

ORIGINAL

NEW APPLICATION



0000137321

Rio Rico Utilities, Inc. Rate Application

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WS-02676A-12-0196

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Arizona Corporation Commission

DOCKETED

MAY 31 2012

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ORIGINAL

NEW APPLICATION

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE
APPLICATION OF RIO RICO
UTILITIES, INC., AN ARIZONA
CORPORATION, FOR A
DETERMINATION OF THE FAIR
VALUE OF ITS UTILITY PLANTS AND
PROPERTY AND FOR INCREASES IN
ITS WATER AND WASTEWATER
RATES AND CHARGES FOR UTILITY
SERVICE BASED THEREON.

DOCKET NO: WS-02676A-12-0196
APPLICATION

Rio Rico Utilities, Inc., an Arizona public service corporation ("RRUI" or "the Company"), hereby applies for an order establishing the fair value of its plant and property used for the provision of public water and wastewater utility service and, based on such finding, approving permanent rates and charges for utility service designed to produce a fair return thereon. In support thereof, RRUI states as follows:

1. RRUI is a public service corporation engaged in providing water and wastewater utility services in portions of Santa Cruz County, Arizona, pursuant to certificates of convenience and necessity granted by the Arizona Corporation Commission ("Commission"). During the Test Year, RRUI served approximately 6,751 water only and 2,207 water and sewer utility service connections.

2. RRUI's business office is located at 12725 W. Indian School Road, Suite D-101, Avondale, Arizona 85392 and its telephone number is (623) 935-9367. The Company's primary management contact is Greg Sorensen. Mr. Sorensen is employed by Liberty Utilities as Vice President & General Manager.

1 3. The persons responsible for overseeing and directing the conduct of this rate
2 application are Greg Sorensen, Christopher D. Krygier, the Company's Manager, Rates &
3 Regulation and the Company's rate case consultant, Thomas J. Bourassa. Mr. Sorensen's
4 mailing address is 12725 W. Indian School Road, Suite D-101, Avondale, Arizona 85392
5 and his telephone number is (623) 298-3753; his telecopier number is (623) 935-1020, and
6 his e-mail address is Greg.Sorensen@libertyutilities.com. Mr. Krygier's mailing address
7 is 12725 W. Indian School Road, Suite D-101, Avondale, Arizona 85392 and his
8 telephone number is (623) 298-3769; his email address is
9 Christopher.Krygier@libertyutilities.com. Mr. Bourassa's mailing address is 139 W.
10 Wood Drive, Phoenix, Arizona 85029, and his telephone number is (602) 246-7150; his
11 telecopier number is (602) 246-1040, and his e-mail address is tjb114@cox.net. **All**
12 **discovery, data requests and other requests for information concerning this**
13 **Application should be directed to Mr. Sorensen and Mr. Krygier, including copies by**
14 **e-mail, to Mr. Bourassa, with a copy to undersigned counsel for the Company,**
15 **including by e-mail to jshapiro@fclaw.com and wbirk@fclaw.com.**

16 4. The Company's present rates and charges for utility service were approved
17 by the Commission in Decision No. 72059 (January 6, 2011) using a test year ending
18 December 31, 2008.

19 5. RRUI maintains that revenues from its utility operations are presently
20 inadequate to provide the Company a fair rate of return on the fair value of its utility plant
21 and property devoted to public utility service. Operating expenses have also increased
22 since the last test year. These changes since the test year used in the prior rate proceeding
23 have caused the revenues produced by the current rates and charges for utility service to
24 become inadequate to meet operating expenses and provide a reasonable rate of return for
25 the Company as a whole. Therefore, the Company requests that certain adjustments to its
26 rates and charges for water and wastewater utility service be approved by the Commission

1 so that the Company may recover its operating expenses and be given an opportunity to
2 earn a just and reasonable rate of return on the fair value of its property. The Company
3 agrees to use its original cost rate base as its fair value rate base in this proceeding to
4 minimize disputes and reduce rate case expense.

5 6. Filed concurrently herewith are the schedules required pursuant to A.A.C.
6 R14-2-103 for rate applications by Class "B" utilities. The test year utilized by the
7 Company in connection with the preparation of such schedules is the 12-month period that
8 ended February 29, 2012. RRUI requests that the Commission utilize such test year in
9 connection with this Application, with appropriate adjustments to obtain a normal or more
10 realistic relationship between revenues, expenses and rate base during the period in which
11 the rates established in this proceeding are in effect.

12 7. During the test year, the Company's adjusted gross revenues were
13 \$2,854,838 from water utility service. The adjusted operating income from the Water
14 Division was \$375,933, leading to an operating income deficiency of \$364,139. The
15 adjusted fair value rate base was \$7,629,607. Thus, the rate of return on the Company's
16 water operations during the test year was 4.93 percent.

17 8. During the test year, the Company's adjusted gross revenues were
18 \$1,360,583 from wastewater utility service. The adjusted operating income from the
19 Wastewater Division was \$213,826, leading to operating income deficiency of \$232,375.
20 The adjusted fair value rate base was \$4,600,012. Thus, the rate of return on the
21 Company's wastewater operations during the test year was 4.65 percent.

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

26 10. The Company is requesting an increase in water utility revenues equal to

1 \$604,079, an increase in revenues of 21.16 percent. The adjustments to the Company's
2 rates and charges that are proposed herein, when fully implemented, will produce a rate of
3 return on the fair value rate base equal to 9.70 percent from water operations.

4 11. The Company is requesting an increase in wastewater utility revenues equal
5 to \$393,612, an increase in revenues of 28.93 percent. The adjustments to the Company's
6 rates and charges that are proposed herein, when fully implemented, will produce a rate of
7 return on the fair value rate base equal to 9.70 percent from wastewater operations.

8 12. Filed concurrently in support of this Application is the Direct Testimony of
9 Greg Sorensen, providing an overview of RRUI and discussing the Company's
10 improvements since the last rate decision; the Direct Testimony of Peter Eichler,
11 discussing the cost allocation procedures used by RRUI's parent, Algonquin Power &
12 Utilities Corp.; the Direct Testimony of Christopher D. Krygier, discussing RRUI's
13 request for Commission approval of a Sustainable Water Loss Improvement Program; and
14 the Direct Testimony of Thomas J. Bourassa, in two separate volumes that collectively
15 provide an overview of the Company's rate filing, discussion of the revenue requirement,
16 including the "A" through "F" schedules, and the "G" schedules for the Water Division,
17 development of the rate base and income statement adjustments, cost of equity capital and
18 related issues, proposed rates, including the "H" schedules, and discussion of the effects
19 of the proposed rates on customers' bills. The Company's "D" Schedules, which concern
20 the cost of capital, are attached to the volume of Mr. Bourassa's testimony addressing cost
21 of capital. The remaining schedules for the water and wastewater divisions are separately
22 bound and filed concurrently with the Application.

23 13. Attached hereto as **Attachment 1** are water and wastewater plant
24 descriptions, a completed water use data sheet, and wastewater flows.

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WHEREFORE, RRUI requests the following relief:

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

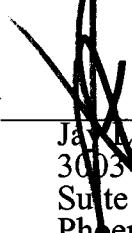
B. Based upon such determination, that the Commission approve permanent adjustments to the rates and charges for water and wastewater utility service provided by RRUI, as proposed by the Company herein, or approve such other rates and charges as will produce a just and reasonable rate of return on the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

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

D. That the Commission approve RRUI's request for a Sustainable Water Loss Improvement Program.

RESPECTFULLY SUBMITTED this 31st day of May, 2012.

FENNEMORE CRAIG, P.C.

By  _____
Jay A. Shapiro
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Suite 2600
Phoenix, Arizona 85012
Attorneys for Rio Rico Utilities, Inc.

Rio Rico Utilities, Inc.
2012 Rate Application

Application

Attachment 1

COMPANY NAME Rio Rico Utilities Inc (Water)

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-502579	200	1100	650	16	8	1983
55-619359	75	625	250	10	6	1985
55-604302	20			16	2	1972
55-604364	75	625	251	10	6	1968
55-604363	75	650	603	12	8	1970
55-604366	20			10	2	1967
55-587292	200	975	605	16	10	2003
55-206176	250	1300	650	16	10	2005

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

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

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
40	2	315	
30	8		
25	13		
20	8		
15	10		
10	3		
7.5	9		
3	2		

STORAGE TANKS		PRESSURE TANKS	
Capacity, Millions Gallons	Quantity	Capacity	Quantity
0.640	1	8,000	1
0.200	1	5,000	11
0.150	1	3,000	1
0.100	1	1,500	4
0.010	4	1,000	5
		200	4
		50	0

COMPANY NAME Rio Rico Utilities Inc (Water)

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
4" and Under	Various	325,458
Over 4"	Various	1,478,264

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	6489
3/4	12
1	92
1 1/2	17
2	54
3	23
4	6
6	1
Fire Lines	19

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

TREATMENT EQUIPMENT:

Gas Chlorination System using 150# Cylinders

STRUCTURES:

(2) 20' X 20' Storage Sheds
(6) 8' X 8' Chlorination Buildings (at well sites)

OTHER:

COMPANY NAME: Rio Rico Utilities Inc. (Water).
Name of System ADEQ Public Water System Number (if applicable)

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2011

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLONS PUMPED	GALLONS PURCHASED
JANUARY	6,712	60,311,001	59,978,000	
FEBRUARY	6,734	38,546,024	58,112,000	
MARCH	6,735	50,352,250	69,262,400	
APRIL	6,736	60,587,409	73,410,000	
MAY	6,736	58,600,435	83,360,000	
JUNE	6,736	72,882,096	90,712,000	
JULY	6,743	64,746,035	75,171,000	
AUGUST	6,744	63,247,032	72,230,000	
SEPTEMBER	6,702	59,503,024	64,969,000	
OCTOBER	6,746	55,587,036	69,298,000	
NOVEMBER	6,748	57,823,030	54,617,000	
DECEMBER	6,751	44,399,019	47,164,000	
TOTALS →		686,584,392	818,283,400	

What is the level of arsenic for each well on your system? See next page _____ mg/l
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? 1150GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
 Yes No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
 Yes No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
 Yes No

If yes, provide the GPCPD amount: 111

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

COMPANY NAME Rio Rico Utilities Inc. (Sewer)

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.)	Evaporative Ponds
DESIGN CAPACITY OF PLANT (Gallons Per Day)	Villas 12 – 0.050 MGD Villas 13 – 0.050 MGD

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
Lift Station # 1	2	88	725	32,313
Lift Station # 2	2	47	500	9,000
Lift Station # 3	2	47	500	9,000
Lift Station # 4	2	15	175	8,000
Lift Station # 5	2	3	27	1,608

FORCE MAINS

Size	Material	Length (Feet)
4-inch	PVC	3,714
4-inch	DI	120
6-inch	PVC	19,946
6-inch	DI	693

MANHOLES

CLEANOUTS

Type	Quantity	Quantity
Standard	535	132
Drop	15	

COMPANY NAME Rio Rico Utilities Inc. (Sewer)

WASTEWATER FLOWS

MONTH/YEAR (Most Recent 12 Months)	NUMBER OF SERVICES	TOTAL MONTHLY SEWAGE FLOW	SEWAGE FLOW ON PEAK DAY
Jan	2,204	12,691,000	464,000
Feb	2,203	11,214,000	457,000
Mar	2,206	12,088,000	422,000
Apr	2,207	12,168,000	455,000
May	2,207	12,597,000	445,000
Jun	2,206	11,486,000	459,000
Jul	2,206	11,646,000	433,000
Aug	2,206	12,077,000	445,000
Sep	2,207	11,500,000	427,000
Oct	2,207	11,799,000	409,000
Nov	2,207	11,232,000	405,000
Dec	2,207	11,127,000	481,000

PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE

Method of Effluent Disposal (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)	Villas 12 – Evaporative Ponds Villas 13 – Evaporative Ponds
Wastewater Inventory Number (all wastewater systems are assigned an inventory number)	Nogales International 42-107, 42-115, 42-916
Groundwater Permit Number	N/A
ADEQ Aquifer Protection Permit Number	101731
ADEQ Reuse Permit Number	N/A
EPA NPDES Permit Number	N/A

2

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4

5
6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

7
8 IN THE MATTER OF THE
APPLICATION OF RIO RICO
9 UTILITIES, INC., AN ARIZONA
CORPORATION, FOR A
10 DETERMINATION OF THE FAIR
VALUE OF ITS UTILITY PLANTS AND
11 PROPERTY AND FOR INCREASES IN
ITS WATER AND WASTEWATER
12 RATES AND CHARGES FOR UTILITY
SERVICE BASED THEREON.
13

DOCKET NO: WS-02676A-12-_____

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16 **DIRECT TESTIMONY OF**

17 **GREG SORENSEN**

18
19 **May 31, 2012**
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1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

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

3 A. My name is Greg Sorensen. My business address is 12725 W. Indian School Road,
4 Suite D-101, Avondale, AZ 85392.

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

6 A. On behalf of the Applicant Rio Rico Utilities, Inc. ("RRUI" or "Company").

7 **Q. BY WHOM ARE YOU EMPLOYED?**

8 A. I am employed by Liberty Utilities as Vice President of Service Delivery. Liberty
9 Utilities is the same entity formerly known as Liberty Water. In order to better
10 align our operations to reflect our serving water, sewer, gas and electric customers
11 we have updated our name.

12 **Q. THANK YOU, PLEASE CONTINUE.**

13 A. Liberty Utilities, like RRUI and all of the other subsidiary utility providers and
14 service companies, is ultimately owned by Algonquin Power Utility Corporation,
15 or APUC, a publicly traded member of the Toronto Stock Exchange. Through its
16 distinct operating subsidiaries, APUC owns and operates a diversified portfolio of
17 \$1.2 billion of clean renewable electric generation and sustainable utility
18 distribution businesses in North America. Liberty Utilities Co., APUC's regulated
19 utility business, provides regulated water and electric utility services to more than
20 120,000 customers with a portfolio of 22 water and electric utility systems.
21 Pursuant to previously announced agreements, Liberty Utilities is committed to
22 acquiring Granite State Electric Company, a New Hampshire electric distribution
23 company, EnergyNorth Natural Gas Inc., a regulated natural gas distribution utility,
24 and certain regulated natural gas distribution assets in Missouri, Illinois and Iowa,
25 which together serve approximately 213,000 customers. Algonquin Power Co.
26 (APCo), APUC's electric generation subsidiary, includes 45 renewable energy

1 facilities and 12 thermal energy facilities representing more than 460 MW of
2 installed capacity. APUC's common shares and convertible debentures are traded
3 on the Toronto Stock Exchange under the symbols AQN and AQN.DB.B. The
4 APUC website is www.AlgonquinPowerandUtilities.com.

5 **Q. PLEASE DESCRIBE LIBERTY UTILITIES AND YOUR ROLE AS VICE**
6 **PRESIDENT.**

7 A. Liberty Utilities is the indirect APUC subsidiary that owns and operates water,
8 sewer and, more recently, gas and electric utilities in California, New Hampshire,
9 Missouri, Illinois and Iowa (www.libertyutilities.com). I am currently responsible
10 for Liberty Utilities' operations in Texas, Missouri, Illinois, and Arizona.

11 In Arizona, I am responsible for the daily operations and administration of
12 all the utilities, including RRUI, for the financial and operating results for each
13 utility, for capital and operating cost budgeting, for rate case planning and
14 oversight, and rate setting policies and procedures as they relate to the operations
15 under my responsibility. I also oversee customer and development services, human
16 resources, engineering and conservation planning.

17 .
18 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

19 A. Yes, I have testified in Commission proceedings for all of Liberty Utilities'
20 affiliate entities, including several rate cases.

21 **Q. WHAT IS THE PURPOSE OF THIS DIRECT TESTIMONY?**

22 A. To support RRUI's application for rate relief. Specifically, I will provide
23 background on the Company and its operations. I will also summarize significant
24 capital improvements completed by the Company and other operating cost changes
25 since the last rate case that are now contributing to the need for this rate case.
26 Finally, I will address certain aspects of the relief being requested in this case,

1 including approval of certain changes to our tariff of rates and charges for water
2 and wastewater service.

3 **II. OVERVIEW OF RIO RICO UTILITIES, INC.**

4 **Q. PLEASE PROVIDE AN OVERVIEW OF RRUI.**

5 A. The Company provides both water and wastewater service to its customers. The
6 Company's service area is located in Santa Cruz County, Arizona, north of the city
7 of Nogales. The Company's water and wastewater CC&Ns are geographically the
8 same. However, due to varied terrain, wastewater service is generally concentrated
9 in the central portion of the service area and, as such, includes fewer customers.
10 Those who are not provided sewer service by the Company utilize septic tanks.

11 Our water customers include a number of commercial, a few industrial and
12 several irrigation customers. The 5/8 metered residential class, which is the largest
13 customer class, uses an average of 7,794 gallons per month.¹ RRUI is an industry
14 leading provider of water and wastewater services in Santa Cruz County and has
15 received several awards in the past few years for operational excellence, including
16 the Arizona Water Association (formerly AWPCA) Small Water Distribution
17 System of the year for 2003, 2005, and 2010, and the 2005 Small Wastewater
18 Collection System of the year, as well as an Award of Merit for outstanding safety
19 record in 2010. These awards are given for significant efforts to provide safe
20 drinking water and protect public health.

21 **Q. PLEASE DESCRIBE THE COMPANY'S WATER RESOURCES.**

22 A. The Company's water supply comes from groundwater. The groundwater is
23 pumped from 6 wells directly into the distribution system or into one of five
24 storage facilities for later distribution to customers. All water supplies are
25 chlorinated prior to delivery to customers for disinfection purposes. The Company

26 ¹ See Direct Testimony of Thomas J. Bourassa at Schedule H-2, page 1.

1 and our customers are fortunate that the groundwater in the area has not yet
2 required significant treatment for any constituents such as arsenic or nitrates.
3 However, due to the vast elevation differences within the distribution system,
4 which includes 7 different 150 foot pressure zones, the Company utilizes
5 27 booster stations to maintain proper pressure for its customers. RRUI's service
6 territory is within the Santa Cruz Active Management Area.

7 **Q. DOES THE COMPANY PROVIDE WATER SERVICE FOR**
8 **IRRIGATION?**

9 A. Yes. The Company does supply water to three school complexes, one hotel, and
10 two parks, including the one used for the local Little League. The Company also
11 supplies water to Rio Rico Properties for use in irrigating medians, common areas
12 and drip irrigation, and provides separate irrigation water to a few residential
13 customers who requested a dedicated irrigation line. There is one golf course in
14 our service area, but RRUI only supplies domestic water for potable use. RRUI
15 does not provide water for landscape irrigation to any golf courses at this time.
16 The one golf course in our CC&N has its own well, which it uses for its irrigation
17 needs. Additionally, our wastewater is treated at the Nogales International
18 Wastewater Treatment Plant ("NIWWTP"), and transporting effluent from that
19 plant over ½ mile, uphill and under the Santa Cruz River, would be extremely cost
20 prohibitive.

21 **Q. PLEASE DESCRIBE THE COMPANY'S PRIMARY WASTEWATER**
22 **TREATMENT FACILITIES.**

23 A. The Company has purchased 550,000 gallons per day of treatment capacity from
24 the City of Nogales ("City"). The Company also has two sets of three evaporative
25 ponds. The first set of three ponds has a general permit to treat up to 20,000
26 gallons per day of sewage. The second set of three ponds is permitted to treat up to

1 150,000 gallons per day of sewage on an emergency basis only. The collection
2 system includes five lift stations, four of which pump wastewater for treatment
3 under our agreement with the City, and the remaining pump to the aforementioned
4 evaporative ponds.

5 **Q. WHAT WERE THE COMPANY'S AVERAGE DAILY AND PEAK FLOWS**
6 **DURING THE TEST YEAR?**

7 A. During the test year, RRUI delivered wastewater to the City of Nogales WWTP
8 plant in the following amounts:

- 9 ● Approximately 385,000 gallons per day on an annual average basis,
10 ● A peak monthly flow of approximately 406,000 gpd in April and May 2011,
11 and
12 ● A peak day flow of 481,000 gpd during December 2011.

13 During the Test Year, the Company delivered approximately 13,500 gpd to the
14 North Sewer Basin evaporative ponds on an average annual basis.

15 **Q. WHEN DID THE CURRENT RATES GO INTO EFFECT?**

16 A. The Company's current rates were approved in Decision No. 72059 (January 6,
17 2011) and became effective on February 1, 2011. These rates were based on a test
18 year ending December 31, 2008. Because the Company is utilizing a test year
19 ending February 29, 2012 in this filing, it will be just over three years between test
20 years.

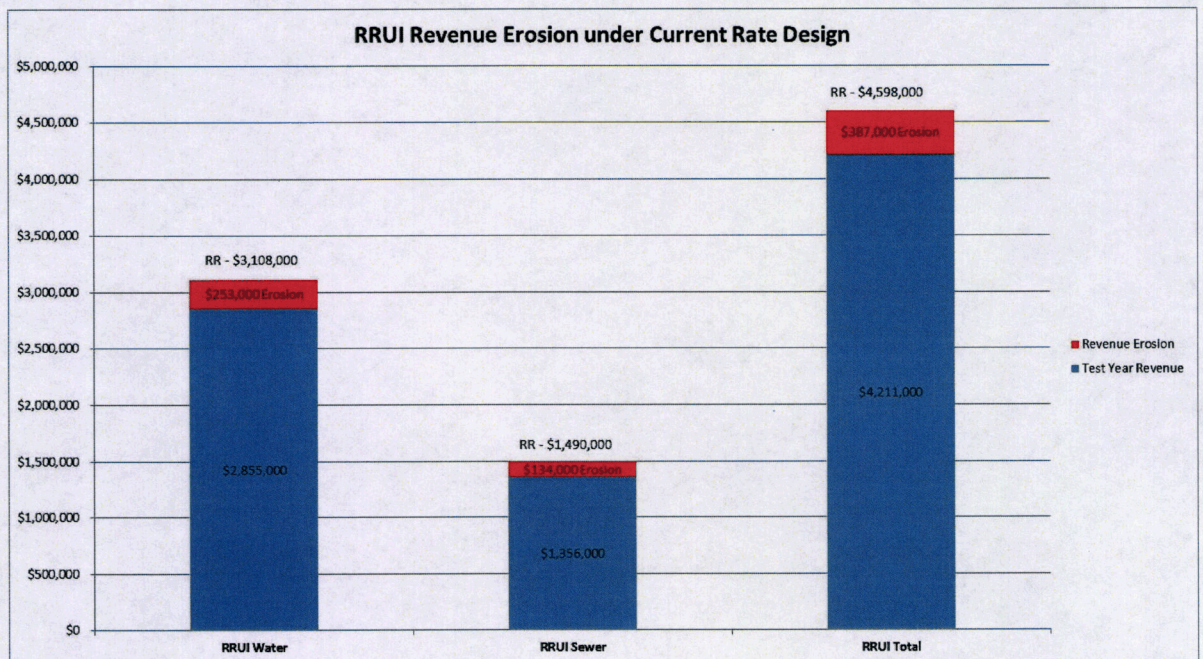
21 **Q. HAS THE COMPANY EXPERIENCED GROWTH SINCE THE LAST**
22 **RATE CASE?**

23 A. No, there has been very minimal growth of less than 2% per year in the system
24 since the last rate case. However, RRUI's aging system has required additional
25 capital investment that has contributed to the need for the current filing.

26 **Q. WHY IS RRUI FILING FOR NEW RATES AT THIS TIME?**

1 A. There are several reasons. First, our shareholder has made additional and
 2 substantial investment in water and wastewater infrastructure to serve our
 3 customers in the RRUI service areas and this infrastructure investment needs to be
 4 included into rate base. Second, some of our operating expenses have increased.
 5 Third, the Commission has in the past expressed concern that some of Liberty's
 6 utilities waited too long to file rate cases, so we are trying to keep rates current and
 7 rate hikes manageable, by following a fairly regular rate case cycle.

8 Finally, in the prior rate case, the expected revenue for water was
 9 \$3,108,000 and \$1,490,000 for sewer. However, as noted in Mr. Bourassa's
 10 C schedules, during the test year our actual revenues were \$2,855,000 and
 11 \$1,356,000, for water and sewer, respectively. Collectively, we earned almost
 12 \$400,000 less in the test year than the revenue authorized in the prior rate case.



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Q. CAN YOU POINT TO A REASON OR REASONS FOR THIS REVENUE SHORTFALL?

A. As I'm sure will be pointed out, a revenue requirement is an estimated target, not a guarantee and revenues and expenses can move up or down after a test year. Admittedly, it is hard to express these events in precise numbers. Nevertheless, I believe we have experienced some degree of revenue erosion.

Q. WHAT DO YOU MEAN, MR. SORENSEN?

A. In our last decision, the Commission adopted Staff's rate design, a rate design that put approximately 70% of our revenue recovery in the commodity charge. By relying so heavily on volumetric charges, we were exposed to and suffered significant revenue erosion. This has left the Company in the position of significantly under-earning on its invested capital as Mr. Bourassa addresses more completely in his testimony.

III. SUMMARY OF SIGNIFICANT SYSTEM IMPROVEMENTS AND OTHER CHANGES SINCE THE LAST TEST YEAR

Q. CAN YOU DESCRIBE THE "SUBSTANTIAL INVESTMENT" YOU TESTIFIED HAS BEEN MADE SINCE THE LAST TEST YEAR?

A. Yes. Since the last rate case, RRUI has purchased a new building for its offices, rehabilitated a 28-year old water plant, and paid approximately \$2 million for upgraded treatment capacity and a new agreement with the City. Additionally, the Company has made ongoing investment to improve the water distribution and wastewater collection system and service lines.

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A. Nogales Upgrade

Q. THE SEWER DIVISION HAS SEEN A SIGNIFICANT INCREASE IN RATE BASE SINCE THE LAST RATE CASE. WHAT SUBSTANTIAL UPGRADE(S) LED TO THIS INCREASE?

A. The primary reason for the significant increase in rate base is the cost of our pro rata share of the cost to upgrade the Nogales wastewater treatment facility, or NIWWTP. A map of the plant's location is attached as Exhibit GS-DT1.

Q. CAN YOU PROVIDE A BRIEF SUMMARY OF THE SITUATION?

A. Since the last test year, we have paid the City an additional \$1,822,000. With the \$427,000 payment made to Nogales that is already in rate base, and the approximate \$181,000 of additional costs, we have now invested \$2,424,000 to upgrade the treatment plant where about 97% of our collected waste is treated. This second payment, and the associated legal and consulting costs, was incurred after the Company was sued by the City.

Q. THE CITY SUED RRUI?

A. Yes. We had a dispute with them regarding our obligation to share in the costs of upgrades to the NIWWTP needed to address operational compliance issues at the plant. We were originally told by the City that we had to pay \$2.75 million. However, after all the negotiations and proceedings in Court, we paid about \$2.43 million, saving our customers over a quarter million dollars that would have been included in rate base. So, at the end of the day, we were contractually obligated to pay about \$4.42 per gallon for used and useful plant to help bring the NIWWTP closer to regulatory compliance, and saved our customers money compared with the original demand and obligation to the City under the contract. On top of that,

1 we reached a new long-term treatment agreement that clarifies our rights and
2 obligations and minimizes the likelihood of similar disputes in the future.

3 **Q. DOES THE CITY OWN THE NIWWTP?**

4 A. I believe the City is a part-owner in the facility, along with the United States
5 Section of the International Boundary and Water Commission (USIBWC).
6 However, the 14.2 MGD treatment plant was mostly paid for by a federal grant and
7 the plant is actually operated by the USIBWC, an international cooperative agency
8 of sorts. The NIWWTP treats wastewater flows from the City, RRUI, and the City
9 of Nogales, Sonora, Mexico.

10 **Q. WHY DID NOGALES UPGRADE THE NIWWTP?**

11 A. The technical explanations could fill many pages of testimony and are outside my
12 area of specialty. However, I think the City's reasons can be summed up as
13 follows – in order to continue to treat wastewater, in a manner commensurate with
14 applicable regulations, the plant had to be upgraded. In general, the plant was not
15 meeting regulatory standards for TSS and Nitrogen. There were also
16 improvements needed for disinfection and sludge treatment. **Q. DID RRUI**

17 **INCREASE ITS CAPACITY ALLOTMENT AT THE NIWWTP?**

18 A. No, we had an allotment of 550,000 gpd before and after the upgrades. These were
19 upgrades to the existing facility to bring it into compliance and process wastewater
20 in an appropriate manner. The overall cost per gallon for these upgrades was about
21 \$4.42.

22 **Q. DID RRUI PARTICIPATE IN THE DECISION-MAKING?**

23 A. No, and that was a point of contention between the Company and the City. There
24 were others. I will try to provide further background.

25 RRUI entered into a contract for treatment with the City in 1996. Under that
26 agreement, the Company purchased an interest in the NIWWTP and paid a

1 monthly fee for treatment. The Company also had the right to purchase additional
2 capacity interests, a right we exercised on two separate occasions to bring us to our
3 current total of 550,000 gpd. Then, in 2006, the City informed the Company that it
4 owed the City for its pro rata share of the cost of upgrading the treatment capacity
5 at the NIWWTP. This demand for payment caught us by surprise. As I said, we
6 had not been involved in the decision-making and, at that time, we didn't know
7 why the plant was being improved or why we had to pay for it.

8 **Q. DID RRUI RAISE THESE CONCERNS WITH THE CITY?**

9 A. Yes, we balked at first and raised a number of concerns. The City, though, was
10 under tremendous pressure because the plant was being funded by a federal grant,
11 which grant, the City claimed, could not benefit RRUI or its customers. Therefore,
12 the City argued that we had to pay our own share. The saber rattling reached a
13 peak when the City threatened to send us notice they would stop taking our flows.
14 Soon after receiving the City's demand, we received their offer in the form of a
15 Memorandum of Agreement, which was eventually finalized in December 2006.
16 In this agreement, we agreed to pay the City \$2.75 million (\$5 per gallon) to
17 upgrade our capacity. This is the \$2.75 million I mentioned above.

18 **Q. DIDN'T THAT END THE MATTER?**

19 A. No. When we made our deposit payment on December 29, 2006, in the amount of
20 \$427,000, we paid it "Under Protest." Then, when the City attempted to collect the
21 rest of the money for the upgraded capacity, we refused to pay and the City sued
22 RRUI in Superior Court.

23 **Q. SINCE YOU PAID THEM DOES THAT MEAN YOU LOST THE**
24 **LITIGATION?**

25 A. Not at all. During mediation, we reached terms for settlement and later entered
26 into a settlement agreement. Thereafter, the City and the Company entered into a

1 new and much improved wastewater treatment agreement. All in, including legal
2 expenses, we spent approximately \$181,000.

3 **Q. WHAT "LEGAL EXPENSES" MR. SORENSEN?**

4 A. The legal fees, expert witness and court costs were incurred in connection with
5 negotiation of multiple agreements related to the plant upgrade and the litigation
6 initiated by the City against RRUI.

7 **Q. WHY SHOULD THOSE COSTS BE INCLUDED IN THE COST OF THE**
8 **PLANT UPGRADE?**

9 A. Because all of these costs were incurred in connection with the placement of used
10 and useful plant in service. Legal expenses are commonly capitalized with plant
11 costs. For example, if we had to build a plant and had to condemn a plant site, we
12 would capitalize those legal costs and expect them to be included in rate base.
13 There's no question whether legal expenses can be capitalized and included in rate
14 base. They can, as long as they are prudent and reasonable.

15 **Q. THEN WHY ARE THESE LEGAL COSTS PRUDENT AND**
16 **REASONABLE?**

17 A. By taking the legal action to pay under protest, we initiated a series of events that
18 culminated in an all in price that was \$320,000 less than the amount the City
19 originally demanded we pay. We also replaced a less than adequate agreement we
20 inherited from our predecessor-owner. In the end, we spent \$4.42 per gallon for
21 long-term treatment capacity. For the Company and its customers, it was a better
22 result than the City's initial demand would have been and we made certain that any
23 and all expenditures were necessary, reasonable and prudent.

24 **Q. BUT DIDN'T THE COMPANY TAKE A RISK MR. SORENSEN?**

25 A. Yes, we took a risk. But we had no intention of spending almost \$3 million of our
26 money to be recovered from our customers for something we thought we already

1 had without first making sure we were being reasonable and prudent. I have heard
2 the argument that regulated utilities will just spend money because they can
3 recover it. We showed that certainly isn't the Liberty approach. We had no
4 intention of coming to this Commission and asking to recover any of these costs
5 until I could testify this was a necessary investment in used and useful plant, and
6 we got the best deal we could. While it was a hard road, and not one I would
7 choose, we feel that we did the right thing and in the end got a better deal and
8 better contract, so the risk was well taken.

9 **B. Water Plant Rehab**

10 **Q. PLEASE DESCRIBE THE IMPROVEMENTS THAT WERE MADE TO**
11 **THE WATER UTILITY FACILITIES AND WHY THEY WERE**
12 **NECESSARY.**

13 A. Water Plant 58 ("WP58") is a two-zone booster station serving our 3950' and
14 4100' pressure zones in the Southeast section of our CC&N. It is capable of
15 producing 300gpm for each zone. WP58 was originally constructed in 1983 and
16 had reached the end of its useful life. The hydropneumatic tanks had significantly
17 rusted, the electrical components were obsolete and we could no longer obtain
18 replacement parts. Both tanks were fully replaced with bladder tanks combined
19 with VFDs, which should result in a more efficient operation of the pump systems.
20 The electrical system was replaced and brought up to current code as part of this
21 project. The facility also now includes a solar-powered LED yard light, so after-
22 hours lighting is now "solar-powered," which reduces safety hazards to our
23 employees and the public. Capacity was not expanded and this facility was
24 necessary to continue, and is used and useful in providing service to our current
25 customers.

26

1 **Q. WHAT WAS THE TOTAL COST OF THESE IMPROVEMENTS?**

2 A. The total cost of this rehabilitation project was \$336,000, and represents an
3 approximate 1% increase in water rates.

4 C. **New Office Building**

5 **Q. WHEN DID RRUI MOVE ITS OFFICES?**

6 A. The Company purchased an existing office building in its service territory in
7 November 2011. We then made tenant improvements so the building could serve
8 the needs of the Company and its customers. We began serving our customers
9 from the “new” office in February 2012. We were in communication with the
10 Commission Staff (Consumer Services) during the migration process, in order to
11 keep them aware in case there were any customer concerns or issues.

12 **Q. WERE THERE ANY ISSUES?**

13 A. There were no material issues that I am aware of. In general, we have received
14 many positive comments regarding the new offices; the look, feel, and convenience
15 all seem to be positively received by our customers.

16 **Q. WHY DID THE COMPANY CHANGE OFFICES?**

17 A. In March 2009 we were notified by our then-landlord that they intended to
18 demolish the aging building complex where our offices had been located and that
19 they would not renew our lease. We were “allowed” to continue on a month-to-
20 month basis and we set out to find a new location. It took a little while but in 2011,
21 we found what we believed to be a good value used building, and purchased it.
22 This site was unique in that it was only ½ mile from our leased facility, so that
23 minimized the locational impact to our customers. Additionally, this facility came
24 with a fenced yard so our trucks could park securely overnight, and it had a small
25 shop area for our operators to keep tools and make minor repairs on meters and
26 equipment.

1 **Q. WHAT OTHER OPTIONS WERE CONSIDERED?**

2 A. We considered staying in our existing facility and waiting for the landlord to
3 finally make their business decision to raze the existing buildings and build new
4 ones. This had some significant risks to it, including transition timing and
5 potentially being out of our existing space before a new space was ready. Also, we
6 didn't know how expensive the new facility would be, but were told it would be
7 "very nice."

8 We also looked at comparable spaces available in the Rio Rico market both
9 before we purchased and in the context of running "comps" during the purchase
10 process. We also examined the rental market for suitable buildings in the area, of
11 which there were few, and found them to be comparable to purchasing a building
12 when all aspects were considered. The building we purchased was a good value
13 for the money, and will provide a quality office and operator space for our
14 employees and our customers alike.

15 **Q. WHAT IS THE COST TO BE INCLUDED IN RATE BASE?**

16 A. The total cost of the building was \$386,000, plus \$100,000 in renovations and other
17 costs, for a total of \$486,000, which is allocated based on customer count 75% to
18 water and 25% to wastewater rate base. Additionally, rent for the prior office
19 space has been removed from our operating expenses, as detailed in Mr. Bourassa's
20 testimony.

21 **D. Operating Expenses**

22 **Q. HAVE THERE BEEN ANY SIGNIFICANT CHANGES OR INCREASES IN**
23 **OPERATING EXPENSES SINCE THE LAST TEST YEAR?**

24 A. First, as Mr. Eichler explains in his testimony, there were significant improvements
25 in the corporate cost allocation methodology since the last rate case. Second, we
26 have seen a decrease in the purchased power costs for water of approximately

1 \$22,000 due in part to volume of gallons pumped, but also due to more efficient
2 operational and pumping practices. There has also been a slight decrease in
3 insurance costs, primarily driven by “volume pricing” discounts that our corporate
4 parent is able to obtain as a significant global customer. On the other hand, some
5 costs have increased since the last rate case. We saw an increase in transportation
6 expense, primarily driven by rising gas prices compared to the previous test year.
7 Finally, property taxes increased significantly due to rising tax rates as cities and
8 counties try to recoup tax revenue lost to budget cuts from the State funds.

9 **Q. WHAT STEPS HAVE BEEN TAKEN TO REDUCE OPERATING COSTS?**

10 A. At Liberty Utilities, we are always conscious of the cost of service we provide to
11 our customers, and we remain constantly aware that our customers will eventually
12 pay for every dollar we incur in operating costs and capital expenditures. As such,
13 we constantly evaluate our operations to see if there are better and/or less
14 expensive ways to do things, without sacrificing quality of service to our
15 customers. Since the last test year, RRUI made four significant cost savings
16 changes to operations. First, in mid-2010, RRUI began to do complete
17 replacements of leaking service lines rather than merely repairing the lines. This
18 change in practice has helped reduce non-revenue water (as described below), as
19 well as reduced the number of service leaks from 17.2/month for the 12 months
20 ended August 31, 2010 to 9.8/month during the test year. With an average cost of
21 \$2,500 per event, this saves about \$18,000 per month in replacement costs. While
22 this is capital as opposed to operating expense, it has been a better value to our
23 customers.

24 Second, RRUI expanded the use of SCADA for our well control. This has
25 allowed us to better utilize our wells, allowing for longer well run-times, thus
26 reducing electric costs. An example would be for Well #5, which in 2008 had an

1 average gallons pumped per KWH of 263, but in the test year the average was 413
2 gallons per KWH. This is a much more efficient operation now and we look to
3 continuously improve each year.

4 Third, on the wastewater side, we historically had issues with the build-up
5 of solids in Lift Station #3. We have installed an automated enzyme feeding
6 system which reduced the solids build-up, leading to easier cleaning of the wet
7 wells, and reduced call-outs for contractors with vacuum trucks to clean the lift
8 stations. This reduced need for cleaning lift stations saved the Company, and in
9 turn the ratepayers, approximately \$7,000 per year.

10 Finally, as I will more fully describe below, we changed our service
11 disconnect program for non-payments. This led to reduced bad debt expense and
12 decreased overtime hours for our operators, while simultaneously increasing
13 customer satisfaction, all due to the reduced number of actual disconnects.

14 **IV. COMPLIANCE, CONSERVATION, CUSTOMER SERVICE AND**
15 **CUSTOMER SATISFACTION**

16 **Q. WHAT IS RRUI'S COMPLIANCE STATUS?**

17 **A.** To the best of my knowledge, we are in compliance with all ADEQ, ADWR,
18 ADOR, and ACC rules and regulations regarding the provision of water and
19 wastewater services in the State of Arizona. We take compliance with regulations
20 very seriously and, if ever there is an issue, we will take immediate steps to correct
21 the problem. Liberty has a strong compliance program led by our Operations staff
22 and reviewed by our Environmental Health and Safety staff. We take our stated
23 Company values of "Care, Quality, Responsibility, Service, Community and
24 Family" very seriously, and regulatory compliance is a key aspect of adherence to
25 those values.

26

1 **Q. IN THE LAST RATE CASE THERE WERE SOME CONCERNS OVER**
2 **NON-REVENUE WATER. WHAT STEPS HAVE BEEN TAKEN TO**
3 **ADDRESS THIS CONCERN?**

4 A. As mentioned above, since the last rate case we changed our procedures on service
5 line water leaks. Previously, we tried to patch leaking service lines, but found the
6 leaks would re-occur in some instances. Therefore, we decided that, in most cases
7 in the RRUI system, it is more prudent to fully replace the service lines when leaks
8 are detected.

9 Also, as a result of discussions with Commission Staff in our last case, we
10 improved our tracking of non-revenue water to ensure compliance with AWWA
11 standards for non-account water and loss calculations. Additionally, we worked
12 closely with the Santa Cruz County Public Works department to expedite ROW
13 permits which decreased the time it takes us to make actual repairs to leaking water
14 pipes under county roads.

