test Year</u>	<u>Proposed with Increase</u>
1			
2	<u>Calculation of Income Tax:</u>		
3	Revenue	\$ 2,227,982	\$ 6,094,028
4	Less: Operating Expenses (Excluding Income Taxes)	4,092,698	4,204,192
5	Less: Synchronized Interest	1,370,531	1,370,531
6	Arizona Taxable Income	<u>\$ (3,235,248)</u>	<u>\$ 519,304</u>
7	Arizona State Income Tax Rate	6.9680%	6.9680%
8	Arizona Income Tax	<u>\$ (225,432)</u>	<u>\$ 36,185</u>
9	Federal Taxable Income	<u>\$ (3,009,816)</u>	<u>\$ 483,119</u>
10			
11	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ (451,472)	\$ 7,500
12	Federal Tax on Second Income Bracket (\$50,001 - 75,000) @ 25%	-	6,250
13	Federal Tax on Third Income Bracket (\$75,001 - 100,000) @ 34%	-	8,500
14	Federal Tax on Fourth Income Bracket (\$100,001 - 335,000) @ 39%	-	91,650
15	Federal Tax on Fifth Income Bracket (\$335,001 - 10,000,000) @ 34%	-	50,361
16	Total Federal Income Tax	<u>\$ (451,472)</u>	<u>\$ 164,261</u>
17			
18	Combined Federal and State Income Tax	<u>\$ (676,904)</u>	<u>\$ 200,446</u>
19			
20	Applicable Arizona State Income Tax Rate (Rate Applicable to Revenue Increase)		6.9680%
21	Applicable Federal Income Tax Rate (Rate Applicable to Revenue Increase)		17.6280%
22			
23	<u>Calculation of Interest Synchronization</u>		
24	Rate Base	\$ 22,800,578	
25	Weighted Average Cost of Debt	6.011%	
26	Synchronized Interest	<u>\$ 1,370,531</u>	
27			
28	<u>Income Tax Adjustments</u>		
29	Test Year Income Taxes - Booked	<u>\$ (492,891)</u>	
30	Increase / (decrease) in Income Taxes (L24 - L35)	<u>(184,014)</u>	
31			
32	Test Year Income Taxes - Adjusted		<u>\$ (676,904)</u>
33	Increase / (decrease) in Federal Income Taxes (L24 - L38)		<u>877,350</u>
34			
35			

Line

Calculation of Gross Revenue Conversion Factor

1	Revenue	100.0000%
2	Uncollectable Factor (Line 11)	1.1519%
3	Revenue (L1 - L2)	98.8481%
4	Combined Income Tax and Property Tax Rate (Line 23)	24.4258%
5	Operating Income Percentage (L3 -L4)	74.4223%
6	Gross Revenue Conversion Factor (L1 / L5)	1.343682

Calculation of Uncollectable Factor:

7	Unity	100.0000%
8	Combined Federal and State Tax Rate (Line 17)	23.3676%
9	One Minus Combined Federal and State Tax Rate (L7 - L8)	76.6324%
10	Uncollectable Rate (Line 26)	1.5031%
11	Uncollectable Factor (L9 * L10)	1.1519%

Calculation of Effective Tax Rate

12	Operating Income Before Taxes	100.0000%
13	Applicable Arizona State Tax Rate (from Schedule C-2)	6.9680%
14	Federal Taxable Income (L12 - L13)	93.0320%
15	Applicable Federal Tax Rate (from Schedule C-2)	17.6280%
16	Effective Federal Tax Rate (L14 * L15)	16.3996%
17	Combined Federal and State Tax Rate (L13 + L16)	23.3676%

Calculation of Effective Property Tax Rate

18	Unity	100.0000%
19	Combined Federal and State Tax Rate (Line 17)	23.3676%
20	One Minus Combined Income Tax Rate (L18 - L19)	76.6324%
21	Property Tax Factor (from Schedule C-2)	1.3808%
22	Effective Property Tax Factor (L20 * L21)	1.0581%
23	Combined Federal and State Income Tax Rate and Property Tax Rate (L17 + L22)	24.4258%

Calculation of Uncollectable Rate

24	Bad Debt Expense (from Schedule C-1)	\$ 33,490
25	Total Revenues (from Schedule C-1)	2,227,982
26	Uncollectable Rate (L24 / L25)	1.5031%

27	Revenue Increase (from Schedule C-1)	\$ 3,866,046
28	Uncollectable Rate (Line 26)	1.5031%
29	Bad Debt Expense due to Increase	\$ 58,112

30 Supporting Schedules:

Recap Schedules:

31

A-1

Line No.	Invested Capital	End of Test Year (Adjusted)			End of Projected Year (Current Rates)			End of Projected Year (Proposed Rates)		
		Amount	Percent of Total	Weighted Cost	Amount	Percent of Total	Weighted Cost	Amount	Percent of Total	Weighted Cost
1										
2	Long-Term Debt	\$ 21,323,943	79.55%	5.489%	\$ 21,017,517	89.71%	6.030%	\$ 21,017,517	79.90%	6.721%
3										
4	Short-Term Debt	1,732,342	6.46%	8.073%	1,145,715	4.89%	10.003%	1,145,715	4.36%	10.003%
5										
6	Adjusted Common Equity	\$ 3,748,573	13.98%	1.398%	\$ 1,263,909	5.40%	0.540%	\$ 4,141,111	15.74%	10.000%
7										
8	Totals	\$ 26,804,859	100.00%	7.409%	\$ 23,427,141	100.00%	7.059%	\$ 26,304,343	100.00%	7.380%
9										
10										
11	Equity Adjustments									
12	Common Equity per Sch. E-1	\$ 6,136,135								
13										
14	PIS Equity Adjustments	\$ (3,229,531)								
15	A/D Equity Adjustments	522,158								
16	AIAC Equity Adjustment	-								
17	CIAC Equity Adjustment	713,313								
18	AA CIAC Equity Adjustment	(393,502)								
19										
20	Adjusted Common Equity	\$ 3,748,573								
21										

Recap Schedules:
 A-3

Supporting Schedules:
 D-2 D-3
 D-4 E-1

Line No.	End of Test Year			End of Projected Year			
	Amount Outstanding	Annual Interest	Interest Rate	Amount Outstanding	Annual Interest	Interest Rate	
4	<u>Long-Term Debt</u>						
5	IDA Series 2007A - Term 1	\$ 2,173,211	\$ 198,575	6.500%	\$ 1,866,784	\$ 175,175	6.500%
6	IDA Series 2007A - Term 2	17,208,285	1,360,425	6.375%	17,208,285	1,360,425	6.375%
7	Zenon / Liberation Capital	1,942,448	\$ 201,705	12.000%	-	\$ 57,626	12.000%
8	Harry Elliott Trust				1,942,448	\$ 145,684	10.000%
9							
10	Total Long-Term Debt	<u>\$ 21,323,943</u>	<u>\$ 1,760,705</u>	<u>6.900%</u>	<u>\$ 21,017,517</u>	<u>\$ 1,738,910</u>	<u>6.721%</u>
11							
12							
13	<u>Short-Term Debt</u>						
14	Hardknocks Ltd	\$ 75,000	-	0.00%	\$ -		
15	Scott Spencer	175,000	28,640	12.00%	-		
16	Harry Elliott	301,248	-	0.00%	-		
17	Gallager & Kennedy	36,837	-	12.00%	1,458	2,121	12.00%
18	Schechert Trust	1,144,257	147,269	10.00%	1,144,257	114,426	10.00%
19							
20	Total Short-Term Debt	<u>\$ 1,732,342</u>	<u>\$ 175,909</u>	<u>8.073%</u>	<u>\$ 1,145,715</u>	<u>\$ 116,547</u>	<u>10.003%</u>
21							
22							
23	Total All Debt	<u>\$ 23,056,285</u>	<u>\$ 1,936,614</u>	<u>6.988%</u>	<u>\$ 22,163,232</u>	<u>\$ 1,855,457</u>	<u>6.891%</u>
24							
25							
26	<u>IDA Debt Detail by Service</u>						
27		<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
28	Series 2007A - Term 1	\$ 2,173,211	\$ 521,789	\$ 2,695,000	\$ 1,866,784	\$ 448,216	\$ 2,315,000
29	Series 2007A - Term 2	17,208,285	4,131,715	21,340,000	17,208,285	4,131,715	21,340,000
30	Total IDA Debt 12/31/11	<u>\$ 19,381,496</u>	<u>\$ 4,653,504</u>	<u>\$ 24,035,000</u>	<u>\$ 19,075,069</u>	<u>\$ 4,579,931</u>	<u>\$ 23,655,000</u>
31							
32	<u>Workpapers:</u>						
33	FW IDA Bond Amortization.xlsx						
34							
35	<u>Supporting Schedules:</u>						
36	E-1						
37							

Recap Schedules:
 D-1

Line
No.