15 **Q. WHAT WAS THE COMPANY'S TEST YEAR NON-REVENUE WATER**
16 **LEVEL?**

17 A. It was just under 10%, at 9.92%.

18 **Q. WHAT COSTS WERE INCURRED TO ADDRESS NON-REVENUE**
19 **WATER?**

20 A. At the end of our prior test year (2008), we purchased a backhoe which allowed us
21 to make repairs more quickly and efficiently in the time since that rate case. Also,
22 in 2011, we created a new employee position in Rio Rico – Construction
23 Superintendent – whose primary job responsibility is to work on and coordinate
24 contractors for the repair and replacement of leaking water and/or wastewater lines.
25 Again, this reduces the time it takes to repair leaks, thus reducing the gallons lost.

26

1 **Q. WHAT OTHER STEPS HAS THE COMPANY TAKEN TO ADDRESS**
2 **WATER CONSERVATION SINCE THE LAST RATE CASE?**

3 A. The Company voluntarily committed to 10 ADWR BMP's both before the last rate
4 case as well as confirmed that commitment as part of our last rate case. We have
5 complied with both ADWR and ACC requirements regarding those BMPs. Some
6 examples of conservation efforts include the prominent display of conservation
7 brochures and flyers in our customer accessible office, and quarterly conservation
8 based newsletters which are sent to all customers as a bill insert. Customers who
9 receive e-bills are provided a link which directs them to our website in order to
10 view the quarterly conservation newsletter on-line. We also pride ourselves in
11 getting out into the community and meeting with our customers to encourage
12 conservation.

13 Before this past winter, we held a seminar which showed customers how to
14 wrap and insulate their pipes to avoid freezing and breaking during the winter
15 months, thus saving on wasted water caused by leaks on the customer side of the
16 meter after hard freezes (yes, they do occur in our Southern Arizona service
17 territories). Also, during April, we co-hosted a seminar with EPCOR's Tubac
18 utility where customers from both utilities attended a landscaping presentation at
19 our "new" office building. Customers who attended were provided information on
20 their home water system after the meter demarcation point, characteristics of a
21 typical landscape system, instructions on programming timers, and proper watering
22 techniques so as to conserve water on landscaping. They were also taught how to
23 self-audit their landscaping to detect leaks and proper water use. Finally, we also
24 offer our customers the ability to determine their "water footprint" by using a
25 customer calculator, available exclusively on our website.
26

1 **Q. DOES THE COMPANY ENGAGE IN COMMUNITY OUTREACH**
2 **PROGRAMS?**

3 A. Yes, as part of our Company Core Values, we encourage employees to be part of
4 the community in which we serve, and embrace community programs and events
5 that are of interest to them. For example, each year Liberty Water sponsors and
6 staffs a water booth at the Lucky Clover Race, a race event held by the local high
7 school, where we hand out water to race participants. We also participate in the
8 annual Rio Rico Fire and Safety Day. We present people with conservation
9 information, and tie it back to the theme by stating that we should conserve water
10 to ensure we always have it in an emergency situation. We do these things not
11 because we have to, but because we believe it provides better overall customer
12 service and satisfaction, and increases the opportunities to gather feedback from
13 our customers about our service and their perceptions.

14 **Q. HOW DOES THE COMPANY MEASURE CUSTOMER SATISFACTION?**

15 A. We do so in the typical ways, like speaking with our customers when they call or
16 come into our office, or when our Operators have the opportunity to chat with
17 customers while in the field performing their duties, and as highlighted above
18 through our involvement in community events. This is our “informal” way of
19 soliciting feedback. We also take a more formalized approach of having a third
20 party (Luth Research of San Diego, CA) conduct an annual customer satisfaction
21 survey each August. This survey randomly selects about 1,000 customers from
22 across our various Liberty Water (now Liberty Utilities South) utilities, and asks
23 them approximately 22 questions in a 10 to 20 minute phone survey. These results
24 are then analyzed by management, and are turned into an action plan to try to
25 improve areas of need identified by the survey.

26

1 This survey was first done by Liberty in August 2009, and each year since
2 then. I have attached the section of the 2011 survey related to Rio Rico (as part of
3 Southern Arizona group, they were included in the survey results with our Sierra
4 Vista systems) as Exhibit GS-DT2 to my testimony. Additionally, we have met
5 each of the past two years with Commission Staff – Consumer Services group, to
6 review not only the survey results, but also share other things we might be doing
7 regarding providing excellent customer service. During these meetings, we also
8 seek input from Staff as how they believe we can better improve our service.

9 **Q. CAN YOU PROVIDE AN EXAMPLE OF SOMETHING YOU SHARED**
10 **WITH STAFF DURING THESE MEETINGS?**

11 A. Certainly. During our 2010 meeting, we mentioned to Staff that we were piloting a
12 program at LPSCO (an affiliated utility serving Litchfield Park and Goodyear) to
13 improve our disconnect process for non-payment of utility service. And we
14 explained to Staff that, if successful, this pilot would be rolled-out to our other
15 utilities. Our view was that the worst experience of providing utility service, and
16 being a customer of utility service, was the process of disconnecting utility service
17 for non-payment. This takes a toll on both our employees in the field and the
18 customer service offices, and has a significant impact on the customer whose
19 service is being terminated. So, we decided there must be a better way to do it, or
20 ideally to improve the process to where there would be very few shutoffs that
21 needed to be done.

22 Our course of action was a simple one. We decided that, approximately
23 5 days after sending the required disconnect communication to our customers, we
24 would personally call those customers who had not yet responded, as a courtesy, to
25 explain the situation and their options. Also, for those customers we were unable
26 to reach by telephone and resolve the non-payment matter, approximately 2 days

1 before disconnect, we placed door tags at their home as another way of reminding
2 them payment was due and requesting that they contact our customer service
3 representatives prior to the scheduled disconnect date.

4 **Q. WAS THIS SUCCESSFUL?**

5 A. Much more successful than I would have thought possible: Before implementing
6 the test process at LPSCO, we had some concerns about how customers would
7 view our attempts and ultimately whether such simple gestures would really have a
8 significant impact. We weren't sure if they'd view our reminder calls to them as
9 "harassing" collection calls, or as they were intended - a courtesy call to avoid the
10 disconnect from occurring. Because of concerns such as this, our CSRs were
11 instructed to be very courteous and accommodating in speaking with customers. I
12 believe that because we took this type of approach, the pilot at LPSCO (see
13 LPSCO results at Exhibit GS-DT3), and ultimately the rollout at our other utilities,
14 was so successful.

15 After the success we had at LPSCO, we rolled out the program to Rio Rico
16 in August 2011. We hired an additional part-time CSR to, among other things,
17 assist with this process. Prior to this program, in January to August 2011, on
18 average 16% of all disconnect notices sent to RRUI customers resulted in an actual
19 service disconnection. After making a few fairly simple, courteous changes to our
20 process, that figure dropped to 4.5% during the period from September 2011 to
21 March 2012 (see attached chart as Exhibit GS-DT4).

22 **Q. WHAT IS YOUR ASSESSMENT OF THESE RESULTS?**

23 A. I find those to be amazing results, and I believe our customers appreciate the
24 courteous, cooperative approach – nobody wants their water shut off, so we work
25 with customers to minimize the chances of that happening to them. I know that
26 informally our CSRs have received many "thank you" comments and calls for the

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approach we have taken, and that helps RRUI to avoid unnecessary negative interactions with our customers.

Finally, if a customer expresses that they are having difficulty in making payments, our CSRs are empowered to establish a work-out plan to catch them up, and the customer is also made aware of our Low Income Tariff whereby they can receive reduced rates if eligible for the program. The great news is that not only do we provide our customers with improved and kinder service, but in the long run, this approach will reduce bad debt expense in our operating costs, and reduces the overtime our Operators incur as a result of disconnecting and then reconnecting services for non-payment issues.

Q. HOW MANY COMPLAINTS HAS THE COMMISSION RECEIVED FROM RRUI CUSTOMERS SINCE THE LAST TEST YEAR?

A. We checked with Commission Staff, and during 2009 and 2010, when our last rate case was being prosecuted, we had 8 and 13 complaints, respectively. During 2011 and year-to-date 2012, we had 4 and 0 complaints, respectively. I believe our Customer Service personnel, as well as the Company as a whole, do a great job of working with our customers, and we strive to maintain a positive working relationship with the Consumer Services department of Commission Staff as well, and appreciate their support in ensuring that our customers are provided excellent service.

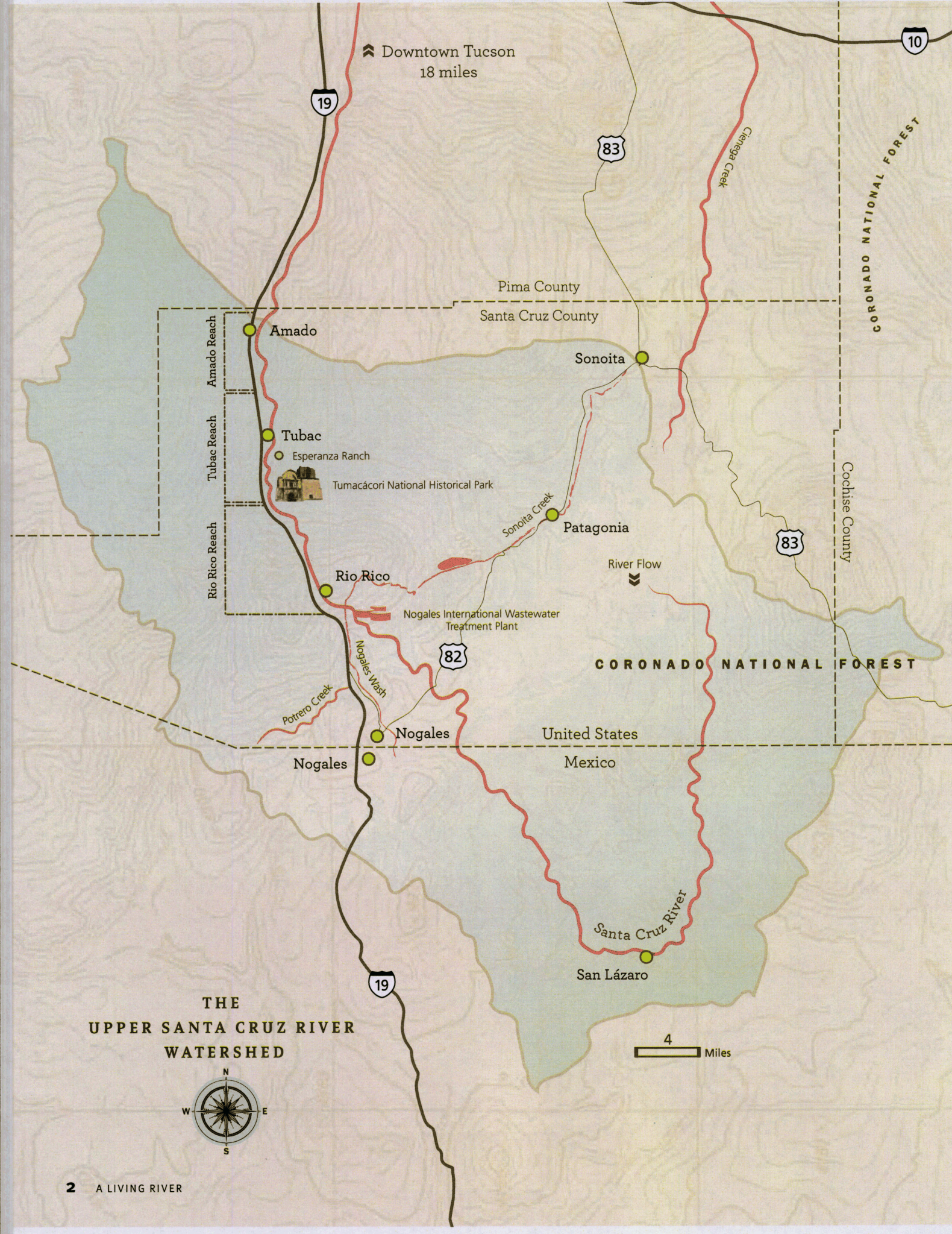
Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Rio Rico Utilities, Inc.
2012 Rate Application

Greg Sorensen Direct Testimony

Exhibit GS-DT1



⚡ Downtown Tucson
18 miles

Rio Rico Reach
Tubac Reach
Amado Reach

Pima County
Santa Cruz County

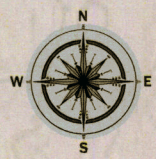
CORONADO NATIONAL FOREST

Cochise County

CORONADO NATIONAL FOREST

United States
Mexico

**THE
UPPER SANTA CRUZ RIVER
WATERSHED**



4 Miles

Rio Rico Utilities, Inc.
2012 Rate Application

Greg Sorensen Direct Testimony

Exhibit GS-DT2

Business Manager: Martin Garland

SOUTHERN ARIZONA (BELLA VISTA, RIO RICO, NORTHERN SUNRISE, SOUTHERN SUNRISE)

1

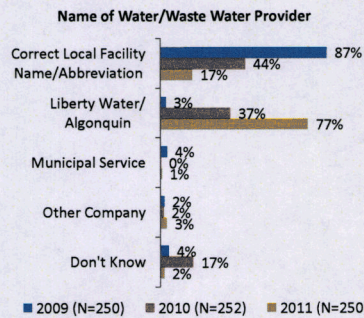
Martin Garland – Southern AZ

Awareness & Perception

Familiarity with their water and waste water provider was high as the number of respondents citing *Liberty Water/Algonquin* (77%) more than doubled as compared to 2010. While 17% instead named their *correct local facility name/abbreviation*, the number citing *don't know* fell (2% in 2011 vs. 17% last year).

When asked to describe the provider, most comments were positive (78%) and general in nature (73%). While positive comments for *customer service* (8%) rose significantly in 2011, they were lower for *water quality* and *reasonable cost* as compared to 2009.

Nearly a third (29%) of respondents mentioned negative comments: *cost is too high* (17%) was the leading reason for negative associations with a noticeable increase as compared to 2009 and 2010.



Suggestions for Improvements	2009 (n=250)	2010 (N=252)	2011 (N=250)	Difference from 2010
Positive Comments (NET)	77%	78%	78%	0%
Positive general	73%	75%	73%	-2%
Water quality	9%	4%	2%	-2%
Cost is reasonable	6%	0%	2%	+2%
Customer service	4%	3%	8%	+5%
Negative Comments (NET)	26%	24%	29%	+5%
Cost is too high	10%	10%	17%	+7%
Water quality	9%	8%	8%	0%
Negative general	2%	4%	3%	-1%
Customer service	4%	4%	4%	0%

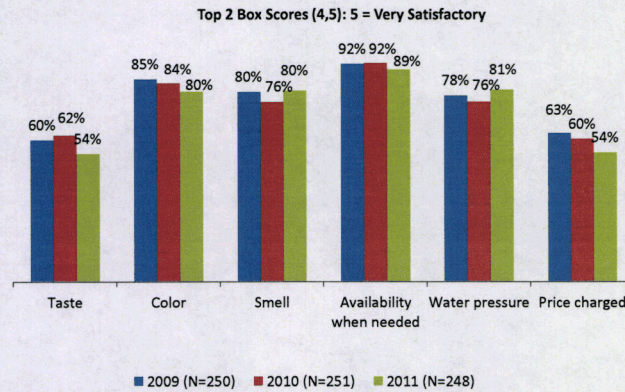
NOTE: Data in orange shaded cells are significantly higher; data in gray shaded cells are significantly lower. at 95% confidence level.

A1. What is the name of the company that provides water and/or waste water service to your household/business?
A2. How would you describe your water and/or waste water service company and the services it provides?

Water Services – Satisfaction

Respondents generally rated the water services they received highly. *Availability when needed* received the highest top 2 box score (89%; 4/5, where 5 = very satisfactory) but was slightly down (-3%). This was followed by *water pressure* (81%; up 5% as compared to 2010) and *smell* (80%, up 4%). While satisfaction with *color* was also at 80%, it is important to note that a downward trend in *color* continued (down 4% from 2010).

Taste of tap water and *price charged* tied for the lowest satisfaction scores (54% each). Each of these factors also experienced a 6% to 8% decrease as compared to 2010.



1. Please rate your water services in the following areas by using a 5-point scale with 5 being "Very Satisfactory" and 1 being "Not Satisfactory At All".

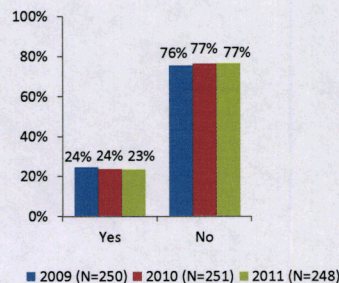
3

Water Services – Interruptions

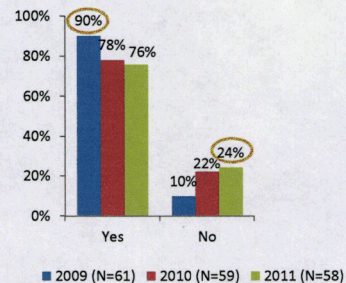
Nearly a fourth (23%) of respondents had a water service interruption in the past year, which was on par with 2009 and 2010 data. Among these, 24% stated the interruption was not resolved quickly, an issue of increasing concern over the last two years.

Among those stating their water interruption issue was not resolved quickly, *resolution took too long* was the primary reason given.

Water Interruption Within Last Year



Water Interruption Resolved Quickly



Why Not Resolved Quickly (N = 14)

Resolution took too long (4 mentions)
No explanation for interruption (1 mention)
Don't know (1 mention)
Other (8 mentions)

NOTE: Orange circled data indicates significant change/difference compared to other year(s).

2. Within the last year, have you had any interruptions to your water service?

3. Was your water service interruption problem resolved quickly?

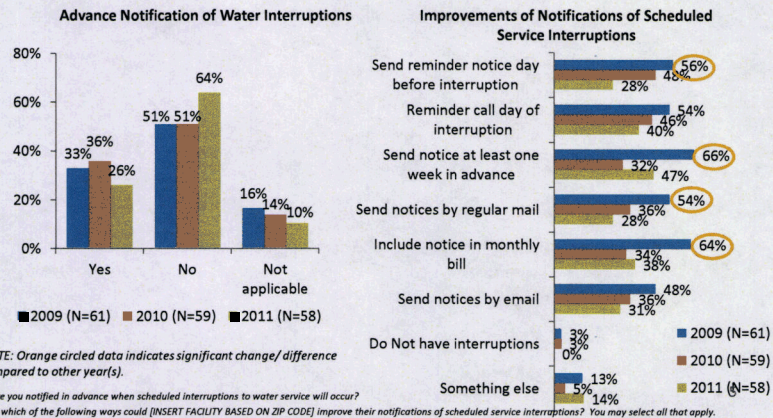
4. Being as detailed as possible, please tell us how and why your water interruption problem was not resolved quickly.

4

Water Services – Interruptions Notification

Of the customers who had a water interruption in the last year, a fourth (26%) stated they received an advance notification of scheduled interruptions. This was down by 10% as compared to 2010.

In terms of improvements for scheduled service interruptions, the top improvement requested was *send notice at least one week in advance* (47%) followed by *reminder call day of interruption* (40%).



Water Services – Improvements

Over half of the respondents (60%) had no suggestions on how to improve their water service, feeling it was fine as is. Among the improvements suggested were *lower rates/don't increase rates* (13%) and *improve water pressure* (5%).

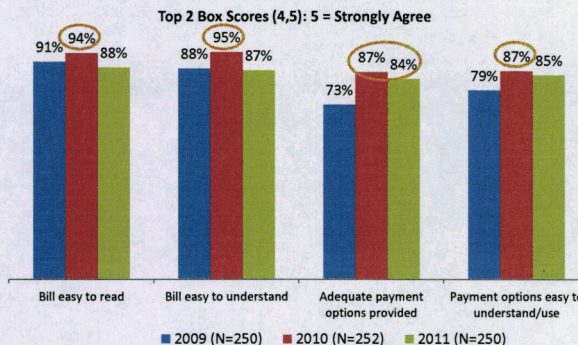
Suggestions for Improvements	2009 (n=250)	2010 (n=251)	2011 (n=248)	Difference from 2010
Lower rates/Don't increase rates	9%	11%	13%	+2%
Improve water pressure	6%	6%	5%	-1%
Maintain better/repair facilities/lines	2%	0%	2%	+2%
New/more water tower(s)/pumping station(s)	1%	3%	0%	-3%
No suggestions/fine as is	58%	61%	60%	-1%

NOTE: Data in orange shaded cells are significantly higher; data in gray shaded cells are significantly lower: at 95% confidence level.

7. Do you have any suggestions on how [INSERT FACILITY BASED ON ZIP CODE] could improve their water services?

Customer Billing – Satisfaction

Customer satisfaction with billing remained high with 84% or more of interviewed customers stating they somewhat or strongly agreed that they were satisfied with all of the factors tested. However, scores were slightly lower in 2011 as compared to 2010. While some scores were only lower by only 2%-3%, *bill easy to understand* and *bill easy to read* had more noticeable declines (8% and 6%, respectively).



NOTE: Orange circled data indicates significant change/difference compared to other year(s).

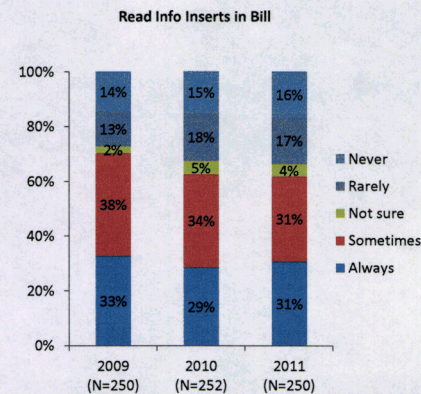
8a-d. Using a 5-point scale where 5 is Strongly Agree and 1 is Strongly Disagree, please tell me how much you agree or disagree with each of the following statements.

7

Customer Billing – Information/Services

Almost two thirds of respondents (63%) stated they read the informational inserts in their bill *sometimes* or *always*. These results were relatively consistent with findings in 2010 (-1%), but nearly 9% lower than the 2009 level.

It should be noted that those more likely to always read such inserts are longer term residents (38% 6+ year residents).



Significantly Higher	
Always: Residents 6 years or more (38%)	8

9. How often do you read the informational inserts included in your bill?

Customer Billings – Improvements

When asked about suggestions to improve customer billings, the majority of respondents did not have any improvements and felt it was fine as is (84%), which was on par with the 85% received in 2010. Lower rates/don't increase rates was mentioned by 6%.

Comments regarding *improve or implement electronic/online/paperless billing* continued its downward trend, down 2% compared to 2010 and down 13% compared to 2009. As noted in last years report, this is likely a reflection of changes and new services offered on the updated website.

Suggestions for Improvements	2009 (N=250)	2010 (N=252)	2011 (N=250)	Difference from 2010
Improve or implement electronic/online/paperless billing	15%	4%	2%	-2%
Lower rates/don't increase rates	3%	3%	6%	+3%
Make bill easier to understand	1%	3%	3%	0%
No suggestions/fine as is	74%	85%	84%	-1%

NOTE: Data in orange shaded cells are significantly higher; data in gray shaded cells are significantly lower: at 95% confidence level.

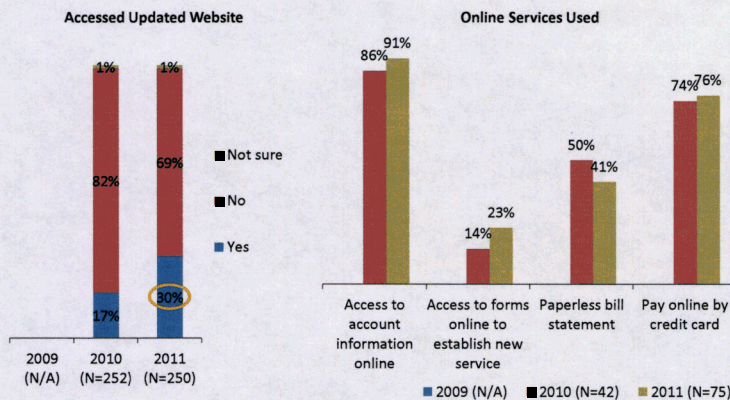
9

11. Do you have any suggestions for improving the billing?

Website – Online Services

Nearly a third (30%) of customers reported they had accessed the new Liberty Water website, which represented a 13% increase as compared to 2010.

The online services used by most was *access to account information* (91%) followed by *pay online by credit card* (76%). Usage by new customers may also be on the rise considering *access to forms online to establish new service* rose by 9% in 2011 (up to 23%).



NOTE: Orange circled data indicates significant change/difference compared to other year(s).

10N1. Have you accessed [INSERT FACILITY BASED ON QFAC]'s website?

10N2. The following services are available to [INSERT FACILITY BASED ON QFAC] customers. Please tell me if you have used any of them?

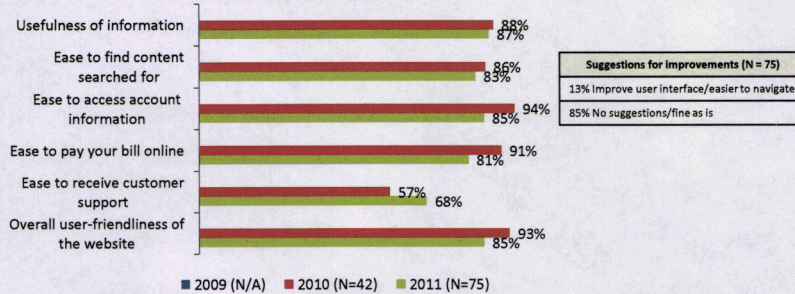
10

Satisfaction with Website – Online Services

Satisfaction with the online services customers used was high. *Usefulness of information* received the highest satisfaction rating (87% very or somewhat satisfied) and had the smallest downturn (-1%). *Ease to access account information* and *overall user-friendliness of the website* each received scores of 85%, but both had 8% to 9% declines as compared to 2010. The only area that received relatively lower scores was *ease to receive customer support* (68%), but this was the only factor to show a positive trend (up 11%).

Not many customers had improvement suggestions for the website (85% had no suggestions and/or stated the site was fine as is). Those who had suggestions asked to *improve user interface/easier to navigate* and *add bank transfer as a payment option*.

Satisfaction with Online Services Used
Top 2 Box Scores (4,5): 5 = Very Satisfied



Suggestions for improvements (N = 75)	
13%	Improve user interface/easier to navigate
85%	No suggestions/fine as is

10a. Using a 5-point scale where 5 is Very Satisfied and 1 is Very Dissatisfied, please tell me how satisfied you are with the new [INSERT FACILITY BASED ON QFAC] website. 11
10b. Do you have any suggestions for improving [INSERT FACILITY BASED ON QFAC] website and/or online services?

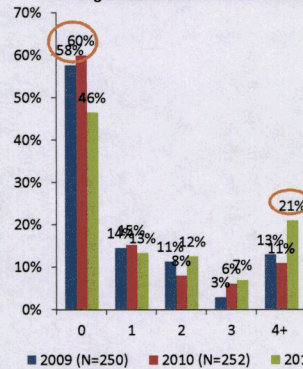
Customer Service – Calls & Visits

Nearly half of respondents did not call (46%) or visit (49%) the business office within the last year. However those with 1+ visits were significantly higher in 2011 (51% 1+ visits vs. 45% and 38% in previous years). Those who called or visited 4+ times showed the most dramatic increases (21% and 28%, up 10% each).

Respondents who had contacted the business office had both called or visited the office between two and three times, on average (2.77 calls and 2.57 visits).

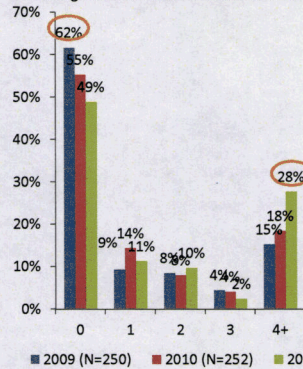
Times Called Business Office

Mean = 2.41 (2009); 2.40 (2010); 2.77 (2011); among those who have called within last year



Times Visited Business Office

Mean = 2.46 (2009); 2.44 (2010); 2.57 (2011); among those who have visited within last year

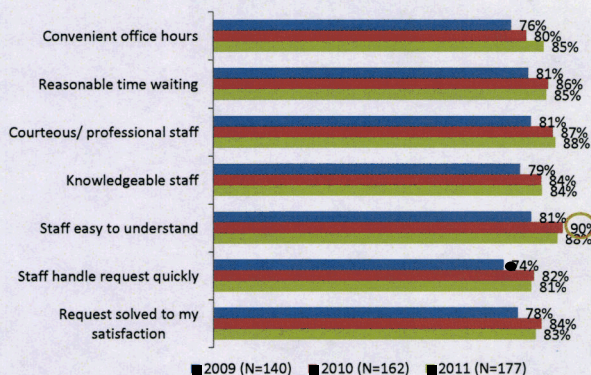


NOTE: Orange circled data indicates significant change/difference compared to other year(s). 12
11b. To the best of your recollection, how many times have you called or visited the [INSERT FACILITY BASED ON ZIP CODE] business office within the last year?

Customer Service – Satisfaction

Among those customer who reported they had contact with customer service in the last year, satisfaction was strong and on par with 2010 across all aspects tested (within 2%). The one exception was *convenient office hours*, which showed a 5% increase in satisfaction as compared to 2010.

Top 2 Box Scores (4,5): 5 = Strongly Agree



NOTE: Orange circled data indicates significant change/ difference compared to other year(s).

12a. Using a 5-point scale where 5 is Strongly Agree and 1 is Strongly Disagree, please tell me how much you agree or disagree with each of the following statements about [INSERT FACILITY BASED ON ZIP CODE]'s customer service. If you have called or visited the office more than once in the last year, please think only about your last contact with the [INSERT FACILITY BASED ON ZIP CODE] business office.

Customer Service – Hours & Wait Time

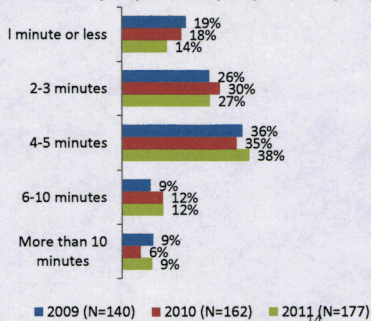
Customers who did not agree strongly that the office hours were convenient were asked what they felt would be more convenient hours. Longer weekday hours (26%) was the most preferred hours extension option.

On average, respondents reported that an acceptable wait time for a live person was just over four minutes (mean of 4.27 minutes), a slight increase from 2010 (3.95 minutes). With 79% of respondents feeling an acceptable wait time is no more than five minutes, Liberty Water should strive to keep wait times below this mark.

More Convenient Time	2009 (N=79)	2010 (N=83)	2011 (N=77)	Difference from 2010
Weekday hours: late open/past 5PM	32%	39%	26%	-13%
Saturday hours: half/full day	15%	10%	9%	-1%
Weekday hours: early open/before 8AM	8%	6%	4%	-2%
Office hours are fine	23%	21%	21%	0%

NOTE: Data in orange shaded cells are significantly higher; data in gray shaded cells are significantly lower: at 95% confidence level.

Acceptable Wait Time for Live Person
Mean = 3.99 min (2009); 3.95 min. (2010); 4.27 min. (2011)



12b. What would you consider more convenient office hours?
12c. How long are you willing to wait to speak to a live person?

Customer Services – Overall Experience

More than three fourths of respondents were satisfied with their overall customer service experience (80% excellent/good), which continued its upward trend (up 4% from 2010 and up 6% from 2009).

Respondents had few suggestions on how to improve customer service; 88% had no suggestion (up 5% from 2010). The few comments given centered around being more polite and professional.



Suggestions for Improvements	2009 (n=140)	2010 (N=162)	2011 (n=177)	Difference from 2010
Be more professional/knowledgeable	6%	3%	2%	-1%
Be more polite/friendly/understanding	6%	3%	3%	0%
Improve communication w/customer	1%	3%	1%	-2%
Speak English better/as a default language	1%	3%	1%	-2%
No suggestions/fine as is	79%	83%	88%	+5%

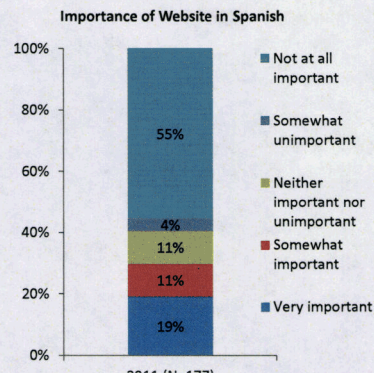
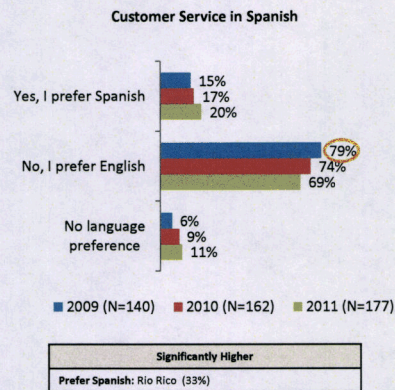
NOTE: Data in orange shaded cells are significantly higher; data in gray shaded cells are significantly lower: at 95% confidence level.

13. Overall, how would you rate your experience with the customer service you received? If you have called or visited the office more than once in the last year, please think only about your last contact with the [INSERT FACILITY BASED ON ZIP CODE] business office. 15
 14. Do you have any suggestions for improving customer service?

Customer Services – Spanish

Respondents continued to show a slight rise in preference for customer service in Spanish with one in five (20%, up 3%) now preferring it over English. The Rio Rico respondents showed a significantly higher interest in Spanish customer service (33%).

Nearly a third (30%) felt a Spanish website was somewhat or very important.



NOTE: Orange circled data indicates significant change/ difference compared to other year(s).

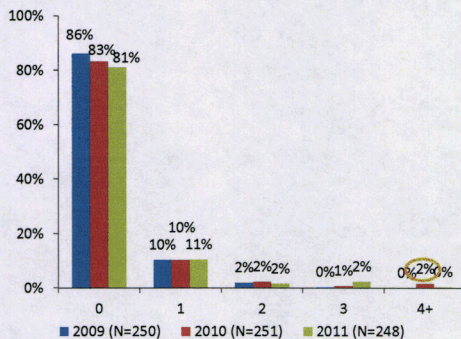
13a. If customer service were available in Spanish would you take advantage of it?
 Q13b. How important is it to you that Liberty Water's website is available in Spanish language? 16

Service Rep Home Visits

Most respondents had no service representative visit their home within the last year (81% none). Of those who had a representative visit, the average number of visits was 1.73 which was on par with 2010 (1.74 visits).

Number Called Business Office

Mean = 1.22 (2009); 1.74 (2010); 1.73 (2011);
among those who had a service rep visit their home within last year



NOTE: Orange circled data indicates significant change/difference compared to other year(s).

14b. How many times has an [INSERT FACILITY BASED ON ZIP CODE] employee visited your home to resolve a problem within the last year?

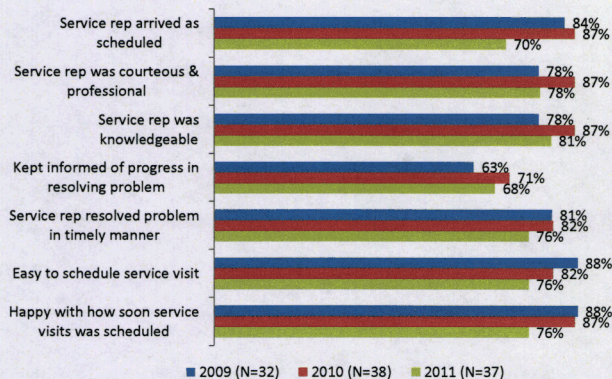
17

Service Rep Home Visits – Satisfaction

While satisfaction with service representative home visits was still strong, 2011 levels were lower for all factors tested. While some decreases were small (as low as 3%), *service rep arrived when scheduled* saw the largest decline in satisfaction (-17%, down to 70%). This placed it as the second worst in satisfaction behind *kept informed of progress in resolving problem* (68%).

Service rep knowledgeable received the highest satisfaction score (81%).

Top 2 Box Scores (4,5): 5 = Strongly Agree

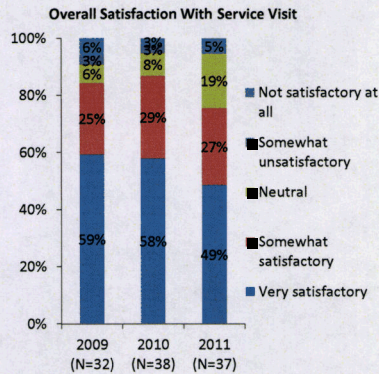


15. Using a 5-point scale where 5 is Strongly Agree and 1 is Strongly Disagree, please tell me how much you agree or disagree with each of the following statements about your in home service visit. If an [INSERT FACILITY BASED ON ZIP CODE] employee has visited your home more than once within the last year, please think only about your last visit.

18

Service Rep Home Visits – Overall Satisfaction & Improvements

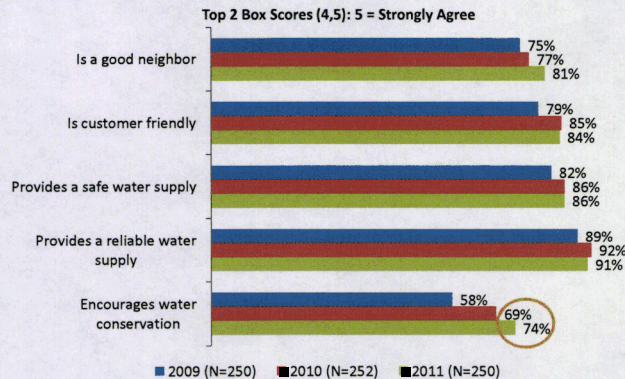
Overall satisfaction with the service rep home visit fell noticeably in 2011; three fourths (76%) of respondents indicated they were somewhat/very satisfied which was a decrease of 11% as compared to 2010.



16. Overall, how would you rate your experience with the service visit to your home using a 5-point scale with 5 being "Very Satisfactory" and 1 being "Not Satisfactory At All"? If you had more than one visit in the last year, please think only about your last visit. 19

Company Evaluation – Satisfaction

Respondents agreed that their water service facility provides a *reliable water supply* (91%, top 2 box agree/strongly agree) followed by *provides a safe water supply* (86%). While all agreement scores were relatively consistent with or up from 2010, *encourages water conservation* was significantly higher at 74% compared to 69% in 2010 and 58% in 2009.



Significantly Higher
Provides a safe water supply: At residence less than 5 years (91%)
Encourages water conservation: Belle Vista (81%)

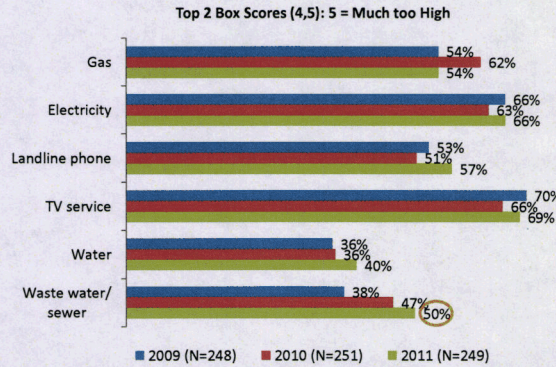
NOTE: Orange circled data indicates significant change/difference compared to other year(s). 20
18. Using a 5-point scale where 5 is Strongly Agree and 1 is Strongly Disagree, please tell me how much you agree or disagree with each of the following statements about [INSERT FACILITY BASED ON ZIP CODE].

Martin Garland – Southern AZ

Company Evaluation – Utility Rates

When comparing the perception of pricing for different utilities and services that respondents received, those considered somewhat/much too high were *television* (69%), *electricity* (66%) and *landline phone* (57%).

Water and *waste water/sewer* actually had the lowest "too high" scores (40% and 50% respectively). However, both received scores that were 3% to 4% higher as compared to 2010 data.



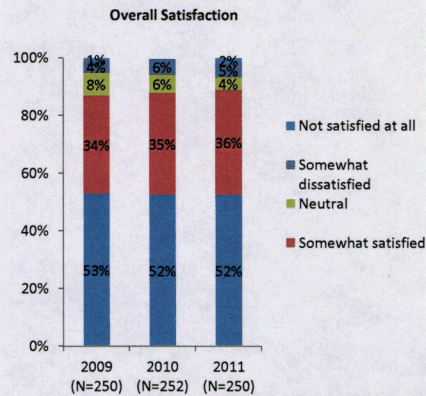
21. For each of the following utility services, please indicate if you feel the rates charged are much too high, somewhat too high, just right, somewhat low, or very low.

Martin Garland – Southern AZ

Company Evaluation – Overall Satisfaction

Respondents were satisfied with their water/waste water provider overall, with 88% of respondents stating they were somewhat/very satisfied (up 1% from 2010).

Those with significantly higher very satisfied scores were from Belle Vista (69% vs. 52% overall), 18-44 year olds (66%) and residents less than 5 years (64%).



22. Overall, how satisfied are you with [INSERT FACILITY BASED ON ZIP CODE]?

Company Evaluation – Overall Satisfaction

Those somewhat/very satisfied with the provider (68%) state that they *never had a problem/complaint* (32%). However, 14% of those satisfied still felt the *cost is too high/rate increases*.

Not surprisingly, *cost is too high/rate increases* (59%) was the main reason why respondents were dissatisfied (not satisfied at all/somewhat dissatisfied). Of even more importance is the fact cost as a factor rose by 19% as compared to 2010 data. *Poor/unfriendly/uncaring service* was also an important reason for dissatisfaction (24%; up 11% from 2010).