- 1
- 2 Not Applicable - No preferred stock issued or outstanding
- 3
- 4 Supporting Schedules:
- 5
- 6

Recap Schedules:
D-1

Line

No.

1

Far West Water & Sewer, Inc., Sewer Division is proposing an 10.0% cost of common equity per its filed testimony

3

4 Supporting Schedules:

Recap Schedules:

5

D-1

6

Line No.		Test Year Ended 12/31/2011	Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2009
1	ASSETS			
2	PROPERTY PLANT AND EQUIPMENT			
3	101 Utility Plant In Service	\$ 42,605,611	\$ 22,034,826	\$ 21,181,652
4	102 Utility Plant Leased to Others	217,503	217,503	217,503
5	103 Property Held for Future Use	-	-	-
6	105 Construction Work in Progress	2,437,351	20,903,929	18,735,388
7	108 Less: Accumulated Depreciation	(6,870,429)	(5,585,686)	(4,812,516)
8	108.2 Less: Accumulated Depreciation - Leased Plant	(10,740)	(3,580)	-
9	Net Plant	<u>\$ 38,379,295</u>	<u>\$ 37,566,992</u>	<u>\$ 35,322,026</u>
10				
11	CURRENT ASSETS			
12	131 Cash and Equivalents	\$ 1,794	\$ (50,289)	\$ (209)
13	132 Special Deposits	1,548,498	1,415,528	1,543,963
14	141 Customer Accounts Receivable	436,789	375,018	324,365
15	142 Other Accounts Receivable	4,000	4,600	4,000
16	143 Accumulated Provision for Uncollectable Accounts	(33,490)	-	-
17	146 Notes/Receivables from Associated Companies	401,960	371,514	296,808
18	151 Plant Materials and Supplies	18,440	17,880	17,200
19	162 Prepayments	13,641	10,193	26,679
20	174 Miscellaneous Current and Accrued Assets	-	-	10,638
21	Total Current Assets	<u>\$ 2,391,631</u>	<u>\$ 2,144,444</u>	<u>\$ 2,223,444</u>
22				
23	DEFERRED DEBITS			
24	181 Unamortized Debt Discount and Expense	\$ 836,551	\$ 868,726	\$ 900,901
25	186 Deferred Debits	634,238	651,656	683,191
26	190 Accumulated Deferred Income Tax	1,807,463	864,697	356,000
27	Total Deferred Debits	<u>\$ 3,278,252</u>	<u>\$ 2,385,079</u>	<u>\$ 1,940,092</u>
28				
29	TOTAL ASSETS	<u>\$ 44,049,178</u>	<u>\$ 42,096,515</u>	<u>\$ 39,485,562</u>
30	LIABILITIES AND STOCKHOLDERS' EQUITY			
31	CAPITAL ACCOUNTS			
32	201 Common Stock Issued	\$ -	\$ -	\$ -
33	211 Paid in Capital	2,343,264	2,343,264	2,343,264
34	211.1 Capital from Water Division	17,889,015	14,855,775	11,637,268
35	215 Retained Earnings	(14,096,145)	(12,557,947)	(11,727,968)
36	Total Capital	<u>\$ 6,136,135</u>	<u>\$ 4,641,091</u>	<u>\$ 2,252,564</u>
37				
38	LONG-TERM DEBT			
39	221 Bonds	19,381,496	19,671,800	19,941,944
40	223 Advances from Associated Companies	-	-	-
41	224 Other Long-Term Debt	1,942,448	2,242,478	-
42	Total long-Term Debt	<u>\$ 21,323,943</u>	<u>\$ 21,914,277</u>	<u>\$ 19,941,944</u>
43				
44	CURRENT LIABILITIES			
45	231 Accounts Payable	\$ 1,004,027	\$ 1,698,596	\$ 3,823,192
46	232 Notes Payable	588,085	-	-
47	233 Accounts Payable to Associated Companies	9,028	(45,442)	(8,015)
48	234 Payable to Associated Companies	1,144,257	-	-
49	235 Customer Deposits	26,359	12,087	23,795
50	236 Accrued Taxes	-	-	-
51	237 Accrued Interest	178,447	141,159	118,766
52	241 Miscellaneous Current Liabilities	407,868	275,155	180,454
53	Total Current Liabilities	<u>\$ 3,358,071</u>	<u>\$ 2,081,555</u>	<u>\$ 4,138,192</u>
54				
55	DEFERRED CREDITS			
56	251 Unamortized Premium on Debt	\$ 85,413	\$ 88,698	\$ 91,984
57	252 Advances in Aid of Construction	10,814,970	10,869,772	10,404,544
58	253 Other Deferred Credits	\$ 1,193,404	\$ 1,246,165	\$ 1,283,665
59	271 Contributions in Aid of Construction	2,440,167	2,440,167	2,440,167
60	272 Accumulated Amortization CIAC	(1,302,925)	(1,185,212)	(1,067,499)
61	281 Accumulated Deferred Income Tax	-	-	-
62	Total Deferred Credits	<u>\$ 13,231,029</u>	<u>\$ 13,459,591</u>	<u>\$ 13,152,862</u>
63				
64	Total Liabilities & Common Equity	<u>\$ 44,049,178</u>	<u>\$ 42,096,515</u>	<u>\$ 39,485,562</u>
65				
66	<u>Supporting Schedules:</u>		<u>Recap Schedules:</u>	
67	E-5		A-3	