Suggestions for Improvements	2009 (n=250)	2010 (n=252)	2011 (n=250)	Difference from 2010
Why Satisfied	N=217	N=221	N=222	
Reliable/No service interruptions	17%	10%	9%	-1%
Never had a problem/complaint	18%	34%	32%	-2%
Cost is reasonable	14%	5%	6%	+1%
Good/friendly/courteous customer service	14%	9%	9%	0%
Service is satisfactory/good/excellent	11%	13%	8%	-5%
Water quality is good	11%	4%	4%	0%
Cost is too high/rate increases	10%	14%	14%	0%
Why Not Satisfied	N=13*	N=15*	N=17*	
Cost is too high/rate increases	23%	40%	59%	+19%
Poor/unfriendly/uncaring customer service	15%	13%	24%	+11%
Water is cloudy/contaminated/poor quality/hard	15%	7%	12%	+5%
Low/Fluctuating water pressure	8%	7%	6%	-1%
Smell/taste of water	8%	7%	0%	-7%

NOTE: Data in orange shaded cells are significantly higher; data in gray shaded cells are significantly lower: at 95% confidence level.

*Caution: small sample size.

20a. Being as specific as possible, why did you say you are [INSERT FROM Q20] with [INSERT FACILITY BASED ON ZIP CODE]?

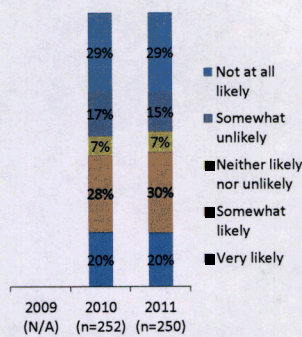
23

Rate Hikes

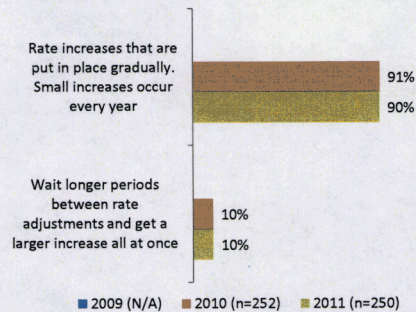
In terms of customer involvement in potential rate hikes, half (50%) stated they were very or somewhat likely to attend an informational meeting.

In case of rate increases, the vast majority (91%) preferred having the increases spread out over time with small increases occurring every year.

Likelihood of Attending Informational Meeting



Rate Hike Preference



21a. If rate case informational meetings were held in your community how likely would it be that you would attend?

21c. Regarding rate increases, given the opportunity would you prefer:

24

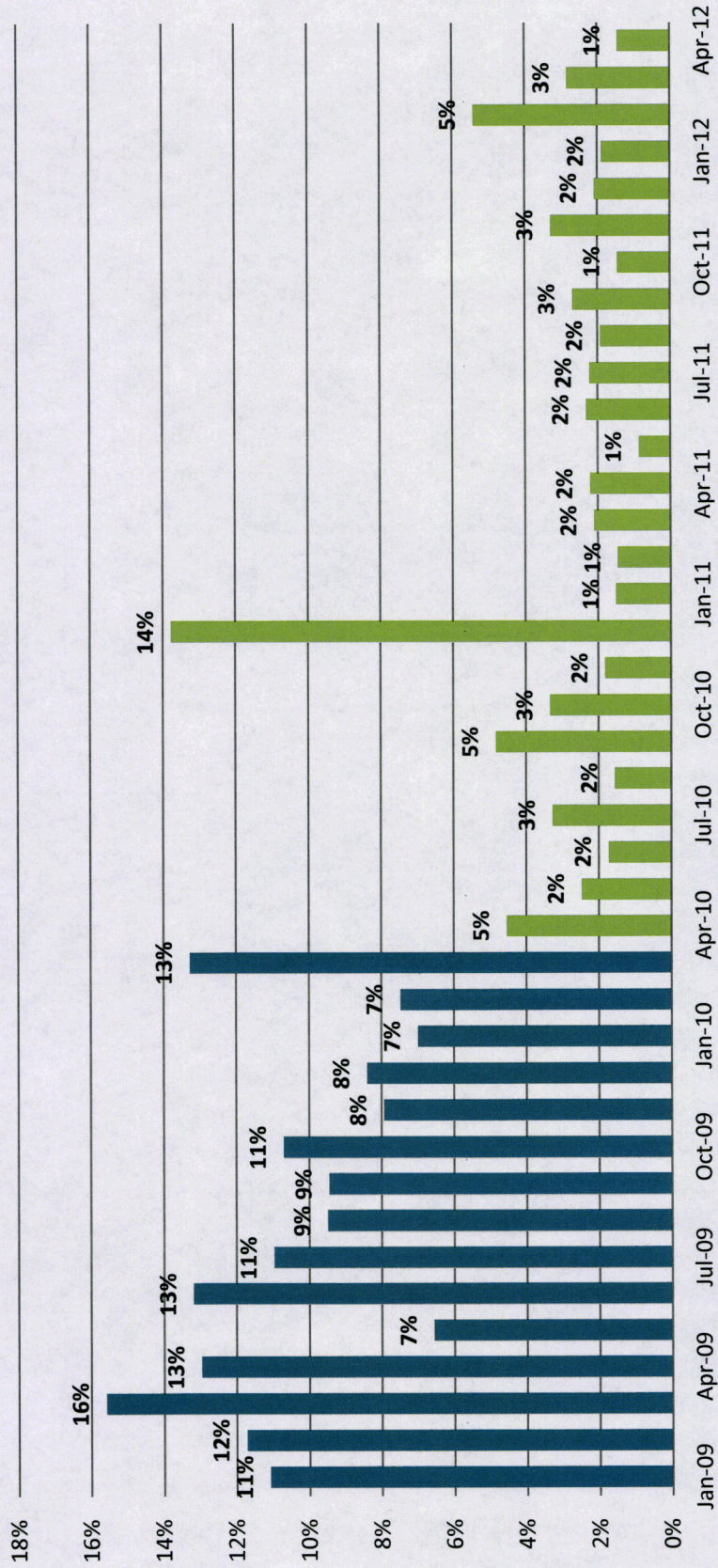
Rio Rico Utilities, Inc.
2012 Rate Application

Greg Sorensen Direct Testimony

Exhibit GS-DT3

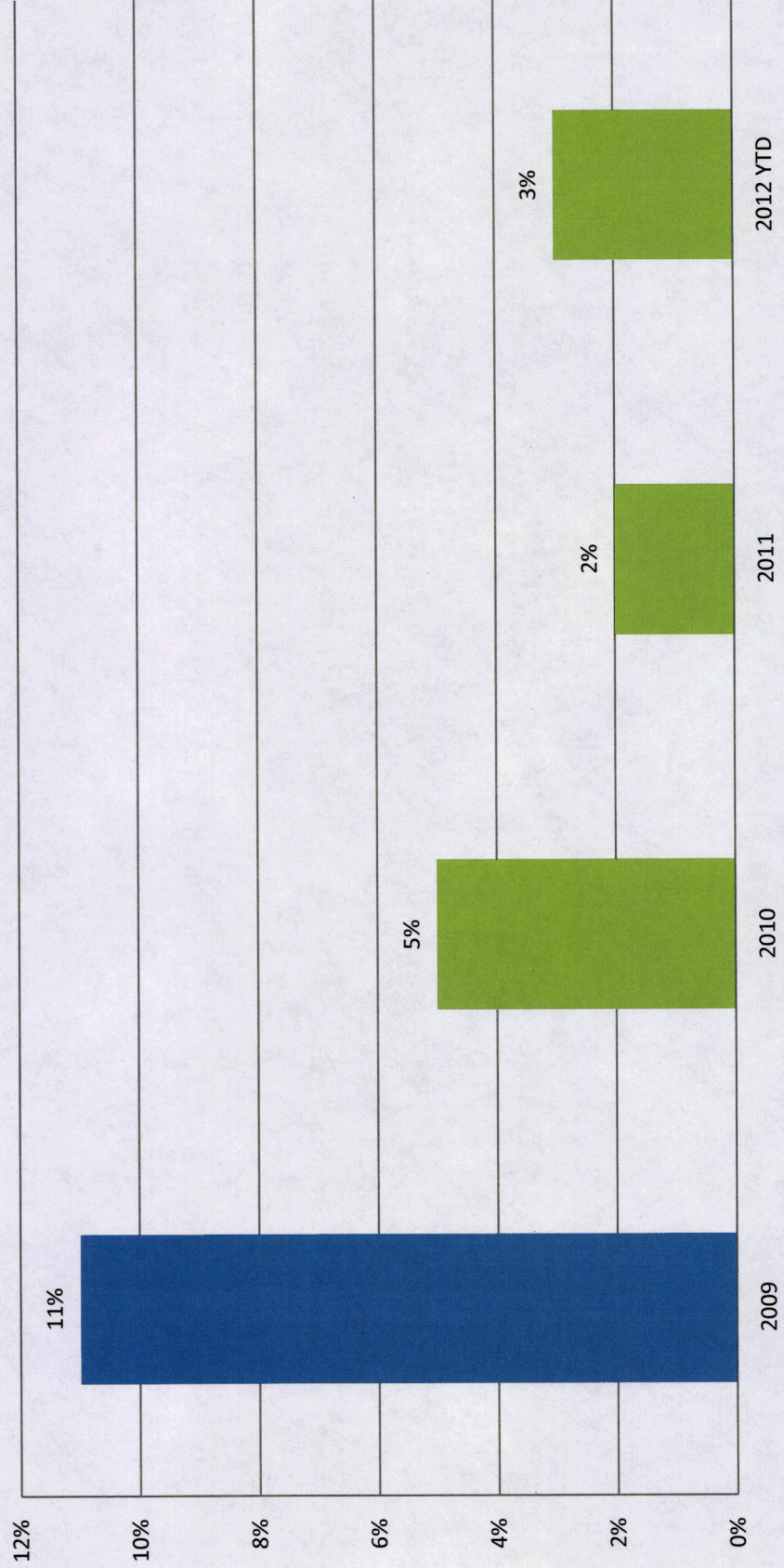
Pilot Disconnect Process - LPSCO

Disconnect Process LPSCO - Results



LPSCO Annual Disconnect %

LPSCO Disconnect Yearly Averages

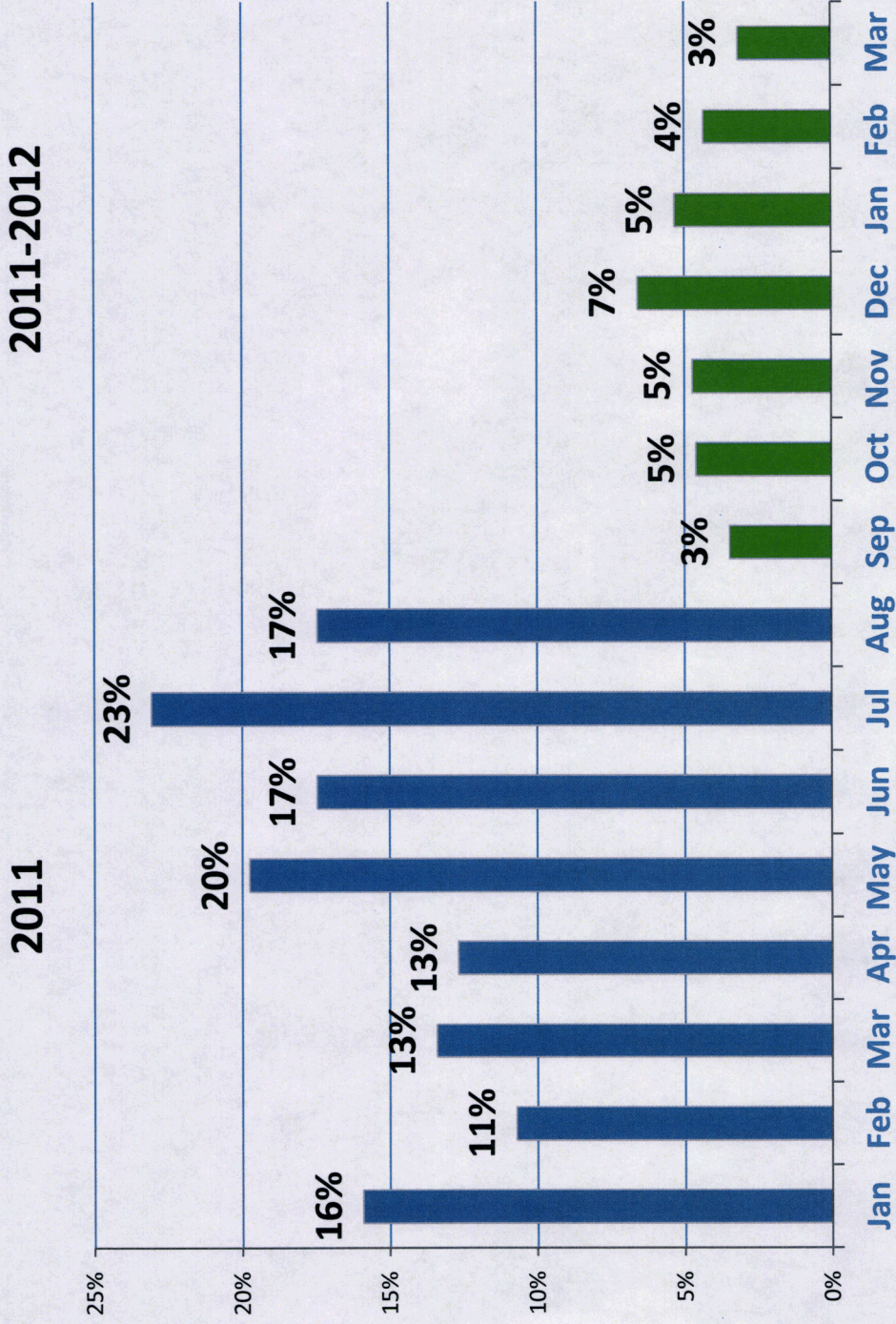


Rio Rico Utilities, Inc.
2012 Rate Application

Greg Sorensen Direct Testimony

Exhibit GS-DT4

RRUI Disconnect Process



- Liberty Water – Rio Rico
- Services Disconnected as percentage of Disconnect Notices Mailed.
- August 2011 – Starting making phone calls and leaving door tags.

3

1 FENNEMORE CRAIG, P.C.
Jay L. Shapiro (No. 014650)
2 3003 N. Central Ave.
Suite 2600
3 Phoenix, Arizona 85012
Attorney for RRUI Utilities Company
4

5 **BEFORE THE ARIZONA CORPORATION COMMISSION**

6
7 IN THE MATTER OF THE
APPLICATION OF RIO RICO UTILITIES,
8 INC., AN ARIZONA CORPORATION,
FOR A DETERMINATION OF THE FAIR
9 VALUE OF ITS UTILITY PLANTS AND
PROPERTY AND FOR INCREASES IN
10 ITS WATER AND WASTEWATER
RATES AND CHARGES FOR UTILITY
11 SERVICE BASED THEREON.

DOCKET NO:

WS-02676A-12-_____

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**DIRECT TESTIMONY OF
THOMAS J. BOURASSA
(RATE BASE, INCOME STATEMENT AND RATE DESIGN)**

May 31, 2012

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1 **I. INTRODUCTION AND QUALIFICATIONS**
2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**
3 A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive,
4 Phoenix, Arizona 85029.
5 **Q. WHAT IS YOUR PROFESSION AND BACKGROUND?**
6 A. I am a Certified Public Accountant and am self-employed, providing consulting
7 services to utility companies as well as general accounting services. I have a B.S.
8 in Chemistry and Accounting from Northern Arizona University (1980) and an
9 M.B.A. with an emphasis in Finance from the University of Phoenix (1991).
10 **Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND**
11 **REGULATORY EXPERIENCE?**
12 A. Yes. Prior to becoming a private consultant, I was employed by High-Tech
13 Institute, Inc., and served as controller and chief financial officer. Prior to working
14 for High-Tech Institute, I worked as a division controller for the Apollo Group,
15 Inc. Before joining the Apollo Group, I was employed at Kozoman & Kermode,
16 CPAs. In that position, I prepared compilations and other write-up work for water
17 and wastewater utilities, as well as tax returns.
18 In my private practice, I have prepared and/or assisted in the preparation of
19 several water and wastewater utility rate applications before the Arizona
20 Corporation Commission ("Commission").
21 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**
22 A. I am testifying in this proceeding on behalf of the applicant, Rio Rico Utilities, Inc.
23 ("RRUI" or the "Company"). RRUI is seeking a determination of its fair value
24 rate base and the setting of rates and charges for water and wastewater service
25 based on that finding
26

1 **II. OVERVIEW OF THE COMPANY'S REQUEST FOR RATE RELIEF**

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

3 A. I testify in support of the Company's proposed adjustments to its rates and charges
4 for water and wastewater utility service. I sponsor the direct schedules, which are
5 filed concurrently herewith in support of the Company's application. I was
6 responsible for the preparation of these schedules based on my investigation and
7 review of RRUI's relevant books and records.

8 For convenience, the two portions of my direct testimony, each with the
9 relevant schedules attached, are filed separately in this case. In this volume of my
10 direct testimony, I address the rate bases, income statements (revenue and
11 operating expenses), required increases in revenue, and rate designs and proposed
12 rates and charges for service for the Company's water and wastewater division.
13 Schedules A through C, E-F and H, labeled separately as "water division" and
14 "wastewater division," are attached to this portion of my direct testimony. The
15 Company has not prepared a cost of service study (G schedules) for either division.
16 Consequently, the G Schedules are omitted.

17 **Q. WHY DIDN'T THE COMPANY PREPARE A COST OF SERVICE**
18 **STUDY?**

19 A. Because the Commission does not set rates for water and wastewater utility service
20 based on cost of service, and because the changes to the rate designs the Company
21 is proposing do not necessitate a cost of service study, the substantial expense of
22 doing a cost of service study could not be justified. I have taken a similar approach
23 in other cases without complaint.

24 **Q. THANK YOU. PLEASE CONTINUE.**

25 A. In the second volume of my direct testimony, to which the D schedules are
26 attached, I address cost of capital. RRUI is requesting a return on common equity

1 of 10.7 percent. As shown on Schedule D-1, the Company's capital structure for
2 ratemaking purposes consists of 80 percent equity and 20 percent debt. The
3 weighted cost of capital is 9.7 percent.

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

5 A. The Company is seeking a revenue of increase of 21.2 percent for the water
6 division and an revenue increase of 28.9 percent for its wastewater division. The
7 test year used by RRUI is the 12-month period ending February 29, 2012. The
8 Company is requesting a 9.7 percent return on its fair value rate base ("FVRB").
9 The Company also proposes certain pro forma adjustments to take into account
10 known and measurable changes to rate base, expenses and revenues for each
11 division. These pro forma adjustments are consistent with normal ratemaking and
12 are contemplated by the Commission's rules and regulations governing rate
13 applications. See R14-2-103. These adjustments are necessary to obtain a normal
14 or realistic relationship between revenues, expenses and rate base on a going-
15 forward basis.

16 The Company's fair value rate base for the water division is \$7,629,607.
17 The increase in revenues to provide for recovery of operating expenses and a 9.7
18 percent return on rate base is approximately \$604,709, an increase of
19 approximately 21.2 percent over the adjusted and annualized test year revenues.

20 The Company's fair value rate base for the wastewater division is
21 \$4,600,012. The increase in revenues to provide for recovery of operating
22 expenses and a 9.7 percent return on rate base is approximately \$393,612, an
23 increase of approximately 28.9 percent over the adjusted and annualized test year
24 revenues.

25 **Q. WHY IS THE COMPANY FILING FOR NEW RATE AT THIS TIME?**

26 A. For the water division, RRUI is no longer earning its authorized return on the fair

1 value of its water plant devoted to service. While RRUI added approximately
2 \$600,000 of new plant investments necessary to serve water customers since the
3 last rate case which used a test year ended December 31, 2008 (Decision 72059,
4 January 6, 2011), rate base for the water division actually decreased by
5 approximately \$180,000. This is primarily due to a substantial increase in
6 deferred income taxes (a reduction to rate base). The primary driver of the rate
7 increase RRUI seeks for water service is revenue erosion of approximately
8 \$250,000. With respect to revenue erosion, the Company's revenues are lower
9 than they otherwise would be due in large part to conservation (reduced water
10 sales). Secondary drivers are increases in depreciation expense and property tax
11 expense related to capital investment made by RRUI. As a consequence of
12 revenue erosion and increases to depreciation and property tax expense, the
13 Company's current rate of return for the water division, based on the adjusted test
14 year data, is only 4.93 percent.

15 RRUI is also no longer earning its authorized return on the fair value of its
16 water plant devoted to service for the wastewater division. This is in part due to the
17 Company's substantial plant investments (over \$2.4 million) since the last rate
18 case and a corresponding increase in rate base of nearly \$1.4 million. The largest
19 capital expenditure since the last rate case was for an upgrade of existing treatment
20 capacity from the City of Nogales, the details of which are discussed in
21 GregorySorensen's testimony. However, as with the water division, the increase
22 to rate base from the additional plant in service has been offset with a significant
23 increase in deferred income taxes. Operating expenses also increased since the
24 last rate case. The primary driver for increased operating expense is an increase in
25 depreciation expense which is directly related to the significant plant additions
26 since the last rate case. In addition, there was revenue erosion of approximately

1 \$130,000. All of this resulted in only a 4.65 percent current rate of return for the
2 wastewater division based on the adjusted test year data.

3 **III. RRUI'S WATER DIVISION**

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

5 **Q. MR. BOURASSA, LET'S TURN TO THE COMPANY'S WATER**
6 **DIVISION SCHEDULES. PLEASE DESCRIBE THE SCHEDULES**
7 **LABELED AS A, E, AND F.**

8 A. The A-1 Schedule is a summary of the water division rate base, operating income,
9 current operating margin, required operating margin, operating income deficiency,
10 and the increase in gross revenue. A 9.7 percent return on FVRB is requested.
11 The increase in the revenue requirement is \$604,709. Revenues at present and
12 proposed and customer classifications are also shown on this schedule.

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

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

17 Schedule A-4 contains the plant construction, and plant-in-service for the
18 test year and prior years. The projected plant additions are also shown on this
19 schedule.

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

23 The E Schedules are based on the Company's actual operating results, as
24 reported by the Company in annual reports filed with the Commission. The E-1
25 Schedule contains the comparative balance sheet data for the years 2010, 2011,
26 and 2012 ending on February 28 (29 for 2012).

1 Schedule E-2, page 1, contains the income statement data for the years
2 2010, 2011, and 2012 ending on February 28 (29 for 2012).

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

5 Schedule E-4 provides the changes in membership equity.

6 Schedule E-5 contains the Company's plant-in-service at the end of the test
7 year, and one year prior to the end of the test year.

8 Schedule E-7 contains operating statistics for the years ended 2010, 2011,
9 and 2012 ending on February 28 (29 for 2012).

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

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

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

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

20 Schedule F-3 shows the Company's projected construction requirements for
21 2013, 2014, and 2015.

22 Schedule F-4 contains the assumptions used in developing the adjustments
23 and projections contained in the rate filing.

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

25 **Q. WOULD YOU EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE**
26 **LABELED AS THE B SCHEDULES?**

1 A. Yes. I will start with Schedule B-5, which is the working capital allowance. I
2 used the "formula method" of computing the working capital allowance to reduce
3 costs. However, the Company is not requesting a working capital allowance for
4 either division.

5 **Q. WHY DIDN'T THE COMPANY PREPARE A LEAD-LAG STUDY AND**
6 **USE THE RESULTS OF THAT STUDY TO COMPUTE WORKING**
7 **CAPITAL?**

8 A. Because the costs to prepare a lead-lag study outweigh the benefits. By way of
9 illustration, in a recent case for Chaparral City Water Company (W-02113A-07-
10 0551), the Residential Utility Consumer Office prepared a lead-lag study and
11 computed a negative \$111,000 of cash working capital. RRUI's water division is
12 one-third the size in terms of the level of expenses. So, assuming for argument's
13 sake that a lead-lag study would produce negative working capital of \$37,000 for
14 the water division. If the negative \$37,000 was included in rate base, the impact
15 on the revenue requirement would be a negative \$5,845 (-\$37,000 times 9.7
16 percent return times the tax factor of 1.6286). I would argue for the inclusion of
17 rate case expense in prepaid expenses or alternatively using rate case expense in
18 the computation of lead-lag days in the study, both approaches would lead to a
19 much less negative or even positive working capital. Of course, in the meantime,
20 the Company would have incurred \$10,000 just to have the study prepared and
21 face the opportunity to spend more defending its working capital calculation.

22 **Q. THANK YOU. PLEASE CONTINUE.**

23 A. The Company did not file Schedules B-3 and B-4. To limit issues in dispute and
24 reduce rate case expense, RRUI is requesting that its original cost rate base
25 ("OCRB") be used as its FVRB for both of its operating divisions.

26 **Q. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO**

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THE WATER DIVISIONS'S ORIGINAL COST RATE BASE?

A. Yes. Schedule B-2 shows adjustments to the water division's OCRB cost rate base proposed by the Company. Schedule B-2, pages 2 through 6, provides the supporting information. These adjustments are, in summary:

B-2 adjustment number 1, as shown on Schedule B-2, page 2, adjusts plant-in-service. There is one plant-in-service adjustment included in Adjustment 1. This is shown on Schedule B-2, page 3, and is labeled as adjustment "A".

Adjustment A of B-2 adjustment number 1 adjusts plant-in-service to reflect the reconciliation of the Company's plant-in-service detail to its amount recorded at the end of the test year and as reflected on the E-1 schedule.

Q. PLEASE CONTINUE.

A. Adjustment B-2 shown on Schedule B-2, page 2, adjusts accumulated depreciation. The details of the accumulated depreciation adjustment are shown a Schedule B-2, page 4. There is only one adjustment shown on this schedule and it is labeled as adjustment "A". This adjustment reflects the re-computed amounts per the Company's B-2 plant schedule.

Q. DO THE PLANT AND ACCUMULATED DEPRECIATION SHOWN ON B-2 REFLECT THE LAST COMMISSION RATE ORDER?

A. Yes. See Decision No. 72059. The plant shown on Schedule B-2 started with the plant-in-service and accumulated depreciation balances from the last rate case as described above. Plant additions and retirements since the test year in that case have been added to and deducted from total plant shown on Schedule B-2, pages 3.2 to 3.5. The schedule also shows the details for the accumulated depreciation through the end of the test year using the half-year convention for depreciation.

Q. THANK YOU. PLEASE CONTINUE.

A. Adjustment number 3, labeled as 3a and 3b, adjusts contributions in aid of

1 construction ("CIAC") and amortization for CIAC to the reconciled balances
2 based upon the recorded additional amounts the since the prior rate case. The
3 detail of the Company's proposed CIAC adjustments can be found on Schedule B-
4 2, page 5 and 5.1.

5 Adjustment number 4 adjusts advances in aid of construction ("AIAC") to
6 the reconciled balance based upon the recorded additional AIAC and AIAC
7 refunds since the prior rate case. The detail of the Company's proposed CIAC
8 adjustments can be found on Schedule B-2, page 6 and 6.1.

9 Adjustment number 5 reflects deferred income taxes. The Company's
10 computation is based on the adjusted plant-in-service, accumulated depreciation,
11 and CIAC in the instant case and the tax basis of its assets using the effective tax
12 rates. The detail of the Company's deferred income tax computation is shown on
13 Schedule B-2, page 6.

14 **Q. HOW WAS THE PROPOSED "FAIR VALUE" RATE BASE SHOWN ON**
15 **A-1 DETERMINED?**

16 A. As stated, the FVRB shown on Schedule A-1 is based on OCRB, with no
17 adjustment for the current values of the Company's plant and property.

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

19 **Q. PLEASE EXPLAIN THE ADJUSTMENTS YOU ARE PROPOSING TO**
20 **THE WATER DIVISION INCOME STATEMENT AS SHOWN ON**
21 **SCHEDULES C-1 AND C-2.**

22 A. The following is a summary of adjustments shown on Schedule C-1:

23 Adjustment 1 annualizes depreciation expense. The proposed depreciation
24 rate for each component of utility plant is shown on Schedule C-2, page 2. The
25 depreciation rates approved in the Company's last rate case were account specific
26 rates. The Company proposes to continue using these rates.

1 Adjustment 2 increases the property taxes based on proposed revenues.

2 **Q. HOW DID YOU COMPUTE THE PROPERTY TAXES AT PROPOSED**
3 **RATES?**

4 A. To determine full cash value, I used the method employed by the Arizona
5 Department of Revenue - Centrally Valued Properties ("ADOR" or "the
6 Department"). This method determines full cash value by using twice the average
7 of three years of revenue, plus an addition for CWIP and a deduction for the book
8 value of transportation equipment. In the instant case, I used two times the
9 adjusted revenues for the year ending February 29, 2012, and one year of revenues
10 at proposed rates. The assessed value (20 percent of full cash value) was then
11 multiplied by the property tax rate to determine adjusted property tax expense.

12 **Q. IS THIS CONSISTENT WITH PRIOR COMMISSION DECISIONS?**

13 A. Yes. *E.g., Chaparral City Water Company*, Decision No. 68176 (September 30,
14 2005) at 13, *RRUI Utilities*, Decision No. 67279 (October 5, 2004). It is also
15 consistent with the methodology adopted in the last rate case for RRUI. *See*
16 *Decision No. 72059* (January 6, 2011).

17 **Q. IS THIS SYNCHRONIZATION OF PROPERTY TAX EXPENSE WITH**
18 **REVENUES PROPER RATE MAKING?**

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

23 **Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE INCOME**
24 **STATEMENT ADJUSTMENTS.**

25 A. Adjustment 3 shows the rate case expense estimated by the Company. The
26 Company estimates rate case expense for the water division of \$262,500. The

1 Company proposes that rate case expense be recovered over three years because it
2 believes a three-year cycle for future rate cases is reasonable given this utility's
3 circumstances. The Company's last rate case was approximately 3 years ago.

4 **Q. HOW DID YOU ARRIVE AT THIS AMOUNT?**

5 A. Based on my experience with rate cases before the Commission, and that of the
6 Company's counsel. Given RRUI's size and the anticipated nature, length and
7 complexity of the proceedings, I estimate this rate case to cost a total of \$350,000.

8 **Q. HOW MUCH RATE CASE EXPENSE WAS AUTHORIZED IN RRUI'S**
9 **LAST RATE CASE?**

10 A. \$335,000 for both divisions. See Decision 72059.

11 **Q. PLEASE CONTINUE. HOW DID YOU ALLOCATE THE \$350,000 OF**
12 **RATE CASE EXPENSE?**

13 A. I allocated 75% of this amount or \$262,500 to the water division reflecting its size
14 relative to both the water division and wastewater division combined.

15 **Q. PLEASE EXPLAIN WHY YOU REFER TO THIS AMOUNT AS AN**
16 **"ESTIMATE"?**

17 A. Because I can't see the future, I can only make estimates based on my experience.
18 The specifics of who may intervene, what unique issues may come into dispute,
19 what kind of procedural problems we will encounter, etc. I cannot predict. I know
20 rate cases are lengthy and expensive, but I still have to start with an estimate. If
21 things turn out more complicated than anticipated, the Company will modify its
22 request to account for that increased expense. Conversely, if the case proceeds and
23 rate case expense is lower than expected, we will make an appropriate adjustment
24 downward.

25 **Q. PLEASE CONTINUE WITH YOUR DISCUSSION OF THE INCOME**
26 **STATEMENT ADJUSTMENTS?**

1 A. Adjustment 4 annualizes revenues to the year-end number of customers. The
2 annualization of revenues is based on the number of customers at the end of the test
3 year, compared to the actual number of customers during each month of the test
4 year. Average revenues by month were computed for the test year. The average
5 revenues were then multiplied by the increase (or decrease) in number of
6 customers for each month of the test year.

7 Adjustment 5 increased revenues reflecting a correction to the Company's
8 recorded revenue accruals during the test year for water division.

9 Adjustment 6 removes rent expense for office space. The Company
10 recently purchased and refurbished an office building and will no longer be
11 incurring office rent expense.

12 Adjustment 7 normalizes water testing expense.

13 Adjustment 8 annualizes test year wages and salaries.

14 Adjustment 9 reduces management services expense from Liberty Utilities
15 and reflects the removal of costs the Company is not seeking to include in the cost
16 of service. The removed costs include but are not limited to the expenses for
17 holiday parties, business development, and charges that should have been directly
18 allocated to other subsidiaries.

19 Adjustment 10 increases management services expense from Liberty
20 Utilities and reflects increases to Liberty Utilities labor costs that are directly
21 attributable to the Company's cost of service.

22 Adjustment 11 reduces management services expense from the corporate
23 office and reflects the removal of corporate costs the Company is not seeking to
24 include in the cost of service. The removed costs include but are not limited to the
25 expenses for corporate donations, write-offs of non-performing assets, and non
26 commercial airplane charges related to corporate transportation.

1 Adjustment 12 also reduces management services expense from the
2 corporate office and reflects an update to the management services cost allocation
3 on a going forward basis.

4 **Q. HAS THE COMPANY MADE CHANGES TO ITS CORPORATE COST**
5 **ALLOCATION METHODOLOGY SINCE THE LAST RATE CASE?**

6 A. Yes. Company witness, Peter Eichler, explains in his direct testimony the cost
7 allocation method adopted and placed into practice since the last rate case. He also
8 explains the cost allocation method update that was made in 2012, which reduces
9 total operating expenses. This update is the underlying basis for adjustment 12
10 described above.

11 **Q. PLEASE CONTINUE.**

12 A. Adjustment 13 removes other income and expense to eliminate their impact on the
13 income tax allowance computations.

14 Adjustment number 14 synchronizes interest expense with rate base. The
15 synchronized interest expense is reflected as a deduction in the computation of the
16 income tax allowance.

17 Finally, Adjustment 15 adjusts income taxes to a level based upon the
18 Company's adjusted test year revenues and expenses.

19 **D. Rate Design (H Schedules).**

20 **Q. WHAT ARE THE COMPANY'S PRESENT RATES FOR WATER**
21 **SERVICE?**

22 A. The Company's present rates are:

23 MONTHLY SERVICE CHARGES

24	5/8" x 3/4" meters	\$10.98
25	3/4" Meters	\$16.47

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1	1" Meters	\$27.45
2	1 1/2" Meters	\$54.90
3	2" Meters	\$87.84
4	3" Meter	\$175.68
5	4" Meters	\$274.50
6	6" Meter	\$549.00
7	8" Meters	\$878.40
8	10" Meters	\$1,262.70
9	12" Meters	\$2,360.70
10	Fire Lines up to 8 Inch	Per Rule
11	Fire Lines 10 Inch	Per Rule
12	Fire Lines 12 Inch	Per Rule

13 COMMODITY RATES

14	5/8" X 3/4" Meters	1 to 3,000	\$ 1.59
15		3,001 to 9,000	\$ 2.92
16		Over 9,000	\$ 3.64
17	3/4" Meters	1 to 6,000	\$ 2.92
18		Over 6,000	\$ 3.64
19	1" Meters	1 to 15,000	\$ 2.92
20		Over 15,000	\$ 3.64
21	1 1/2" Meters	1 to 20,000	\$ 2.92
22		Over 20,000	\$ 3.64
23	2" Meters	1 to 57,000	\$ 2.92
24		Over 57,000	\$ 3.64
25	3" Meters	1 to 57,000	\$ 2.92
26		Over 57,000	\$ 3.64

1	4" Meters	1 to 57,000	\$ 2.92
2		Over 57,000	\$ 3.64
3	6" Meters	1 to 125,000	\$ 2.92
4		Over 125,000	\$ 3.64
5	8" Meters	1 to 125,000	\$ 2.92
6		Over 125,000	\$ 3.64
7	10" Meters	1 to 125,000	\$ 2.92
8		Over 125,000	\$ 3.64
9	12" Meters	1 to 125,000	\$ 2.92
10		Over 125,000	\$ 3.64

11 **Q. WHAT ARE THE COMPANY'S PROPOSED RATES FOR WATER**
 12 **SERVICE?**

13 A. The Company's proposed rates are:
 14 MONTHLY SERVICE CHARGES

15	5/8" x 3/4" meters	\$17.22
16	3/4" Meters	\$25.83
17	1" Meters	\$43.05
18	1 1/2" Meters	\$86.10
19	2" Meters	\$137.76
20	3" Meters	\$275.52
21	4" Meters	\$430.50
22	6" Meters	\$861.00
23	8" Meters	\$1,377.60
24	10" Meters	\$1,980.30
25	12" Meters	\$3,702.30
26	Fire Lines up to 8 Inch	Per Rule

1	Fire Lines 10 Inch		Per Rule
2	Fire Lines 12 Inch		Per Rule
3	COMMODITY RATES		
4	5/8" X 3/4" Meters	1 to 3,000	\$ 1.82
5		3,001 to 9,000	\$ 3.02
6		Over 9,000	\$ 3.67
7	3/4" Meters	1 to 6,000	\$ 3.02
8		Over 6,000	\$ 3.67
9	1" Meters	1 to 22,500	\$ 3.02
10		Over 22,500	\$ 3.67
11	1 1/2" Meters	1 to 45,000	\$ 3.02
12		Over 45,000	\$ 3.67
13	2" Meters	1 to 72,000	\$ 3.02
14		Over 72,000	\$ 3.67
15	3" Meters	1 to 144,000	\$ 3.02
16		Over 144,000	\$ 3.67
17	4" Meters	1 to 225,000	\$ 3.02
18		Over 225,000	\$ 3.67
19	6" Meters	1 to 450,000	\$ 3.02
20		Over 450,000	\$ 3.67
21	8" Meters	1 to 720,000	\$ 3.02
22		Over 720,000	\$ 3.67
23	10" Meters	1 to 1,035,000	\$ 3.02
24		Over 1,035,000	\$ 3.67
25	12" Meters	1 to 1,935,000	\$ 3.02
26		Over 1,935,000	\$ 3.67

1 **Q. WHAT METER SIZE ARE THE MAJORITY OF CUSTOMERS ON AND**
2 **WHAT WAS THE AVERAGE MONTHLY BILL DURING THE TEST**
3 **YEAR ?**

4 A. The largest customer class is the 5/8x3/4 inch residential class comprising
5 approximately 93 percent of customers. As shown on Schedule H-2, page 1, the
6 average monthly bill under present rates for a 5/8x3/4 inch residential customer
7 using an average 7,794 gallons is \$29.75.

8 **Q. WHAT WILL BE THE AVERAGE 5/8X3/4 INCH RESIDENTIAL**
9 **CUSTOMER AVERAGE MONTHLY BILL UNDER THE NEW RATES?**

10 A. As shown on Schedule H-2, page 1, the average monthly bill under proposed rates
11 for a 5/8x3/4 inch residential customer using an average 7,794 gallons is \$37.16 – a
12 \$7.41 increase over the present monthly bill or a 24.91 percent increase.

13 **Q. IS THE COMPANY PROPOSING CHANGES TO THE RATE DESIGN?**

14 A. Yes. The Company is proposing changes to the basic rate design a rate design that
15 strikes a better balance between conservation and revenue stability than the current
16 rate design. However, the rate design places more emphasis on revenue recovery
17 from the monthly minimums and first tier commodity rates.

18 **Q. WHAT DO YOU MEAN BY “MORE EMPHASIS”**

19 A. The current rates were designed to recover less than 30 percent of the revenues
20 from the monthly minimum and less than 43 percent of revenues from the monthly
21 minimum and the first tier commodity rates.

22 This means that more than half of the Company’s revenues from water sales
23 were expected to be recovered from the commodity rates, especially those in the
24 two higher tiers. It also meant that if water use went down, from conservation or
25 any other reason, there was a high likelihood of significant revenue erosion.

26 **Q. DID THE COMPANY EXPERIENCE REVENUE EROSION?**

1 A. Yes, and I prepared a schedule showing the revenue recovery by customer class for
2 under the rates approved in the last rate case and under RRUI's proposed rates in
3 this case. See Exhibit TJB-DT1. At page 1 of the exhibit I show the revenue
4 recovery by customer class at the rates approved in the last rate case. At page 2 of
5 the exhibit I show the revenue recovery by customer class at the Company
6 proposed rates in the instant case. As shown, the revenue recovery from the
7 monthly minimums for the rates approved in the last rate case was about 29.4
8 percent whereas under the Company proposed rates the recovery is about 43.6
9 percent. Revenue recovery from the monthly minimums plus the first tier
10 commodity rates for the rates approved in the last rate case was about 42.4 percent
11 whereas under the Company proposed rates the recovery is about 58.6 percent.

12 **Q. BUT HOW DO YOU KNOW REVENUE EROSION HAS TAKEN PLACE**
13 **SINCE THE LAST RATE CASE?**

14 A. Compared to the authorized revenues in the last rate case, revenues are down by
15 nearly \$256,000 or about 8 percent.¹ And this is a best case scenario number. The
16 revenue decline may be much higher, but there are approximately 360 additional
17 customers in the current test year compared the end of the last test year. These
18 additional customers would translate to additional revenues of nearly \$130,000
19 using the average monthly residential bill of \$29.75 in this case. So, the revenue
20 erosion could be as much as \$386,000, or well over 12 percent of revenues.

21 **Q. WHAT IS THE PRIMARY CAUSE OF THE REVENUE EROSION?**

22 A. Conservation. The average monthly water use for the 5/8x3/4 inch metered
23 residential customers in the last rate case was 8,548 gallons. In the instant case it is
24 7,794; a drop in the average monthly water use by over 750 gallons. The total

25 ¹ The authorized revenue in the last rate case was about \$3,111,000 and the adjusted test year
26 revenue in the instant case is about \$2,855,000.

1 water usage for this customer class declined by over 37 million gallons or roughly
2 6 percent compared to the prior test year despite having more customers. Similar
3 declines occurred in the other customer classes, particularly the 2 inch metered
4 commercial class.

5 **Q. HAVE YOU PREPARED A SCHEDULE COMPARING THE REVENUES,**
6 **USAGE, BILLINGS, AND AVERAGE USE BY CLASS FROM THE LAST**
7 **CASE TO THE INSTANT CASE?**

8 A. Yes. See Exhibit TJB-DT2. This schedule shows and compares the revenues by
9 tier, total revenues, the average usage, the number of billings, the gallons in each
10 tier, and total gallons for each customer class for the current test year and the prior
11 test year.

12 **Q. DID WEATHER CONTRIBUTE TO THE LOWER AVERAGE WATER**
13 **USE OR TO THE DECLINE IN TOTAL WATER USE FOR THE 5/8x3/4**
14 **INCH METERED CUSTOMERS?**

15 A. In my opinion, no. The weather may have had the opposite effect and actually
16 mitigated the decline. That is, the decline in both the average and the total water
17 usage may have been offset by increases in water use due to the weather.
18 According to the weather information for the area the test year was somewhat
19 hotter both on average and with respect to the high temperature. The average
20 temperature for the test year was about 80 degrees compared to about 78 degrees
21 for the prior test year. But the current test year was also drier than the prior test
22 year with precipitation of about 9 inches and 14 inches, respectively. Hotter and
23 drier weather conditions typically means greater water sales for landscaping and
24 other outdoor uses. Hotter conditions can also mean greater water use in areas
25 where evaporate cooling is prevalent; although the Company does not know if this
26 is the case for its service territory.

1 Q. OKAY, MR. BOURASSA – BUT WASN'T THE POINT OF THE
2 APPROVED RATE DESIGN TO ENCOURAGE CONSERVATION?

3 A. Yes, and it worked. But conservation is not intended to leave the utility unable to
4 collect enough revenue to recover its operating expenses and earn a fair rate of
5 return. I have urged the Commission for the better part of a decade now that while
6 its rate design model does promote conservation, there remains a significant risk of
7 revenue instability. The rate design proposed in this case strikes a far better
8 balance. And with the evidence available, I demonstrate that conservation can still
9 be achieved through rate design, but without the significant risk of revenue stability
10 that has existed in the past.

11 1. **Miscellaneous Charges.**

12 Q. IS THE COMPANY PROPOSING ANY CHANGES TO ITS METER AND
13 SERVICE LINE INSTALLATION CHARGES?

14 A. No.

15 Q. IS THE COMPANY PROPOSING ANY CHANGES TO MISCELLANEOUS
16 SERVICE CHARGES FOR THE WATER DIVISION?

17 A. No.

18 IV. **WASTEWATER DIVISION**

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

20 Q. MR. BOURASSA, LET'S TURN TO THE COMPANY'S WASTEWATER
21 DIVISION SCHEDULES. PLEASE DESCRIBE THE SCHEDULES
22 LABELED AS A, E, AND F.

23 A. The A-1 Schedule is a summary of the wastewater division rate base, operating
24 income, current operating margin, required operating margin, operating income
25 deficiency, and the increase in gross revenue. A 9.7 percent return on FVRB is
26 requested. The proposed increase in the revenue requirement is \$393,612.

1 Revenues at present and proposed and customer classifications are also shown on
2 this schedule.

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

5 Schedule A-3 contains the Company's capital structure for the test year and
6 the two prior years.

7 Schedule A-4 contains the plant construction, and plant-in-service for the
8 test year and prior years. The projected plant additions are also shown on this
9 schedule.

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

13 The E Schedules are based on the Company's actual operating results, as
14 reported by the Company in annual reports filed with the Commission. The E-1
15 Schedule contains the comparative balance sheet data the years 2010, 2011, and
16 2012 ending on February 28 (29 for 2012).

17 Schedule E-2, page 1, contains the income statement for the years 2010,
18 2011, and 2012 ending on February 28 (29 for 2012).

19 Schedule E-3 contains the statements of changes in the Company's financial
20 position for the test year and the two prior years.

21 Schedule E-4 provides the changes in membership equity.

22 Schedule E-5 contains the Company's plant-in-service at the end of the test
23 year, and one year prior to the end of the test year.

24 Schedule E-7 contains operating statistics for the years ended 2010, 2011,
25 and 2012 ending on February 28 (29 for 2012).

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

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

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

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

10 Schedule F-3 shows the Company's projected construction requirements for
11 2013, 2014, and 2015.

12 Schedule F-4 contains the assumptions used in developing the adjustments
13 and projections contained in the rate filing.

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

15 **Q. WOULD YOU EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE**
16 **LABELED AS THE B SCHEDULES?**

17 A. Yes. I will start with Schedule B-5, which is the working capital allowance. My
18 rationale for not doing a lead-lag study, and the reasons for my recommendation of
19 zero working capital are explained above with respect to the water division. See
20 page 7 of my testimony.

21 **Q. PLEASE CONTINUE.**

22 A. The Company did not file Schedules B-3 and B-4. As I stated above, RRUI is
23 requesting that its OCRB be used as its FVRB for both divisions.

24 **Q. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO**
25 **THE WASTEWATER DIVISION'S ORIGINAL COST RATE BASE?**

26 A. Yes. Schedule B-2 shows adjustments to the wastewater division's OCRB cost

1 rate base proposed by RRUI. Schedules B-2, pages 2 through 6, provide the
2 supporting information. These adjustments are, in summary:

3 B-2 adjustment number 1, as shown on Schedule B-2, page 2, adjusts
4 plant-in-service. There is one plant-in-service adjustment included in Adjustment
5 1. This is shown on Schedule B-2, page 3, and is labeled as adjustment "A".

6 Adjustment A of B-2 adjustment number 1 adjusts plant-in-service to reflect
7 the reconciliation of the Company's plant-in-service detail to its amount recorded
8 at the end of the test year and as reflected on the E-1 schedule.

9 **Q. PLEASE CONTINUE.**

10 A. Adjustment B-2 shown on Schedule B-2, page 2, adjusts accumulated depreciation.
11 The details of the accumulated depreciation adjustment are shown a Schedule B-2,
12 page 4. There is only one adjustment shown on this schedule and it is labeled as
13 adjustment "A". This adjustment reflects the re-computed amounts per the
14 Company's B-2 plant schedule.

15 **Q. DO THE PLANT AND ACCUMULATED DEPRECIATION SHOWN ON
16 B-2 REFLECT THE LAST COMMISSION RATE ORDER?**

17 A. Yes. See Decision No. 72059. The plant shown on Schedule B-2 started with the
18 plant-in-service and accumulated depreciation balances from the last rate case for
19 the wastewater division as described above. Plant additions and retirements since
20 the test year in that case have been added to and deducted from total plant shown
21 on Schedule B-2, pages 3.2 to 3.5. The schedule also shows the details for the
22 accumulated depreciation through the end of the test year using the half-year
23 convention for depreciation.

24 **Q. THANK YOU. PLEASE CONTINUE.**

25 A. Adjustment number 3, labeled as 3a and 3b, adjusts contributions in aid of
26 construction ("CIAC") and amortization for CIAC to the reconciled balances

1 based upon the recorded additional amounts the since the prior rate case. The
2 detail of the Company's proposed CIAC adjustments can be found on Schedule B-
3 2, page 5 and 5.1.

4 Adjustment number 4 adjusts advances in aid of construction ("AIAC") to
5 the reconciled balance based upon the recorded additional AIAC and AIAC
6 refunds since the prior rate case. The detail of the Company's proposed CIAC
7 adjustments can be found on Schedule B-2, page 6 and 6.1.

8 Adjustment number 5 reflects deferred income taxes. The Company's
9 computation is based on the adjusted plant-in-service, accumulated depreciation,
10 and CIAC in the instant case and the tax basis of its assets using the effective tax
11 rates. The detail of the Company's deferred income tax computation is shown on
12 Schedule B-2, page 6.

13 **Q. HOW WAS THE PROPOSED "FAIR VALUE" RATE BASE SHOWN ON**
14 **A-1 DETERMINED?**

15 A. As stated, the FVRB shown on Schedule A-1 is based on OCRB, with no
16 adjustment for the current values of the Company's plant and property.

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

18 **Q. PLEASE EXPLAIN THE ADJUSTMENTS YOU ARE PROPOSING TO**
19 **THE WASTEWATER DIVISION INCOME STATEMENT AS SHOWN ON**
20 **SCHEDULES C-1 AND C-2.**

21 A. The following is a summary of adjustments shown on Schedule C-1:

22 Adjustment 1 annualizes depreciation expense. The proposed depreciation
23 rate for each component of utility plant is shown on Schedule C-2, page 2. The
24 depreciation rates approved in the Company's last rate case were account specific
25 rates. The Company proposes to continue to use these rates.

26 Adjustment 2 increases the property taxes based on proposed revenues. My

1 analysis for the wastewater division is identical to that used for the water division.
2 See page 10 of my testimony.

3 **Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE INCOME**
4 **STATEMENT ADJUSTMENTS.**

5 A. Adjustment 3 shows the rate case expense proposed by the Company. The
6 Company estimates rate case expense for the wastewater division of \$87,500. I
7 described my approach to the rate case expense previously. See page 10-11 of my
8 testimony.

9 **Q. OKAY, THANK YOU. PLEASE CONTINUE WITH YOUR DISCUSSION**
10 **OF THE INCOME STATEMENT ADJUSTMENTS?**

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

17 Adjustment 5 increased revenues reflecting a correction to the Company's
18 recorded revenue accruals during the test year for water division.

19 Adjustment 6 removes rent expense for office space. The Company
20 recently purchased and refurbished an office building and will no longer be
21 incurring office rent expense.

22 Adjustment 7 is intentionally left blank.

23 Adjustment 8 annualizes test year wages and salaries.

24 Adjustment 9 reduces management services expense from Liberty Utilities
25 and reflects the removal of costs the Company is not seeking to include in the cost
26 of service. The removed costs include but are not limited to the expenses for

1 holiday parties, business development, and charges that should have been directly
2 allocated to other subsidiaries.

3 Adjustment 10 increases management services expense from Liberty
4 Utilities and reflects increases to Liberty Utilities labor costs that are directly
5 attributable to the Company's cost of service.

6 Adjustment 11 reduces management services expense from the corporate
7 office and reflects the removal of corporate costs the Company is not seeking to
8 include in the cost of service. The removed costs include but are not limited to the
9 expenses for corporate donations, write-offs of non-performing assets, and non-
10 commercial airplane charges related to corporate transportation.

11 Adjustment 12 also reduces management services expense from the
12 corporate office and reflects an update to the management services cost allocation
13 on a going forward basis. I briefly discussed the Company's changes to the cost
14 allocation method earlier in my testimony. See page 12 of my testimony.

15 Adjustment 13 removes other income and expense to eliminate their impact
16 on the income tax allowance computations.

17 Adjustment number 14 synchronizes interest expense with rate base. The
18 synchronized interest expense is reflected as a deduction in the computation of the
19 income tax allowance.

20 Finally, Adjustment 15 adjusts income taxes to a level based upon the
21 Company's adjusted test year revenues and expenses.

22 **D. Wastewater Division Rate Design (H Schedules).**

23 **Q. WHAT ARE THE COMPANY'S PRESENT RATES FOR WASTEWATER**
24 **SERVICE?**

25 **A. The Company's present rates are:**
26 **MONTHLY SERVICE CHARGES**

1	5/8" x 3/4" meters	\$45.88
2	3/4" Meters	\$52.88
3	1" Meters	\$64.64
4	1 1/2" Meters	\$95.44
5	2" Meters	\$132.38
6	3" Meter	\$230.62
7	4" Meters	\$341.83
8	6" Meter	\$649.58
9	8" Meters	\$944.45
10	10" Meters	\$1,415.24
11	12" Meters	\$2,012.57

12 **COMMODITY RATES**

13 **Commercial and Multi-tenant only**

14	0 to 7,000 gallons	\$0.00
15	Over 7,000 gallons	\$4.67

16 **Q. WHAT ARE THE COMPANY'S PROPOSED RATES FOR**
 17 **WASTEWATER SERVICE?**

18 **A.** The Company's proposed rates are:

19 **MONTHLY SERVICE CHARGES**

20	5/8" x 3/4" meters	\$60.01
21	3/4" Meters	\$69.17
22	1" Meters	\$84.55
23	1 1/2" Meters	\$124.84
24	2" Meters	\$173.15
25	3" Meter	\$301.65
26	4" Meters	\$447.11

1	6" Meter	\$849.65
2	8" Meters	\$1,235.34
3	10" Meters	\$1,851.13
4	12" Meters	\$2,632.44

5 **COMMODITY RATES**

6 **Commercial and Multi-tenant only**

7	0 to 7,000 gallons	\$0.00
8	Over 7,000 gallons	\$5.44

9

10 **Q. WHAT WILL BE THE 5/8X3/4 INCH RESIDENTAIL CUSTOMER**
11 **MONTHLY BILL UNDER THE NEW RATES?**

12 A. As shown on Schedule H-2, page 1, the average monthly bill under proposed rates
13 for a 5/8x3/4 inch residential customer is \$60.01 – a \$14.13 increase over the
14 present monthly bill or a 30.8 percent increase.

15 **Q. HAS THE COMPANY PROPOSED ANY CHANGES TO THE BASIC**
16 **RATE DESIGN?**

17 A. No, except that a greater emphasis has been placed on increasing the monthly
18 minimums as opposed to increasing the commodity rates, particularly commercial
19 and multi-tenant customer classes. The wastewater division has experienced
20 revenue erosion on the order of about \$130,000 or 11.7 percent. The revenue
21 erosion for the wastewater division is primarily related to water conservation, but
22 there are also some elements of customer loss contributing to the revenue erosion.

23 **Q. HAVE YOU PREPARED A SCHEDULE SHOWING THE REVENUES,**
24 **USAGE, BILLINGS, AND AVERAGE USE BY CLASS FROM THE LAST**
25 **CASE TO THE INSTANT CASE?**

26

1 A. Yes. See Exhibit TJB-DT3. This schedule shows and compares the revenues by
2 tier, total revenues, the average usage, the number of billings, the gallons in each
3 tier, and total gallons for each customer class for the current test year and the prior
4 test year. Remember, when reviewing this schedule, only the commercial and
5 multi-tenant customer rates are tied to water usage.

6 **Q. PLEASE CONTINUE.**

7 A. Like the rates for the water division, the greater emphasis on revenue recovery
8 from the monthly minimums provides for more revenue stability.

9 **1. Miscellaneous Charges.**

10 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO MISCELLANEOUS**
11 **SERVICE CHARGES FOR THE WASTEWATER DIVISION?**

12 A. No.

13 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

14 A. Yes.

15

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Rio Rico Utilities, Inc.
2012 Rate Application

Tom Bourassa Direct Testimony

Exhibit TJB-DT1

Rio Rico Utilities, Inc. - Water Division - Decision 72059
 Revenue Breakdown Summary
 Test Year Ended December 31, 2008
 Proposed Rates

Attachment
 Page 1

		Proposed Monthly Mins	Commodity First Tier	Commodity Second Tier	Commodity Third Tier	Total
5/8 Inch	Residential	\$ 742,204	\$ 285,047	\$ 649,338	\$ 637,277	\$ 2,313,866
3/4 Inch	Residential	\$ 1,581	\$ 990	\$ 15	\$ -	\$ 2,586
1 Inch	Residential	\$ 16,488	\$ 15,747	\$ 5,420	\$ -	\$ 37,655
1.5 Inch	Residential	\$ 5,270	\$ 4,818	\$ 1,663	\$ -	\$ 11,752
2 Inch	Residential	\$ 5,270	\$ 3,265	\$ 309	\$ -	\$ 8,845
Subtotal						
5/8 Inch	Commercial	\$ 15,284	\$ 5,187	\$ 13,832	\$ 29,810	\$ 64,113
1 Inch	Commercial	\$ 15,169	\$ 13,749	\$ 18,502	\$ -	\$ 47,420
1.5 Inch	Commercial	\$ 6,588	\$ 5,218	\$ 10,882	\$ -	\$ 22,688
2 Inch	Commercial	\$ 36,893	\$ 40,530	\$ 181,025	\$ -	\$ 258,447
3 Inch	Commercial	\$ 25,298	\$ 9,399	\$ 128,340	\$ -	\$ 163,037
4 Inch	Commercial	\$ 19,764	\$ 10,775	\$ 63,954	\$ -	\$ 94,493
6 Inch	Commercial	\$ 6,588	\$ 4,380	\$ 22,568	\$ -	\$ 33,536
Subtotal						
5/8 Inch	Multi-family	\$ 1,186	\$ 491	\$ 1,253	\$ 1,533	\$ 4,463
1.5 Inch	Multi-family	\$ 659	\$ 260	\$ -	\$ -	\$ 919
Subtotal						
Fire Lines up to 8 Inch		\$ 2,319	\$ -	\$ -	\$ -	\$ 2,319
TOTALS						
		\$ 900,561	\$ 399,857	\$ 1,097,101	\$ 668,620	\$ 3,066,139
Percent of Total		29.37%	13.04%	35.78%	21.81%	100.00%
Cummulative %		29.37%	42.41%	78.19%	100.00%	

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Revenue Breakdown Summary
 Proposed Rates

		Proposed				
		Monthly	Commodity	Commodity	Commodity	
		<u>Mins</u>	<u>First Tier</u>	<u>Second Tier</u>	<u>Third Tier</u>	<u>Total</u>
5/8x3/4 Inch	Residential	\$ 1,214,010	\$ 342,169	\$ 667,827	\$ 518,423	\$ 2,742,429
5/8x3/4 Inch	Residential (Low Incon)	\$ 24,415	\$ 6,853	\$ 15,254	\$ 5,038	\$ 51,560
3/4 Inch	Residential	\$ 3,100	\$ 1,076	\$ 599	\$ -	\$ 4,775
1 Inch	Residential	\$ 18,081	\$ 11,376	\$ 2,732	\$ -	\$ 32,189
1 Inch	Residential (Low Incon)	\$ 439	\$ 154	\$ -	\$ -	\$ 593
1.5 Inch	Residential	\$ 4,133	\$ 3,532	\$ 551	\$ -	\$ 8,216
2 Inch	Residential	\$ 4,959	\$ 2,130	\$ -	\$ -	\$ 7,089
5/8x3/4 Inch	Commercial	\$ 17,151	\$ 3,449	\$ 6,669	\$ 18,225	\$ 45,494
1 Inch	Commercial	\$ 25,313	\$ 17,409	\$ 12,486	\$ -	\$ 55,209
1.5 Inch	Commercial	\$ 10,332	\$ 5,536	\$ 3,986	\$ -	\$ 19,854
2 Inch	Commercial	\$ 71,084	\$ 45,277	\$ 19,370	\$ -	\$ 135,731
3 Inch	Commercial	\$ 36,369	\$ 19,196	\$ 60,918	\$ -	\$ 116,483
4 Inch	Commercial	\$ 30,996	\$ 32,829	\$ 25,740	\$ -	\$ 89,564
6 Inch	Commercial	\$ 10,332	\$ 12,461	\$ 5,024	\$ -	\$ 27,817
5/8X3/4 Inch	Industrial	\$ 3,513	\$ 510	\$ 959	\$ 1,152	\$ 6,134
2 Inch	Industrial	\$ 6,612	\$ 2,185	\$ 27,372	\$ -	\$ 36,170
5/8 Inch	Multi-family	\$ 1,446	\$ 400	\$ 997	\$ 807	\$ 3,652
1.5 Inch	Multi-family	\$ 1,033	\$ 426	\$ -	\$ -	\$ 1,459
	Bulk	\$ 3,444	\$ 5,436	\$ 21,412	\$ -	\$ 30,292
	Fire Lines up to 8 Inch	\$ 1,581	\$ -	\$ -	\$ -	\$ 1,581
TOTALS		<u>\$ 1,488,344</u>	<u>\$ 512,404</u>	<u>\$ 871,898</u>	<u>\$ 543,645</u>	<u>\$ 3,416,290</u>
Percent of Total		43.57%	15.00%	25.52%	15.91%	100.00%
Cummulative %		43.57%	58.56%	84.09%	100.00%	

Rio Rico Utilities, Inc.
2012 Rate Application

Tom Bourassa Direct Testimony

Exhibit TJB-DT2

Rio Rico Utilities, Inc. - Water Division
 Comparison of Revenues and Usage by Class
 Based on Current Rates

5/8x3/4 Inch Residential (excl low income)

<u>Revenues</u>	Current TY	Prior TY	Difference
Minimum	\$ 774,090	\$ 742,204	\$ 31,886
Tier 1	\$ 298,928	\$ 285,047	\$ 13,881
Tier 2	\$ 645,714	\$ 649,338	\$ (3,624)
Tier 3	\$ 514,185	\$ 637,277	\$ (123,092)
Total	\$ 2,232,917	\$ 2,313,866	\$ (80,949)

Average Use	7,794	8,548	(754)
Number of Bills	70,828	68,940	1,888

Gallons (in 1,000's)

Tier 1	188,989	183,307	5,682
Tier 2	222,226	229,935	(7,709)
Tier 3	140,832	176,051	(35,219)
Total	552,047	589,293	(37,246)

5/8x3/4 Inch Residential (low income)

<u>Revenues</u>	Current TY	Prior TY	Difference
Minimum	\$ 15,567	\$ -	\$ 15,567
Tier 1	\$ 5,987	\$ -	\$ 5,987
Tier 2	\$ 14,749	\$ -	\$ 14,749
Tier 3	\$ 4,996	\$ -	\$ 4,996
Total	\$ 41,300	\$ -	\$ 41,300

Average Use	7,658	-	7,658
Number of Bills	1,148	-	1,148

Gallons (in 1,000's)

Tier 1	3,287	-	3,287
Tier 2	3,980	-	3,980
Tier 3	1,524	-	1,524
Total	8,791	-	8,791

3/4 Inch Residential

<u>Revenues</u>	Current TY	Prior TY	Difference
Minimum	\$ 1,976	\$ 1,581	\$ 395
Tier 1	\$ 1,208	\$ 990	\$ 217
Tier 2	\$ 393	\$ 15	\$ 379
Tier 3	\$ -	\$ -	\$ -
Total	\$ 3,577	\$ 2,586	\$ 991

Average Use	4,316	3,558	758
Number of Bills	136	95	41

Gallons (in 1,000's)

Tier 1	422	334	88
Tier 2	166	4	162
Tier 3	-	-	-
Total	587	338	249

Rio Rico Utilities, Inc. - Water Division
 Comparison of Revenues and Usage by Class
 Based on Current Rates

1 Inch Residential (excl low income)

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 11,529	\$ 16,488	\$ (4,959)
Tier 1	\$ 9,304	\$ 15,747	\$ (6,444)
Tier 2	\$ 4,823	\$ 5,420	\$ (597)
Tier 3	\$ -	\$ -	\$ -
Total	\$ 25,656	\$ 37,655	\$ (12,000)

Average Use	10,705	11,326	(621)
Number of Bills	424	432	(8)

Gallons (in 1,000's)

Tier 1	3,795	3,417	378
Tier 2	745	1,476	(732)
Tier 3	-	-	-
Total	4,539	4,893	(354)

1 Inch Residential (low income)

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 280	\$ -	\$ 280
Tier 1	\$ 149	\$ -	\$ 149
Tier 2	\$ -	\$ -	\$ -
Tier 3	\$ -	\$ -	\$ -
Total	\$ 429	\$ -	\$ 429

Average Use	6,667	-	6,667
Number of Bills	9	-	9

Gallons (in 1,000's)

Tier 1	60	-	60
Tier 2	-	-	-
Tier 3	-	-	-
Total	60	-	60

1.5 Inch Residential

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 2,635	\$ 5,270	\$ (2,635)
Tier 1	\$ 2,345	\$ 4,818	\$ (2,473)
Tier 2	\$ 1,881	\$ 1,663	\$ 217
Tier 3	\$ -	\$ -	\$ -
Total	\$ 6,861	\$ 11,752	\$ (4,891)

Average Use	27,821	20,116	7,704
Number of Bills	39	43	(4)

Gallons (in 1,000's)

Tier 1	935	600	335
Tier 2	150	265	(115)
Tier 3	-	-	-
Total	1,085	865	220

Rio Rico Utilities, Inc. - Water Division
 Comparison of Revenues and Usage by Class
 Based on Current Rates

2 Inch Residential

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 3,162	\$ 5,270	\$ (2,108)
Tier 1	\$ 2,056	\$ 3,265	\$ (1,209)
Tier 2	\$ 4	\$ 309	\$ (306)
Tier 3	\$ -	\$ -	\$ -
Total	\$ 5,222	\$ 8,845	\$ (3,623)
Average Use	19,316	19,938	(622)
Number of Bills	38	48	(10)
<u>Gallons (in 1,000's)</u>			
Tier 1	734	872	(138)
Tier 2	-	85	(85)
Tier 3	-	-	-
Total	734	957	(223)

5/8x3/4 Inch Commercial

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 10,936	\$ 15,284	\$ (4,348)
Tier 1	\$ 3,013	\$ 5,187	\$ (2,174)
Tier 2	\$ 6,448	\$ 13,832	\$ (7,384)
Tier 3	\$ 18,076	\$ 29,810	\$ (11,734)
Total	\$ 38,473	\$ 64,113	\$ (25,640)
Average Use	8,995	11,575	(2,580)
Number of Bills	961	1,163	(202)
<u>Gallons (in 1,000's)</u>			
Tier 1	1,790	2,575	(785)
Tier 2	2,021	3,363	(1,342)
Tier 3	4,833	7,524	(2,691)
Total	8,644	13,462	(4,818)

1 Inch Commercial

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 16,141	\$ 15,169	\$ 972
Tier 1	\$ 13,678	\$ 13,749	\$ (71)
Tier 2	\$ 16,317	\$ 18,502	\$ (2,185)
Tier 3	\$ -	\$ -	\$ -
Total	\$ 46,135	\$ 47,420	\$ (1,285)
Average Use	15,566	17,804	(2,238)
Number of Bills	583	515	68
<u>Gallons (in 1,000's)</u>			
Tier 1	5,685	4,169	1,516
Tier 2	3,391	5,000	(1,610)
Tier 3	-	-	-
Total	9,075	9,169	(94)

Rio Rico Utilities, Inc. - Water Division
 Comparison of Revenues and Usage by Class
 Based on Current Rates

1.5 Inch Commercial

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 6,588	\$ 6,588	\$ -
Tier 1	\$ 3,484	\$ 5,218	\$ (1,734)
Tier 2	\$ 6,284	\$ 10,882	\$ (4,599)
Tier 3	\$ -	\$ -	\$ -
Total	\$ 16,355	\$ 22,688	\$ (6,333)

Average Use	24,508	39,685	(15,177)
Number of Bills	120	124	(4)

Gallons (in 1,000's)

Tier 1	1,855	1,867	(12)
Tier 2	1,086	3,054	(1,968)
Tier 3	-	-	-
Total	2,941	4,921	(1,980)

2 Inch Commercial

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 45,325	\$ 36,893	\$ 8,433
Tier 1	\$ 39,845	\$ 40,530	\$ (685)
Tier 2	\$ 24,115	\$ 181,025	\$ (156,910)
Tier 3	\$ -	\$ -	\$ -
Total	\$ 109,285	\$ 258,447	\$ (149,162)

Average Use	39,263	154,509	(115,246)
Number of Bills	520	393	127

Gallons (in 1,000's)

Tier 1	15,139	12,341	2,798
Tier 2	5,278	48,381	(43,103)
Tier 3	-	-	-
Total	20,417	60,722	(40,305)

3 Inch Commercial

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 23,190	\$ 25,298	\$ (2,108)
Tier 1	\$ 9,668	\$ 9,399	\$ 269
Tier 2	\$ 71,505	\$ 128,340	\$ (56,835)
Tier 3	\$ -	\$ -	\$ -
Total	\$ 104,363	\$ 163,037	\$ (58,674)

Average Use	173,138	266,143	(93,005)
Number of Bills	145	161	(16)

Gallons (in 1,000's)

Tier 1	8,414	4,188	4,226
Tier 2	16,691	38,661	(21,970)
Tier 3	-	-	-
Total	25,105	42,849	(17,744)

Rio Rico Utilities, Inc. - Water Division
 Comparison of Revenues and Usage by Class
 Based on Current Rates

4 Inch Commercial

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 19,764	\$ 19,764	\$ -
Tier 1	\$ 10,912	\$ 10,775	\$ 137
Tier 2	\$ 51,495	\$ 63,954	\$ (12,459)
Tier 3	\$ -	\$ -	\$ -
Total	\$ 82,171	\$ 94,493	\$ (12,322)
Average Use	253,431	292,262	(38,832)
Number of Bills	72	61	11
<u>Gallons (in 1,000's)</u>			
Tier 1	10,970	3,063	7,907
Tier 2	7,277	14,765	(7,488)
Tier 3	-	-	-
Total	18,247	17,828	419

6 Inch Commercial

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 6,588	\$ 6,588	\$ -
Tier 1	\$ 3,922	\$ 4,380	\$ (458)
Tier 2	\$ 15,113	\$ 22,568	\$ (7,455)
Tier 3	\$ -	\$ -	\$ -
Total	\$ 25,623	\$ 33,536	\$ (7,913)
Average Use	457,917	641,667	(183,750)
Number of Bills	12	12	-
<u>Gallons (in 1,000's)</u>			
Tier 1	4,126	1,500	2,626
Tier 2	1,369	6,200	(4,831)
Tier 3	-	-	-
Total	5,495	7,700	(2,205)

5/8x3/4 Inch Industrial

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 2,240	\$ -	\$ 2,240
Tier 1	\$ 445	\$ -	\$ 445
Tier 2	\$ 928	\$ -	\$ 928
Tier 3	\$ 1,143	\$ -	\$ 1,143
Total	\$ 4,756	\$ -	\$ 4,756
Average Use	4,422	-	4,422
Number of Bills	204	-	204
<u>Gallons (in 1,000's)</u>			
Tier 1	280	-	280
Tier 2	308	-	308
Tier 3	314	-	314
Total	902	-	902

Rio Rico Utilities, Inc. - Water Division
 Comparison of Revenues and Usage by Class
 Based on Current Rates

2 Inch Industrial

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 4,216	\$ -	\$ 4,216
Tier 1	\$ 1,947	\$ -	\$ 1,947
Tier 2	\$ 27,356	\$ -	\$ 27,356
Tier 3	\$ -	\$ -	\$ -
Total	\$ 33,519	\$ -	\$ 33,519

Average Use	167,329	-	167,329
Number of Bills	70	-	70

Gallons (in 1,000's)

Tier 1	2,229	-	2,229
Tier 2	9,484	-	9,484
Tier 3	-	-	-
Total	11,713	-	11,713

5/8x3/4 Inch Multi-Family

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 922	\$ 1,186	\$ (264)
Tier 1	\$ 350	\$ 491	\$ (142)
Tier 2	\$ 964	\$ 1,253	\$ (289)
Tier 3	\$ 801	\$ 1,533	\$ (732)
Total	\$ 3,037	\$ 4,463	\$ (1,426)

Average Use	9,058	10,718	(1,660)
Number of Bills	86	117	(31)

Gallons (in 1,000's)

Tier 1	226	336	(110)
Tier 2	339	481	(142)
Tier 3	214	437	(223)
Total	779	1,254	(475)

1.5 Inch Multi-Family

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 659	\$ 659	\$ -
Tier 1	\$ 412	\$ 260	\$ 152
Tier 2	\$ -	\$ -	\$ -
Tier 3	\$ -	\$ -	\$ -
Total	\$ 1,071	\$ 919	\$ 152

Average Use	11,750	7,417	4,333
Number of Bills	12	12	-

Gallons (in 1,000's)

Tier 1	141	89	52
Tier 2	-	-	-
Tier 3	-	-	-
Total	141	89	52

Rio Rico Utilities, Inc. - Water Division
 Comparison of Revenues and Usage by Class
 Based on Current Rates

Bulk

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 2,196	\$ -	\$ 2,196
Tier 1	\$ 1,460	\$ -	\$ 1,460
Tier 2	\$ 25,969	\$ -	\$ 25,969
Tier 3	\$ -	\$ -	\$ -
Total	<u>\$ 29,625</u>	<u>\$ -</u>	<u>\$ 29,625</u>
Average Use	11,750	-	11,750
Number of Bills	4	0	4
<u>Gallons (in 1,000's)</u>			
Tier 1	1,800	-	1,800
Tier 2	5,834	-	5,834
Tier 3	-	-	-
Total	<u>7,634</u>	<u>-</u>	<u>7,634</u>

Rio Rico Utilities, Inc.
2012 Rate Application

Tom Bourassa Direct Testimony

Exhibit TJB-DT3

Rio Rico Utilities, Inc. - Wastewater Division
 Comparison of Revenues and Usage by Class
 Based on Current Rates

5/8x3/4 Inch Residential (excl low income)

<u>Revenues</u>	Current TY	Prior TY	Difference
Minimum	\$ 993,761	\$ 1,033,952	\$ (40,191)
Tier 1	\$ -	\$ -	\$ -
Tier 2	\$ -	\$ -	\$ -
Tier 3	\$ -	\$ -	\$ -
Total	\$ 993,761	\$ 1,033,952	\$ (40,191)

Average Use	-	-	-
Number of Bills	21,823	22,848	(1,025)

Gallons (in 1,000's)

Tier 1	-	-	-
Tier 2	-	-	-
Tier 3	-	-	-
Total	-	-	-

5/8x3/4 Inch Residential (low income)

<u>Revenues</u>	Current TY	Prior TY	Difference
Minimum	\$ 38,842	\$ -	\$ 38,842
Tier 1	\$ -	\$ -	\$ -
Tier 2	\$ -	\$ -	\$ -
Tier 3	\$ -	\$ -	\$ -
Total	\$ 38,842	\$ -	\$ 38,842

Average Use	-	-	-
Number of Bills	691	-	691

Gallons (in 1,000's)

Tier 1	-	-	-
Tier 2	-	-	-
Tier 3	-	-	-
Total	-	-	-

3/4 Inch Residential

<u>Revenues</u>	Current TY	Prior TY	Difference
Minimum	\$ 5,076	\$ -	\$ 5,076
Tier 1	\$ -	\$ -	\$ -
Tier 2	\$ -	\$ -	\$ -
Tier 3	\$ -	\$ -	\$ -
Total	\$ 5,076	\$ -	\$ 5,076

Average Use	-	-	-
Number of Bills	98	98	-

Gallons (in 1,000's)

Tier 1	-	-	-
Tier 2	-	-	-
Tier 3	-	-	-
Total	-	-	-

Rio Rico Utilities, Inc. - Wastewater Division
 Comparison of Revenues and Usage by Class
 Based on Current Rates

1 Inch Residential (excl low income)

<u>Revenues</u>	Current TY	Prior TY	Difference
Minimum	\$ 6,981	\$ 4,654	\$ 2,327
Tier 1	\$ -	\$ -	\$ -
Tier 2	\$ -	\$ -	\$ -
Tier 3	\$ -	\$ -	\$ -
Total	\$ 6,981	\$ 4,654	\$ 2,327

Average Use	-	-	-
Number of Bills	113	104	9

Gallons (in 1,000's)

Tier 1	-	-	-
Tier 2	-	-	-
Tier 3	-	-	-
Total	-	-	-

1 Inch Residential (low income)

<u>Revenues</u>	Current TY	Prior TY	Difference
Minimum	\$ 659	\$ -	\$ 659
Tier 1	\$ -	\$ -	\$ -
Tier 2	\$ -	\$ -	\$ -
Tier 3	\$ -	\$ -	\$ -
Total	\$ 659	\$ -	\$ 659

Average Use	-	-	-
Number of Bills	9	-	9

Gallons (in 1,000's)

Tier 1	-	-	-
Tier 2	-	-	-
Tier 3	-	-	-
Total	-	-	-

1.5 Inch Residential

<u>Revenues</u>	Current TY	Prior TY	Difference
Minimum	\$ -	\$ -	\$ -
Tier 1	\$ -	\$ -	\$ -
Tier 2	\$ -	\$ -	\$ -
Tier 3	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -

Average Use	-	-	-
Number of Bills	-	-	-

Gallons (in 1,000's)

Tier 1	-	-	-
Tier 2	-	-	-
Tier 3	-	-	-
Total	-	-	-

Rio Rico Utilities, Inc. - Wastewater Division
 Comparison of Revenues and Usage by Class
 Based on Current Rates

2 Inch Residential

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ -	\$ 1,589	\$ (1,589)
Tier 1	\$ -	\$ -	\$ -
Tier 2	\$ -	\$ -	\$ -
Tier 3	\$ -	\$ -	\$ -
Total	\$ -	\$ 1,589	\$ (1,589)

Average Use	-	-	-
Number of Bills	1	12	(11)

Gallons (in 1,000's)

Tier 1	-	-	-
Tier 2	-	-	-
Tier 3	-	-	-
Total	-	-	-

5/8x3/4 Inch Commercial

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 32,483	\$ 42,944	\$ (10,461)
Tier 1	\$ -	\$ -	\$ -
Tier 2	\$ 15,576	\$ 27,497	\$ (11,921)
Tier 3	\$ -	\$ -	\$ -
Total	\$ 48,059	\$ 70,440	\$ (22,381)

Average Use	8,446	10,999	(2,553)
Number of Bills	664	831	(167)

Gallons (in 1,000's)

Tier 1	2,400	3,681	(1,281)
Tier 2	3,210	5,459	(2,249)
Tier 3	-	-	-
Total	5,610	9,140	(3,530)

1 Inch Commercial

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 32,323	\$ 31,803	\$ 520
Tier 1	\$ -	\$ -	\$ -
Tier 2	\$ 24,563	\$ 24,249	\$ 314
Tier 3	\$ -	\$ -	\$ -
Total	\$ 56,885	\$ 56,052	\$ 833

Average Use	15,237	15,375	(139)
Number of Bills	485	437	48

Gallons (in 1,000's)

Tier 1	2,322	2,079	243
Tier 2	5,065	4,640	425
Tier 3	-	-	-
Total	7,387	6,719	668

Rio Rico Utilities, Inc. - Wastewater Division
 Comparison of Revenues and Usage by Class
 Based on Current Rates

1.5 Inch Commercial

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 8,017	\$ 8,017	\$ -
Tier 1	\$ -	\$ -	\$ -
Tier 2	\$ 9,695	\$ 13,420	\$ (3,725)
Tier 3	\$ 25	\$ -	\$ 25
Total	\$ 17,737	\$ 21,437	\$ (3,699)

Average Use	30,036	40,402	(10,367)
Number of Bills	84	87	(3)

Gallons (in 1,000's)

Tier 1	447	545	(98)
Tier 2	2,076	2,970	(894)
Tier 3	-	-	-
Total	2,523	3,515	(992)

2 Inch Commercial

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 42,891	\$ 31,771	\$ 11,120
Tier 1	\$ -	\$ -	\$ -
Tier 2	\$ 51,128	\$ 116,255	\$ (65,127)
Tier 3	\$ -	\$ -	\$ -
Total	\$ 94,019	\$ 148,027	\$ (54,007)

Average Use	39,801	109,273	(69,473)
Number of Bills	323	238	85

Gallons (in 1,000's)

Tier 1	1,950	1,511	439
Tier 2	10,902	24,496	(13,594)
Tier 3	-	-	-
Total	12,852	26,007	(13,155)

3 Inch Commercial

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 2,767	\$ 2,768	\$ (0)
Tier 1	\$ -	\$ -	\$ -
Tier 2	\$ 1,536	\$ 3,722	\$ (2,186)
Tier 3	\$ -	\$ -	\$ -
Total	\$ 4,304	\$ 6,490	\$ (2,186)

Average Use	33,833	72,250	(38,417)
Number of Bills	12	12	-

Gallons (in 1,000's)

Tier 1	77	77	-
Tier 2	329	790	(461)
Tier 3	-	-	-
Total	406	867	(461)

Rio Rico Utilities, Inc. - Wastewater Division
 Comparison of Revenues and Usage by Class
 Based on Current Rates

4 Inch Commercial

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 16,408	\$ 16,408	\$ -
Tier 1	\$ -	\$ -	\$ -
Tier 2	\$ 71,706	\$ 75,882	\$ (4,176)
Tier 3	\$ -	\$ -	\$ -
Total	\$ 88,114	\$ 92,290	\$ (4,176)

Average Use	335,083	340,646	(5,563)
Number of Bills	48	48	-

Gallons (in 1,000's)

Tier 1	336	336	-
Tier 2	15,748	16,015	(267)
Tier 3	-	-	-
Total	16,084	16,351	(267)

6 Inch Commercial

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ -	\$ 7,795	\$ (7,795)
Tier 1	\$ -	\$ -	\$ -
Tier 2	\$ -	\$ 36,312	\$ (36,312)
Tier 3	\$ -	\$ -	\$ -
Total	\$ -	\$ 44,107	\$ (44,107)

Average Use	488,571	649,250	(160,679)
Number of Bills	4	12	(8)

Gallons (in 1,000's)

Tier 1	21	84	(63)
Tier 2	2,031	7,707	(5,676)
Tier 3	-	-	-
Total	2,052	7,791	(5,739)

5/8x3/4 Inch Multi-Tenant

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 3,303	\$ 4,955	\$ (1,652)
Tier 1	\$ -	\$ -	\$ -
Tier 2	\$ 1,430	\$ 2,393	\$ (963)
Tier 3	\$ -	\$ -	\$ -
Total	\$ 4,733	\$ 7,348	\$ (2,614)

Average Use	9,614	10,513	(899)
Number of Bills	12	12	-

Gallons (in 1,000's)

Tier 1	412	660	(248)
Tier 2	298	528	(230)
Tier 3	-	-	-
Total	710	1,188	(478)

Rio Rico Utilities, Inc. - Wastewater Division
 Comparison of Revenues and Usage by Class
 Based on Current Rates

1.5 Inch Multi-Tenant

<u>Revenues</u>	Current <u>TY</u>	Prior <u>TY</u>	<u>Difference</u>
Minimum	\$ 1,145	\$ 1,145	\$ -
Tier 1	\$ -	\$ -	\$ -
Tier 2	\$ 266	\$ 85	\$ 181
Tier 3	\$ -	\$ -	\$ -
Total	<u>\$ 1,411</u>	<u>\$ 1,230</u>	<u>\$ 181</u>
Average Use	11,750	7,583	4,167
Number of Bills	-	-	-
<u>Gallons (in 1,000's)</u>			
Tier 1	84	73	11
Tier 2	57	18	39
Tier 3	-	-	-
Total	<u>141</u>	<u>91</u>	<u>50</u>

4

Rio Rico Utilities, Inc.
2012 Rate Application

Tom Bourassa Direct Testimony

**Rate Base / Income
Statement / Rate Design
Schedules A, B, C, E, F, H
Water**

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Schedule A-1
 Page 1
 Witness: Bourassa

Line
No.