Line No.	Test Year Ended 12/31/2011	Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2009
1	ASSETS		
2	PROPERTY PLANT AND EQUIPMENT		
3	\$ 31,480,517	\$ 31,010,947	\$ 29,941,953
4	101 Utility Plant In Service		
5	102 Utility Plant Leased to Others	217,503	217,503
6	103 Property Held for Future Use	-	-
7	105 Construction Work in Progress	1,147,584	1,248,691
8	108 Less: Accumulated Depreciation	(13,749,565)	(12,765,995)
9	108.2 Less: Accumulated Depreciation - Leased Plant	(10,740)	(3,580)
10	Net Plant	\$ 19,085,298	\$ 20,023,152
11	CURRENT ASSETS		
12	\$ 5,841	\$ (88,844)	\$ 55,040
13	131 Cash and Equivalents		
14	132 Special Deposits	371,762	339,839
15	141 Customer Accounts Receivable	630,894	625,173
16	142 Other Accounts Receivable	-	500
17	143 Accumulated Provision for Uncollectable Accounts	(57,973)	-
18	146 Notes/Receivables from Associated Companies	126,336	197,642
19	151 Plant Materials and Supplies	79,130	78,292
20	162 Prepayments	56,890	55,618
21	174 Miscellaneous Current and Accrued Assets	-	-
22	Total Current Assets	\$ 1,212,879	\$ 1,208,220
23	DEFERRED DEBITS		
24	\$ 184,025	\$ 191,102	\$ 198,180
25	181 Unamortized Debt Discount and Expense		
26	186 Deferred Debits	61,722	64,096
27	190 Accumulated Deferred Income Tax	(1,216,910)	(617,281)
28	Total Deferred Debits	\$ (971,164)	\$ (362,083)
29	TOTAL ASSETS		
30	\$ 19,327,013	\$ 20,553,704	\$ 21,624,022
31	LIABILITIES AND STOCKHOLDERS' EQUITY		
32	CAPITAL ACCOUNTS		
33	\$ 900,000	\$ 900,000	\$ 900,000
34	201 Common Stock Issued		
35	211 Paid in Capital	7,087,369	7,087,369
36	211.1 Capital from Water Division	(17,889,015)	(14,855,775)
37	215 Retained Earnings	11,331,474	10,353,132
38	Total Capital	\$ 1,429,828	\$ 3,484,726
39	LONG-TERM DEBT		
40	4,653,504	4,723,200	4,788,056
41	221 Bonds		
42	223 Advances from Associated Companies	-	-
43	224 Other Long-Term Debt	765,987	453,351
44	Total long-Term Debt	\$ 5,419,492	\$ 5,176,552
45	CURRENT LIABILITIES		
46	\$ 558,626	\$ 603,234	\$ 881,372
47	231 Accounts Payable		
48	232 Notes Payable	36,837	-
49	233 Accounts Payable to Associated Companies	79,713	40,938
50	234 Payable to Associated Companies	22,000	-
51	235 Customer Deposits	48,500	69,777
52	236 Accrued Taxes	-	-
53	237 Accrued Interest	237,116	133,473
54	241 Miscellaneous Current Liabilities	1,218,378	825,785
55	Total Current Liabilities	\$ 2,201,170	\$ 1,673,207
56	DEFERRED CREDITS		
57	\$ 20,611	\$ 21,404	\$ 22,196
58	251 Unamortized Premium on Debt		
59	252 Advances in Aid of Construction	5,200,253	5,973,861
60	253 Other Deferred Credits	12,500	37,500
61	271 Contributions in Aid of Construction	7,284,567	6,285,022
62	272 Accumulated Amortization CIAC	(2,241,407)	(2,098,567)
63	281 Accumulated Deferred Income Tax	-	-
64	Total Deferred Credits	\$ 10,276,524	\$ 10,219,219
65	Total Liabilities & Common Equity		
66	\$ 19,327,013	\$ 20,553,704	\$ 21,624,022
67			

Line No.	Test Year Ended 12/31/2011	Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2009
1	ASSETS		
2	PROPERTY PLANT AND EQUIPMENT		
3	\$ 74,086,128	\$ 53,045,773	\$ 51,123,605
4	101 Utility Plant In Service		
5	102 Utility Plant Leased to Others	435,005	435,005
6	103 Property Held for Future Use	-	-
7	105 Construction Work in Progress	3,584,935	22,152,620
8	108 Less: Accumulated Depreciation	(20,619,994)	(18,351,681)
9	108.2 Less: Accumulated Depreciation - Leased Plant	(21,480)	(7,160)
10	Net Plant	\$ 57,464,593	\$ 55,345,178
11	CURRENT ASSETS		
12	\$ 7,634	\$ (139,132)	\$ 54,831
13	131 Cash and Equivalents		
14	132 Special Deposits	1,920,260	1,755,367
15	141 Customer Accounts Receivable	1,067,682	1,000,191
16	142 Other Accounts Receivable	4,000	5,100
17	143 Accumulated Provision for Uncollectable Accounts	(91,462)	-
18	146 Notes/Receivables from Associated Companies	528,296	569,156
19	151 Plant Materials and Supplies	97,570	96,172
20	162 Prepayments	70,531	65,811
21	174 Miscellaneous Current and Accrued Assets	-	-
22	Total Current Assets	\$ 3,604,510	\$ 3,352,665
23	DEFERRED DEBITS		
24	\$ 1,020,575	\$ 1,059,829	\$ 1,099,082
25	181 Unamortized Debt Discount and Expense		
26	186 Deferred Debits	695,960	715,751
27	190 Accumulated Deferred Income Tax	590,552	247,416
28	Total Deferred Debits	\$ 2,307,088	\$ 2,022,996
29	TOTAL ASSETS		
30	\$ 63,376,191	\$ 62,650,218	\$ 61,109,584
31	LIABILITIES AND STOCKHOLDERS' EQUITY		
32	CAPITAL ACCOUNTS		
33	\$ 900,000	\$ 900,000	\$ 900,000
34	201 Common Stock Issued		
35	211 Paid in Capital	9,430,633	9,430,633
36	215 Retained Earnings	(2,764,670)	(2,204,816)
37	Total Capital	\$ 7,565,963	\$ 8,125,817
38	LONG-TERM DEBT		
39	24,035,000	24,395,000	24,730,000
40	221 Bonds		
41	223 Advances from Associated Companies	-	-
42	224 Other Long-Term Debt	2,708,435	2,695,829
43	Total long-Term Debt	\$ 26,743,435	\$ 27,090,829
44	CURRENT LIABILITIES		
45	\$ 1,562,653	\$ 2,301,830	\$ 4,704,564
46	231 Accounts Payable		
47	232 Notes Payable	624,923	-
48	233 Accounts Payable to Associated Companies	88,741	(4,504)
49	234 Payable to Associated Companies	1,166,257	-
50	235 Customer Deposits	74,859	81,864
51	236 Accrued Taxes	-	-
52	237 Accrued Interest	415,563	274,631
53	241 Miscellaneous Current Liabilities	1,626,246	1,100,940
54	Total Current Liabilities	\$ 5,559,241	\$ 3,754,762
55	DEFERRED CREDITS		
56	\$ 106,024	\$ 110,102	\$ 114,180
57	251 Unamortized Premium on Debt		
58	252 Advances in Aid of Construction	16,015,223	16,843,633
59	253 Other Deferred Credits	1,205,904	1,283,665
60	271 Contributions in Aid of Construction	9,724,735	8,725,189
61	272 Accumulated Amortization CIAC	(3,544,332)	(3,283,779)
62	281 Accumulated Deferred Income Tax	-	-
63	Total Deferred Credits	\$ 23,507,553	\$ 23,678,811
64	Total Liabilities & Common Equity		
65	\$ 63,376,191	\$ 62,650,218	\$ 61,109,584
66			

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Comparative Income Statements