1	Fair Value Rate Base	\$ 7,629,607
2		
3	Adjusted Operating Income	375,933
4		
5	Current Rate of Return	4.93%
6		
7	Required Operating Income	\$ 740,072
8		
9	Required Rate of Return on Fair Value Rate Base	9.70%
10		
11	Operating Income Deficiency	\$ 364,139
12		
13	Gross Revenue Conversion Factor	1.6589
14		
15	Increase in Gross Revenue	
16	Requirement	\$ 604,079
17		
18	Adjusted Test Year Revenues	\$ 2,854,838
19	Increase in Gross Revenue Requirement	\$ 604,079
20	Proposed Revenue Requirement	\$ 3,458,917
21	% Increase	21.16%
22		

23	Customer	Present	Proposed	Dollar	Percent
24	Classification	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
25	5/8X3/4 Inch Residential	\$ 2,239,712	\$ 2,751,594	\$ 511,882	22.85%
26	5/8X3/4 Inch Residential (Low Income)	29,750	36,859	7,109	23.89%
27	3/4 Inch Residential	4,032	5,393	1,361	33.77%
28	1 Inch Residential	25,847	32,445	6,598	25.53%
29	1 Inch Residential (Low Income)	359	483	124	34.67%
30	1 1/2 Inch Residential	5,642	6,732	1,090	19.32%
31	2 Inch Residential	5,482	7,452	1,970	35.93%
32	5/8X3/4 Inch Commercial	36,891	43,647	6,755	18.31%
33	1 Inch Commercial	45,719	54,708	8,990	19.66%
34	1 1/2 Inch Commercial	16,434	19,920	3,485	21.21%
35	2 Inch Commercial	110,064	136,725	26,661	24.22%
36	3 Inch Commercial	113,938	126,617	12,678	11.13%
37	4 Inch Commercial	83,492	90,832	7,340	8.79%
38	6 Inch Commercial	25,623	27,817	2,194	8.56%
39	5/8X3/4 Inch Industrial	4,727	6,105	1,378	29.14%
40	2 Inch Industrial	47,436	51,181	3,745	7.89%
41	5/8X3/4 Inch Multi-family	3,072	3,701	629	20.47%
42	1 1/2 Inch Multi-family	1,071	1,459	389	36.29%
43	6 Inch Bulk	29,625	30,292	667	2.25%
44	Fire Lines up to 8 Inch	1,263	1,263	-	0.00%
45				-	0.00%
46	Revenue Annualization	(18,231)	(18,934)	(704)	3.86%
47	Subtotal	\$ 2,811,949	\$ 3,416,290	\$ 604,341	21.49%
48					
49	Other Water Revenues	42,889	42,889	-	0.00%
50	Reconciling Amount	-	(263)	(263)	0.00%
51	Rounding		1	1	0.00%
52	Total of Water Revenues	\$ 2,854,838	\$ 3,458,917	\$ 604,079	21.16%

53
 54
 55 SUPPORTING SCHEDULES:
 56 B-1
 57 C-1
 58 C-3
 59 H-1

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Summary of Results of Operations

Exhibit
 Schedule A-2
 Page 1
 Witness: Bourassa

Line No.	Description	Prior Years Ended		Test Year		Projected Year	
		2/28/2010	2/28/2011	Actual 2/29/2012	Adjusted 2/29/2012	Present Rates 2/28/2013	Proposed Rates 2/28/2013
1	Gross Revenues	\$ 1,850,550	\$ 1,861,210	\$ 2,862,761	\$ 2,854,838	\$ 2,854,838	\$ 3,458,917
2							
3	Revenue Deductions and	1,966,729	1,969,379	5,021,787	2,478,906	2,478,906	2,718,845
4	Operating Expenses						
5							
6	Operating Income	\$ (116,179)	\$ (108,169)	\$ (2,159,026)	\$ 375,933	\$ 375,933	\$ 740,072
7							
8	Other Income and	-	-	47,358	(0)	(0)	(0)
9	Deductions						
10							
11	Interest Expense	(5,114)	(7,433)	(9,347)	(86,978)	(86,978)	(86,978)
12							
13	Net Income	\$ (121,293)	\$ (115,602)	\$ (2,121,015)	\$ 288,955	\$ 288,955	\$ 653,094
14							
15	Common Shares	1,000	1,000	1,000	1,000	1,000	1,000
16							
17	Earned Per Average						
18	Common Share	(121.29)	(115.60)	(2,121.01)	288.96	288.96	653.09
19							
20	Dividends Paid	-	-	-	-	-	-
21							
22	Dividends Per						
23	Common Share	-	-	-	-	-	-
24							
25	Payout Ratio	-	-	-	-	-	-
26							
27	Return on Average						
28	Invested Capital	-0.49%	-0.45%	-8.86%	1.13%	1.13%	2.55%
29							
30	Return on Year End						
31	Capital	-0.47%	-0.46%	-9.41%	1.13%	1.12%	2.54%
32							
33	Return on Average						
34	Common Equity	-1.19%	-1.07%	-21.02%	2.56%	3.15%	6.98%
35							
36	Return on Year End						
37	Common Equity	-1.15%	-1.04%	-23.50%	2.52%	3.10%	6.75%
38							
39	Times Bond Interest Earned						
40	Before Income Taxes	(22.72)	(14.55)	(230.99)	6.41	6.41	13.23
41							
42	Times Total Interest and						
43	Preferred Dividends Earned						
44	After Income Taxes	(22.72)	(14.55)	(230.99)	(24.28)	(24.28)	8.51
45							
46							
47							
48							
49							
50	<u>SUPPORTING SCHEDULES</u>						
51	C-1						
52	E-2						
53	F-1						
54							

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Summary of Capital Structure

Exhibit
 Schedule A-3
 Page 1
 Witness: Bourassa

Line No.	Description:	Prior Years Ended		Test Year	Projected Year
		<u>2/28/2010</u>	<u>2/28/2011</u>	<u>2/29/2012</u>	<u>2/28/2013</u>
1					
2					
3	Short-Term Debt	-	-	-	-
4	Long-Term Debt	-	-	-	-
5					
6	Total Debt	\$ -	\$ -	\$ -	\$ -
7					
8					
9	Preferred Stock	-	-	-	-
10					
11	Common Equity	10,536,248	11,159,806	9,025,213	9,401,146
12					
13					
14	Total Capital & Debt	\$ 10,536,248	\$ 11,159,806	\$ 9,025,213	\$ 9,401,146
15					
16					
17	Capitalization Ratios:				
18					
19	Long-Term Debt	0.00%	0.00%	0.00%	0.00%
20					
21	Total Debt	0.00%	0.00%	0.00%	0.00%
22					
23					
24	Preferred Stock	-	-	-	-
25					
26	Common Equity	100.00%	100.00%	100.00%	100.00%
27					
28					
29	Total Capital	100.00%	100.00%	100.00%	100.00%
30					
31					
32	Weighted Cost of				
33	Senior Capital	0.00%	0.00%	0.00%	0.00%
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45	<u>SUPPORTING SCHEDULES:</u>				
46	E-1				
47	D-1				
48					
49					
50					

Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Construction Expenditures
and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Bourassa

<u>Line No.</u>		<u>Construction Expenditures</u>	<u>Net Plant Placed in Service</u>	<u>Gross Utility Plant in Service</u>
1				
2				
3				
4	Prior Year Ended 2/28/2010	669,024	669,024	34,447,598
5				
6	Prior Year Ended 2/28/2011	397,354	419,975	34,867,573
7				
8	Test Year Ended 2/29/2012	1,084,178	1,055,977	35,923,550
9				
10	Projected Year Ended 02/28/2013	698,900	698,900	36,622,450
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
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31				
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33				
34	<u>SUPPORTING SCHEDULES:</u>			
35	B-2			
36	E-5			
37	F-3			
38				
39				
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Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Summary Statements of Cash Flows

Exhibit
 Schedule A-5
 Page 1
 Witness: Bourassa

Line No.	Prior Year Ended 2/28/2010	Prior Year Ended 2/28/2011	Test Year Ended 2/29/2012	Projected Year Present Rates 2/28/2013	Projected Year Proposed Rates 2/28/2013
5	Cash Flows from Operating Activities				
6	\$ (121,293)	\$ (115,602)	\$ (2,121,015)	\$ 288,955	\$ 653,094
7	Adjustments to reconcile net income to net cash provided by operating activities:				
9	257,235	83,639	2,962,015	551,222	551,222
10	(41,571)	(59,990)	(808,466)		
11	Changes in Certain Assets and Liabilities:				
12	(19,443)	(46,160)	20,379		
13	-	-	-		
14	-	-	-		
15	(12,948)	19,450	4,554		
16	-	-	-		
17	97,073	(204,337)	617,032		
18	(408,317)	(222,884)	119,996		
19	-	-	-		
20	-	20,016	49,949		
21	6,689	(8,371)	3,318		
22	(17,508)	171,860	97,978		
23	2	(1)	(1)		
24	<u>\$ (260,081)</u>	<u>\$ (362,380)</u>	<u>\$ 945,739</u>	<u>\$ 840,177</u>	<u>\$ 1,204,316</u>
25	Cash Flow From Investing Activities:				
26	(669,024)	(397,354)	(1,084,178)	(698,900)	(698,900)
27	-	-	-		
28	-	-	-		
29	<u>\$ (669,024)</u>	<u>\$ (397,354)</u>	<u>\$ (1,084,178)</u>	<u>\$ (698,900)</u>	<u>\$ (698,900)</u>
30	Cash Flow From Financing Activities				
31	-	-	-		
32	-	-	-		
33	38,056	866	-	-	-
34	389,329	15,451	73,366	73,366	73,366
35	-	-	-	-	-
36	-	-	-	-	-
37	-	-	-	-	-
38	733,283	739,160	(13,579)	-	-
39	<u>\$ 1,160,668</u>	<u>\$ 755,477</u>	<u>\$ 59,787</u>	<u>\$ 73,366</u>	<u>\$ 73,366</u>
40	231,563	(4,257)	(78,652)	214,643	578,782
41	(117,610)	113,953	109,696	31,045	31,045
42	<u>\$ 113,953</u>	<u>\$ 109,696</u>	<u>\$ 31,045</u>	<u>\$ 245,687</u>	<u>\$ 609,827</u>

47 SUPPORTING SCHEDULES:

48 E-3

49 F-2

50

51

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Summary of Rate Base

Exhibit
 Schedule B-1
 Page 1
 Witness: Bourassa

Line No.	Original Cost Rate base	Fair Value Rate Base
1		
2	Gross Utility Plant in Service	\$ 36,146,219
3	Less: Accumulated Depreciation	<u>15,784,381</u>
4		
5	Net Utility Plant in Service	\$ 20,361,839
6		
7	<u>Less:</u>	
8	Advances in Aid of Construction	660,955
9		
10	Contributions in Aid of Construction	20,179,119
11		
12	Accumulated Amorization of CIAC	(8,797,261)
13		
14	Customer Meter Deposits	284,024
15	Deferred Income Taxes & Credits	405,395
16		
17		
18		
19	<u>Plus:</u>	
20	Unamortized Finance	
21	Charges	-
22	Deferred Tax Assets	-
23	Allowance for Working Capital	-
24		
25		
26	Total Rate Base	<u>\$ 7,629,607</u>
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41	<u>SUPPORTING SCHEDULES:</u>	
42	B-2	
43	B-3	
44	B-5	
45	E-1	
46		
47		
48		
49		
50		

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Schedule B-2
 Page 1
 Witness: Bourassa

Line No.		Actual at End of <u>Test Year</u>	Proforma <u>Adjustment</u>	Adjusted at end of <u>Test Year</u>
1	Gross Utility			
2	Plant in Service	\$ 35,923,550	222,669	\$ 36,146,219
3				
4	Less:			
5	Accumulated			
6	Depreciation	15,797,607	(13,226)	15,784,381
7				
8				
9	Net Utility Plant			
10	in Service	\$ 20,125,944		\$ 20,361,839
11				
12	Less:			
13	Advances in Aid of			
14	Construction	617,231	43,724	660,955
15				
16	Contributions in Aid of			
17	Construction - Gross	20,227,843	(48,724)	20,179,119
18				
19	Accumulated Amortization of CIAC	(9,011,535)	214,274	(8,797,261)
20				
21	Customer Meter Deposits	284,024		284,024
22	Accumulated Deferred Income Tax	-	405,395	405,395
23				-
24				-
25				
26	Plus:			
27	Unamortized Finance			
28	Charges	-		-
29	Prepayments	-		-
30	Materials and Supplies	-		-
31	Working capital	-	-	-
32				-
33				
34	Total	\$ 8,008,381		\$ 7,629,607

45 SUPPORTING SCHEDULES:

46 B-2, pages 2
 47 E-1

45 RECAP SCHEDULES:

46 B-1

48
 49
 50

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Schedule B-2
 Page 2
 Witness: Bourassa

Line No.	Description	1 Actual at End of Test Year	2 Plant-in-Service	3 Accumulated Depreciation	Proforma Adjustments			5 Adjusted at end of Test Year
					4 CIAC	4 AIAC	5 ADIT	
1	Gross Utility Plant in Service	\$ 35,923,550	222,669				\$ 36,146,219	
2				(13,226)				
3	Less:							
4	Accumulated Depreciation	15,797,607					15,784,381	
5								
6								
7								
8								
9	Net Utility Plant in Service	\$ 20,125,944	\$ 222,669	\$ 13,226	\$ -	\$ -	\$ 20,361,839	
10								
11	Less:							
12	Advances in Aid of Construction	617,231			43,724		660,955	
13								
14								
15								
16	Contributions in Aid of Construction (CIAC)	20,227,843		(48,724)			20,179,119	
17								
18								
19	Accumulated Amort of CIAC	(9,011,535)		214,274			(8,797,261)	
20								
21	Customer Meter Deposits	284,024					284,024	
22	Accumulated Deferred Income Taxes	-				405,395	405,395	
23								
24	Plus:							
25	Unamortized Finance Charges	-					-	
26								
27	Prepayments	-					-	
28	Materials and Supplies	-					-	
29	Allowance for Cash Working Capital	-					-	
30								
31								
32	Total	\$ 8,008,381	\$ 222,669	\$ 13,226	\$ (43,724)	\$ (405,395)	\$ 7,629,607	
33								
34								
35								

RECAP SCHEDULES:
 B-1

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

Line No.	Acct. No.	Description	Plant-in-Service					
			A	B	C	D	E	
			Actual Original Cost	Adjustments to Reconcile to Plant Detail	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	Adjusted Original Cost
1			5,785	-				5,785
2	301	Organization Cost	417	-				417
3	302	Franchise Cost	44,194	-				44,194
4	303	Land and Land Rights	3,434,700	(1,770)				3,432,930
5	304	Structures and Improvements	-	-				-
6	305	Collecting and Impounding Res.	-	-				-
7	306	Lake River and Other Intakes	-	-				-
8	307	Wells and Springs	517,885	45,059				562,944
9	308	Infiltration Galleries and Tunnels	-	-				-
10	309	Supply Mains	279,155	2				279,157
11	310	Power Generation Equipment	218,988	373				219,360
12	311	Electric Pumping Equipment	2,887,310	259,701				3,147,011
13	320	Water Treatment Equipment	379,815	(10,715)				369,100
14	320.1	Water Treatment Plant	-	-				-
15	320.2	Chemical Solution Feeders	-	-				-
16	330	Dist. Reservoirs & Standpipe	759,861	-				759,861
17	330.1	Storage tanks	-	-				-
18	330.2	Pressure Tanks	-	-				-
19	331	Trans. and Dist. Mains	22,352,294	(13,037)				22,339,256
20	333	Services	2,770,033	(1,911)				2,768,122
21	334	Meters	1,049,129	(38,763)				1,010,366
22	335	Hydrants	572,321	(0)				572,321
23	336	Backflow Prevention Devices	15,855	-				15,855
24	339	Other Plant and Misc. Equip.	145,475	(21,696)				123,778
25	340	Office Furniture and Fixtures	29,266	(0)				29,265
26	340.1	Computers and Software	-	76,919				76,919
27	341	Transportation Equipment	142,187	1				142,188
28	342	Stores Equipment	-	-				-
29	343	Tools and Work Equipment	18,203	(0)				18,203
30	344	Laboratory Equipment	3,061	-				3,061
31	345	Power Operated Equipment	-	-				-
32	346	Communications Equipment	289,916	(76,920)				212,996
33	347	Miscellaneous Equipment	7,701	5,427				13,128
34	348	Other Tangible Plant	-	-				-
35		Plant Held for Future Use	-	-				-
36		TOTALS	\$ 35,923,550	\$ 222,669	\$ -	\$ -	\$ -	\$ 36,146,219
37		Plant-in-Service per Books						\$ 35,923,550
38		Increase (decrease) in Plant-in-Service						\$ 222,669
39		Adjustment to Plant-in-Service						\$ 222,669

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 -A

Exhibit
 Schedule B-2
 Page 3.1
 Witness: Bourassa

Line

No.

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	Recorded Original	Plant Per	
<u>No.</u> <u>Description</u>	<u>Cost</u>	<u>Reconstruction</u>	<u>Difference</u>
301	5,785	5,785	-
302	417	417	-
303	44,194	44,194	-
304	3,434,700	3,432,930	(1,770)
305	-	-	-
306	-	-	-
307	517,885	562,944	45,059
308	-	-	-
309	279,155	279,157	2
310	218,988	219,360	373
311	2,887,310	3,147,011	259,701
320	379,815	369,100	(10,715)
320.1	-	-	-
320.2	-	-	-
330	759,861	759,861	-
330.1	-	-	-
330.2	-	-	-
331	22,352,294	22,339,256	(13,037)
333	2,770,033	2,768,122	(1,911)
334	1,049,129	1,010,366	(38,763)
335	572,321	572,321	(0)
336	15,855	15,855	-
339	145,475	123,778	(21,696)
340	29,266	29,265	(0)
340.1	-	76,919	76,919
341	142,187	142,188	1
342	-	-	-
343	18,203	18,203	(0)
344	3,061	3,061	-
345	-	-	-
346	289,916	212,996	(76,920)
347	7,701	13,128	5,427
348	-	-	-
Plant Held for Future Use	-	-	-
TOTALS	\$ 35,923,550	\$ 36,146,219	\$ 222,669

SUPPORTING SCHEDULE

B-2, pages 3.2 - 3.5

Rio Rico Utilities - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.2
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Per Decision 72059		2009						Accum. Deprec. At 12/31/2008	Accum. Deprec.		
				Plant at 12/31/2008	Deprec. At 12/31/2008	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Adjusted Plant Retirements	Salvage AD_Only			Depreciation (Calculated)	Plant Balance
1	301	Organization Cost	0.00%	5,785	-	-	-	-	-	-	-	-	-	5,785	-
2	302	Franchise Cost	0.00%	417	-	-	-	-	-	-	-	-	-	417	-
3	303	Land and Land Rights	0.00%	44,194	-	-	-	-	-	-	-	-	-	44,194	-
4	304	Structures & Improvements	3.33%	2,732,833	308,347	16,449	16,449	-	-	-	-	-	91,277	2,749,282	397,624
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	583,511	160,123	(1,518)	(1,518)	-	-	-	-	-	18,740	561,993	178,863
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	2.00%	279,153	28,151	-	-	-	-	-	-	-	5,583	279,153	31,735
10	310	Power Generation Equipment	5.00%	197,120	69,734	10,000	10,000	-	-	-	-	-	10,106	207,120	79,840
11	311	Pumping Equipment	12.50%	2,591,970	1,882,999	224,575	224,575	-	-	-	-	-	338,032	2,816,546	2,221,032
12	320	Water Treatment Equipment	3.33%	372,970	144,799	(3,869)	(3,869)	-	-	-	-	-	12,355	369,100	157,154
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	759,861	138,279	-	-	-	-	-	-	-	18,869	759,861	155,148
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	2.00%	22,089,150	8,163,798	40,046	40,046	-	-	-	-	-	442,183	22,129,197	8,605,981
19	333	Services	3.33%	2,209,274	805,963	123,799	123,799	-	-	-	-	-	75,557	2,328,679	877,126
20	334	Meters	8.33%	956,605	319,684	1,871	1,871	-	-	-	-	-	79,538	953,075	393,820
21	335	Hydrants	2.00%	568,577	148,744	-	-	-	-	-	-	-	11,372	568,577	160,115
22	336	Backflow Prevention Devices	6.67%	3,848	385	-	-	-	-	-	-	-	257	3,848	642
23	339	Other Plant & Misc Equipment	6.67%	121,843	4,647	-	-	-	-	-	-	-	8,127	121,843	12,774
24	340	Office Furniture & Equipment	6.67%	22,986	17,954	-	-	-	-	-	-	-	1,533	22,986	19,487
25	340.1	Computers & Software	20.00%	76,919	76,919	-	-	-	-	-	-	-	-	76,919	76,919
26	341	Transportation Equipment	20.00%	218,945	25,112	(78,957)	(78,957)	-	-	-	-	-	35,893	139,988	61,005
27	342	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	15,035	9,301	-	-	-	-	-	-	-	752	15,035	10,053
29	344	Laboratory Equipment	10.00%	3,061	2,893	-	-	-	-	-	-	-	166	3,061	3,061
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	218,040	113,464	-	-	-	-	-	-	-	21,804	218,040	135,268
32	347	Miscellaneous Equipment	10.00%	7,701	6,641	480	480	-	-	-	-	-	794	8,181	7,435
33	348	Other Tangible Plant	4.00%	-	-	-	-	-	-	-	-	-	-	-	-
34		Plant Held for Future Use		-	-	-	-	-	-	-	-	-	-	-	-
35				-	-	-	-	-	-	-	-	-	-	-	-
36		TOTALS		34,059,801	12,423,937	332,877	332,877	9,796	9,796	9,796	9,796	1,170,940	34,382,881	13,585,081	

Rio Rico Utilities - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.3
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2010								
				Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	301	Organization Cost	0.00%	-	-	-	-	-	-	5,785	-	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	417	-	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	44,194	-	-
4	304	Structures & Improvements	3.33%	2,367	-	2,367	-	-	-	2,751,649	489,214	-
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	897	-	897	-	-	-	562,890	197,592	-
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-	279,153	37,318	-
10	310	Power Generation Equipment	5.00%	10,472	-	10,472	-	-	-	217,592	90,458	-
11	311	Pumping Equipment	12.50%	23,210	-	23,210	-	-	-	2,839,756	2,574,551	-
12	320	Water Treatment Equipment	3.33%	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	759,861	172,017	-
18	331	Transmission & Distribution Mains	2.00%	20,635	-	20,635	-	-	-	22,149,832	9,048,771	-
19	333	Services	3.33%	251,427	-	251,427	84,388	-	-	2,495,718	873,064	-
20	334	Meters	8.33%	12,184	-	12,184	4,967	-	-	960,292	468,545	-
21	335	Hydrants	2.00%	-	-	-	-	-	-	568,577	171,487	-
22	336	Backflow Prevention Devices	6.67%	9,513	-	9,513	-	-	-	13,361	1,216	-
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	-	121,843	20,901	-
24	340	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	22,986	21,020	-
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-	76,919	76,919	-
26	341	Transportation Equipment	20.00%	381	-	381	-	-	-	140,369	89,041	-
27	342	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	-	15,035	10,805	-
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	3,061	3,061	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	3,230	-	3,230	-	-	-	221,270	157,233	-
32	347	Miscellaneous Equipment	10.00%	4,947	-	4,947	-	-	-	13,128	8,501	-
33	348	Other Tangible Plant	4.00%	-	-	-	-	-	-	-	-	-
34		Plant Held for Future Use		-	-	-	-	-	-	-	-	-
35				-	-	-	-	-	-	-	-	-
36		TOTALS		339,262	-	339,262	89,355	-	-	34,632,789	14,681,158	-

Rio Rico Utilities - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.4
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2011						Accum. Deprec.	
				Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Adjusted Plant Retirements	Salvage A/D Only		Depreciation (Calculated)
1	301	Organization Cost	0.00%	-	-	-	-	-	-	5,785	-
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	417	-
3	303	Land and Land Rights	0.00%	-	-	-	-	-	-	44,194	-
4	304	Structures & Improvements	3.33%	41,525	-	41,525	-	-	92,321	2,793,174	581,536
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	632	-	632	-	-	18,755	563,522	216,347
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	1,023	-	1,023	-	-	5,583	279,153	42,901
11	311	Pumping Equipment	12.50%	67,261	-	67,261	-	-	332,466	2,907,017	2,907,017
12	320	Water Treatment Equipment	3.33%	-	-	-	-	-	12,291	369,100	181,736
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	2.00%	76,932	-	76,932	-	-	443,766	22,226,764	9,492,537
19	333	Services	3.33%	307,904	-	307,904	105,260	-	86,481	2,698,362	854,285
20	334	Meters	8.33%	61,930	-	61,930	27,767	-	81,415	994,455	522,193
21	335	Hydrants	2.00%	3,684	-	3,684	-	-	11,408	572,261	182,895
22	336	Backflow Prevention Devices	6.67%	2,494	-	2,494	-	-	974	15,855	2,190
23	339	Other Plant & Misc Equipment	6.67%	3,443	-	3,443	-	-	8,242	125,286	29,142
24	340	Office Furniture & Equipment	6.67%	554	-	554	-	-	1,552	23,540	22,572
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-	76,919	76,919
26	341	Transportation Equipment	20.00%	-	-	-	-	-	28,074	140,369	117,115
27	342	Stores Equipment	4.00%	-	-	-	-	-	-	-	-
28	343	Tools, Shop & Garage Equipment	5.00%	2,437	-	2,437	-	-	813	17,472	11,618
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	3,061	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	381	-	381	33,249	-	20,484	188,402	144,468
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	1,313	13,128	9,813
33	348	Other Tangible Plant	4.00%	-	-	-	-	-	-	-	-
34		Plant Held for Future Use		-	-	-	-	-	-	-	-
35				-	-	-	-	-	-	-	-
36		TOTALS		570,201	-	570,201	166,276	166,276	1,173,712	35,036,714	15,688,594

Rio Rico Utilities - Water Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.5
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2012 (2 months through 2/29)											
				Plant Additions (Per. Books)	Plant Adjustments ¹	Plant Adjustments ²	Adjusted Plant Additions	Plant Retirements (Per Books)	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.		
1	301	Organization Cost	0.00%											5,785	-
2	302	Franchise Cost	0.00%											417	-
3	303	Land and Land Rights	0.00%											44,194	-
4	304	Structures & Improvements	3.33%	639,756		(121,438)	639,756					17,277		3,432,930	598,813
5	305	Collecting & Impounding Reservoirs	2.50%												
6	306	Lake, River, Canal Intakes	2.50%												
7	307	Wells & Springs	3.33%	3,794	(4,372)		(578)							562,944	219,473
8	308	Infiltration Galleries	6.67%												
9	309	Raw Water Supply Mains	2.00%	4			4							279,157	43,831
10	310	Power Generation Equipment	5.00%	745			745							219,360	103,188
11	311	Pumping Equipment	12.50%	351,006	(170)		350,836	110,842						3,147,011	2,859,238
12	320	Water Treatment Equipment	3.33%											369,100	183,785
13	320.1	Water Treatment Plants	3.33%												
14	320.2	Solution Chemical Feeders	20.00%												
15	330	Distribution Reservoirs & Standpipes	2.22%												
16	330.1	Storage Tanks	2.22%												
17	330.2	Pressure Tanks	5.00%											759,861	191,697
18	331	Transmission & Distribution Mains	2.00%	118,060	(5,568)		112,492							22,339,256	9,566,814
19	333	Services	3.33%	69,760			69,760							2,768,122	869,455
20	334	Meters	8.33%	15,911			15,911							1,010,366	536,110
21	335	Hydrants	2.00%	60			60							572,321	184,803
22	336	Backflow Prevention Devices	6.67%											15,855	2,366
23	339	Other Plant & Misc Equipment	6.67%	6,878	(8,386)		(1,508)							123,778	30,527
24	340	Office Furniture & Equipment	6.67%	5,725			5,725							29,265	22,865
25	340.1	Computers & Software	20.00%											76,919	76,919
26	341	Transportation Equipment	20.00%	1,819			1,819							142,188	121,824
27	342	Stores Equipment	4.00%												
28	343	Tools, Shop & Garage Equipment	5.00%	731			731							18,203	11,766
29	344	Laboratory Equipment	10.00%											3,061	3,061
30	345	Power Operated Equipment	5.00%												
31	346	Communication Equipment	10.00%	24,594			24,594							212,996	147,813
32	347	Miscellaneous Equipment	10.00%											13,128	10,032
33	348	Other Tangible Plant	4.00%												
34		Plant Held for Future Use													
35															
36		TOTALS		1,238,843	(18,496)		1,220,347	110,842	110,842			206,628		36,146,219	15,784,381

1 - Affiliate Profit from prior case

2 - Allocate office building costs to sewer

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2 -A

Exhibit
 Schedule B-2
 Page 4.1
 Witness: Bourassa

Line

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Acct.		Recorded Accumulated Depreciation	Accumulated Depreciation Per Plant Reconstruction	Difference
301	Organization Cost	-	-	-
302	Franchise Cost	-	-	-
303	Land and Land Rights	-	-	-
304	Structures and Improvements	538,895	598,813	59,918
305	Collecting and Impounding Res.	-	-	-
306	Lake River and Other Intakes	-	-	-
307	Wells and Springs	208,252	219,473	11,222
308	Infiltration Galleries and Tunnels	-	-	-
309	Supply Mains	43,831	43,831	0
310	Power Generation Equipment	102,593	103,188	595
311	Electric Pumping Equipment	2,902,995	2,859,238	(43,758)
320	Water Treatment Equipment	184,391	183,785	(606)
320.1	Water Treatment Plant	-	-	-
320.2	Chemical Solution Feeders	-	-	-
330	Dist. Reservoirs & Standpipe	240,526	191,697	(48,828)
330.1	Storage tanks	-	-	-
330.2	Pressure Tanks	-	-	-
331	Trans. and Dist. Mains	9,553,312	9,566,814	13,502
333	Services	865,855	869,455	3,599
334	Meters	555,604	536,110	(19,494)
335	Hydrants	203,887	184,803	(19,084)
336	Backflow Prevention Devices	1,478	2,366	889
339	Other Plant and Misc. Equip.	32,995	30,527	(2,469)
340	Office Furniture and Fixtures	22,822	22,865	43
340.1	Computers and Software	-	76,919	76,919
341	Transportation Equipment	84,137	121,824	37,687
342	Stores Equipment	-	-	-
343	Tools and Work Equipment	11,749	11,766	17
344	Laboratory Equipment	3,061	3,061	-
345	Power Operated Equipment	-	-	-
346	Communications Equipment	233,523	147,813	(85,710)
347	Miscellaneous Equipment	7,701	10,032	2,331
348	Other Tangible Plant	-	-	-
	Plant Held for Future Use	-	-	-
	TOTALS	\$ 15,797,607	\$ 15,784,381	\$ (13,226)

SUPPORTING SCHEDULE

B-2, pages 3.2 - 3.5

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment 3

Exhibit
 Schedule B-2
 Page 5.0
 Witness: Bourassa

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

Line No.		Gross CIAC	Accumulated Amortization
1			
2			
3			
4			
5	Computed balance at 12/29/2012	\$ 20,179,119	\$ 8,797,261
6			
7	Book balance at 02/29/2012	<u>\$ 20,227,843</u>	<u>\$ 9,011,535</u>
8			
9	Increase (decrease)	\$ (48,724)	\$ (214,274)
10			
11			
12	Adjustment to CIAC/AA CIAC	<u>\$ (48,724)</u>	<u>\$ 214,274</u>
13	Label	3a	3b
14			
15			
16			
17			
18			
19	<u>SUPPORTING SCHEDULES</u>		
20	E-1		
21	B-2, page 5.1		
22			
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Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 4
Advances-in-Aid of Construction (AIAC)

Exhibit
Schedule B-2
Page 6.0
Witness: Bourassa

Line
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4	Computed balance at 12/29/2012		\$ 660,955
5			
6	Book balance at 02/29/2012		<u>\$ 617,231</u>
7			
8	Increase (decrease)		\$ 43,724
9			

19 SUPPORTING SCHEDULES

- 20 E-1
- 21 B-2, page 6.1

Rto Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 5

Line No.	Deferred Income Tax as of February 29, 2012		Water & Sewer Adjusted Book Value	Water & Sewer Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset Current	Future Tax Asset Non Current	Future Tax Liability Current	Future Tax Liability Non Current	
6	Plant-in-Service	\$	50,387,410 ¹									
7	Accum. Deprec.		(22,221,685) ¹									
8	CIAC		(14,692,881) ³									
9	Fed. Fixed Assets	\$	13,472,844	\$	8,955,829 ²	\$	(4,517,015)	31.60%	-	-	(1,427,377)	
11	State Fixed Assets	\$	13,472,844	\$	23,646,536 ²	\$	10,173,692	6.97%	708,903	-	-	
13	Fed & State AIAC			\$	593,411 ⁴	\$	178,023 ⁴	38.57%	68,660	-	-	
14												
15												
16												
17	Net Asset (Liability)								\$	(649,814)	\$	(1,427,377)
18												
19	Allocation Factor - Water-Division (based on rate base before ADIT)									0.6239		
21	Net Asset (Liability) Water Division								\$	(405,395)	\$	
22												
23	DIT Asset (Liability) per Books								\$	-	\$	
24												
25	Adjustment to DIT								\$	405,395	\$	
26												
27												
28												
29												
30												
31												
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Footnotes - See page 7.1

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment 3

Exhibit
 Schedule B-2
 Page 7.1
 Witness: Bourassa

Line No.		FEDERAL	STATE
1		\$ 28,328,799	\$ 28,328,799
2	¹ Adjusted per B-2, page 2		
3	² Computation of Net Tax Value February 29, 2012		
4	Based on 2011 Tax Depreciation report (December 31, 2011)		
5	Unadjusted Cost per 2011 Tax Depr. Report	(3,942,541)	-
6	Reconciling Items not on tax report:	3,039,772	3,039,772
7	KPMG CIAC related adjustments (see page 7.2)	51,739	51,739
8	Plant added after 12/31/2011 (see B-2 page 3.4)	(120,225)	(120,225)
9	Land costs not on tax, on books (see B-2 page 3.4)		
10	Reconciling Difference Book vs. Tax (timing) (see page work papers)		
11	Net Unadjusted Cost tax Basis	\$ 27,357,544	\$ 31,300,085
12			
13	<u>Reductions</u>		
14	Basis Reduction 2011 and Prior Years (from 2011 Tax Depr. Report)	(3,066,507)	-
15	KPMG CIAC related adjustments (see workpapers)	1,166,545	-
16	Accumulated Depreciation 2010 and prior (2011 Tax Depr Report)	(14,334,173)	(6,381,079)
17	2011 Tax Depreciation (2011 Tax Depr Report)	(1,751,690)	(1,109,895)
18	2012 Bonus Depreciation Estimate (50% - 2 months)(estimate)	(253,314)	-
19	2012 Tax Depreciation Estimate (2 months)(estimate)	(162,575)	(162,575)
20			
21	Net Reductions through February 2012	(18,401,715)	-
22	Net tax value of plant-in-service at February 29, 2012	\$ 8,955,829	\$ (7,653,549)
23			
24	³ CIAC (including impact of change to probability of realization)		
25			
26	Gross CIAC per B-2 (Water & Sewer)	\$ 25,331,792	
27	CIAC reductions/additions		
28	A.A per B-2 (Water and Sewer)	(11,307,236)	
29	Meter and Service Line Changes		
30			
31	Net CIAC before unrealized AIAC	\$ 14,024,556	
32			
33	Unrealized AIAC Component (Water and Sewer)		
34	Adjusted Net AIAC (see footnote 5 below)	\$ 954,749	
35	Unrealized AIAC Component % (1-Realized AIAC Component)	70.0%	
36			
37	Total realizable CIAC	\$ 668,325	
38		\$ 14,692,881	
39	⁴ AIAC (including impact of change in probability of realization)		
40	AIAC per B-2 (Water and Sewer)	\$ 954,749	
41	AIAC reductions/additions		
42	Net AIAC before unrealized portion	\$ (668,325)	
43	Less: Unrealized AIAC (from Note 4, above)	\$ 286,425	
44	Net realizable AIAC	\$ 306,987	
45	Meter and Service Line Installation Changes		
46	Total AIAC	\$ 593,411	
47			

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Computation of Working Capital

Exhibit
 Schedule B-5
 Page 1
 Witness: Bourassa

Line No.			
1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	\$	152,357
3	Pumping Power (1/24 of Pumping Power)		15,474
4	Purchased Water (1/24 of Purchased Water)		-
5	Prepaid Expenses		
6			
7			
8			
9	Total Working Capital Allowance	<u>\$</u>	<u>167,831</u>
10			
11			
12	Working Capital Requested	<u>\$</u>	<u>-</u>
13			
14			
15			
16			
17		<u>Adjusted Test Year</u>	
18	Total Operating Expense	\$	2,478,906
19	Less:		
20	Income Tax	\$	181,647
21	Property Tax		155,805
22	Depreciation		551,222
23	Purchased Water		-
24	Pumping Power		<u>371,378</u>
25	Allowable Expenses	<u>\$</u>	<u>1,218,854</u>
26	1/8 of allowable expenses	<u>\$</u>	<u>152,357</u>
27			
28			
29	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>	
30	E-1	B-1	
31			
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Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Income Statement

Exhibit
 Schedule C-1
 Page 1
 Witness: Bourassa

Line No.		Test Year Book Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	Revenues					
2	Metered Water Revenues	\$ 2,819,872	\$ (7,923)	\$ 2,811,949	\$ 604,079	\$ 3,416,028
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	42,889	-	42,889		42,889
5		<u>\$ 2,862,761</u>	<u>\$ (7,923)</u>	<u>\$ 2,854,838</u>	<u>\$ 604,079</u>	<u>\$ 3,458,917</u>
6	Operating Expenses					
7	Salaries and Wages	\$ 394,012	32,000	\$ 426,012		\$ 426,012
8	Purchased Water	-	-	-		-
9	Purchased Power	371,378	-	371,378		371,378
10	Fuel For Power Production	-	-	-		-
11	Chemicals	3,884	-	3,884		3,884
12	Materials and Supplies	27,517	-	27,517		27,517
13	Management Services - US Liberty Water	270,221	(12,854)	257,367		257,367
14	Management Services - Corporate	412,723	(278,748)	133,975		133,975
15	Management Services - Other	15,903	-	15,903		15,903
16	Outside Services - Accounting	167	-	167		167
17	Outside Services - Engineering	-	-	-		-
18	Outside Services- Other	14,205	-	14,205		14,205
19	Outside Services- Legal	4,690	-	4,690		4,690
20	Water Testing	10,590	17,641	28,231		28,231
21	Rents - Building	18,295	(18,295)	-		-
22	Rents - Equipment	3,208	-	3,208		3,208
23	Transportation Expenses	89,305	-	89,305		89,305
24	Insurance - General Liability	34,100	-	34,100		34,100
25	Insurance - Vehicle	7,733	-	7,733		7,733
26	Reg. Comm. Exp. - Other	-	-	-		-
27	Reg. Comm. Exp. - Rate Case	119,952	(32,452)	87,500		87,500
28	Miscellaneous Expense	85,057	-	85,057		85,057
29	Bad Debt Expense	-	-	-		-
30	Depreciation and Amortization Expense	2,962,015	(2,410,793)	551,222		551,222
31	Taxes Other Than Income	-	-	-		-
32	Property Taxes	176,832	(21,027)	155,805	11,029	166,833
33	Income Tax	-	181,647	181,647	228,911	410,558
34		-	-	-		-
35	Total Operating Expenses	<u>\$ 5,021,787</u>	<u>\$ (2,542,881)</u>	<u>\$ 2,478,906</u>	<u>\$ 239,939</u>	<u>\$ 2,718,845</u>
36	Operating Income	<u>\$ (2,159,026)</u>	<u>\$ 2,534,959</u>	<u>\$ 375,933</u>	<u>\$ 364,139</u>	<u>\$ 740,072</u>
37	Other Income (Expense)					
38	Interest Income	47,358	(47,358)	(0)		(0)
39	Other income	-	-	-		-
40	Interest Expense	(9,347)	(77,631)	(86,978)		(86,978)
41	Other Expense	-	-	-		-
42		-	-	-		-
43	Total Other Income (Expense)	<u>\$ 38,011</u>	<u>\$ (124,989)</u>	<u>\$ (86,978)</u>	<u>\$ -</u>	<u>\$ (86,978)</u>
44	Net Profit (Loss)	<u>\$ (2,121,015)</u>	<u>\$ 2,409,970</u>	<u>\$ 288,955</u>	<u>\$ 364,139</u>	<u>\$ 653,094</u>