Exhibit: RLI-DT3
 Schedule E-2
 Page 1
 Witness: Jones

Line No.		Test Year Ended 12/31/2011	Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2009
1	Revenues			
2	413 Income Utility Plant Leased to Others	\$ 3,612	\$ 8,383	\$ -
3	521 Flat Rate Revenue	2,061,278	2,030,528	1,846,892
4	536 Other Sewer Revenues	43,064	67,480	180,670
5	541 Metered Reuse Revenue	131,759	103,241	104,537
6	Total Revenues	<u>\$ 2,239,713</u>	<u>\$ 2,209,632</u>	<u>\$ 2,132,099</u>
7	Operating Expenses			
8	701 Salaries and Wages	\$ 683,996	\$ 472,735	\$ 404,740
9	703 Salaries and Wages - Officers and Directors	137,000	104,500	74,769
10	704 Employee Pension and Benefits	27,421	31,352	33,334
11	710 Purchased Sewer Treatment	-	-	-
12	711 Sludge Removal Expense	55,247	83,830	102,450
13	715 Purchased Power	288,248	251,261	257,010
14	718 Chemicals	219,910	215,788	199,086
15	720 Repairs and Maintenance	181,981	100,337	122,341
16	731 Contractual Services - Engineering	-	-	-
17	732 Contractual Services - Accounting	7,230	105,840	289
18	733 Contractual Services - Legal	43,865	60,038	342,907
19	734 Contractual Services - Management Fees	-	-	-
20	735 Contractual Services - Testing	147,025	109,806	104,008
21	736 Contractual Services - Other	60,716	39,114	12,160
22	741 Rent - Buildings	20,669	20,311	19,292
23	742 Rent - Equipment	45,758	195,574	96,621
24	750 Transportation Expense	129,723	77,407	60,404
25	756 Insurance - Vehicle	12,610	10,767	9,155
26	757 Insurance - General Liability	33,142	39,173	24,445
27	758 Insurance - Workman's Compensation	17,125	13,722	13,726
28	759 Insurance - Other	-	-	9,000
29	760 Advertising Expense	476	284	25
30	766 Regulatory Commission Expense - Rate Case	-	20,405	122,430
31	767 Regulatory Expense - Other	-	-	-
33	770 Bad Debt Expense	33,490	-	5,630
34	775 Miscellaneous Expense	30,503	16,741	18,181
35	403 Depreciation Expense	1,165,350	655,457	625,330
36	408 Taxes Other Than Income	74,250	65,731	49,975
37	408.11 Property Taxes	122,350	92,177	79,555
38	409 Income Tax	(492,891)	-	-
39	Total Operating Expenses	<u>\$ 3,045,196</u>	<u>\$ 2,782,352</u>	<u>\$ 2,786,863</u>
40	Operating Income	<u>\$ (805,483)</u>	<u>\$ (572,720)</u>	<u>\$ (654,764)</u>
41	Other Income (Expense)			
42	409.20 Income Tax - Other Income and Deductions	\$ 449,875	\$ 508,697	\$ 41,000
43	415 Revenue from Jobbing, Contract Work	26,176	57,684	-
44	416 Expenses from Jobbing, Contract Work	(26,176)	(57,684)	-
45	419 Interest and Dividend Income	246	393	2,201
46	420 AFUDC	748,855	933,278	858,409
47	421 Non-Utility Income	-	29,911	551
48	426 Miscellaneous Non-Utility Expenses	(33,219)	(1,234)	(75,006)
49	427 Interest Expense	(1,523,207)	(1,299,287)	(1,330,155)
50	428 Amortization of Debt Discount and Expense	(49,593)	(49,593)	(49,593)
51	429 Amortization of Premium on Debt	3,285	3,285	3,285
52	434 Extraordinary Deductions	(328,956)	(382,710)	(505,970)
53	Total Other Income (Expense)	<u>\$ (732,714)</u>	<u>\$ (257,259)</u>	<u>\$ (1,055,279)</u>
54	Net Income (Loss)	<u>\$ (1,538,197)</u>	<u>\$ (829,979)</u>	<u>\$ (1,710,043)</u>

Supporting Schedules:

Recap Schedules:
 A-2

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 56
 57
 58

Far West Water & Sewer, Inc., Water Division
 Test Year Ended December 31, 2011
 Comparative Income Statements

Exhibit: RLJ-DT3
 Schedule E-2
 Page 2
 Witness: Jones

Line No.		Test Year Ended 12/31/2011	Prior Year Ended 12/31/2010	Prior Year Ended 12/31/2009
1	Revenues			
2	413 Income Utility Plant Leased to Others	\$ 3,612	\$ 8,383	\$ -
3	461 Metered Water Revenue	5,533,564	5,496,205	5,549,277
4	471 Miscellaneous Service Revenues	180,755	136,947	139,318
5	474 Other Water Revenues	18,390	3,827	227
6	Total Revenues	\$ 5,736,321	\$ 5,645,361	\$ 5,688,822
7	Operating Expenses			
8	601 Salaries and Wages	\$ 779,073	\$ 744,001	\$ 695,855
9	603 Salaries and Wages - Officers and Directors	137,000	104,500	74,769
10	604 Employee Pension and Benefits	38,354	44,248	32,816
11	610 Purchased Water	504,953	530,880	672,225
12	615 Purchased Power	417,557	373,540	435,827
13	618 Chemicals	171,859	154,481	146,810
14	620 Repairs and Maintenance	151,953	110,175	172,796
15	621 Office Supplies Expense	-	-	-
16	631 Contractual Services - Engineering	-	-	-
17	632 Contractual Services - Accounting	11,884	29,011	578
18	633 Contractual Services - Legal	3,330	8,012	185
19	634 Contractual Services - Management Fees	-	-	-
20	635 Contractual Services - Testing	27,822	30,516	54,394
21	636 Contractual Services - Other	27,517	45,644	19,145
22	641 Rent - Buildings	46,595	45,998	40,333
23	642 Rent - Equipment	9,629	22,040	2,087
24	650 Transportation Expense	89,523	68,459	53,061
25	656 Insurance - Vehicle	9,264	10,179	8,320
26	657 Insurance - General Liability	26,403	23,929	21,750
27	658 Insurance - Workman's Compensation	11,664	9,860	21,734
28	659 Insurance - Other	-	-	-
29	660 Advertising Expense	8,409	8,184	7,710
30	666 Regulatory Commission Expense - Rate Case	-	-	-
31	667 Regulatory Expense - Other	-	-	-
32	668 Water Resource Conservation Expense	-	-	-
33	670 Bad Debt Expense	57,973	-	16,538
34	675 Miscellaneous Expense	40,389	33,807	19,553
35	403 Depreciation Expense	857,449	889,617	846,294
36	408 Taxes Other Than Income	87,071	97,328	79,514
37	408.11 Property Taxes	239,106	203,310	218,933
38	409 Income Tax	754,044	-	-
39	Total Operating Expenses	\$ 4,508,819	\$ 3,587,719	\$ 3,641,227
40	Operating Income	\$ 1,227,502	\$ 2,057,642	\$ 2,047,595
41	Other Income (Expense)			
42	409 Income Tax - Other Income and Deductions	\$ 154,415	\$ (617,371)	\$ -
43	415 Revenue from Jobbing, Contract Work	26,176	72,820	-
44	416 Expenses from Jobbing, Contract Work	(26,176)	(70,792)	-
45	419 Interest and Dividend Income	248	689	5,491
46	420 AFUDC	55,096	75,491	90,603
47	421 Non-Utility Income	107	-	11,344
48	426 Miscellaneous Non-Utility Expenses	(26,935)	(4,047)	(75,985)
49	427 Interest Expense	(429,371)	(397,166)	(375,626)
50	428 Amortization of Debt Discount and Expense	(9,452)	(9,452)	(9,452)
51	429 Amortization of Premium on Debt	793	793	793
52	434 Extraordinary Deductions	5,939	(101,463)	(198,428)
53	Total Other Income (Expense)	\$ (249,160)	\$ (1,050,499)	\$ (551,260)
54	Net Income (Loss)	\$ 978,342	\$ 1,007,143	\$ 1,496,336
55				

Far West Water & Sewer, Inc.
 Test Year Ended December 31, 2011
 Comparative Income Statements

Exhibit: RLJ-DT3
 Schedule E-2
 Page 3
 Witness: Jones

Line No.	Test Year Ended	Prior Year Ended	Prior Year Ended	
	12/31/2011	12/31/2010	12/31/2009	
1				
2	Operating Revenue	\$ 7,976,034	\$ 7,854,993	\$ 7,820,921
3				
4	Operating Expenses			
5	Depreciation and Amortization	\$ 2,022,799	\$ 1,545,074	\$ 1,471,624
6	Personnel Costs	1,802,844	1,501,337	1,316,283
7	Purchased Power	417,557	373,540	435,827
8	Purchased Water	504,953	530,880	672,225
9	Contract Services	329,388	427,980	533,666
10	Chemicals	391,769	370,269	345,896
11	Property Taxes	361,456	295,487	298,489
12	Other Operating Expenses	1,462,095	1,325,504	1,354,079
13				
14	Total Operating Expenses	\$ 7,292,861	\$ 6,370,071	\$ 6,428,090
15				
16	Net Operating Income	\$ 683,173	\$ 1,484,922	\$ 1,392,831
17				
18	Other Income (Expense)			
19	Contract Work	\$ -	\$ 2,028	\$ -
20	Interest and Other Income	601	30,993	19,587
21	Interest Expense	(1,148,627)	(687,684)	(756,769)
22	Amort of Debt Premium	4,078	4,078	4,078
23	Amort of Debt Issuance Costs	(59,045)	(59,045)	(59,045)
24	Non-Utility Expense	(60,154)	(5,281)	(150,991)
25	Extraordinary Deductions	(323,017)	(484,173)	(704,398)
26				
27	Total Other Income (Expense)	\$ (1,586,164)	\$ (1,199,084)	\$ (1,647,539)
28				
29	Net Income Before Income Tax	\$ (902,991)	\$ 285,838	\$ (254,708)
30				
31	Income Tax Benefit (Expense)	\$ 343,137	\$ (108,674)	\$ 41,000
32				
33	Net Income	\$ (559,855)	\$ 177,164	\$ (213,708)
34				