45
 46 SUPPORTING SCHEDULES:
 47 C-1, page 2
 48 E-2
 49

RECAP SCHEDULES:
 A-1

Rto Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Income Statement

Exhibit
 Schedule C-1
 Page 2.1
 Witness: Bourassa

Line No.	1	2	3	4	5	6	7	8
	Depreciation	Property Taxes	Rate Case Expense	Revenue Annualization	Revenue Accrual Fix	Rents	Water Testing	Salaries and Wages
1	Revenues							
2	Metered Water Revenues							
3	Unmetered Water Revenues							
4	Other Water Revenues				10,308			
5				\$ (18,231)				
6				\$ (18,231)	10,308			
7	Operating Expenses							
8	Salaries and Wages							32,000
9	Purchased Water							
10	Purchased Power							
11	Fuel For Power Production							
12	Chemicals							
13	Materials and Supplies							
14	Management Services - US Liberty Water							
15	Management Services - Corporate							
16	Management Services - Other							
17	Outside Services - Accounting							
18	Outside Services - Engineering							
19	Outside Services - Other							
20	Outside Services- Legal							
21	Water Testing						17,641	
22	Rents - Building					(18,295)		
23	Rents - Equipment							
24	Transportation Expenses							
25	Insurance - General Liability							
26	Insurance - Vehicle							
27	Reg. Comm. Exp. - Other							
28	Reg. Comm. Exp. - Rate Case							
29	Miscellaneous Expense							
30	Bad Debt Expense							
31	Depreciation and Amortization Expense							
32	Taxes Other Than Income							
33	Property Taxes							
34	Income Tax							
35	Total Operating Expenses							
36	Operating Income							
37	Other Income (Expense)							
38	Interest Income							
39	Other Income							
40	Interest Expense							
41	Other Expense							
42								
43	Total Other Income (Expense)							
44	Net Profit (Loss)							
45								
46	SUPPORTING SCHEDULES:							
47	C-2							
48	E-2							

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Income Statement

Exhibit
 Schedule C-1
 Page 2.2
 Witness: Bourassa

Line No.	9	10	11	12	13	14	15	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
	Liberty Water Non-Recoverable	Liberty Water Labor	Corporate Non-Recoverable	Corporate Revised CAM	Remove Other Income/Expense	Interest Synchronization	Income Taxes			
1								\$ 2,811,949	\$ 604,079	\$ 3,416,028
2								42,889		42,889
3								2,854,838	\$ 604,079	\$ 3,458,917
4										
5										
6										
7								\$ 426,012		\$ 426,012
8										
9								371,378		371,378
10										
11										
12								3,884		3,884
13								27,517		27,517
14								257,367		257,367
15								133,975		133,975
16								15,903		15,903
17								167		167
18								14,205		14,205
19								4,690		4,690
20								28,231		28,231
21										
22								3,208		3,208
23								89,305		89,305
24								34,100		34,100
25								7,733		7,733
26										
27								87,500		87,500
28								85,057		85,057
29										
30								551,222		551,222
31										
32								155,805	11,029	166,833
33								181,647	228,911	410,558
34										
35								2,478,906	239,939	2,718,845
36								375,933	364,139	740,072
37										
38										
39										
40										
41										
42										
43										
44										
45										
46										
47										
48										

SUPPORTING SCHEDULES:
 C-1, page 1

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Adjustments to Revenues and Expenses

Exhibit
 Schedule C-2
 Page 1
 Witness: Bourassa

Line No.	<u>Adjustments to Revenues and Expenses</u>						<u>Subtotal</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	
1							
2	Depreciation	Property	Rate Case	Revenue	Revenue		
3	<u>Expense</u>	<u>Taxes</u>	<u>Expense</u>	<u>Annualization</u>	<u>Accrual</u>	<u>Rents</u>	
4	Revenues			(18,231)	10,308		(7,923)
5							
6	Expenses	(2,410,793)	(21,027)	(32,452)		(18,295)	(2,482,568)
7							
8	Operating						
9	Income	2,410,793	21,027	32,452	(18,231)	10,308	18,295
10							
11	Interest						
12	Expense						-
13	Other						
14	Income /						-
15	Expense						
16							
17	Net Income	2,410,793	21,027	32,452	(18,231)	10,308	18,295
18							
19							
20		<u>Adjustments to Revenues and Expenses</u>					
21		<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>
22			Salaries	Liberty	Liberty		
23			and	Water	Water		
24		<u>Water Testing</u>	<u>Wages</u>	<u>Non-Recoverable</u>	<u>Labor</u>	<u>Corporate</u>	<u>Corporate</u>
25	Revenues					<u>Non-Recoverable</u>	<u>Revised CAM</u>
26							
27	Expenses	17,641	32,000	(39,260)	26,406	(33,949)	(244,799)
28							
29	Operating						
30	Income	(17,641)	(32,000)	39,260	(26,406)	33,949	244,799
31							
32	Interest						
33	Expense	-					-
34	Other						
35	Income /						-
36	Expense						
37							
38	Net Income	(17,641)	(32,000)	39,260	(26,406)	33,949	244,799
39							
40							
41		<u>Adjustments to Revenues and Expenses</u>					
42		<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>	<u>17</u>	<u>18</u>
43		Remove	Interest	Income			
44		<u>Other Income/</u>	<u>Synchronization</u>	<u>Taxes</u>			
45		<u>Expense</u>					
46	Revenues						(7,923)
47							
48	Expenses			181,647			(2,542,881)
49							
50	Operating						
51	Income	-	-	(181,647)	-	-	-
52							
53	Interest						
54	Expense	(47,358)	(77,631)				(124,989)
55	Other						
56	Income /						-
57	Expense						
58							
59	Net Income	(47,358)	(77,631)	(181,647)	-	-	-

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Adjustments to Revenues and Expenses
 Adjustment Number 1

Exhibit
 Schedule C-2
 Page 2
 Witness: Bourassa

Depreciation Expense

Line No.	Acct.	Description	Adjusted Original Cost	Proposed Rates	Depreciation Expense
1					
2					
3					
4	No.	Description	Cost	Rates	Expense
5	301	Organization Cost	5,785	0.00%	-
6	302	Franchise Cost	417	0.00%	-
7	303	Land and Land Rights	44,194	0.00%	-
8	304	Structures and Improvements	3,432,930	3.33%	114,317
9	305	Collecting and Impounding Res.	-	2.50%	-
10	306	Lake River and Other Intakes	-	2.50%	-
11	307	Wells and Springs	562,944	3.33%	18,746
12	308	Infiltration Galleries and Tunnels	-	6.67%	-
13	309	Supply Mains	279,157	2.00%	5,583
14	310	Power Generation Equipment	219,360	5.00%	10,968
15	311	Electric Pumping Equipment	3,147,011	12.50%	393,376
16	320	Water Treatment Equipment	369,100	3.33%	12,291
17	320.1	Water Treatment Plant	-	3.33%	-
18	320.2	Chemical Solution Feeders	-	20.00%	-
19	330	Dist. Reservoirs & Standpipe	759,861	2.22%	16,869
20	330.1	Storage tanks	-	2.22%	-
21	330.2	Pressure Tanks	-	5.00%	-
22	331	Trans. and Dist. Mains	22,339,256	2.00%	446,785
23	333	Services	2,768,122	3.33%	92,178
24	334	Meters	1,010,366	8.33%	84,163
25	335	Hydrants	572,321	2.00%	11,446
26	336	Backflow Prevention Devices	15,855	6.67%	1,058
27	339	Other Plant and Misc. Equip.	123,778	6.67%	8,256
28	340	Office Furniture and Fixtures	29,265	6.67%	1,952
29	340.1	Computers and Software	76,919	20.00%	-
30	341	Transportation Equipment	142,188	20.00%	28,438
31	342	Stores Equipment	-	4.00%	-
32	343	Tools and Work Equipment	18,203	5.00%	910
33	344	Laboratory Equipment	3,061	10.00%	-
34	345	Power Operated Equipment	-	5.00%	-
35	346	Communications Equipment	212,996	10.00%	21,300
36	347	Miscellaneous Equipment	13,128	10.00%	1,313
37	348	Other Tangible Plant	-	10.00%	-
38		TOTALS	<u>\$ 36,146,219</u>		<u>\$ 1,269,949</u>
39					
40			<u>Gross CIAC</u>	<u>Amort. Rate</u>	
41		Less: Amortization of Contributions	\$ 20,179,119	3.5617%	<u>\$ (718,728)</u>
42		Total Depreciation Expense			<u>\$ 551,222</u>
43					
44		Adjusted Test Year Depreciation Expense			<u>2,962,015</u>
45					
46		Increase (decrease) in Depreciation Expense			<u>(2,410,793)</u>
47					
48		Adjustment to Revenues and/or Expenses			<u>\$ (2,410,793)</u>
49					
50		<u>SUPPORTING SCHEDULE</u>			
51		B-2, page 3			

*Fully Depreciated

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Adjustment to Revenues and Expenses
 Adjustment Number 2

Exhibit
 Schedule C-2
 Page 3
 Witness: Bourassa

Property Taxes

Line No.	<u>DESCRIPTION</u>	Test Year as adjusted	Company Recommended
1	Company Adjusted Test Year Revenues	\$ 2,854,838	\$ 2,854,838
2	Weight Factor	<u>2</u>	<u>2</u>
3	Subtotal (Line 1 * Line 2)	5,709,676	5,709,676
4	Company Recommended Revenue	2,854,838	3,458,917
5	Subtotal (Line 4 + Line 5)	8,564,515	9,168,593
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	2,854,838	3,056,198
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	5,709,676	6,112,396
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	20,364	20,364
12	Full Cash Value (Line 9 + Line 10 - Line 11)	5,689,313	6,092,032
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	1,137,863	1,218,406
15	Composite Property Tax Rate - Obtained from ADOR	13.6927%	13.6927%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 155,805	\$ 166,833
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	<u>\$ 155,805</u>	
19	Test Year Property Taxes	<u>\$ 176,832</u>	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	<u>\$ (21,027)</u>	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		<u>\$ 166,833</u>
23	Company Test Year Adjusted Property Tax Expense (Line 18)		<u>\$ 155,805</u>
24	Increase in Property Tax Due to Increase in Revenue Requirement		<u>\$ 11,029</u>
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 11,029
27	Increase in Revenue Requirement		\$ 604,079
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.82570%
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 3

Exhibit
Schedule C-2
Page 4
Witness: Bourassa

Rate Case Expense

Line No.		
1		
2		
3	Estimated Rate Case Expense	\$ 262,500
4		
5	Estimated Amortization Period in Years	3
6		
7	Annual Rate Case Expense	<u>\$ 87,500</u>
8		
9	Test Year Rate Case Expense	\$ 119,952
10		
11	Increase(decrease) Rate Case Expense	<u>\$ (32,452)</u>
12		
13	Adjustment to Revenue and/or Expense	<u>\$ (32,452)</u>
14		
15		
16	<u>Reference</u>	
17	Testimony	
18		
19		
20		

Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
Schedule C-2
Page 5
Witness: Bourassa

Revenue Annualization

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

Revenue Annualization

\$ (18,231)

Total Revenue from Annualization

\$ (18,231)

Adjustment to Revenue and/or Expense

\$ (18,231)

SUPPORTING SCHEDULES

C-2 pages 5.1 to 5.19

H-1

Rio Rico Utilities, Inc. - Water Division
 5/8x3/4 Inch Residential
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Schedule C-2
 Page 5.1
 Witness: Bourassa

Line No.	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Total Year
	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11		
1	5,875	5,875	5,875	5,875	5,875	5,875	5,875	5,875	
2	5,960	5,935	5,934	5,932	5,444	6,308	5,891		
3	(85)	(60)	(59)	(57)	431	(433)	(16)		
4	\$ 27.34	\$ 31.40	\$ 30.65	\$ 36.41	\$ 37.30	\$ 29.90	\$ 31.39		
5	\$ (2,324)	\$ (1,884)	\$ (1,809)	\$ (2,075)	\$ 16,075	\$ (12,948)	\$ (502)		
6									
7	(85)	(60)	(59)	(57)	431	(433)	(16)		
8	\$ 34.66	\$ 38.87	\$ 38.09	\$ 43.97	\$ 44.86	\$ 37.32	\$ 38.86		
9	\$ (2,946)	\$ (2,332)	\$ (2,248)	\$ (2,506)	\$ 19,335	\$ (16,159)	\$ (622)		
10	(592,262)	(501,665)	(478,135)	(562,178)	4,355,760	(3,397,760)	(133,701)		
11									
12									
13									
14									
15	5,875	5,875	5,875	5,875	5,875	5,875	5,875		
16	5,895	5,874	5,880	5,900	5,875				
17	(20)	1	(5)	(25)	-				(328)
18	\$ 29.56	\$ 29.11	\$ 25.41	\$ 25.56	\$ 24.82				
19	\$ (591)	\$ 29	\$ (127)	\$ (639)	\$ -				\$ (6,796)
20									
21	(20)	1	(5)	(25)	-				
22	\$ 36.96	\$ 36.50	\$ 32.67	\$ 32.83	\$ 32.06				
23	\$ (591)	\$ 29	\$ (127)	\$ (639)	\$ -				\$ (9,165)
24	(154,589)	7,576	(31,533)	(159,017)	-				(1,647,503)

Rio Rico Utilities, Inc. - Water Division
 5/8x3/4 Inch Residential (Low Income)
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Schedule C-2
 Page 5.2
 Witness: Bourassa

Line No.	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	139	139	139	139	139	139	139
2	-	54	65	79	62	127	112
3	139	85	74	60	77	12	27
4	\$ 9.33	\$ 24.46	\$ 25.03	\$ 30.28	\$ 30.38	\$ 27.03	\$ 27.10
5	\$ 1,297	\$ 2,079	\$ 1,853	\$ 1,817	\$ 2,339	\$ 324	\$ 732
6							
7	139	85	74	60	77	12	27
8	\$ 14.64	\$ 30.73	\$ 31.32	\$ 36.69	\$ 36.79	\$ 33.39	\$ 33.47
9	\$ 2,035	\$ 2,612	\$ 2,318	\$ 2,202	\$ 2,833	\$ 401	\$ 904
10	-	634,352	569,231	578,734	745,161	101,953	230,223
11							
12							
13							
14							
15	139	139	139	139	139		
16	117	126	132	135	139		
17	22	13	7	4	-		520
18	\$ 24.19	\$ 25.86	\$ 21.25	\$ 23.00	\$ 21.64		
19	\$ 532	\$ 336	\$ 149	\$ 92	\$ -		\$ 11,550
20							
21	22	13	7	4	-		
22	\$ 30.45	\$ 32.17	\$ 27.41	\$ 29.22	\$ 27.81		
23	\$ 532	\$ 336	\$ 149	\$ 92	\$ -		\$ 14,701
24	161,709	104,310	43,167	27,496	-		3,196,336

Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year
139	139	139	139	139	
117	126	132	135	139	
22	13	7	4	-	520
\$ 24.19	\$ 25.86	\$ 21.25	\$ 23.00	\$ 21.64	
\$ 532	\$ 336	\$ 149	\$ 92	\$ -	\$ 11,550
22	13	7	4	-	
\$ 30.45	\$ 32.17	\$ 27.41	\$ 29.22	\$ 27.81	
\$ 532	\$ 336	\$ 149	\$ 92	\$ -	\$ 14,701
161,709	104,310	43,167	27,496	-	3,196,336

Rio Rico Utilities, Inc. - Water Division
 1 Inch Residential
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Schedule C-2
 Page 5.4
 Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	35	35	35	35	35	35	35
2	Actual Customers	38	37	36	36	35	34	35
3	Increase in Number of Customers/Bills	(3)	(2)	(1)	(1)	-	1	-
4	Average Revenue / Present Rates	\$ 37.44	\$ 60.83	\$ 64.44	\$ 65.57	\$ 73.33	\$ 58.37	\$ 61.24
5	Revenue Annualization / Present Rates	\$ (112)	\$ (122)	\$ (64)	\$ (66)	\$ -	\$ 58	\$ -
6								
7	Increase in Number of Customers	(3)	(2)	(1)	(1)	-	1	-
8	Average Revenue / Proposed Rates	\$ 53.38	\$ 77.58	\$ 81.30	\$ 82.48	\$ 90.08	\$ 75.03	\$ 78.00
9	Revenue Annualization / Proposed Rates	\$ (160)	\$ (155)	\$ (81)	\$ (82)	\$ -	\$ 75	\$ -
10	Additional Gallons to be Produced	(10,263)	(22,865)	(12,667)	(13,056)	-	10,588	-
11								
12								
13								
14								
15	Year End Number of Customers	35	35	35	35	35	35	35
16	Actual Customers	35	35	35	33	35	35	35
17	Increase in Number of Customers/Bills	-	-	-	2	-	-	(4)
18	Average Revenue / Present Rates	\$ 61.74	\$ 62.66	\$ 53.06	\$ 57.36	\$ 50.14		
19	Revenue Annualization / Present Rates	\$ -	\$ -	\$ -	\$ 115	\$ -		\$ (191)
20								
21	Increase in Number of Customers	-	-	-	2	-	-	-
22	Average Revenue / Proposed Rates	\$ 78.51	\$ 79.46	\$ 69.54	\$ 73.98	\$ 66.52		
23	Revenue Annualization / Proposed Rates	\$ -	\$ -	\$ -	\$ 115	\$ -		\$ (256)
24	Additional Gallons to be Produced	-	-	-	20,485	-		(27,777)

Rio Rico Utilities, Inc. - Water Division
 2 Inch Residential
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Schedule C-2
 Page 5.7
 Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	3	3	3	3	3	3	3
2	Actual Customers	5	3	3	3	3	3	3
3	Increase in Number of Customers/Bills	(2)	-	-	-	-	-	-
4	Average Revenue / Present Rates	\$ 129.89	\$ 159.87	\$ 145.27	\$ 151.11	\$ 151.11	\$ 179.33	\$ 164.73
5	Revenue Annualization / Present Rates	\$ (260)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6								
7	Increase in Number of Customers	(2)	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	\$ 181.25	\$ 212.25	\$ 197.15	\$ 203.19	\$ 203.19	\$ 232.39	\$ 217.29
9	Revenue Annualization / Proposed Rates	\$ (362)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	Additional Gallons to be Produced	(28,800)	-	-	-	-	-	-
11								
12								
13								
14								
15	Year End Number of Customers	3	3	3	3	3	3	3
16	Actual Customers	3	3	3	3	3	3	3
17	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
18	Average Revenue / Present Rates	\$ 146.24	\$ 139.43	\$ 125.80	\$ 120.93	\$ 126.77	\$ -	\$ -
19	Revenue Annualization / Present Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20								
21	Increase in Number of Customers	-	-	-	-	-	-	-
22	Average Revenue / Proposed Rates	\$ 198.16	\$ 191.11	\$ 177.02	\$ 171.99	\$ 178.03	\$ -	\$ -
23	Revenue Annualization / Proposed Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-	-

Total Year
 (2)
 \$ (260)

\$ (362)
 (28,800)

Rio Rico Utilities, Inc. - Water Division
 5/8 Inch Commercial
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Schedule C-2
 Page 5.8
 Witness: Bourassa

Line No.	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Total Year
	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11		
1	83	83	83	83	83	83	83		
2	79	78	79	79	47	111	80		
3	4	5	4	4	36	(28)	3		
4	\$ 29.06	\$ 28.25	\$ 27.73	\$ 34.97	\$ 46.20	\$ 34.32	\$ 37.00		
5	\$ 116	\$ 141	\$ 111	\$ 140	\$ 1,663	\$ (961)	\$ 111		
6									
7	4	5	4	4	36	(28)	3		
8	\$ 36.44	\$ 35.61	\$ 35.07	\$ 42.52	\$ 53.84	\$ 41.86	\$ 44.56		
9	\$ 146	\$ 178	\$ 140	\$ 170	\$ 1,938	\$ (1,172)	\$ 134		
10	\$ 30,228	\$ 36,410	\$ 28,405	\$ 37,873	\$ 451,915	\$ (260,072)	\$ 30,075		
11									
12									
13									
14									
15	83	83	83	83	83	83	83		
16	80	81	81	83	83	83	83		
17	3	2	2	-	-	-	35		
18	\$ 37.91	\$ 32.12	\$ 41.13	\$ 29.12	\$ 31.44				
19	\$ 114	\$ 64	\$ 82	\$ -	\$ -				
20									
21	3	2	2	-	-	-	-		
22	\$ 45.48	\$ 39.61	\$ 48.73	\$ 36.51	\$ 38.91				
23	\$ 114	\$ 64	\$ 82	\$ -	\$ -				
24	\$ 30,825	\$ 17,210	\$ 22,321	\$ -	\$ -				

Rio Rico Utilities, Inc. - Water Division
 2 Inch Commercial
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Final Schedule C-2
 Page 5.11
 Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	43	43	43	43	43	43	43
2	Actual Customers	43	44	44	43	42	44	43
3	Increase in Number of Customers/Bills	-	(1)	(1)	-	1	(1)	-
4	Average Revenue / Present Rates	\$ 200.16	\$ 219.44	\$ 210.28	\$ 226.37	\$ 202.76	\$ 193.82	\$ 248.58
5	Revenue Annualization / Present Rates	\$ -	\$ (219)	\$ (210)	\$ -	\$ 203	\$ (194)	\$ -
6								
7	Increase in Number of Customers	-	(1)	(1)	-	1	(1)	-
8	Average Revenue / Proposed Rates	\$ 253.92	\$ 273.87	\$ 264.39	\$ 281.03	\$ 256.62	\$ 247.37	\$ 304.00
9	Revenue Annualization / Proposed Rates	\$ -	\$ (274)	\$ (264)	\$ -	\$ 257	\$ (247)	\$ -
10	Additional Gallons to be Produced	-	(45,068)	(41,932)	-	39,357	(36,295)	-
11								
12								
13								
14								
15	Year End Number of Customers	43	43	43	43	43	43	43
16	Actual Customers	43	43	44	44	44	43	43
17	Increase in Number of Customers/Bills	-	-	(1)	(1)	-	(1)	(4)
18	Average Revenue / Present Rates	\$ 189.29	\$ 194.93	\$ 177.10	\$ 181.27	\$ 186.58	\$ -	\$ -
19	Revenue Annualization / Present Rates	\$ -	\$ -	\$ (177)	\$ (181)	\$ -	\$ -	\$ (779)
20								
21	Increase in Number of Customers	-	-	(1)	(1)	-	(1)	-
22	Average Revenue / Proposed Rates	\$ 242.69	\$ 248.52	\$ 230.08	\$ 234.39	\$ 239.88	\$ -	\$ (993)
23	Revenue Annualization / Proposed Rates	\$ -	\$ -	\$ (177)	\$ (181)	\$ -	\$ -	\$ (146,505)
24	Additional Gallons to be Produced	-	-	(30,568)	(31,998)	-	-	-

Rio Rico Utilities, Inc. - Water Division

3 Inch Commercial

Customers to Year End Levels

Test Year Ended February 29, 2012

Exhibit
Schedule C-2

Page 5.12

Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	11	11	11	11	11	11	11
2	Actual Customers	14	11	12	12	14	11	12
3	Increase in Number of Customers/Bills	(3)	-	(1)	(1)	(3)	-	(1)
4	Average Revenue / Present Rates	\$ 621.62	\$ 955.29	\$ 1,102.58	\$ 1,120.17	\$ 960.14	\$ 747.15	\$ 687.92
5	Revenue Annualization / Present Rates	\$ (1,865)	\$ -	\$ (1,103)	\$ (1,120)	\$ (2,880)	\$ -	\$ (688)
6								
7	Increase in Number of Customers	(3)	-	(1)	(1)	(3)	-	(1)
8	Average Revenue / Proposed Rates	\$ 679.55	\$ 956.69	\$ 1,105.18	\$ 1,122.92	\$ 961.57	\$ 783.70	\$ 734.56
9	Revenue Annualization / Proposed Rates	\$ (2,039)	\$ -	\$ (1,105)	\$ (1,123)	\$ (2,885)	\$ -	\$ (735)
10	Additional Gallons to be Produced	(401,357)	-	(265,917)	(270,750)	(680,357)	-	(152,000)
11								
12								
13								
14								
15	Year End Number of Customers	11	11	11	11	11	11	11
16	Actual Customers	11	14	12	11	11	11	11
17	Increase in Number of Customers/Bills	-	(3)	(1)	-	-	-	(1)
18	Average Revenue / Present Rates	\$ 907.97	\$ 503.58	\$ 408.85	\$ 605.85	\$ 590.63	\$ -	\$ -
19	Revenue Annualization / Present Rates	\$ -	\$ (1,511)	\$ (409)	\$ -	\$ -	\$ -	\$ -
20								
21	Increase in Number of Customers	-	(3)	(1)	-	-	-	-
22	Average Revenue / Proposed Rates	\$ 917.13	\$ 581.62	\$ 503.03	\$ 666.47	\$ 653.84	\$ -	\$ -
23	Revenue Annualization / Proposed Rates	\$ -	\$ (1,511)	\$ (409)	\$ -	\$ -	\$ -	\$ -
24	Additional Gallons to be Produced	-	(304,071)	(75,333)	-	-	-	-

Total
Year

(13)
\$ (9,576)
\$ (10,134)
(2,149,786)

Rio Rico Utilities, Inc. - Water Division
 6 Inch Commercial
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Final Schedule C-2
 Page 5.14
 Witness: Bourassa

Line No.	Year End Number of Customers	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	1	1	1	1	1	1	1	1
2	Actual Customers							
3	Increase in Number of Customers/Bills							
4	Average Revenue / Present Rates	\$ 2,006.00	\$ 1,547.36	\$ 549.00	\$ 5,292.92	\$ 2,999.72	\$ 2,766.76	\$ 820.56
5	Revenue Annualization / Present Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6								
7	Increase in Number of Customers							
8	Average Revenue / Proposed Rates	\$ 2,144.50	\$ 1,763.98	\$ 861.00	\$ 5,442.26	\$ 3,130.16	\$ 2,895.28	\$ 1,141.86
9	Revenue Annualization / Proposed Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	Additional Gallons to be Produced							
11								
12								
13								
14								
15	Year End Number of Customers	1	1	1	1	1	1	1
16	Actual Customers							
17	Increase in Number of Customers/Bills							
18	Average Revenue / Present Rates	\$ 1,605.60	\$ 2,202.56	\$ 2,006.00	\$ 1,620.16	\$ 2,206.20		
19	Revenue Annualization / Present Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20								
21	Increase in Number of Customers							
22	Average Revenue / Proposed Rates	\$ 1,812.30	\$ 2,326.43	\$ 2,144.50	\$ 1,824.38	\$ 2,330.10		
23	Revenue Annualization / Proposed Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24	Additional Gallons to be Produced							

Rio Rico Utilities, Inc. - Water Division
 5/8 Inch Multi-Family
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Schedule C-2
 Page 5.15
 Witness: Bourassa

Line No.		Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	7	7	7	7	7	7	7
2	Actual Customers	6	8	8	8	5	9	7
3	Increase in Number of Customers/Bills	1	(1)	(1)	(1)	2	(2)	-
4	Average Revenue / Present Rates	\$ 32.30	\$ 31.81	\$ 32.18	\$ 31.08	\$ 44.19	\$ 30.35	\$ 31.60
5	Revenue Annualization / Present Rates	\$ 32	\$ (32)	\$ (32)	\$ (31)	\$ 88	\$ (61)	\$ -
6								
7	Increase in Number of Customers	1	(1)	(1)	(1)	2	(2)	-
8	Average Revenue / Proposed Rates	\$ 39.79	\$ 39.29	\$ 39.67	\$ 38.54	\$ 51.81	\$ 37.78	\$ 39.07
9	Revenue Annualization / Proposed Rates	\$ 40	\$ (39)	\$ (40)	\$ (39)	\$ 104	\$ (76)	\$ -
10	Additional Gallons to be Produced	8,667	(8,500)	(8,625)	(8,250)	24,000	(16,000)	-
11								
12								
13								
14								
15	Year End Number of Customers	7	7	7	7	7	7	7
16	Actual Customers	7	7	7	7	7	7	7
17	Increase in Number of Customers/Bills	-	-	-	-	-	-	(2)
18	Average Revenue / Present Rates	\$ 29.52	\$ 26.60	\$ 26.60	\$ 32.44	\$ 64.99		
19	Revenue Annualization / Present Rates	\$ -	\$ -	\$ -	\$ -	\$ -		\$ (35)
20								
21	Increase in Number of Customers	-	-	-	-	-	-	-
22	Average Revenue / Proposed Rates	\$ 36.92	\$ 33.90	\$ 33.90	\$ 39.94	\$ 72.78		
23	Revenue Annualization / Proposed Rates	\$ -	\$ -	\$ -	\$ -	\$ -		\$ (50)
24	Additional Gallons to be Produced	-	-	-	-	-		(8,708)

Rio Rico Utilities, Inc. - Water Division
 1 1/2 Inch Multi-Family
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Schedule C-2
 Page 5.16
 Witness: Bourassa

Line No.	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Total Year
	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	
1	1	1	1	1	1	1	1	1
2	1	1	1	1	1	1	1	1
3	78.26	78.26	78.26	78.26	78.26	78.26	78.26	98.70
4	\$	\$	\$	\$	\$	\$	\$	\$
5	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-
7	110.26	110.26	110.26	110.26	134.42	143.48	131.40	131.40
8	\$	\$	\$	\$	\$	\$	\$	\$
9	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-
11	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Total Year
12	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12			
13	1	1	1	1	1			
14	1	1	1	1	1			
15	89.94	98.70	87.02	87.02	84.10			
16	\$	\$	\$	\$	\$			
17	-	-	-	-	-			
18	122.34	131.40	119.32	119.32	116.30			
19	\$	\$	\$	\$	\$			
20	-	-	-	-	-			
21	-	-	-	-	-			
22	122.34	131.40	119.32	119.32	116.30			
23	\$	\$	\$	\$	\$			
24	-	-	-	-	-			

Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Schedule C-2
Page 6
Witness: Bourassa

Revenue Accrual

Line

No.

1		
2	Correct Revenue Accrual Adjustment	\$ 10,308
3		
4		
5		
6	Adjustment to Revenues	<u>\$ 10,308</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>10,308</u>
10		
11	<u>Reference</u>	
12	Testimony	
13	Work papers	
14		
15		
16		
17		
18		
19		
20		

Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Schedule C-2
Page 7
Witness: Bourassa

Office Rent

Line

No.

1		
2	Remove Office Rent	\$ (18,295)
3		
4		
5		
6	Adjustment to Rents - Building	<u>\$ (18,295)</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>(18,295)</u>
10		
11	<u>Reference</u>	
12	Testimony	
13	Work papers	
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		

Rio Rico Utilities, Inc. - Water Division
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Schedule C-2
Page 8
Witness: Bourassa

Water Testing Expense

Line

No.

1

Annualize Water Testing Expense

\$ 17,641

3

4

5

6

Adjustment to Water Testing Expense

\$ 17,641

7

8

9

Adjustment to Revenue and/or Expense

17,641

10

11

Reference

12

Testimony

13

Work papers

14

15

16

17

18

19

20

Rio Rico Utilities, Inc. - Water Division
Test Year Ended December 31, 2001
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Schedule C-2
Page 9
Witness: Bourassa

Salaries and Wages Annualization

Line
No.

1		
2	Annualize Salaries and Wages	\$ 32,000
3		
4		
5		
6	Adjustment to Salareis and Wages	<u>\$ 32,000</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>32,000</u>
10		
11	<u>Reference</u>	
12	Testimony	
13	Work papers	
14		
15		
16		
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19		
20		

Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Schedule C-2
Page 10
Witness: Bourassa

Management Services - U.S. Liberty Water

Line
No.

1		
2	Remove Non-recoverable expenses	\$ (39,260)
3		
4		
5		
6	Adjustment to Management Services - U.S. Liberty Water	<u>\$ (39,260)</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>(39,260)</u>
10		
11	<u>Reference</u>	
12	Testimony	
13	Work papers	
14		
15		
16		
17		
18		
19		
20		

Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

Management Services - U.S. Liberty Water

Line			
<u>No.</u>			
1			
2	Annualize Labor	\$	26,406
3			
4			
5			
6	Adjustment to Management Services - U.S. Liberty Water	<u>\$</u>	<u>26,406</u>
7			
8			
9	Adjustment to Revenue and/or Expense	<u></u>	<u>26,406</u>
10			
11	<u>Reference</u>		
12	Testimony		
13	Work papers		
14			
15			
16			
17			
18			
19			
20			

Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
Schedule C-2
Page 12
Witness: Bourassa

Management Services - Corporate

Line

No.

1		
2	Remove Non-recoverable expenses	\$ (33,949)
3		
4		
5		
6	Adjustment to Management Services - Corporate	<u>\$ (33,949)</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>(33,949)</u>
10		
11	<u>Reference</u>	
12	Testimony	
13	Work papers	
14		
15		
16		
17		
18		
19		
20		

Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Schedule C-2
Page 13
Witness: Bourassa

Management Services - Corporate

Line

No.

1		
2	Reduced Cost from Revised Cost Allocation Methodolgy	\$ (244,799)
3		
4		
5		
6	Adjustment to Management Services - Corporate	<u>\$ (244,799)</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>(244,799)</u>
10		
11	<u>Reference</u>	
12	Testimony	
13	Work papers	
14		
15		
16		
17		
18		
19		
20		

Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 13

Exhibit
Schedule C-2
Page 14
Witness: Bourassa

Remove Other Revenue and Expense

Line
No.

1

2 Interest Income

\$ (47,358)

3

4

5

6 Adjustment to Interest Income

\$ (47,358)

7

8

9 Adjustment to Revenue and/or Expense

(47,358)

10

11 Reference

12 Testimony

13 Work papers

14

15

16

17

18

19

20

Interest Synchronization

Line
No.

1				
2				
3				
4	Fair Value Rate Base	\$	7,629,607	
5	Weighted Cost of Debt		1.14%	
6	Interest Expense			\$ 86,978
7				
8	Test Year Interest Expense			<u>\$ 9,347</u>
9				
10	Increase (decrease) in Interest Expense			77,631
11				
12				
13				
14	Adjustment to Revenue and/or Expense			<u>\$ (77,631)</u>

15
 16

17 Weighted Cost of Debt Computation

18				Weighted
19		<u>Percent</u>	<u>Cost</u>	<u>Cost</u>
20	Debt	20.00%	5.70%	1.14%
21	Equity	<u>80.00%</u>	<u>10.70%</u>	<u>8.56%</u>
22	Total	100.00%		9.70%

23
 24
 25
 26
 27
 28
 29
 30

Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Adjustment to Revenues and/or Expenses
Adjustment Number 15

Exhibit
Schedule C-2
Page 16
Witness: Bourassa

Line

No.