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Comparative Statement of Changes in Financial Position

Exhibit: RJ-DT3
 Schedule E-3
 Page 1
 Witness: Jones

Line No.	Test Year Ended <u>12/31/2011</u>	Prior Year Ended <u>12/31/2010</u>	Prior Year Ended <u>12/31/2009</u>	
1	<u>Source of Funds</u>			
2	Cash Flow from Operations:			
3	Net Income	\$ (1,538,197)	\$ (829,979)	\$ (1,710,043)
4	Adjustments to reconcile net income to net cash			
5	Depreciation and Amortization	1,172,510	659,037	625,330
6	Other Adjustments	-	-	-
7	Changes in Assets & Liabilities			
8	Accounts Receivable	(27,681)	(51,253)	(41,357)
9	Notes/Receivables from Associated Companies	(30,446)	(74,705)	(104,537)
10	Plant Materials and Supplies	(560)	(680)	(17,200)
11	Prepayments	(3,448)	16,486	10,371
12	Miscellaneous Current and Accrued Assets	-	10,638	(10,638)
13	Special Deposits	(132,970)	128,435	10,918
14	Deferred Debits	(893,173)	(444,986)	30,781
15	Accounts Payable	(694,569)	(2,124,596)	677,366
16	Notes Payable	588,085	-	-
17	Payable to Associated Companies	1,198,726	(37,427)	(8,015)
18	Customer Deposits	14,271	(11,708)	3,886
19	Accrued Taxes	-	-	-
20	Accrued Interest	37,289	22,392	11,162
21	Miscellaneous Current Liabilities	132,713	94,701	91,490
22	Deferred Credits	(56,047)	(40,785)	71,715
23	Total From Operations	<u>\$ (233,496)</u>	<u>\$ (2,684,431)</u>	<u>\$ (358,771)</u>
24	Cash Flow from Financing:			
26	Bonds	(290,304)	(270,144)	(254,016)
27	Long-Term Debt	(300,030)	2,242,478	-
28	Advances in Aid of Construction	(54,802)	465,228	373,611
29	Contributions in Aid of Construction	-	-	-
30	Paid in Capital	3,033,241	3,218,507	4,340,552
31	Total From Financing	<u>\$ 2,388,104</u>	<u>\$ 5,656,068</u>	<u>\$ 4,460,147</u>
32	Application of Funds			
34	Cash Flow from Investing Activities			
35	Capital Expenditures	(2,102,526)	(3,021,716)	(4,101,586)
36	Dividends Paid	-	-	-
37	Other	-	-	-
38	Total From Investing Activities	<u>\$ (2,102,526)</u>	<u>\$ (3,021,716)</u>	<u>\$ (4,101,586)</u>
39				
40	Net Increase/(Decrease) in Cash	\$ 52,082	\$ (50,079)	\$ (209)
41				
42	Cash, Beginning of Year	\$ (50,289)	\$ (209)	\$ -
43	Cash, End of Year	<u>\$ 1,794</u>	<u>\$ (50,289)</u>	<u>\$ (209)</u>
44				
45				
46				
47	<u>Workpapers:</u>	<u>Recap Schedules:</u>		
48		A-5		
49				

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Statement of Changes in Stockholder's Equity

Exhibit: RLJ-DT3
 Schedule E-4
 Page 1
 Witness: Jones

Line No.		Common Shares	Common Stock	Additional Paid In Capital	Retained Earnings	Total
1						
2						
3						
4	Balance, December 31, 2008		\$ -	\$ 9,639,980	\$ (11,315,379)	\$ (1,675,399)
5	Additional Paid In Capital			4,340,552	1,297,454	5,638,006
6	Dividends					-
	Adjustments/Other					-
7	Net Income				(1,710,043)	(1,710,043)
8						
9	Balance, December 31, 2009	-	\$ -	\$ 13,980,532	\$ (11,727,968)	\$ 2,252,564
10	Additional Paid In Capital			3,218,507		3,218,507
11	Dividends					-
	Adjustments/Other					-
12	Net Income				(829,979)	(829,979)
13						
14	Balance, December 31, 2010	-	\$ -	\$ 17,199,039	\$ (12,557,947)	\$ 4,641,091
15	Additional Paid In Capital			3,033,241		3,033,241
16	Dividends					-
17	Adjustments/Other					-
18	Net Income				(1,538,197)	(1,538,197)
19						
20	Balance, December 31, 2011	-	\$ -	\$ 20,232,279	\$ (14,096,145)	\$ 6,136,135
21						
22						
23	<u>Supporting Schedules:</u>				<u>Recap Schedules:</u>	
24						
25						

Line No.	Acct. No.	Plant Description	Plant Balance at 12/31/2010	Plant Additions, Reclassifications or Retirements	Plant Balance at 12/31/2011
1					
2	351	Organization Cost	\$ -	-	\$ -
3	352	Franchise Cost	3,076	-	3,076
4	353	Land and Land Rights	1,463,294	97,553	1,560,847
5	354	Structures & Improvements	470,524	2,163,098	2,633,622
6	355	Power Generating Equipment	-	68,993	68,993
7	360	Collection Sewers - Force	1,094,493	2,610,983	3,705,476
8	361	Collection Sewers - Gravity	8,646,324	102,815	8,749,140
9	362	Special Collecting Structures	-	-	-
10	363	Sevices to Customers	148,087	25,533	173,621
11	364	Flow Measuring Devices	32,468	-	32,468
12	365	Flow Measuring Installations	16,683	-	16,683
13	366	Reuse Services	-	-	-
14	367	Reuse Meters and Meter Installations	-	2,310	2,310
15	370	Receiving Wells	-	92,784	92,784
16	371	Pumping Equipment	450,957	1,045,747	1,496,705
17	374	Reuse Distribution Reservoirs	-	-	-
18	375	Reuse Transmission and Dist. Sys.	-	-	-
19	380	Treatment and Disposal Equipment	8,432,507	13,217,795	21,650,302
20	381	Plant Sewers	23,979	712,563	736,542
21	382	Outfall Sewer Lines	-	2,256	2,256
22	389	Other Plant and Misc. Equipment	94,793	323,894	418,687
23	390	Office Furniture & Equipment	220,828	36,464	257,292
24	390.1	Computers & Software	31,475	(1,448)	30,027
25	391	Transportation Equipment	241,104	30,706	271,810
26	392	Stores Equipment	-	-	-
27	393	Tools, Shop & Garage Equipment	25,282	1,787	27,069
28	394	Laboratory Equipment	27,865	5,844	33,710
29	395	Power Operated Equipment	173,324	8,343	181,667
30	396	Communications Equipment	3,225	13,966	17,191
31	397	Miscellaneous Equipment	195,708	8,796	204,504
32	398	Other Tangible Plant	238,828	-	238,828
33					
34					
35					
36		TOTAL SEWER PLANT	\$ 22,034,826	\$ 20,570,785	\$ 42,605,611

Workpapers:

FW Rate Case Data.xlsx - Trial Bal Adj

Recap Schedules:

E-1

A-4

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Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Operating Statistics

Exhibit: RLJ-DT3
 Schedule E-7
 Page 1
 Witness: Jones

Line No.		Test Year Ended <u>12/31/2011</u>	Prior Year Ended <u>12/31/2010</u>	Prior Year Ended <u>12/31/2009</u>
1				
2	Total Wastewater Treated	275,467,000	269,368,000	267,231,000
3				
4	Average Number of Customers			
5				
6	Residential	7,067	6,819	6,849
7	Commercial	44	44	44
8	RV Park (Customers)	4	4	4
9	Total Customers	<u>7,115</u>	<u>6,867</u>	<u>6,897</u>
10				
11	RV Park (RV Spaces)	713	713	713
12				
13				
14	Wastewater Treated Per Customer	38,716	39,228	38,744
15				
16	Revenue Per Residential Customer	\$ 284	\$ 291	\$ 279
17				

Far West Water & Sewer, Inc., Sewer Division
Test Year Ended December 31, 2011
Taxes Charged to Operations

Exhibit: RLJ-DT3
Schedule E-8
Page 1
Witness: Jones

Line No.	Description	Test Year Ended <u>12/31/2011</u>	Prior Year Ended <u>12/31/2010</u>	Prior Year Ended <u>12/31/2009</u>
1				
2				
3	Federal Income Tax	(402,095)	-	-
4	State Income Tax	(90,796)	-	-
5	Payroll Tax	63,196	47,050	38,864
6	Property Tax	122,350	92,177	79,555
7				
8	Totals	<u>(307,345)</u>	<u>139,227</u>	<u>118,419</u>
9				
10				
11				
12				

Recap Schedules:

Line

No.