1 Income Taxes

2

3

4 Computed Income Tax

5 Test Year Income tax Expense

6 Adjustment to Income Tax Expense

7

8

9

10

11

12

13 SUPPORTING SCHEDULE

14 C-3, page 2

15

16

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30

	<u>Test Year</u> <u>at Present Rates</u>	<u>Test Year</u> <u>at Proposed Rates</u>
	\$ 181,647	\$ 410,558
	-	181,647
	<u>\$ 181,647</u>	<u>\$ 228,911</u>

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Computation of Gross Revenue Conversion Factor

Exhibit
 Schedule C-3
 Page 1
 Witness: Bourassa

Line No.	<u>Description</u>	Percentage of Incremental Gross <u>Revenues</u>
1	Combined Federal and State Effective Income Tax Rate	38.599%
2		
3	Property Taxes	1.121%
4		
5		
6	Total Tax Percentage	39.720%
7		
8	Operating Income % = 100% - Tax Percentage	60.280%
9		
10		
11		
12		
13	<u>1</u> = Gross Revenue Conversion Factor	
14	Operating Income %	1.6589
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
26	C-3, page 2	A-1
27		
28		
29		
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40		

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Gross Revenue Conversion Factor:</u>							
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.7199%					
5	Subtotal (L3 - L4)	60.2801%					
6	Revenue Conversion Factor (L1 / L5)	1.658922					
<u>Calculation of Uncollectible Factor:</u>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	38.5989%					
9	One Minus Combined Income Tax Rate (L7 - L8)	61.4011%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
<u>Calculation of Effective Tax Rate:</u>							
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.9680%					
14	Federal Taxable Income (L12 - L13)	93.0320%					
15	Applicable Federal Income Tax Rate (L55 Col F)	34.0000%					
16	Effective Federal Income Tax Rate (L14 x L15)	31.6309%					
17	Combined Federal and State Income Tax Rate (L13 +L16)		38.5989%				
<u>Calculation of Effective Property Tax Factor</u>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	38.5989%					
20	One Minus Combined Income Tax Rate (L18-L19)	61.4011%					
21	Property Tax Factor	1.8257%					
22	Effective Property Tax Factor (L20*L21)		1.1210%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			39.7199%			
24	Required Operating Income	\$ 740,072					
25	Adjusted Test Year Operating Income (Loss)	\$ 375,933					
26	Required Increase in Operating Income (L24 - L25)		\$ 364,139				
27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 410,558					
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ 181,647					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 228,911				
30	Recommended Revenue Requirement	\$ 3,458,917					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -				
35	Property Tax with Recommended Revenue	\$ 166,833					
36	Property Tax on Test Year Revenue	\$ 155,805					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 11,029				
38	Total Required Increase in Revenue (L26 + L29 + L37)		\$ 604,079				

	(A) Test Year			(B) Sewer			(C) Water			(D) Company Recommended			(E) Sewer			(F) Water			
	Total			Total			Total			Total			Total			Total			
39	Revenue	\$ 4,210,920	\$ 1,356,081	\$ 2,854,838	\$ 5,212,944	\$ 1,754,028	\$ 3,458,917												
40	Operating Expenses Excluding Income Taxes	3,350,288	1,053,029	2,297,258	3,368,582	1,060,295	2,308,287												
41	Synchronized Interest (L47)	139,418	52,440	86,978	139,418	52,440	86,978												
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 721,214	\$ 250,612	\$ 470,602	\$ 1,704,946	\$ 641,294	\$ 1,063,652												
43	Arizona State Effective Income Tax Rate (see work papers)		6.9680%	6.9680%	6.9680%	6.9680%	6.9680%												
44	Arizona Income Tax (L42 x L43)	\$ 50,254	\$ 17,463	\$ 32,792	\$ 118,801	\$ 44,685	\$ 74,115												
45	Federal Taxable Income (L42- L44)	\$ 670,960	\$ 233,149	\$ 437,811	\$ 1,586,145	\$ 596,608	\$ 989,537												
46																			
47	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 15,000	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500												
48	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ 12,500	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250												
49	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ 17,000	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500												
50	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ 143,578	\$ 51,928	\$ 91,650	\$ 91,650	\$ 91,650	\$ 91,650												
51	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ 34,956	\$ -	\$ 34,956	\$ 425,389	\$ -	\$ -												
52																			
53	Total Federal Income Tax	\$ 223,034	\$ 74,178	\$ 148,856	\$ 539,289	\$ 202,847	\$ 336,443												
54	Combined Federal and State Income Tax (L35 + L42)	\$ 273,288	\$ 91,641	\$ 181,647	\$ 658,090	\$ 247,532	\$ 410,558												

55	COMBINED Applicable Federal Income Tax Rate [Col. (D), L53 - Col. (A), L53 / [Col. (D), L45 - Col. (A), L45]	34.5564%							
56	WASTEWATER Applicable Federal Income Tax Rate [Col. (E), L53 - Col. (B), L53] / [Col. (E), L45 - Col. (B), L45]					35.4011%			
57	WATER Applicable Federal Income Tax Rate [Col. (F), L53 - Col. (C), L53] / [Col. (F), L45 - Col. (C), L45]							34.0000%	

<u>Calculation of Interest Synchronization:</u>			
58	Rate Base	Sewer	Water
59	Weighted Average Cost of Debt	\$ 4,600,012	\$ 7,629,607
60	Synchronized Interest (L59 X L60)	1.1400%	1.1400%
		\$ 52,440	\$ 86,978

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Comparative Balance Sheets

Exhibit
 Schedule E-1
 Page 1
 Witness: Bourassa

Line No.	Test Year Ended <u>2/29/2012</u>	Year Ended <u>2/28/2011</u>	Year Ended <u>2/28/2010</u>
1	<u>ASSETS</u>		
2	\$ 35,923,550	\$ 34,867,573	\$ 34,447,598
3	-	-	-
4	162,114	133,914	156,535
5	(15,797,607)	(12,746,281)	(11,908,516)
6	<u>\$ 20,288,058</u>	<u>\$ 22,255,206</u>	<u>\$ 22,695,617</u>
7			
8	\$ -	\$ -	\$ -
9			
10	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
11			
12	CURRENT ASSETS		
13	\$ 31,045	\$ 109,696	\$ 113,953
14	-	-	-
15	354,500	374,879	328,719
16	(1,193,043)	(38,484)	(242,821)
17	-	-	-
18	-	-	-
19	976	5,530	24,980
20	-	1,688	1,688
21	<u>\$ (806,522)</u>	<u>\$ 453,309</u>	<u>\$ 226,519</u>
22			
23	Unamortized Debt Discount		
24	\$ 229,668	\$ 325,958	\$ 157,754
25	<u>\$ 229,668</u>	<u>\$ 325,958</u>	<u>\$ 157,754</u>
26			
27	\$ 2,823,423	\$ 2,285,896	\$ 2,625,960
28			
29	<u>\$ 22,534,628</u>	<u>\$ 25,320,369</u>	<u>\$ 25,705,850</u>
30			
31			
32	<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
33			
34	\$ 9,025,213	\$ 11,159,806	\$ 10,536,248
35			
36	\$ -	\$ -	\$ -
37			
38	CURRENT LIABILITIES		
39	\$ 1,383,429	\$ 1,263,433	\$ 1,486,317
40	-	-	-
41	-	-	-
42	-	-	-
43	-	-	-
44	8,424	5,106	13,477
45	-	-	-
46	-	-	-
47	<u>\$ 1,391,853</u>	<u>\$ 1,268,539</u>	<u>\$ 1,499,794</u>
48	DEFERRED CREDITS		
49	\$ 284,024	\$ 234,075	\$ 214,059
50	617,231	543,865	528,414
51	-	-	-
52	20,227,843	20,227,843	20,226,977
53	(9,011,535)	(8,113,758)	(7,299,642)
54	<u>\$ 12,117,562</u>	<u>\$ 12,892,024</u>	<u>\$ 13,669,807</u>
55			
56	<u>\$ 22,534,628</u>	<u>\$ 25,320,369</u>	<u>\$ 25,705,850</u>
57			
58			
59			
60	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>	
61		A-3	
62			

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Comparative Income Statements

Exhibit
 Schedule E-2
 Page 1
 Witness: Bourassa

Line No.		Test Year Ended 2/29/2012	Prior Year Ended 2/28/2011	Prior Year Ended 2/28/2010
1	Revenues			
2	Metered Water Revenues	\$ 2,819,872	\$ 1,861,210	\$ 1,850,550
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	42,889	-	-
5	Total Revenues	<u>\$ 2,862,761</u>	<u>\$ 1,861,210</u>	<u>\$ 1,850,550</u>
6	Operating Expenses			
7	Salaries and Wages	\$ 394,012	\$ 358,677	\$ 286,160
8	Purchased Water	-	-	-
9	Purchased Power	371,378	387,508	322,877
10	Fuel For Power Production	-	-	-
11	Chemicals	3,884	6,128	3,954
12	Materials and Supplies	27,517	27,949	14,888
13	Management Services - US Liberty Water	270,221	258,897	242,105
14	Management Services - Corporate	412,723	375,256	347,601
15	Management Services - Other	15,903	17,272	16,921
16	Outside Services - Accounting	167	568	-
17	Outside Services - Engineering	-	(4,562)	-
18	Outside Services- Other	14,205	11,776	56,522
19	Outside Services- Legal	4,690	11,029	6,046
20	Water Testing	10,590	24,862	26,171
21	Rents - Office	18,295	18,818	20,266
22	Equipment Rental	3,208	4,210	10,518
23	Transportation Expenses	89,305	79,701	61,052
24	Insurance - General Liability	34,100	36,205	29,538
25	Insurance - Vehicle	7,733	1,760	2,051
26	Reg. Comm. Exp. - Other	-	-	-
27	Reg. Comm. Exp. - Rate Case	119,952	14,610	21,915
28	Miscellaneous Expense	85,057	77,069	69,283
29	Bad Debt Expense	-	-	-
30	Depreciation and Amortization Expense	2,962,015	83,639	257,235
31	Taxes Other Than Income	-	-	-
32	Property Taxes	176,832	178,007	171,626
33	Income Tax	-	-	-
34		-	-	-
35	Total Operating Expenses	<u>\$ 5,021,787</u>	<u>\$ 1,969,379</u>	<u>\$ 1,966,729</u>
36	Operating Income	<u>\$ (2,159,026)</u>	<u>\$ (108,169)</u>	<u>\$ (116,179)</u>
37	Other Income (Expense)			
38	Interest Income	47,358	-	-
39	Other Income	-	-	-
40	Interest Expense	(9,347)	(7,433)	(5,114)
41	Other Expense	-	-	-
42	Gain (loss) on Disposal of Equip	-	-	-
43	Total Other Income (Expense)	<u>\$ 38,011</u>	<u>\$ (7,433)</u>	<u>\$ (5,114)</u>
44	Net Profit (Loss)	<u>\$ (2,121,015)</u>	<u>\$ (115,602)</u>	<u>\$ (121,293)</u>
45				
46				
47				
48	<u>SUPPORTING SCHEDULES:</u>			
49				
50				

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Comparative Statements of Cash Flows

Exhibit
 Schedule E-3
 Page 1
 Witness: Bourassa

Line No.	Test Year Ended <u>2/29/2012</u>	Prior Year Ended <u>2/28/2011</u>	Prior Year Ended <u>2/28/2010</u>
1			
2			
3	Cash Flows from Operating Activities		
4	\$ (2,121,015)	\$ (115,602)	\$ (121,293)
5	Adjustments to reconcile net income to net cash		
6	provided by operating activities:		
7	2,962,015	83,639	257,235
8	(808,466)	(59,990)	(41,571)
9	Changes in Certain Assets and Liabilities:		
10	20,379	(46,160)	(19,443)
11	-	-	-
12	-	-	-
13	4,554	19,450	(12,948)
14	-	-	-
15	617,032	(204,337)	97,073
16	119,996	(222,884)	(408,317)
17	-	-	-
18	49,949	20,016	-
19	3,318	(8,371)	6,689
20	97,978	171,860	(17,508)
21	(1)	(1)	2
22	<u>\$ 945,739</u>	<u>\$ (362,380)</u>	<u>\$ (260,081)</u>
23	Cash Flow From Investing Activities:		
24	(1,084,178)	(397,354)	(669,024)
25	-	-	-
26	-	-	-
27	<u>\$ (1,084,178)</u>	<u>\$ (397,354)</u>	<u>\$ (669,024)</u>
28	Cash Flow From Financing Activities		
29	-	-	-
30	-	-	-
31	-	866	38,056
32	73,366	15,451	389,329
33	-	-	-
34	-	-	-
35	-	-	-
36	(13,579)	739,160	733,283
37	<u>\$ 59,787</u>	<u>\$ 755,477</u>	<u>\$ 1,160,668</u>
38	(78,652)	(4,257)	231,563
39	109,696	113,953	(117,610)
40	<u>\$ 31,045</u>	<u>\$ 109,696</u>	<u>\$ 113,953</u>

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SUPPORTING SCHEDULES:
 Workpapers/cashflow water.xls

RECAP SCHEDULES:
 A-5

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Statement of Changes in Stockholder's Equity

Exhibit
 Schedule E-4
 Page 1
 Witness: Bourassa

Line No.		Stockholder's Equity	Retained Earnings	Total
1				
2				
3				
4	Balance, February 28, 2009	\$ 9,958,382	\$ (34,124)	\$ 9,924,258
5	Addnl Paid In Capital Adjustment	733,283		733,283
6	Distributions		-	-
7	Rounding		-	-
8	Net Income		(121,293)	(121,293)
9				
10	Balance, February 28, 2010	\$ 10,691,665	\$ (155,417)	\$ 10,536,248
11	Addnl Paid In Capital Adjustment	739,160		739,160
12	Distributions		-	-
13	Rounding		-	-
14	Net Income		(115,602)	(115,602)
15				
16	Balance, February 28, 2011	\$ 11,430,825	\$ (271,019)	\$ 11,159,806
17	Addnl Paid In Capital Adjustment	(13,579)		(13,579)
18	Distributions		-	-
19	Rounding	1	-	1
20	Net Income		(2,121,015)	(2,121,015)
21				
22	Balance, February 29, 2012	<u>\$ 11,417,247</u>	<u>\$ (2,392,033)</u>	<u>\$ 9,025,213</u>
23				
24				
25				
26				
27				
28				
29	<u>SUPPORTING SCHEDULES:</u>		<u>RECAP SCHEDULES:</u>	
30			E-1	
31				
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Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Detail of Plant in Service

Exhibit
 Schedule E-5
 Page 1
 Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 2/28/2011	Plant Additions, Reclassifications or Retirements	Plant Balance at 2/29/2012
1					
2	301	Organization Cost		\$ 5,785	\$ 5,785
3	302	Franchise Cost		417	417
4	303	Land and Land Rights		44,194	44,194
5	304	Structures & Improvements	2,095,544	1,337,386	3,432,930
6	305	Collecting & Impounding Reservoirs		-	-
7	306	Lake, River, Canal Intakes		-	-
8	307	Wells & Springs	113,180	449,764	562,944
9	308	Infiltration Galleries		-	-
10	309	Raw Water Supply Mains		279,157	279,157
11	310	Power Generation Equipment	30,221	189,140	219,360
12	311	Pumping Equipment	448,402	2,698,609	3,147,011
13	320	Water Treatment Equipment	12,426	356,674	369,100
14	320	Water Treatment Plants		-	-
15	320.2	Solution Chemical Feeders		-	-
16	330.0	Distribution Reservoirs & Standpipes		759,861	759,861
17	330	Storage Tanks		-	-
18	330.2	Pressure Tanks		-	-
19	331	Transmission & Distribution Mains	30,527,019	(8,187,763)	22,339,256
20	333	Services	884,333	1,883,788	2,768,122
21	334	Meters	372,436	637,930	1,010,366
22	335	Hydrants	74,504	497,817	572,321
23	336	Backflow Prevention Devices	13,361	2,494	15,855
24	339	Other Plant & Misc Equipment	135,250	(11,472)	123,778
25	340	Office Furniture & Equipment		29,265	29,265
26	340.1	Computers & Software		76,919	76,919
27	341	Transportation Equipment	137,443	4,744	142,188
28	342	Stores Equipment		-	-
29	343	Tools, Shop & Garage Equipment		18,203	18,203
30	344	Laboratory Equipment		3,061	3,061
31	345	Power Operated Equipment		-	-
32	346	Communication Equipment	23,454	189,542	212,996
33	347	Miscellaneous Equipment		13,128	13,128
34	348	Other Tangible Plant		-	-
35		Plant Held for Future Use		-	-
36					
37					
38		Rounding			
39		TOTAL WATER PLANT	\$ 34,867,573	\$ 1,278,646	\$ 36,146,219
40					
41		<u>SUPPORTING SCHEDULES</u>			<u>RECAP SCHEDULES:</u>
42		Work Papers			A-4
43		B-2 pages 3.1 to 3.4			E-1
44					

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Operating Statistics

Exhibit
 Schedule E-7
 Page 1
 Witness: Bouras

Line No.		Test Year Ended <u>2/29/2012</u>	Prior Year Ended <u>2/28/2011</u>	Prior Year Ended <u>2/28/2010</u>
1	<u>WATER STATISTICS:</u>			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	679,925	717,958	732,203
6				
7				
8				
9	Water Revenues from Customers:	\$ 2,819,872	\$ 1,861,210	\$ 1,850,550
10				
11				
12				
13				
14	Year End Number of Customers	6,755	6,734	6,704
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	101	107	109
19				
20				
21				
22	Annual Revenue per Year End Customer	\$ 417.45	\$ 276.39	\$ 276.04
23				
24	Pumping Cost Per 1,000 Gallons	\$ 0.5462	\$ 0.5397	\$ 0.4410
25	Purchased Water Cost per 1,000 Gallons	\$ -	\$ -	\$ -

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Taxes Charged to Operations

Exhibit
 Schedule E-8
 Page 1
 Witness: Bourassa

Line No.	Description	Test Year Ended <u>2/29/2012</u>	Prior Year Ended <u>2/28/2011</u>	Prior Year Ended <u>2/28/2010</u>
1	Description			
2				
3	State Income Taxes	\$ -	\$ -	\$ -
4	Federal Income Taxes	-	-	-
5	Payroll Taxes	-	-	-
6	Property Taxes	176,832	178,007	171,626
7				
8	Totals	<u>\$ 176,832</u>	<u>\$ 178,007</u>	<u>\$ 171,626</u>
9				
10				
11				
12				
13				
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Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa

Line

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The Company does not conduct independent audits

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Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Projected Income Statements - Present & Proposed Rates

Exhibit
 Schedule F-1
 Page 1
 Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 2/28/2013	At Proposed Rates Year Ended 2/28/2013
1	Revenues			
2	Metered Water Revenues	\$ 2,819,872	\$ 2,811,949	\$ 3,416,028
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	42,889	42,889	42,889
5		\$ 2,862,761	\$ 2,854,838	\$ 3,458,917
6	Operating Expenses			
7	Salaries and Wages	\$ 394,012	\$ 426,012	\$ 426,012
8	Purchased Water	-	-	-
9	Purchased Power	371,378	371,378	371,378
10	Fuel For Power Production	-	-	-
11	Chemicals	3,884	3,884	3,884
12	Materials and Supplies	27,517	27,517	27,517
13	Outside Services	270,221	257,367	257,367
14	Outside Services- Other	14,205	14,205	14,205
15	Outside Services- Legal	4,690	4,690	4,690
16	Water Testing	10,590	28,231	28,231
17	Rents	18,295	-	-
18	Transportation Expenses	89,305	89,305	89,305
19	Insurance - General Liability	34,100	34,100	34,100
20	Insurance - Vehicle	7,733	7,733	7,733
21	Reg. Comm. Exp. - Other	-	-	-
22	Reg. Comm. Exp. - Rate Case	119,952	87,500	87,500
23	Miscellaneous Expense	85,057	85,057	85,057
24	Bad Debt Expense	-	-	-
25	Depreciation and Amortization Expense	2,962,015	551,222	551,222
26	Taxes Other Than Income	-	-	-
27	Property Taxes	176,832	155,805	166,833
28	Income Tax	-	181,647	410,558
29				
30	Total Operating Expenses	\$ 4,589,786	\$ 2,325,653	\$ 2,565,592
31	Operating Income	\$ (1,727,025)	\$ 529,186	\$ 893,325
32	Other Income (Expense)			
33	Interest Income	47,358	(0)	(0)
34	Other income	-	-	-
35	Interest Expense	(9,347)	(86,978)	(86,978)
36	Other Expense	-	-	-
37	Gain/Loss Sale of Fixed Assets	-	-	-
38	Total Other Income (Expense)	\$ 38,011	\$ (86,978)	\$ (86,978)
39	Net Profit (Loss)	\$ (1,689,014)	\$ 442,208	\$ 806,347

42 SUPPORTING SCHEDULES:

43 C-1

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Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Projected Statements of Changes in Financial Position
 Present and Proposed Rates

Exhibit
 Schedule F-2
 Page 1
 Witness: Bourassa

Line No.		Test Year Ended 2/29/2012	At Present Rates Year Ended 2/28/2013	At Proposed Rates Year Ended 2/28/2013
5	Cash Flows from Operating A ctivities			
6	Net Income	\$ (2,121,015)	\$ 288,955	\$ 653,094
7	Adjustments to reconcile net income to net cash			
8	provided by operating activities:			
9	Depreciation and Amortization	2,962,015	551,222	551,222
10	Depreciation Adjustments	(808,466)		
11	Changes in Certain Assets and Liabilities:			
12	Accounts Receivable	20,379		
13	Unbilled Revenues	-		
14	Materials and Supplies Inventory	-		
15	Prepaid Expenses	4,554		
16	Deferred Charges	-		
17	Notes Receivable	617,032		
18	Accounts Payable	119,996		
19	Intercompany payable	-		
20	Customer Meter Deposits	49,949		
21	Taxes Payable	3,318		
22	Other assets and liabilities	97,978		
23	Rounding	(1)		
24	Net Cash Flow provided by Operating Activities	<u>\$ 945,740</u>	<u>\$ 840,177</u>	<u>\$ 1,204,316</u>
25	Cash Flow From Investing Activities:			
26	Capital Expenditures	(1,084,178)	(698,900)	(698,900)
27	Plant Held for Future Use	-		
28	Changes in debt reserve fund	-		
29	Net Cash Flows from Investing Activities	<u>\$ (1,084,178)</u>	<u>\$ (698,900)</u>	<u>\$ (698,900)</u>
30	Cash Flow From Financing Activities			
31	Change in Restricted Cash	-		
32	Change in net amounts due to parent and affiliates	-		
33	Net Receipt contributions in aid of construction	-	-	-
34	Net receipts of advances in aid of construction	73,366	73,366	73,366
35	Repayments of Long-Term Debt	-		
36	Dividends Paid	-	-	-
37	Deferred Financing Costs	-	-	-
38	Paid in Capital	(13,579)	-	-
39	Net Cash Flows Provided by Financing Activities	<u>\$ 59,787</u>	<u>\$ 73,366</u>	<u>\$ 73,366</u>
40	Increase(decrease) in Cash and Cash Equivalents	(78,651)	214,643	578,782
41	Cash and Cash Equivalents at Beginning of Year	109,696	31,046	31,046
42	Cash and Cash Equivalents at End of Year	<u>\$ 31,046</u>	<u>\$ 245,688</u>	<u>\$ 609,828</u>

SUPPORTING SCHEDULES:

E-3

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Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Projected Construction Requirements

Exhibit
 Schedule F-3
 Page 1
 Witness: Bourassa

Line No.	Account Number	Plant Asset:	Test Year	2013	2014	2015
4	301	Organization Cost	\$ 5,785			
5	302	Franchise Cost	417			
6	303	Land and Land Rights	44,194			
7	304	Structures and Improvements	1,337,386	40,000	40,000	40,000
8	305	Collecting and Impounding Res.	-			
9	306	Lake River and Other Intakes	-			
10	307	Wells and Springs	449,764	100,000	100,000	100,000
11	308	Infiltration Galleries and Tunnels	-			
12	309	Supply Mains	279,157			
13	310	Power Generation Equipment	189,140			
14	311	Electric Pumping Equipment	2,698,609	60,000	60,000	60,000
15	320	Water Treatment Equipment	356,674			
16	320.1	Water Treatment Plant	-			
17	320.2	Chemical Solution Feeders	-	40,000	40,000	40,000
18	330	Dist. Reservoirs & Standpipe	759,861			
19	330.1	Storage tanks	-			
20	330.2	Pressure Tanks	-			
21	331	Trans. and Dist. Mains	(8,187,763)	40,000	40,000	40,000
22	333	Services	1,883,788	315,000	320,000	325,000
23	334	Meters	637,930	50,400	75,000	75,000
24	335	Hydrants	497,817	9,000	9,000	9,000
25	336	Backflow Prevention Devices	2,494			
26	339	Other Plant and Misc. Equip.	(11,472)			
27	340	Office Furniture and Fixtures	29,265	8,000	8,500	9,000
28	340.1	Computers and Software	76,919			
29	341	Transportation Equipment	4,744			40,000
30	342	Stores Equipment	-			
31	343	Tools and Work Equipment	18,203	4,000	4,000	4,000
32	344	Laboratory Equipment	3,061			
33	345	Power Operated Equipment	-			
34	346	Communications Equipment	189,542			
35	347	Miscellaneous Equipment	13,128	32,500	-	-
36	348	Other Tangible Plant	-			
37	Total		<u>\$ 1,278,646</u>	<u>\$ 698,900</u>	<u>\$ 696,500</u>	<u>\$ 742,000</u>
38						
39						
40						

Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line

No.

- 1 Property Taxes were computed using the method used by the Arizona Department
- 2 of Revenue modified for ratemaking.
- 3
- 4 Projected construction expenditures are shown on Schedule A-4.
- 5
- 6 Expense adjustments are shown on Schedule C2, and are explained in the testimony.
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Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012

Revenue Summary

With Annualized Revenues to Year End Number of Customers

Exhibit
 Schedule H-1
 Page 3
 Witness: Bourassa

Line No.	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	\$ 2,830,180	\$ 3,435,225	\$ 605,045	21.38%	100.00%	100.00%
2	(18,231)	(18,934)	(704)	3.86%	-0.64%	-0.55%
3	\$ 2,811,949	\$ 3,416,290	\$ 604,341	21.49%		
4						
5	\$ 42,889	\$ 42,889	-	0.00%	1.52%	1.25%
6	-	(263)	(263)	0.00%	0.00%	-0.01%
7	\$ 2,854,838	\$ 3,458,916	\$ 604,078	21.16%	0.00%	0.00%
8						
9						
10	<u>Revenue Reconciliation</u>					
11						
12	Revenue per bill count before revenue annualization	\$ 2,873,069				
13	Revenue per GL (metered water revenues)	\$ 2,862,761				
14	Adjustments Rev. Accrual Correction	10,308				
15	Adjusted Revenue per GL (metered water revenues)	2,873,069				
16	Difference	\$ 0				
17	Difference %	0.00%				
18	Tolerance %	0.50%				
19	Tolerance Amount + or -	\$ 14,365				
20	Acceptable?					YES
21						
22						
23						
24						
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Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Customer Summary

Exhibit
 Schedule H-2
 Page 1
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 2/29/2012	Average Consumption	Average Bill		Proposed Rates	Proposed Increase	
				Present Rates	Proposed Rates		Dollar Amount	Percent Amount
1	5/8X3/4 Inch Residential	5,902	7,794 \$	29.75 \$	37.16	7.41	24.91%	
2	5/8X3/4 Inch Residential (Low Income)	96	7,658	24.95	31.23	6.29	25.20%	
3	3/4 Inch Residential	11	4,316	29.07	38.86	9.79	33.68%	
4	1 Inch Residential	35	10,705	58.71	75.38	16.67	28.40%	
5	1 Inch Residential (Low Income)	1	6,667	39.88	53.71	13.83	34.67%	
6	1 1/2 Inch Residential	3	27,821	141.77	170.12	28.35	20.00%	
7	2 Inch Residential	3	19,316	144.24	196.09	51.85	35.95%	
8	Subtotal	6,052						
9								
10	5/8X3/4 Inch Commercial	80	8,995 \$	33.25 \$	40.78	7.53	22.64%	
11	1 Inch Commercial	49	15,566	73.31	90.06	16.75	22.85%	
12	1 1/2 Inch Commercial	10	24,508	129.71	160.12	30.40	23.44%	
13	2 Inch Commercial	43	39,263	202.49	256.34	53.85	26.59%	
14	3 Inch Commercial	12	173,138	764.86	798.40	33.53	4.38%	
15	4 Inch Commercial	6	253,431	1,155.95	1,214.34	58.39	5.05%	
16	6 Inch Commercial	1	457,917	2,125.82	2,249.05	123.24	5.80%	
17	Subtotal	201						
18								
19	5/8X3/4 Inch Industrial	17	4,422 \$	19.90 \$	26.97	7.07	35.54%	
20	2 Inch Industrial	6	167,329	655.88	705.06	49.18	7.50%	
21	Subtotal	23						
22								
23	5/8X3/4 Inch Multi-family	7	9,058 \$	33.48 \$	41.01	7.53	22.50%	
24	1 1/2 Inch Multi-family	1	11,750	89.21	121.59	32.38	36.29%	
25	Subtotal	8						
26								
27	6 Inch Bulk	0	1,908,591	7,406.27	7,573.03	166.76	2.25%	
28	Fire Lines up to 8 Inch	19	- \$	5.49 \$	5.49	-	0.00%	
29								
30								
31	Total	6,303						

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Customer Summary

Exhibit
 Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 2/29/2012	Median Consumption	Median Bill		Proposed Increase	
				Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	5/8X3/4 Inch Residential	5,902	6,000 \$	24.51 \$	31.74	7.23	29.50%
2	5/8X3/4 Inch Residential (Low Income)	96	-	23.32	29.55	6.23	26.72%
3	3/4 Inch Residential	11	4,000	28.15	37.91	9.76	34.67%
4	1 Inch Residential	35	6,000	44.97	61.17	16.20	36.02%
5	1 Inch Residential (Low Income)	1	-	40.71	54.56	13.86	34.04%
6	1 1/2 Inch Residential	3	20,000	113.30	146.50	33.20	29.30%
7	2 Inch Residential	3	14,000	128.72	180.04	51.32	39.87%
8	Subtotal	6,052					
9							
10	5/8X3/4 Inch Commercial	80	3,000 \$	15.75 \$	22.68	6.93	44.00%
11	1 Inch Commercial	49	7,000	47.89	64.19	16.30	34.04%
12	1 1/2 Inch Commercial	10	9,000	81.18	113.28	32.10	39.54%
13	2 Inch Commercial	43	20,500	147.70	199.67	51.97	35.19%
14	3 Inch Commercial	12	24,000	245.76	348.00	102.24	41.60%
15	4 Inch Commercial	6	192,000	932.34	1,010.34	78.00	8.37%
16	6 Inch Commercial	1	425,000	2,006.00	2,144.50	138.50	6.90%
17	Subtotal	201					
18							
19	5/8X3/4 Inch Industrial	17	4,353 \$	10.98 \$	17.22	6.24	56.83%
20	2 Inch Industrial	6	32,667	140.40	192.12	51.72	36.84%
21	Subtotal	23					
22							
23	5/8X3/4 Inch Multi-family	7	8,000 \$	30.35 \$	37.78	7.43	24.48%
24	1 1/2 Inch Multi-family	1	11,000	87.02	119.32	32.30	37.12%
25	Subtotal	8					
26							
27	6 Inch Bulk	0	945,000	3,898.80	4,036.65	137.85	3.54%
28	Fire Lines up to 8 Inch	19	- \$	5.49 \$	5.49	-	0.00%
29							
30							
31	Total	6,303					

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Present and Proposed Rates

Exhibit
 Schedule H-3
 Page 1
 Witness: Bourassa

Line No.	Monthly Usage Charge for: Meter Size (All Classes):	Present Rates	Proposed Rates	Change	Percent Change
1	5/8 Inch	\$ 10.98	\$ 17.22	\$ 6.24	56.83%
2	3/4 Inch	16.47	25.83	9.36	56.83%
3	1 Inch	27.45	43.05	15.60	56.83%
4	1 1/2 Inch	54.90	86.10	31.20	56.83%
5	2 Inch	87.84	137.76	49.92	56.83%
6	3 Inch	175.68	275.52	99.84	56.83%
7	4 Inch	274.50	430.50	156.00	56.83%
8	6 Inch	549.00	861.00	312.00	56.83%
9	8 Inch	878.40	1,377.60	499.20	56.83%
10	10 Inch	1,262.70	1,980.30	717.60	56.83%
11	12 Inch	2,360.70	3,702.30	1,341.60	56.83%

Low Income Tariff - A 15% discount is available to qualified residential customers meeting the low income qualifications. Participation is limited to a maximum 2,2C

Fire Lines 8 Inch Per Rule*
 Fire Lines 10 Inch Per Rule*
 Fire Lines 12 Inch Per Rule*

* 1% of Monthly Minimum for a Comparable Size Meter Connection, but not less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Gallons In Minimum (All Classes)

Commodity Rates (All Classes)	Block	Present Rate	Proposed Rate
5/8 Inch	0 gallons to 3,000 gallons	\$ 1.59	\$ 1.82
	3,001 gallons to 9,000 gallons	\$ 2.92	\$ 3.02
	over 9,000 gallons	\$ 3.64	\$ 3.67

3/4 Inch Meter	0 gallons to 6,000 gallons	\$ 2.92	\$ 3.64
	over 6,000 gallons	\$	\$
3/4 Inch Meter	0 gallons to 7,500 gallons	\$ 3.02	\$ 3.67
	over 7,500 gallons	\$	\$

NT = No Tariff

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Present and Proposed Rates

Exhibit
 Schedule H-3
 Page 2
 Witness: Bourassa

Line No.	Commodity Rates (All Classes)	Block	(Per 1,000 gallons)	
			Present Rate	Proposed Rate
1				
2				
3				
4	1 Inch Meter	0 gallons to 15,000 gallons over 15,000 gallons	\$ 2.92	\$ -
5			\$ 3.64	\$ -
6				
7	1 Inch Meter	0 gallons to 22,500 gallons over 22,500 gallons		\$ 3.02
8				\$ 3.67
9				
10	1.5 Inch Meter	0 gallons to 20,000 gallons over 20,000 gallons	\$ 2.92	
11			\$ 3.64	
12				
13	1.5 Inch Meter	0 gallons to 45,000 gallons over 45,000 gallons		\$ 3.02
14				\$ 3.67
15				
16	2 Inch Meter	0 gallons to 57,000 gallons over 57,000 gallons	\$ 2.92	
17			\$ 3.64	
18				
19	2 Inch Meter	0 gallons to 72,000 gallons over 72,000 gallons		\$ 3.02
20				\$ 3.67
21				
22	3 Inch Meter	0 gallons to 57,000 gallons over 57,000 gallons	\$ 2.92	
23			\$ 3.64	
24				
25	3 Inch Meter	0 gallons to 144,000 gallons over 144,000 gallons		\$ 3.02
26				\$ 3.67
27				
28	4 Inch Meter	0 gallons to 57,000 gallons over 57,000 gallons	\$ 2.92	
29			\$ 3.64	
30				
31	4 Inch Meter	0 gallons to 225,000 gallons over 225,000 gallons		\$ 3.02
32				\$ 3.67
33				
34	6 Inch Meter	0 gallons to 125,000 gallons over 125,000 gallons	\$ 2.92	
35			\$ 3.64	
36				
37	6 Inch Meter	0 gallons to 450,000 gallons over 450,000 gallons		\$ 3.02
38				\$ 3.67

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Present and Proposed Rates

Exhibit
 Schedule H-3
 Page 3
 Witness: Bourassa

Line No.	Commodity Rates (All Classes)			
1				
2				
3				
4	8 Inch Meter			
5				
6				
7	8 Inch Meter			
8				
9				
10	10 Inch Meter			
11				
12				
13	10 Inch Meter			
14				
15				
16	12 Inch Meter			
17				
18				
19	12 Inch Meter			
20				
21				
22				
23	NT = No Tariff			
24				
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38				

0 gallons to 125,000 gallons over 125,000 gallons	\$ 2.92	
	\$ 3.64	
0 gallons to 720,000 gallons over 720,000 gallons	\$ 3.02	
	\$ 3.67	
0 gallons to 125,000 gallons over 125,000 gallons	\$ 2.92	
	\$ 3.64	
0 gallons to 1,035,000 gallons over 1,035,000 gallons	\$ 3.02	
	\$ 3.67	
0 gallons to 125,000 gallons over 125,000 gallons	\$ 2.92	
	\$ 3.64	
0 gallons to 1,935,000 gallons over 1,935,000 gallons	\$ 3.02	
	\$ 3.67	

Rio Rico Utilities, Inc. - Water Division
 Changes in Representative Rate Schedules
 Test Year Ended February 29, 2012

Exhibit
 Schedule H-3
 Page 3
 Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	\$ 15.00	\$ 15.00
2	Establishment (After Hours)	\$ 25.00	\$ 25.00
3	Reconnection (Delinquent)	\$ 15.00	\$ 15.00
4	Reconnection (Delinquent) - After Hours	\$ 25.00	\$ 25.00
5	Meter test (If Correct)	\$ 15.00	\$ 15.00
6	Deposit	*	*
7	Deposit Interest	**	**
8	Reestablishment (within 12 months)	***	***
9	NSF Check	\$ 15.00	\$ 15.00
10	Meter Reread (if Correct)	\$ 20.00	\$ 20.00
11	Late Payment Penalty	1.5% per month	1.5% per month
12	Deferred Payment	1.5% per month	1.5% per month
13	Moving meter at customer request	at Cost	at Cost
14	Service Calls - Per Hour/After Hours(a)	\$ 40.00	\$ 40.00
15			
16			
17			
18			
19			
20			
21	* Per Commission Rule A.A.C. R-14-2-403(B)		
22	** Per Commission Rule A.A.C. R-14-2-403(B)		
23	*** Per Commission Rule A.A.C. R14-2-403(D) - Months off the system times the monthly minimum.		
24			
25	(a) No charge for service calls during normal working hours.		
26			
27	IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM		
28	ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE		
29	TAX. PER COMMISSION RULE 14-2-409D(5).		
30			
31			
32			
33			
34			

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Meter and Service Line Charges

Exhibit
 Final Schedule H-3
 Page 4
 Witness: Bourassa

Line No.		Present Meter Install- ation Charge	Present Total Present Charge	Proposed Service Line Charge	Proposed Meter Install- ation Charge	Total Proposed Charge
1						
2	<u>Refundable Meter and Service Line Charges</u>					
3						
4						
5		Present		Proposed		
6		Service		Service	Meter	Total
7		Line		Line	Install- ation	Proposed
8		<u>Charge</u>		<u>Charge</u>	<u>Charge</u>	<u>Charge</u>
9	5/8 x 3/4 Inch	At Cost	At Cost	At Cost	At Cost	At Cost
10	3/4 Inch	At Cost	At Cost	At Cost	At Cost	At Cost
11	1 Inch	At Cost	At Cost	At Cost	At Cost	At Cost
12	1 1/2 Inch	At Cost	At Cost	At Cost	At Cost	At Cost
13	2 Inch	At Cost	At Cost	At Cost	At Cost	At Cost
14	3 Inch	At Cost	At Cost	At Cost	At Cost	At Cost
15	4 Inch	At Cost	At Cost	At Cost	At Cost	At Cost
16	6 inch	At Cost	At Cost	At Cost	At Cost	At Cost
17	8 Inch	At Cost	At Cost	At Cost	At Cost	At Cost
18	10 Inch	At Cost	At Cost	At Cost	At Cost	At Cost
19	12 Inch	At Cost	At Cost	At Cost	At Cost	At Cost
20						
21						
22						
23						
24						
25						
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35						

Rio Rico Utilities, Inc. - Water Division
 Bill Comparison Present and Proposed Rates
 5/8 Inch Residential

Exhibit
 Schedule H-4
 Page 1
 Witness: Bourassa

Meter Size:

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	Present Rates:
-	\$ 10.98	\$ 17.22	\$ 6.24	56.83%	Monthly Minimum: \$ 10.98
1,000	12.57	19.04	6.47	51.47%	Gallons in Minimum -
2,000	14.16	20.86	6.70	47.32%	Charge Per 1,000 Gallons 3,000 \$ 1.59
3,000	15.75	22.68	6.93	44.00%	Up to 9,000 \$ 2.92
4,000	18.67	25.70	7.03	37.65%	Over 9,000 \$ 3.64
5,000	21.59	28.72	7.13	33.02%	
6,000	24.51	31.74	7.23	29.50%	
7,000	27.43	34.76	7.33	26.72%	
8,000	30.35	37.78	7.43	24.48%	
9,000	33.27	40.80	7.53	22.63%	
10,000	36.91	44.47	7.56	20.48%	
12,000	44.19	51.81	7.62	17.24%	
14,000	51.47	59.15	7.68	14.92%	
16,000	58.75	66.49	7.74	13.17%	
18,000	66.03	73.83	7.80	11.81%	
20,000	73.31	81.17	7.86	10.72%	
25,000	91.51	99.52	8.01	8.75%	
30,000	109.71	117.87	8.16	7.44%	
35,000	127.91	136.22	8.31	6.50%	
40,000	146.11	154.57	8.46	5.79%	
45,000	164.31	172.92	8.61	5.24%	
50,000	182.51	191.27	8.76	4.80%	
60,000	218.91	227.97	9.06	4.14%	
70,000	255.31	264.67	9.36	3.67%	
80,000	291.71	301.37	9.66	3.31%	
90,000	328.11	338.07	9.96	3.04%	
100,000	364.51	374.77	10.26	2.81%	
Average Usage	7,794	\$ 37.16	\$ 7.41	24.91%	
Median Usage	6,000	\$ 31.74	\$ 7.23	29.50%	
					Proposed Rates: Monthly Minimum: \$ 17.22 Gallons in Minimum - Charge Per 1,000 Gallons 3,000 \$ 1.82 Up to 9,000 \$ 3.02 Over 9,000 \$ 3.67

Rio Rico Utilities, Inc. - Water Division
Bill Comparison Present and Proposed Rates
 5/8 Inch Residential (Low Income)

Exhibit
 Schedule H-4
 Page 2
 Witness: Bourassa

Meter Size:

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	Present Rates:
-	\$ 9.33	\$ 14.64	\$ 5.30	56.83%	Monthly Minimum: \$ 9.33
1,000	10.68	16.18	5.50	51.47%	Gallons in Minimum Charge Per 1,000 Gallons
2,000	12.04	17.73	5.70	47.32%	Up to 3,000 \$ 1.35
3,000	13.39	19.28	5.89	44.00%	Up to 9,000 \$ 2.48
4,000	15.87	21.85	5.98	37.65%	Over 9,000 \$ 3.09
5,000	18.35	24.41	6.06	33.02%	
6,000	20.83	26.98	6.15	29.50%	
7,000	23.32	29.55	6.23	26.72%	
8,000	25.80	32.11	6.32	24.48%	
9,000	28.28	34.68	6.40	22.63%	
10,000	31.37	37.80	6.43	20.48%	
12,000	37.56	44.04	6.48	17.24%	
14,000	43.75	50.28	6.53	14.92%	
16,000	49.94	56.52	6.58	13.17%	
18,000	56.13	62.76	6.63	11.81%	
20,000	62.31	68.99	6.68	10.72%	
25,000	77.78	84.59	6.81	8.75%	
30,000	93.25	100.19	6.94	7.44%	
35,000	108.72	115.79	7.06	6.50%	
40,000	124.19	131.38	7.19	5.79%	
45,000	139.66	146.98	7.32	5.24%	
50,000	155.13	162.58	7.45	4.80%	
60,000	186.07	193.77	7.70	4.14%	
70,000	217.01	224.97	7.96	3.67%	
80,000	247.95	256.16	8.21	3.31%	
90,000	278.89	287.36	8.47	3.04%	
100,000	309.83	318.55	8.72	2.81%	
Average Usage	7,658	31.23	6.29	25.20%	
Median Usage	7,000	29.55	6.23	26.72%	
					Proposed Rates: \$ 14.64
					Up to 3,000 \$ 1.55
					Up to 9,000 \$ 2.57
					Over 9,000 \$ 3.12
					Over

Rio Rico Utilities, Inc. - Water Division
Bill Comparison Present and Proposed Rates
Meter Size: 3/4 Inch Residential

Exhibit
Schedule H-4
Page 3
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 16.47	\$ 25.83	\$ 9.36	56.83%
1,000	19.39	28.85	9.46	48.79%
2,000	22.31	31.87	9.56	42.85%
3,000	25.23	34.89	9.66	38.29%
4,000	28.15	37.91	9.76	34.67%
5,000	31.07	41.26	10.19	32.78%
6,000	33.99	44.93	10.94	32.17%
7,000	37.63	48.60	10.97	29.14%
8,000	41.27	52.27	11.00	26.64%
9,000	44.91	55.94	11.03	24.55%
10,000	48.55	59.61	11.06	22.77%
12,000	55.83	66.95	11.12	19.91%
14,000	63.11	74.29	11.18	17.71%
16,000	70.39	81.63	11.24	15.96%
18,000	77.67	88.97	11.30	14.54%
20,000	84.95	96.31	11.36	13.37%
25,000	103.15	114.66	11.51	11.15%
30,000	121.35	133.01	11.66	9.60%
35,000	139.55	151.36	11.81	8.46%
40,000	157.75	169.71	11.96	7.58%
45,000	175.95	188.06	12.11	6.88%
50,000	194.15	206.41	12.26	6.31%
60,000	230.55	243.11	12.56	5.45%
70,000	266.95	279.81	12.86	4.82%
80,000	303.35	316.51	13.15	4.34%
90,000	339.75	353.21	13.45	3.96%
100,000	376.15	389.91	13.76	3.66%

Present Rates:
Monthly Minimum: \$ 16.47
Gallons in Minimum -
Charge Per 1,000 Gallons 6,000 \$ 2.92
Up to 6,000 \$ 3.64
Over

Proposed Rates:
Monthly Minimum: \$ 25.83
Gallons in Minimum -
Charge Per 1,000 Gallons 4,500 \$ 3.02
Up to 4,500 \$ 3.67
Over

Average Usage	4,316	\$ 29.07	\$ 38.86	\$ 9.79	33.68%
Median Usage	4,000	\$ 28.15	\$ 37.91	\$ 9.76	34.67%

Rio Rico Utilities, Inc. - Water Division
Bill Comparison Present and Proposed Rates