1

2

The Company financial statements are reviewed by an independent outside CPA Firm. However the 2011 review is not complete as of the date of this filing. The review will be made available during the processing of this case.

3

4

5

6

The Company uses the NARUC System of Accounts.

7

8

The Company normalizes Income Tax Expense.

9

10

11

Supporting Schedules:

Recap Schedules:

12

13

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Projected Income Statements - Present and Proposed Rates

Exhibit: RLJ-DT3
 Schedule F-1
 Page 1
 Witness: Jones

Line No.		Actual Test Year Ended 12/31/2011	At Present Rates Year Ended 12/31/2012	At Proposed Rates Year Ended 12/31/2012
1	Revenues			
2	413 Income Utility Plant Leased to Others	\$ 3,612	\$ -	\$ -
3	521 Flat Rate Revenue	2,061,278	2,053,159	5,919,205
4	536 Other Sewer Revenues	43,064	43,064	43,064
5	541 Metered Reuse Revenue	131,759	131,759	131,759
6	Total Revenues	<u>\$ 2,239,713</u>	<u>\$ 2,227,982</u>	<u>\$ 6,094,028</u>
7	Operating Expenses			
8	701 Salaries and Wages	\$ 683,996	\$ 826,133	\$ 826,133
9	703 Salaries and Wages - Officers and Directors	137,000	137,000	137,000
10	704 Employee Pension and Benefits	27,421	28,243	28,243
11	710 Purchased Sewer Treatment	-	-	-
12	711 Sludge Removal Expense	55,247	55,247	55,247
13	715 Purchased Power	288,248	347,499	347,499
14	718 Chemicals	219,910	223,209	223,209
15	720 Repairs and Maintenance	181,981	184,711	184,711
16	731 Contractual Services - Engineering	-	-	-
17	732 Contractual Services - Accounting	7,230	7,338	7,338
18	733 Contractual Services - Legal	43,865	44,523	44,523
19	734 Contractual Services - Management Fees	-	-	-
20	735 Contractual Services - Testing	147,025	149,231	149,231
21	736 Contractual Services - Other	60,716	61,627	61,627
22	741 Rent - Buildings	20,669	20,979	20,979
23	742 Rent - Equipment	45,758	46,445	46,445
24	750 Transportation Expense	129,723	131,669	131,669
25	756 Insurance - Vehicle	12,610	12,799	12,799
26	757 Insurance - General Liability	33,142	33,640	33,640
27	758 Insurance - Workman's Compensation	17,125	17,382	17,382
28	759 Insurance - Other	-	-	-
29	760 Advertising Expense	476	483	483
30	766 Regulatory Commission Expense - Rate Case	-	76,125	76,125
31	767 Regulatory Expense - Other	-	-	-
33	770 Bad Debt Expense	33,490	33,490	91,602
34	775 Miscellaneous Expense	30,503	30,960	30,960
35	403 Depreciation Expense	1,165,350	1,497,193	1,497,193
36	408 Taxes Other Than Income	74,250	76,451	76,451
37	408 Property Taxes	122,350	95,728	149,110
38	409 Income Tax	(492,891)	(676,904)	200,446
39	Total Operating Expenses	<u>\$ 3,045,196</u>	<u>\$ 3,461,200</u>	<u>\$ 4,450,044</u>
40	Operating Income	<u>\$ (805,483)</u>	<u>\$ (1,233,218)</u>	<u>\$ 1,643,984</u>
41	Other Income (Expense)			
42	409.20 Income Tax - Other Income and Deductions	\$ 449,875	\$ (176,061)	\$ (176,061)
43	415 Revenue from Jobbing, Contract Work	26,176	26,176	26,176
44	416 Expenses from Jobbing, Contract Work	(26,176)	(26,176)	(26,176)
45	419 Interest and Dividend Income	246	246	246
46	420 AFUDC	748,855	374,428	374,428
47	421 Non-Utility Income	-	-	-
48	426 Miscellaneous Non-Utility Expenses	(33,219)	(33,219)	(33,219)
49	427 Interest Expense	(1,523,207)	(1,370,531)	(1,370,531)
50	428 Amortization of Debt Discount and Expense	(49,593)	(49,593)	(49,593)
51	429 Amortization of Premium on Debt	3,285	3,285	3,285
52	434 Extraordinary Deductions	(328,956)	(0)	(0)
53	Total Other Income (Expense)	<u>\$ (732,714)</u>	<u>\$ (1,251,446)</u>	<u>\$ (1,251,446)</u>
54	Net Income (Loss)	<u>\$ (1,538,197)</u>	<u>\$ (2,484,664)</u>	<u>\$ 392,538</u>

Supporting Schedules:
 E-2

Recap Schedules:
 A-2

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Projected Changes In Financial Position - Present and Proposed Rates

Exhibit: RLJ-DT3
 Schedule F-2
 Page 1
 Witness: Jones

Line No.	Test Year Ended <u>12/31/2011</u>	At Present Rates Year Ended <u>12/31/2012</u>	At Proposed Rates Year Ended <u>12/31/2012</u>
1	<u>Source of Funds</u>		
2	Cash Flow from Operations:		
3	Net Income	\$ (1,538,197)	\$ (2,484,664) \$ 392,538
4	Adjustments to reconcile net income to net cash		
5	Depreciation and Amortization	1,172,510	1,497,193 1,497,193
6	Deferred Income Tax	-	
7	Other Adjustments	-	
8	Changes in Assets & Liabilities		
9	Customer Accounts Receivable	(27,681)	
10	Notes/Receivables from Associated Companies	(30,446)	
11	Plant Materials and Supplies	(560)	
12	Prepayments	(3,448)	
13	Miscellaneous Current and Accrued Assets	-	
14	Special Deposits	(132,970)	
15	Deferred Debits	(893,173)	(693,173) -
16	Accounts Payable	(694,569)	
17	Notes Payable	588,085	(588,085)
18	Payable to Associated Companies	1,198,726	
19	Customer Deposits	14,271	
20	Accrued Taxes	-	
21	Accrued Interest	37,289	
22	Miscellaneous Current Liabilities	132,713	
	Deferred Credits	(56,047)	
23	Total From Operations	\$ (233,496)	\$ (1,680,645) \$ 1,301,645
24			
25	Cash Flow from Financing:		
26	Bonds	(290,304)	(306,427) (306,427)
27	Long-Term Debt	(300,030)	0 0
29	Advances in Aid of Construction	(54,802)	(54,802) (54,802)
30	Contributions in Aid of Construction	-	- -
31	Paid in Capital	3,033,241	4,000,000 900,000
32	Total From Financing	\$ 2,388,104	\$ 3,638,771 \$ 538,771
33			
34	<u>Application of Funds</u>		
35	Cash Flow from Investing Activities		
36	Capital Expenditures	(2,102,526)	(2,044,670) (2,044,670)
37	Dividends Paid	-	- -
38	Other	-	- -
39	Total From Investing Activities	\$ (2,102,526)	\$ (2,044,670) \$ (2,044,670)
40			
41	Net Increase/(Decrease) in Cash	\$ 52,082	\$ (86,543) \$ (204,254)
42			
43	Cash, Beginning of Year	\$ (50,289)	\$ 1,794 \$ 1,794
44	Cash, End of Year	\$ 1,794	\$ (84,750) \$ (202,460)
45			
46			
47	<u>Supporting Schedules:</u>	<u>Recap Schedules:</u>	
48	E-3	A-5	
49	F-3		
50			

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Projected Construction Requirements

Exhibit: RLJ-DT3
 Schedule F-3
 Page 1
 Witness: Jones

Line
 No.
 1
 2
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Property Classification	Actual	Projected		
	Test Year <u>12/31/2011</u>	Thru <u>12/31/2012</u>	Thru <u>12/31/2013</u>	Thru <u>12/31/2014</u>
Intangible Plant	\$ 97,553	\$ -	\$ -	\$ -
Collection Plant	4,971,423	-	75,000	75,000
Treatment Plant	15,395,039	2,024,670	69,500	520,000
Reuse Plant	2,310	-	-	-
General Plant	104,459	20,000	20,000	20,000
Total Plant	\$ 20,570,785	\$ 2,044,670	\$ 164,500	\$ 615,000

Workpapers:

Recap Schedules:
 F-2 A-4

Line

No.

1

2 No Customer Growth

3

4 No Change in Per Customer Consumption

5

6 Per Test Year Adjustments

7

8 Salaries and Pensions increase by 3.0%

9

10 All other expenses increased by 1.5%

11

12 Supporting Schedules:

13

14

Recap Schedules:

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Summary of Revenues by Customer Classification - Present and Proposed Rates

Exhibit: RLJ-DT3
 Schedule H-1
 Page 1
 Witness: Jones

Line No.	Customer Classification	Revenues in the Test Year		Proposed Increase	
		Present Rates	Proposed Rates	Amount	%
1					
2	<u>Flat Rate Revenue</u>				
3	Residential	\$ 1,844,030	\$ 5,311,655	\$ 3,467,625	188.05%
4	Commercial	23,186	66,785	43,599	188.05%
5	RV Park (RV Spaces)	46,545	133,987	87,442	187.87%
6	Re-Establishment (Residential)	142,180	409,543	267,363	188.05%
7					
8	Metered Reuse Revenues	131,759	131,759	-	0.00%
9					
10	Other Sewer Revenue	43,064	43,064	-	0.00%
11					
12	Total Sewer Revenues	<u>\$ 2,230,763</u>	<u>\$ 6,096,793</u>	<u>\$ 3,866,030</u>	173.31%
13					
14	<u>Reconciliation</u>				
15	Bill Count Revenue	\$ 2,230,763			
16					
17	Water Revenues per G.L.	2,239,713			
18	Revenue Adjustment IS-1	(3,612)			
19	Revenue Adjustment IS-2	(8,119)			
20	Adjusted G.L. Revenue	<u>\$ 2,227,982</u>			
21					
22	Unreconciled Difference	\$ 2,781			
23	Percentage Difference	0.12%			
24					
25					
26	<u>Supporting Schedules:</u>			<u>Recap Schedules:</u>	
27	H-2			A-1	
28					

Line No.	Description	Average Number Customers	Average Consumption	Revenues		Proposed	
				Present Rates	Proposed Rates	Increase Amount	Increase %
1							
2	<u>Flat Rate Revenue</u>						
3	Residential	7,067	-	\$ 1,844,030	\$ 5,311,655	3,467,625	188.05%
4	Commercial	44	-	23,186	66,785	43,599	188.05%
5	RV Park (RV Spaces)	713	-	46,545	133,987	87,442	187.87%
6	Re-Establishment (Residential)	545	-	142,180	409,543	267,363	188.05%
7	Subtotal Flat Rate	8,369		\$ 2,055,940	\$ 5,921,970	\$ 3,866,030	188.04%
8							
9	Metered Reuse Revenues	2	5,489,958	\$ 131,759	\$ 131,759	-	0.00%
10							
11	Other Sewer Revenue			\$ 43,064	\$ 43,064		0.00%
12							
13	Total	8,371		\$ 2,230,763	\$ 6,096,793	\$ 3,866,030	173.31%
14							
15							

Supporting Schedules:

Recap Schedules:

H-1

18

Line

No.

	Monthly Charge			Volume Charge		
	Present Rate	Proposed Rate	Change	Present Rate	Proposed Rate	Change
1	General Sewer Service Rates					
2						
3	<u>Description</u>					
4						
5	Residential	\$ 21.75	\$ 62.65	\$ 40.90		
6	Commercial	\$ 43.50	\$ 125.30	\$ 81.80		
7	RV Space	\$ 5.44	\$ 15.66	\$ 10.22		
8	Effluent Reuse	\$ -	\$ -	\$ -	\$ 1.00	Market ¹ \$ -

10 ¹Market rate not to exceed \$1.00 per 1,000 gallons and not less than \$0.20 per 1,000 gallons.

	Present Rates	Proposed Rates	
12	Other Service Charges		
13			
14	Establishment	\$ 20.00	\$ 40.00
15	Reconnection (Delinquent)	\$ 20.00	\$ 30.00
16	Deposit Requirement (Residential)	2 times the average bill	2 times the average bill
	Deposit Requirement (None Residential Meter)	2-1/2 times the average bill	2-1/2 times the average bill
17			
18	Deposit Interest	6.0%	6.0%
	Re-Establishment (Within 12 Months)	Number of Months off system times the monthly minimum bill	Number of Months off system times the monthly minimum bill
19			
20	NSF Check	\$ 15.00	\$ 30.00
21	Deferred Payment, Per Month	1.5%	1.5%
22	Late Payment Charge	1.5%	1.5%
23	Service Line Installation	Cost	Cost

25 In addition to the collection of regular rates, the utility will collect from its
 26 customers a proportionate share of any privilege, sales, use, and franchise tax,
 27 per Commission rule A.A.C. 14-2-608(D)(5).

28
 29 All items billed at cost shall include labor, materials and parts, overheads and all applicable taxes.

30

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Typical Bill Analysis

Exhibit: RLJ-DT3
 Schedule H-4
 Witness: Jones

Meter Size: All
 Class: Residential
 Rate Code: 351

Line No.	Rate Schedules	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	Present Rates:					
2	Monthly Charge:		\$ 21.75			
3		All	\$ 21.75	\$ 62.65	\$ 40.90	188.05%
4	Proposed Rates:					
5	Monthly Charge:		\$ 62.65			
6						

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Typical Bill Analysis

Exhibit: RLJ-DT3
 Schedule H-4
 Witness: Jones

Meter Size: All
 Class: Commercial
 Rate Code: 350

Line No.	Rate Schedules	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	Present Rates:					
2	Monthly Charge:		\$ 43.50			
3		All	\$ 43.50	\$ 125.30	\$ 81.80	188.05%
4	Proposed Rates:					
5	Monthly Charge:		\$ 125.30			
6						

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Typical Bill Analysis

Exhibit: RLJ-DT3
 Schedule H-4
 Witness: Jones

Meter Size: All
 Class: RV Park - Per Space
 Rate Code: 380

Line No.	Rate Schedules	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	Present Rates:					
2	Monthly Charge:		\$ 5.44			
3		All	\$ 5.44	\$ 15.66	\$ 10.22	187.87%
4	Proposed Rates:					
5	Monthly Charge:		\$ 15.66			
6						

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Typical Bill Analysis

Exhibit: RLJ-DT3
 Schedule H-4
 Witness: Jones

Meter Size: All
 Class: Residential Re-Establishment
 Rate Code: 381-392

Line No.	Rate Schedules	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	Present Rates:					
2	Monthly Charge:		\$ 21.75			
3		All	\$ 21.75	\$ 62.65	\$ 40.90	188.05%
4	Proposed Rates:					
5	Monthly Charge:		\$ 62.65			
6						

Meter Size: All
 Class: Effluent Reuse
 Rate Code: 379

Line No.	Rate Schedules	Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
1	Present Rates:					
2	Monthly Charge:	\$ -	1,000 \$	1,000 \$	-	0.00%
3			2,000 \$	2,000 \$	-	0.00%
4			3,000 \$	3,000 \$	-	0.00%
5			4,000 \$	4,000 \$	-	0.00%
6			5,000 \$	5,000 \$	-	0.00%
7	Commodity Rate	\$ 1.00	6,000 \$	6,000 \$	-	0.00%
8			7,000 \$	7,000 \$	-	0.00%
9			8,000 \$	8,000 \$	-	0.00%
10			9,000 \$	9,000 \$	-	0.00%
11			10,000 \$	10,000 \$	-	0.00%
12			12,000 \$	12,000 \$	-	0.00%
13			14,000 \$	14,000 \$	-	0.00%
14	Proposed Rates:					
15	Monthly Charge:	\$ -	16,000 \$	16,000 \$	-	0.00%
16			18,000 \$	18,000 \$	-	0.00%
17			20,000 \$	20,000 \$	-	0.00%
18			25,000 \$	25,000 \$	-	0.00%
19			30,000 \$	30,000 \$	-	0.00%
20	Commodity Rate	\$ 1.00	35,000 \$	35,000 \$	-	0.00%
21			40,000 \$	40,000 \$	-	0.00%
22			45,000 \$	45,000 \$	-	0.00%
23			50,000 \$	50,000 \$	-	0.00%
24			60,000 \$	60,000 \$	-	0.00%
25			70,000 \$	70,000 \$	-	0.00%
26			80,000 \$	80,000 \$	-	0.00%
27			90,000 \$	90,000 \$	-	0.00%
28			100,000 \$	100,000 \$	-	0.00%
29	Average Usage					
30		5,489,958	5,489.96 \$	5,489.96 \$	-	0.00%
31	Median Usage					
32		4,260,000	4,260.00 \$	4,260.00 \$	-	0.00%
33						
34						

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Bill Count

Exhibit: RJ-DT3
 Schedule H-5
 Witness: Jones

Meter Size: All
 Class: Residential
 Rate Code: 351

Charges	Present Rates	Proposed Rates
Monthly Charge:	\$ 21.75	\$ 62.65

Line No.	Block	Number of Bills in Block	Average Consumption in Block	Consumption in Block	Cumulative Bills		Cumulative Consumption		
					No.	% of Total	Amount	% of Total	
1	-	84,783	-	-	84,783	100.00%	-	-	
2									
3	Totals	84,783		-	84,783		-	-	
4									
5	Equivalent Bills	84,783							
6									
7	Average Number of Customers		7,065		Base Charge	84,783	\$ 1,844,030	84,783	\$ 5,311,655
8									
9					Revenue Totals		\$ 1,844,030		\$ 5,311,655
10									

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Bill Count

Exhibit: RLI-DT3
 Schedule H-5
 Witness: Jones

Meter Size: All
 Class: Commercial
 Rate Code: 350

	<u>Charges</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Monthly Charge:	\$	43.50	\$ 125.30

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	<u>Cumulative Bills</u>		<u>Cumulative Consumption</u>		
					No.	% of Total	Amount	% of Total	
1	-	533	-	-	533	100.00%	-	-	
2									
3	Totals	533		-	533		-	-	
4									
5	Equivalent Bills	533							
6									
7	Average Number of Customers		44		Base Charge	533	\$ 23,186	533	\$ 66,785
8									
9					Revenue Totals		\$ 23,186		\$ 66,785
10									

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Bill Count

Exhibit: RU-DT3
 Schedule H-5
 Witness: Jones

Meter Size: All
 Class: RV Park - Per Space
 Rate Code: 380

Charges	Present Rates	Proposed Rates
Monthly Charge:	\$ 5.44	\$ 15.66

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption		
					No.	% of Total	Amount	% of Total	
1	- - -	8,556	-		8,556	100.00%	-		
2									
3	Totals	8,556		-	8,556		-		
4									
5	Equivalent Bills	8,556							
6									
7	Average Number of Customers		713		Base Charge	8,556	\$ 46,545	8,556	\$ 133,987
8									
9					Revenue Totals		\$ 46,545		\$ 133,987
10									

Far West Water & Sewer, Inc., Sewer Division
 Test Year Ended December 31, 2011
 Bill Count

Exhibit: RLJ-DT3
 Schedule H-5
 Witness: Jones

Meter Size: All
 Class: Residential Re-Establishment
 Rate Code: 381-392

	<u>Charges</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Monthly Charge:	\$	21.75	\$ 62.65

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	<u>Cumulative Bills</u>		<u>Cumulative Consumption</u>		
					No.	% of Total	Amount	% of Total	
1	-	6,537	-		6,537	100.00%	-		
2									
3	Totals	6,537		-	6,537		-		
4									
5	Equivalent Bills	6,537							
6									
7	Average Number of Customers		545		Base Charge	6,537	\$ 142,180	6,537	\$ 409,543
8									
9					Revenue Totals		\$ 142,180		\$ 409,543
10									

Meter Size: All
 Class: Effluent Reuse
 Rate Code: 379

Charges	Present Rates	Proposed Rates
Monthly Charge:	\$ -	\$ -

Commodity Rate \$ 1.00 \$ 1.00

Line No.	Block	Number of Bills by Block	Average Consumption in Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
					No.	% of Total	Amount	% of Total
1	-	-	-	-	-	0.00%	-	0.00%
2	1,765,000	1	1,765,000	1,765,000	1	4.17%	1,765,000	1.34%
3	1,773,000	1	1,773,000	1,773,000	2	8.33%	3,538,000	2.69%
4	1,849,000	1	1,849,000	1,849,000	3	12.50%	5,387,000	4.09%
5	2,189,000	1	2,189,000	2,189,000	4	16.67%	7,576,000	5.75%
6	2,646,000	1	2,646,000	2,646,000	5	20.83%	10,222,000	7.76%
7	2,845,000	1	2,845,000	2,845,000	6	25.00%	13,067,000	9.92%
8	3,756,000	1	3,756,000	3,756,000	7	29.17%	16,823,000	12.77%
9	3,863,000	1	3,863,000	3,863,000	8	33.33%	20,686,000	15.70%
10	3,916,000	1	3,916,000	3,916,000	9	37.50%	24,602,000	18.67%
11	3,972,000	1	3,972,000	3,972,000	10	41.67%	28,574,000	21.69%
12	4,061,000	1	4,061,000	4,061,000	11	45.83%	32,635,000	24.77%
13	4,260,000	1	4,260,000	4,260,000	12	50.00%	36,895,000	28.00%
14	4,455,000	1	4,455,000	4,455,000	13	54.17%	41,350,000	31.38%
15	4,608,000	1	4,608,000	4,608,000	14	58.33%	45,958,000	34.88%
16	4,862,000	1	4,862,000	4,862,000	15	62.50%	50,820,000	38.57%
17	5,592,000	1	5,592,000	5,592,000	16	66.67%	56,412,000	42.81%
18	6,515,000	1	6,515,000	6,515,000	17	70.83%	62,927,000	47.76%
19	8,555,000	1	8,555,000	8,555,000	18	75.00%	71,482,000	54.25%
20	8,595,000	1	8,595,000	8,595,000	19	79.17%	80,077,000	60.78%
21	8,937,000	1	8,937,000	8,937,000	20	83.33%	89,014,000	67.56%
22	9,172,000	1	9,172,000	9,172,000	21	87.50%	98,186,000	74.52%
23	10,207,000	1	10,207,000	10,207,000	22	91.67%	108,393,000	82.27%
24	11,634,000	1	11,634,000	11,634,000	23	95.83%	120,027,000	91.10%
25	11,732,000	1	11,732,000	11,732,000	24	100.00%	131,759,000	100.00%
26								
27	Totals	24		131,759,000	24		131,759,000	
28								
29	Equivalent Bills	24						

		Current Rates		Proposed Rates	
		Units	Revenue	Units	Revenue
31	Average Number of Customers	24	\$ -	24	\$ -
32					
33	Average Consumption (gallons)	131,759.00	131,759	131,759	131,759
34					
35	Median Consumption (gallons)				
36					