Meter Size: 1 Inch Residential

Exhibit Schedule H-4
 Page 4
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	Present Rates:
-	\$ 27.45	\$ 43.05	\$ 15.60	56.83%	Monthly Minimum: \$ 27.45
1,000	30.37	46.07	15.70	51.70%	Gallons in Minimum -
2,000	33.29	49.09	15.80	47.46%	Charge Per 1,000 Gallons 15,000 \$ 2.92
3,000	36.21	52.11	15.90	43.91%	Over 15,000 \$ 3.64
4,000	39.13	55.13	16.00	40.89%	
5,000	42.05	58.15	16.10	38.29%	
6,000	44.97	61.17	16.20	36.02%	
7,000	47.89	64.19	16.30	34.04%	
8,000	50.81	67.21	16.40	32.28%	
9,000	53.73	70.23	16.50	30.71%	
10,000	56.65	73.25	16.60	29.30%	
12,000	62.49	79.29	16.80	26.88%	
14,000	68.33	85.33	17.00	24.88%	
16,000	74.89	91.37	16.48	22.01%	Proposed Rates: \$ 43.05
18,000	82.17	97.41	15.24	18.55%	Monthly Minimum: -
20,000	89.45	103.45	14.00	15.65%	Gallons in Minimum
25,000	107.65	120.18	12.53	11.63%	Charge Per 1,000 Gallons 22,500 \$ 3.02
30,000	125.85	138.53	12.68	10.07%	Over 22,500 \$ 3.67
35,000	144.05	156.88	12.83	8.90%	
40,000	162.25	175.23	12.98	8.00%	
45,000	180.45	193.58	13.13	7.27%	
50,000	198.65	211.93	13.28	6.68%	
60,000	235.05	248.63	13.58	5.78%	
70,000	271.45	285.33	13.88	5.11%	
80,000	307.85	322.03	14.18	4.60%	
90,000	344.25	358.73	14.48	4.20%	
100,000	380.65	395.43	14.78	3.88%	
Average Usage	\$ 58.71	\$ 75.38	\$ 16.67	28.40%	
10,705					
Median Usage	\$ 44.97	\$ 61.17	\$ 16.20	36.02%	
6,000					

Rio Rico Utilities, Inc. - Water Division
 Bill Comparison Present and Proposed Rates
 1 Inch Residential (Low Income)

Exhibit
 Schedule H-4
 Page 5
 Witness: Bourassa

Meter Size:

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 23.33	\$ 36.59	\$ 13.26	56.83%
1,000	25.81	39.16	13.35	51.70%
2,000	28.30	41.73	13.43	47.46%
3,000	30.78	44.29	13.52	43.91%
4,000	33.26	46.86	13.60	40.89%
5,000	35.74	49.43	13.69	38.29%
6,000	38.22	51.99	13.77	36.02%
7,000	40.71	54.56	13.86	34.04%
8,000	43.19	57.13	13.94	32.28%
9,000	45.67	59.70	14.03	30.71%
10,000	48.15	62.26	14.11	29.30%
12,000	53.12	67.40	14.28	26.88%
14,000	58.08	72.53	14.45	24.88%
16,000	63.66	77.66	14.01	22.01%
18,000	69.84	82.80	12.95	18.55%
20,000	76.03	87.93	11.90	15.65%
25,000	91.50	102.15	10.65	11.63%
30,000	106.97	117.75	10.77	10.07%
35,000	122.44	133.34	10.90	8.90%
40,000	137.91	148.94	11.03	8.00%
45,000	153.38	164.54	11.16	7.27%
50,000	168.85	180.14	11.28	6.68%
60,000	199.79	211.33	11.54	5.78%
70,000	230.73	242.53	11.79	5.11%
80,000	261.67	273.72	12.05	4.60%
90,000	292.61	304.92	12.30	4.20%
100,000	323.55	336.11	12.56	3.88%
Average Usage	\$ 39.88	\$ 53.71	\$ 13.83	34.67%
Median Usage	\$ 40.71	\$ 54.56	\$ 13.86	34.04%

Present Rates:
 Monthly Minimum: \$ 23.33
 Gallons in Minimum: -
 Charge Per 1,000 Gallons
 Up to 15,000 \$ 2.48
 Over 15,000 \$ 3.09

Proposed Rates:
 Monthly Minimum: \$ 36.59
 Gallons in Minimum: -
 Charge Per 1,000 Gallons
 Up to 22,500 \$ 2.57
 Over 22,500 \$ 3.12

Rio Rico Utilities, Inc. - Water Division
Bill Comparison Present and Proposed Rates

Meter Size: 1 1/2 Inch Residential

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

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	Present Rates:
-	\$ 54.90	\$ 86.10	\$ 31.20	56.83%	Monthly Minimum: \$ 54.90
1,000	57.82	89.12	31.30	54.13%	Gallons in Minimum: -
2,000	60.74	92.14	31.40	51.70%	Charge Per 1,000 Gallons: 20,000 \$ 2.92
3,000	63.66	95.16	31.50	49.48%	Over: 20,000 \$ 3.64
4,000	66.58	98.18	31.60	47.46%	
5,000	69.50	101.20	31.70	45.61%	
6,000	72.42	104.22	31.80	43.91%	
7,000	75.34	107.24	31.90	42.34%	
8,000	78.26	110.26	32.00	40.89%	
9,000	81.18	113.28	32.10	39.54%	
10,000	84.10	116.30	32.20	38.29%	
12,000	89.94	122.34	32.40	36.02%	
14,000	95.78	128.38	32.60	34.04%	Proposed Rates: \$ 86.10
16,000	101.62	134.42	32.80	32.28%	Monthly Minimum: -
18,000	107.46	140.46	33.00	30.71%	Gallons in Minimum: 45,000 \$ 3.02
20,000	113.30	146.50	33.20	29.30%	Over: 45,000 \$ 3.67
25,000	131.50	161.60	30.10	22.89%	
30,000	149.70	176.70	27.00	18.04%	
35,000	167.90	191.80	23.90	14.23%	
40,000	186.10	206.90	20.80	11.18%	
45,000	204.30	222.00	17.70	8.66%	
50,000	222.50	240.35	17.85	8.02%	
60,000	258.90	277.05	18.15	7.01%	
70,000	295.30	313.75	18.45	6.25%	
80,000	331.70	350.45	18.75	5.65%	
90,000	368.10	387.15	19.05	5.18%	
100,000	404.50	423.85	19.35	4.78%	
Average Usage	\$ 141.77	\$ 170.12	\$ 28.35	20.00%	
Median Usage	\$ 113.30	\$ 146.50	\$ 33.20	29.30%	

Rio Rico Utilities, Inc. - Water Division
 Bill Comparison Present and Proposed Rates
 2 Inch Residential

Exhibit
 Schedule H-4
 Page 7
 Witness: Bourassa

Meter Size:

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 87.84	\$ 137.76	\$ 49.92	56.83%
1,000	90.76	140.78	50.02	55.11%
2,000	93.68	143.80	50.12	53.50%
3,000	96.60	146.82	50.22	51.99%
4,000	99.52	149.84	50.32	50.56%
5,000	102.44	152.86	50.42	49.22%
6,000	105.36	155.88	50.52	47.95%
7,000	108.28	158.90	50.62	46.75%
8,000	111.20	161.92	50.72	45.61%
9,000	114.12	164.94	50.82	44.53%
10,000	117.04	167.96	50.92	43.51%
12,000	122.88	174.00	51.12	41.60%
14,000	128.72	180.04	51.32	39.87%
16,000	134.56	186.08	51.52	38.29%
18,000	140.40	192.12	51.72	36.84%
20,000	146.24	198.16	51.92	35.50%
25,000	160.84	213.26	52.42	32.59%
30,000	175.44	228.36	52.92	30.16%
35,000	190.04	243.46	53.42	28.11%
40,000	204.64	258.56	53.92	26.35%
45,000	219.24	273.66	54.42	24.82%
50,000	233.84	288.76	54.92	23.49%
60,000	265.20	318.96	53.76	20.27%
70,000	301.60	349.16	47.56	15.77%
80,000	338.00	384.56	46.56	13.78%
90,000	374.40	421.26	46.86	12.52%
100,000	410.80	457.96	47.16	11.48%
Average Usage	19,316	196.09	\$ 51.85	35.95%
Median Usage	14,000	180.04	\$ 51.32	39.87%

Present Rates:
 Monthly Minimum: \$ 87.84
 Gallons in Minimum Charge Per 1,000 Gallons
 Up to 57,000 \$ 2.92
 Over 57,000 \$ 3.64

Proposed Rates:
 Monthly Minimum: \$ 137.76
 Gallons in Minimum Charge Per 1,000 Gallons
 Up to 72,000 \$ 3.02
 Over 72,000 \$ 3.67

Rio Rico Utilities, Inc. - Water Division
Bill Comparison Present and Proposed Rates

Exhibit H-4
Schedule H-4
Page 8
Witness: Bourassa

Meter Size: 5/8 Inch Commercial

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	Present Rates:
-	\$ 10.98	\$ 17.22	\$ 6.24	56.83%	
1,000	12.57	19.04	6.47	51.47%	
2,000	14.16	20.86	6.70	47.32%	Monthly Minimum: \$ 10.98
3,000	15.75	22.68	6.93	44.00%	Gallons in Minimum -
4,000	18.67	25.70	7.03	37.65%	Charge Per 1,000 Gallons
5,000	21.59	28.72	7.13	33.02%	Up to 3,000 \$ 1.59
6,000	24.51	31.74	7.23	29.50%	Up to 9,000 \$ 2.92
7,000	27.43	34.76	7.33	26.72%	Over 9,000 \$ 3.64
8,000	30.35	37.78	7.43	24.48%	
9,000	33.27	40.80	7.53	22.63%	
10,000	36.91	44.47	7.56	20.48%	
12,000	44.19	51.81	7.62	17.24%	
14,000	51.47	59.15	7.68	14.92%	Proposed Rates: \$ 17.22
16,000	58.75	66.49	7.74	13.17%	Monthly Minimum: -
18,000	66.03	73.83	7.80	11.81%	Gallons in Minimum
20,000	73.31	81.17	7.86	10.72%	Charge Per 1,000 Gallons
25,000	91.51	99.52	8.01	8.75%	Up to 3,000 \$ 1.82
30,000	109.71	117.87	8.16	7.44%	Up to 9,000 \$ 3.02
35,000	127.91	136.22	8.31	6.50%	Over 9,000 \$ 3.67
40,000	146.11	154.57	8.46	5.79%	
45,000	164.31	172.92	8.61	5.24%	
50,000	182.51	191.27	8.76	4.80%	
60,000	218.91	227.97	9.06	4.14%	
70,000	255.31	264.67	9.36	3.67%	
80,000	291.71	301.37	9.66	3.31%	
90,000	328.11	338.07	9.96	3.04%	
100,000	364.51	374.77	10.26	2.81%	
Average Usage 8,995	\$ 33.25	\$ 40.78	\$ 7.53	22.64%	
Median Usage 3,000	\$ 15.75	\$ 22.68	\$ 6.93	44.00%	

Rio Rico Utilities, Inc. - Water Division
Bill Comparison Present and Proposed Rates

Exhibit
 Schedule H-4
 Page 9
 Witness: Bourassa

Meter Size: 1 Inch Commercial

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 27.45	\$ 43.05	\$ 15.60	56.83%
1,000	30.37	46.07	15.70	51.70%
2,000	33.29	49.09	15.80	47.46%
3,000	36.21	52.11	15.90	43.91%
4,000	39.13	55.13	16.00	40.89%
5,000	42.05	58.15	16.10	38.29%
6,000	44.97	61.17	16.20	36.02%
7,000	47.89	64.19	16.30	34.04%
8,000	50.81	67.21	16.40	32.28%
9,000	53.73	70.23	16.50	30.71%
10,000	56.65	73.25	16.60	29.30%
12,000	62.49	79.29	16.80	26.88%
14,000	68.33	85.33	17.00	24.88%
16,000	74.89	91.37	16.48	22.01%
18,000	82.17	97.41	15.24	18.55%
20,000	89.45	103.45	14.00	15.65%
25,000	107.65	120.18	12.53	11.63%
30,000	125.85	138.53	12.68	10.07%
35,000	144.05	156.88	12.83	8.90%
40,000	162.25	175.23	12.98	8.00%
45,000	180.45	193.58	13.13	7.27%
50,000	198.65	211.93	13.28	6.68%
60,000	235.05	248.63	13.58	5.78%
70,000	271.45	285.33	13.88	5.11%
80,000	307.85	322.03	14.18	4.60%
90,000	344.25	358.73	14.48	4.20%
100,000	380.65	395.43	14.78	3.88%
Average Usage 15,566	\$ 73.31	\$ 90.06	\$ 16.75	22.85%
Median Usage 7,000	\$ 47.89	\$ 64.19	\$ 16.30	34.04%

Present Rates:
 Monthly Minimum: \$ 27.45
 Gallons in Minimum -
 Charge Per 1,000 Gallons 15,000 \$ 2.92
 Up to 15,000 \$ 3.64
 Over

Proposed Rates:
 Monthly Minimum: \$ 43.05
 Gallons in Minimum -
 Charge Per 1,000 Gallons 22,500 \$ 3.02
 Up to 22,500 \$ 3.67
 Over

Rio Rico Utilities, Inc. - Water Division
Bill Comparison Present and Proposed Rates

Exhibit H-4
 Schedule H-4
 Page 10
 Witness: Bourassa

Meter Size: 1 1/2 Inch Commercial

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 54.90	\$ 86.10	\$ 31.20	56.83%
1,000	57.82	89.12	31.30	54.13%
2,000	60.74	92.14	31.40	51.70%
3,000	63.66	95.16	31.50	49.48%
4,000	66.58	98.18	31.60	47.46%
5,000	69.50	101.20	31.70	45.61%
6,000	72.42	104.22	31.80	43.91%
7,000	75.34	107.24	31.90	42.34%
8,000	78.26	110.26	32.00	40.89%
9,000	81.18	113.28	32.10	39.54%
10,000	84.10	116.30	32.20	38.29%
12,000	89.94	122.34	32.40	36.02%
14,000	95.78	128.38	32.60	34.04%
16,000	101.62	134.42	32.80	32.28%
18,000	107.46	140.46	33.00	30.71%
20,000	113.30	146.50	33.20	29.30%
25,000	131.50	161.60	30.10	22.89%
30,000	149.70	176.70	27.00	18.04%
35,000	167.90	191.80	23.90	14.23%
40,000	186.10	206.90	20.80	11.18%
45,000	204.30	222.00	17.70	8.66%
50,000	222.50	240.35	17.85	8.02%
60,000	258.90	277.05	18.15	7.01%
70,000	295.30	313.75	18.45	6.25%
80,000	331.70	350.45	18.75	5.65%
90,000	368.10	387.15	19.05	5.18%
100,000	404.50	423.85	19.35	4.78%

Present Rates:
 Monthly Minimum: \$ 54.90
 Gallons in Minimum Charge Per 1,000 Gallons -
 Up to 20,000 \$ 2.92
 Over 20,000 \$ 3.64

Proposed Rates:
 Monthly Minimum: \$ 86.10
 Gallons in Minimum Charge Per 1,000 Gallons -
 Up to 45,000 \$ 3.02
 Over 45,000 \$ 3.67

Average Usage 24,508 \$ 129.71 \$ 160.12 \$ 30.40 23.44%
 Median Usage 9,000 \$ 81.18 \$ 113.28 \$ 32.10 39.54%

Rio Rico Utilities, Inc. - Water Division
 Bill Comparison Present and Proposed Rates
 2 Inch Commercial

Exhibit H-4
 Schedule H-4
 Page 11
 Witness: Bourassa

Meter Size:

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 87.84	\$ 137.76	\$ 49.92	56.83%
1,000	90.76	140.78	50.02	55.11%
2,000	93.68	143.80	50.12	53.50%
3,000	96.60	146.82	50.22	51.99%
4,000	99.52	149.84	50.32	50.56%
5,000	102.44	152.86	50.42	49.22%
6,000	105.36	155.88	50.52	47.95%
7,000	108.28	158.90	50.62	46.75%
8,000	111.20	161.92	50.72	45.61%
9,000	114.12	164.94	50.82	44.53%
10,000	117.04	167.96	50.92	43.51%
12,000	122.88	174.00	51.12	41.60%
14,000	128.72	180.04	51.32	39.87%
16,000	134.56	186.08	51.52	38.29%
18,000	140.40	192.12	51.72	36.84%
20,000	146.24	198.16	51.92	35.50%
25,000	160.84	213.26	52.42	32.59%
30,000	175.44	228.36	52.92	30.16%
35,000	190.04	243.46	53.42	28.11%
40,000	204.64	258.56	53.92	26.35%
45,000	219.24	273.66	54.42	24.82%
50,000	233.84	288.76	54.92	23.49%
60,000	265.20	318.96	53.76	20.27%
70,000	301.60	349.16	47.56	15.77%
80,000	338.00	384.56	46.56	13.78%
90,000	374.40	421.26	46.86	12.52%
100,000	410.80	457.96	47.16	11.48%

Present Rates:
 Monthly Minimum: \$ 87.84
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 57,000 \$ 2.92
 Over 57,000 \$ 3.64

Proposed Rates:
 Monthly Minimum: \$ 137.76
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 72,000 \$ 3.02
 Over 72,000 \$ 3.67

Average Usage	39,263	\$ 202.49	\$ 256.34	\$ 53.85	26.59%
Median Usage	20,500	\$ 147.70	\$ 199.67	\$ 51.97	35.19%

Rio Rico Utilities, Inc. - Water Division
 Bill Comparison Present and Proposed Rates
 3 Inch Commercial

Exhibit H-4
 Schedule H-4
 Page 12
 Witness: Bourassa

Meter Size:

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 175.68	\$ 275.52	\$ 99.84	56.83%
1,000	178.60	278.54	99.94	55.96%
2,000	181.52	281.56	100.04	55.11%
3,000	184.44	284.58	100.14	54.29%
4,000	187.36	287.60	100.24	53.50%
5,000	190.28	290.62	100.34	52.73%
6,000	193.20	293.64	100.44	51.99%
7,000	196.12	296.66	100.54	51.26%
8,000	199.04	299.68	100.64	50.56%
9,000	201.96	302.70	100.74	49.88%
10,000	204.88	305.72	100.84	49.22%
12,000	210.72	311.76	101.04	47.95%
14,000	216.56	317.80	101.24	46.75%
16,000	222.40	323.84	101.44	45.61%
18,000	228.24	329.88	101.64	44.53%
20,000	234.08	335.92	101.84	43.51%
25,000	248.68	351.02	102.34	41.15%
30,000	263.28	366.12	102.84	39.06%
35,000	277.88	381.22	103.34	37.19%
40,000	292.48	396.32	103.84	35.50%
45,000	307.08	411.42	104.34	33.98%
50,000	321.68	426.52	104.84	32.59%
60,000	353.04	456.72	103.68	29.37%
70,000	389.44	486.92	97.48	25.03%
80,000	425.84	517.12	91.28	21.44%
90,000	462.24	547.32	85.08	18.41%
100,000	498.64	577.52	78.88	15.82%
Average Usage				
173,138	\$ 764.86	\$ 798.40	\$ 33.53	4.38%
Median Usage				
24,000	\$ 245.76	\$ 348.00	\$ 102.24	41.60%

Present Rates:
 Monthly Minimum: \$ 175.68
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 57,000 \$ 2.92
 Over 57,000 \$ 3.64

Proposed Rates:
 Monthly Minimum: \$ 275.52
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 225,000 \$ 3.02
 Over 225,000 \$ 3.67

Rio Rico Utilities, Inc. - Water Division
Bill Comparison Present and Proposed Rates
 4 Inch Commercial

Exhibit H-4
 Schedule H-4
 Page 13
 Witness: Bourassa

Meter Size:

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 274.50	\$ 430.50	\$ 156.00	56.83%
1,000	277.42	433.52	156.10	56.27%
2,000	280.34	436.54	156.20	55.72%
3,000	283.26	439.56	156.30	55.18%
4,000	286.18	442.58	156.40	54.65%
5,000	289.10	445.60	156.50	54.13%
6,000	292.02	448.62	156.60	53.63%
7,000	294.94	451.64	156.70	53.13%
8,000	297.86	454.66	156.80	52.64%
9,000	300.78	457.68	156.90	52.16%
10,000	303.70	460.70	157.00	51.70%
12,000	309.54	466.74	157.20	50.79%
14,000	315.38	472.78	157.40	49.91%
16,000	321.22	478.82	157.60	49.06%
18,000	327.06	484.86	157.80	48.25%
20,000	332.90	490.90	158.00	47.46%
25,000	347.50	506.00	158.50	45.61%
30,000	362.10	521.10	159.00	43.91%
35,000	376.70	536.20	159.50	42.34%
40,000	391.30	551.30	160.00	40.89%
45,000	405.90	566.40	160.50	39.54%
50,000	420.50	581.50	161.00	38.29%
60,000	451.86	611.70	159.84	35.37%
70,000	488.26	641.90	153.64	31.47%
80,000	524.66	672.10	147.44	28.10%
90,000	561.06	702.30	141.24	25.17%
100,000	597.46	732.50	135.04	22.60%

Present Rates:
 Monthly Minimum: \$ 274.50
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 57,000 \$ 2.92
 Over 57,000 \$ 3.64

Proposed Rates:
 Monthly Minimum: \$ 430.50
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 225,000 \$ 3.02
 Over 225,000 \$ 3.67

Average Usage	\$ 1,155.95	\$ 1,214.34	\$ 58.39	5.05%
253,431				
Median Usage	\$ 932.34	\$ 1,010.34	\$ 78.00	8.37%
192,000				

Rio Rico Utilities, Inc. - Water Division
Bill Comparison Present and Proposed Rates
 6 Inch Commercial

Exhibit Schedule H-4
 Page 14
 Witness: Bourassa

Meter Size:

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	Present Rates:
-	\$ 549.00	\$ 861.00	\$ 312.00	56.83%	Monthly Minimum:
1,000	551.92	864.02	312.10	56.55%	Gallons in Minimum
2,000	554.84	867.04	312.20	56.27%	Charge Per 1,000 Gallons
3,000	557.76	870.06	312.30	55.99%	Up to
4,000	560.68	873.08	312.40	55.72%	Over
5,000	563.60	876.10	312.50	55.45%	125,000 \$ 2.92
6,000	566.52	879.12	312.60	55.18%	125,000 \$ 3.64
7,000	569.44	882.14	312.70	54.91%	
8,000	572.36	885.16	312.80	54.65%	
9,000	575.28	888.18	312.90	54.39%	
10,000	578.20	891.20	313.00	54.13%	
12,000	584.04	897.24	313.20	53.63%	
14,000	589.88	903.28	313.40	53.13%	Proposed Rates:
16,000	595.72	909.32	313.60	52.64%	Monthly Minimum:
18,000	601.56	915.36	313.80	52.16%	Gallons in Minimum
20,000	607.40	921.40	314.00	51.70%	Charge Per 1,000 Gallons
25,000	622.00	936.50	314.50	50.56%	Up to
30,000	636.60	951.60	315.00	49.48%	Over
35,000	651.20	966.70	315.50	48.45%	450,000 \$ 3.02
40,000	665.80	981.80	316.00	47.46%	450,000 \$ 3.67
45,000	680.40	996.90	316.50	46.52%	
50,000	695.00	1,012.00	317.00	45.61%	
60,000	724.20	1,042.20	318.00	43.91%	
70,000	753.40	1,072.40	319.00	42.34%	
80,000	782.60	1,102.60	320.00	40.89%	
90,000	811.80	1,132.80	321.00	39.54%	
100,000	841.00	1,163.00	322.00	38.29%	

Average Usage	\$ 2,125.82	\$ 2,249.05	\$ 123.24	5.80%
Median Usage	\$ 2,006.00	\$ 2,144.50	\$ 138.50	6.90%

Rio Rico Utilities, Inc. - Water Division
Bill Comparison Present and Proposed Rates
 Meter Size: 5/8 Inch Multi-Family

Exhibit Schedule Page H-4 15
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	Present Rates:
-	\$ 10.98	\$ 17.22	\$ 6.24	56.83%	Monthly Minimum: \$ 10.98
1,000	12.57	19.04	6.47	51.47%	Gallons in Minimum Charge Per 1,000 Gallons
2,000	14.16	20.86	6.70	47.32%	Up to 3,000 \$ 1.59
3,000	15.75	22.68	6.93	44.00%	Up to 9,000 \$ 2.92
4,000	18.67	25.70	7.03	37.65%	Over 9,000 \$ 3.64
5,000	21.59	28.72	7.13	33.02%	
6,000	24.51	31.74	7.23	29.50%	
7,000	27.43	34.76	7.33	26.72%	
8,000	30.35	37.78	7.43	24.48%	
9,000	33.27	40.80	7.53	22.63%	
10,000	36.91	44.47	7.56	20.48%	
12,000	44.19	51.81	7.62	17.24%	
14,000	51.47	59.15	7.68	14.92%	
16,000	58.75	66.49	7.74	13.17%	
18,000	66.03	73.83	7.80	11.81%	
20,000	73.31	81.17	7.86	10.72%	
25,000	91.51	99.52	8.01	8.75%	
30,000	109.71	117.87	8.16	7.44%	
35,000	127.91	136.22	8.31	6.50%	
40,000	146.11	154.57	8.46	5.79%	
45,000	164.31	172.92	8.61	5.24%	
50,000	182.51	191.27	8.76	4.80%	
60,000	218.91	227.97	9.06	4.14%	
70,000	255.31	264.67	9.36	3.67%	
80,000	291.71	301.37	9.66	3.31%	
90,000	328.11	338.07	9.96	3.04%	
100,000	364.51	374.77	10.26	2.81%	
Average Usage	9,058	41.01	7.53	22.50%	
Median Usage	8,000	37.78	7.43	24.48%	

Proposed Rates:
 Monthly Minimum: \$ 17.22
 Gallons in Minimum Charge Per 1,000 Gallons
 Up to 3,000 \$ 1.82
 Up to 9,000 \$ 3.02
 Over 9,000 \$ 3.67

Rio Rico Utilities, Inc. - Water Division
Bill Comparison Present and Proposed Rates

Exhibit H-4
 Schedule H-4
 Page 16
 Witness: Bourassa

Meter Size: 1 1/2 Inch Multi-Family

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 54.90	\$ 86.10	\$ 31.20	56.83%
1,000	57.82	89.12	31.30	54.13%
2,000	60.74	92.14	31.40	51.70%
3,000	63.66	95.16	31.50	49.48%
4,000	66.58	98.18	31.60	47.46%
5,000	69.50	101.20	31.70	45.61%
6,000	72.42	104.22	31.80	43.91%
7,000	75.34	107.24	31.90	42.34%
8,000	78.26	110.26	32.00	40.89%
9,000	81.18	113.28	32.10	39.54%
10,000	84.10	116.30	32.20	38.29%
12,000	89.94	122.34	32.40	36.02%
14,000	95.78	128.38	32.60	34.04%
16,000	101.62	134.42	32.80	32.28%
18,000	107.46	140.46	33.00	30.71%
20,000	113.30	146.50	33.20	29.30%
25,000	131.50	161.60	30.10	22.89%
30,000	149.70	176.70	27.00	18.04%
35,000	167.90	191.80	23.90	14.23%
40,000	186.10	206.90	20.80	11.18%
45,000	204.30	222.00	17.70	8.66%
50,000	222.50	240.35	17.85	8.02%
60,000	258.90	277.05	18.15	7.01%
70,000	295.30	313.75	18.45	6.25%
80,000	331.70	350.45	18.75	5.65%
90,000	368.10	387.15	19.05	5.18%
100,000	404.50	423.85	19.35	4.78%
Average Usage	89.21	121.59	32.38	36.29%
Median Usage	87.02	119.32	32.30	37.12%

Present Rates:
 Monthly Minimum: \$ 54.90
 Gallons in Minimum -
 Charge Per 1,000 Gallons 20,000 \$ 2.92
 Up to 20,000 \$ 3.64
 Over

Proposed Rates:
 Monthly Minimum: \$ 86.10
 Gallons in Minimum -
 Charge Per 1,000 Gallons 45,000 \$ 3.02
 Up to 45,000 \$ 3.67
 Over

Rio Rico Utilities, Inc. - Water Division
 Bill Comparison Present and Proposed Rates
 5/8 Inch Industrial

Exhibit Schedule H-4
 Page 17
 Witness: Bourassa

Meter Size:

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 10.98	\$ 17.22	\$ 6.24	56.83%
1,000	12.57	19.04	6.47	51.47%
2,000	14.16	20.86	6.70	47.32%
3,000	15.75	22.68	6.93	44.00%
4,000	18.67	25.70	7.03	37.65%
5,000	21.59	28.72	7.13	33.02%
6,000	24.51	31.74	7.23	29.50%
7,000	27.43	34.76	7.33	26.72%
8,000	30.35	37.78	7.43	24.48%
9,000	33.27	40.80	7.53	22.63%
10,000	36.91	44.47	7.56	20.48%
12,000	44.19	51.81	7.62	17.24%
14,000	51.47	59.15	7.68	14.92%
16,000	58.75	66.49	7.74	13.17%
18,000	66.03	73.83	7.80	11.81%
20,000	73.31	81.17	7.86	10.72%
25,000	91.51	99.52	8.01	8.75%
30,000	109.71	117.87	8.16	7.44%
35,000	127.91	136.22	8.31	6.50%
40,000	146.11	154.57	8.46	5.79%
45,000	164.31	172.92	8.61	5.24%
50,000	182.51	191.27	8.76	4.80%
60,000	218.91	227.97	9.06	4.14%
70,000	255.31	264.67	9.36	3.67%
80,000	291.71	301.37	9.66	3.31%
90,000	328.11	338.07	9.96	3.04%
100,000	364.51	374.77	10.26	2.81%
Average Usage	4,422	\$ 26.97	\$ 7.07	35.54%
Median Usage	-	\$ 17.22	\$ 6.24	56.83%

Present Rates:
 Monthly Minimum: \$ 10.98
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 3,000 \$ 1.59
 Up to 9,000 \$ 2.92
 Over 9,000 \$ 3.64

Proposed Rates:
 Monthly Minimum: \$ 17.22
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 3,000 \$ 1.82
 Up to 9,000 \$ 3.02
 Over 9,000 \$ 3.67

Rio Rico Utilities, Inc. - Water Division
Bill Comparison Present and Proposed Rates

Exhibit
Schedule H-4
Page 18
Witness: Bourassa

Meter Size: 2 Inch Industrial

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	Present Rates:
-	\$ 87.84	\$ 137.76	\$ 49.92	56.83%	Monthly Minimum: \$ 87.84
1,000	90.76	140.78	50.02	55.11%	Gallons in Minimum: -
2,000	93.68	143.80	50.12	53.50%	Charge Per 1,000 Gallons: 2.92
3,000	96.60	146.82	50.22	51.99%	Up to 57,000 \$ 3.64
4,000	99.52	149.84	50.32	50.56%	Over 57,000 \$ 3.64
5,000	102.44	152.86	50.42	49.22%	
6,000	105.36	155.88	50.52	47.95%	
7,000	108.28	158.90	50.62	46.75%	
8,000	111.20	161.92	50.72	45.61%	
9,000	114.12	164.94	50.82	44.53%	
10,000	117.04	167.96	50.92	43.51%	
12,000	122.88	174.00	51.12	41.60%	
14,000	128.72	180.04	51.32	39.87%	
16,000	134.56	186.08	51.52	38.29%	
18,000	140.40	192.12	51.72	36.84%	
20,000	146.24	198.16	51.92	35.50%	
25,000	160.84	213.26	52.42	32.59%	
30,000	175.44	228.36	52.92	30.16%	
35,000	190.04	243.46	53.42	28.11%	
40,000	204.64	258.56	53.92	26.35%	
45,000	219.24	273.66	54.42	24.82%	
50,000	233.84	288.76	54.92	23.49%	
60,000	265.20	318.96	53.76	20.27%	
70,000	301.60	349.16	47.56	15.77%	
80,000	338.00	384.56	46.56	13.78%	
90,000	374.40	421.26	46.86	12.52%	
100,000	410.80	457.96	47.16	11.48%	
Average Usage	\$ 655.88	\$ 705.06	\$ 49.18	7.50%	
167,329					
Median Usage	\$ 140.40	\$ 192.12	\$ 51.72	36.84%	
18,000					

Proposed Rates:
Monthly Minimum: \$ 137.76
Gallons in Minimum: -
Charge Per 1,000 Gallons: 3.02
Up to 72,000 \$ 3.67
Over 72,000 \$ 3.67

Rio Rico Utilities, Inc. - Water Division
Bill Comparison Present and Proposed Rates
6 Inch Bulk

Exhibit Schedule H-4
 Page 19
 Witness: Bourassa

Meter Size:

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 549.00	\$ 861.00	\$ 312.00	56.83%
1,000	551.92	864.02	312.10	56.55%
2,000	554.84	867.04	312.20	56.27%
3,000	557.76	870.06	312.30	55.99%
4,000	560.68	873.08	312.40	55.72%
5,000	563.60	876.10	312.50	55.45%
6,000	566.52	879.12	312.60	55.18%
7,000	569.44	882.14	312.70	54.91%
8,000	572.36	885.16	312.80	54.65%
9,000	575.28	888.18	312.90	54.39%
10,000	578.20	891.20	313.00	54.13%
12,000	584.04	897.24	313.20	53.63%
14,000	589.88	903.28	313.40	53.13%
16,000	595.72	909.32	313.60	52.64%
18,000	601.56	915.36	313.80	52.16%
20,000	607.40	921.40	314.00	51.70%
25,000	622.00	936.50	314.50	50.56%
30,000	636.60	951.60	315.00	49.48%
35,000	651.20	966.70	315.50	48.45%
40,000	665.80	981.80	316.00	47.46%
45,000	680.40	996.90	316.50	46.52%
50,000	695.00	1,012.00	317.00	45.61%
60,000	724.20	1,042.20	318.00	43.91%
70,000	753.40	1,072.40	319.00	42.34%
80,000	782.60	1,102.60	320.00	40.89%
90,000	811.80	1,132.80	321.00	39.54%
100,000	841.00	1,163.00	322.00	38.29%

Present Rates:
 Monthly Minimum:
 Gallons in Minimum Charge Per 1,000 Gallons
 Up to 125,000 \$ 2.92
 Over 125,000 \$ 3.64

Proposed Rates:
 Monthly Minimum:
 Gallons in Minimum Charge Per 1,000 Gallons
 Up to 450,000 \$ 3.02
 Over 450,000 \$ 3.67

Average Usage	1,908,591	\$ 7,406.27	\$ 7,573.03	\$ 166.76	2.25%
Median Usage	945,000	\$ 3,898.80	\$ 4,036.65	\$ 137.85	3.54%

Rio Rico Utilities, Inc. - Water Division

Bill Comparison Present and Proposed Rates

Meter Size: Fire Lines Up to 8 Inch

Exhibit
Schedule H-4
Page 20
Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 5.49	\$ 5.49	\$ -	0.00%
1,000	5.49	5.49	-	0.00%
2,000	5.49	5.49	-	0.00%
3,000	5.49	5.49	-	0.00%
4,000	5.49	5.49	-	0.00%
5,000	5.49	5.49	-	0.00%
6,000	5.49	5.49	-	0.00%
7,000	5.49	5.49	-	0.00%
8,000	5.49	5.49	-	0.00%
9,000	5.49	5.49	-	0.00%
10,000	5.49	5.49	-	0.00%
12,000	5.49	5.49	-	0.00%
14,000	5.49	5.49	-	0.00%
16,000	5.49	5.49	-	0.00%
18,000	5.49	5.49	-	0.00%
20,000	5.49	5.49	-	0.00%
25,000	5.49	5.49	-	0.00%
30,000	5.49	5.49	-	0.00%
35,000	5.49	5.49	-	0.00%
40,000	5.49	5.49	-	0.00%
45,000	5.49	5.49	-	0.00%
50,000	5.49	5.49	-	0.00%
60,000	5.49	5.49	-	0.00%
70,000	5.49	5.49	-	0.00%
80,000	5.49	5.49	-	0.00%
90,000	5.49	5.49	-	0.00%
100,000	5.49	5.49	-	0.00%
Average Usage	\$ 5.49	\$ 5.49	\$ -	0.00%
Median Usage	\$ 5.49	\$ 5.49	\$ -	0.00%

Present Rates:
Monthly Minimum: \$ 5.49

Proposed Rates:
Monthly Minimum: \$ 5.49

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 5/8 Inch Residential

Exhibit
 Schedule H-5
 Page 1
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	388	359	340	340	302	359	338	357	326	341	330	340	4,120	4,120	-
1,000	1,000	333	243	311	240	232	339	260	288	264	310	306	302	3,428	7,548	3,428
2,000	2,000	411	315	354	295	263	361	311	348	357	409	412	443	4,279	11,827	11,986
3,000	3,000	534	438	437	342	333	474	432	445	492	577	546	546	5,678	17,505	29,020
4,000	4,000	589	485	521	415	361	598	491	564	559	693	661	682	6,619	24,124	55,496
5,000	5,000	619	542	534	466	409	585	517	596	603	699	675	723	6,968	31,092	90,336
6,000	6,000	551	540	537	460	398	571	538	557	534	692	641	665	6,684	37,776	130,440
7,000	7,000	516	486	452	452	396	509	482	499	516	504	553	506	5,871	43,647	171,537
8,000	8,000	407	414	407	395	346	420	412	442	452	424	427	405	4,951	48,598	211,145
9,000	9,000	332	339	349	326	313	359	347	325	322	281	330	296	3,919	52,517	246,416
10,000	10,000	237	282	270	314	263	290	282	240	292	214	258	208	3,150	55,667	277,916
11,000	11,000	180	247	224	234	234	257	242	217	186	154	187	157	2,519	58,186	305,625
12,000	12,000	170	173	181	230	223	189	202	154	158	111	120	106	2,017	60,203	329,829
13,000	13,000	144	159	155	161	154	140	144	127	122	87	83	85	1,561	61,764	350,122
14,000	14,000	106	142	111	151	155	137	142	107	110	67	80	64	1,372	63,136	369,330
15,000	15,000	63	100	116	131	121	95	109	102	86	67	48	42	1,080	64,216	385,530
16,000	16,000	72	84	72	122	96	86	85	73	71	32	48	28	869	65,085	399,434
17,000	17,000	57	78	75	84	89	76	55	68	55	36	29	33	735	65,820	411,929
18,000	18,000	32	65	76	93	67	67	65	40	59	22	19	26	631	66,451	423,287
19,000	19,000	31	59	43	77	73	60	53	44	42	17	17	23	539	66,990	433,528
20,000	20,000	29	48	48	54	60	53	47	28	29	13	15	15	439	67,429	442,308
21,000	21,000	10	29	43	57	48	19	29	27	21	17	12	13	325	67,754	449,133
22,000	22,000	13	35	21	46	53	34	30	25	21	10	19	13	320	68,074	456,173
23,000	23,000	17	25	28	43	45	28	22	22	22	12	9	4	277	68,351	462,544
24,000	24,000	9	26	34	47	37	18	20	24	16	4	13	4	252	68,603	468,592
25,000	25,000	10	19	25	27	29	18	22	23	14	15	9	2	213	68,816	473,917
26,000	26,000	14	19	12	31	32	11	26	14	12	12	6	11	200	69,016	479,117
27,000	27,000	7	23	12	26	29	10	15	18	18	3	8	3	172	69,188	483,761
28,000	28,000	7	17	19	19	27	8	11	9	11	5	1	7	141	69,329	487,709
29,000	29,000	7	13	8	24	23	12	10	11	6	3	3	7	127	69,456	491,392
30,000	30,000	4	13	6	17	13	13	19	8	8	5	1	3	110	69,566	494,692
31,000	31,000	4	14	12	15	18	8	11	5	7	3	5	1	103	69,669	497,885
32,000	32,000	4	13	5	14	14	4	15	9	4	5	1	2	90	69,759	500,765
33,000	33,000	3	4	7	11	15	14	14	12	5	8	3	3	99	69,858	504,032
34,000	34,000	3	7	6	13	10	12	6	6	6	3	2	2	76	69,934	506,616
35,000	35,000	3	9	10	10	15	7	10	7	2	3	3	2	81	70,015	509,451
36,000	36,000	2	7	5	7	12	4	6	5	5	2	2	2	59	70,074	511,575
37,000	37,000	4	5	4	4	8	4	4	2	7	2	1	2	64	70,138	513,943
38,000	38,000	3	11	6	9	4	5	4	1	5	3	3	3	57	70,195	516,109

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 5/8 Inch Residential

Exhibit
 Schedule H-5
 Page 1
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	39,000	3	5	3	9	12	5	2	2	2	1	1	-	48	70,243	517,981
40,000	40,000	3	1	3	6	8	8	1	4	4	-	1	1	41	70,284	519,621
41,000	41,000	-	3	4	5	7	3	1	6	6	-	1	-	33	70,317	520,974
42,000	42,000	3	1	4	7	7	3	6	4	4	2	-	-	37	70,354	522,528
43,000	43,000	-	2	2	5	6	3	2	3	1	2	-	-	26	70,380	523,646
44,000	44,000	4	1	4	6	7	4	5	-	3	1	1	1	37	70,417	525,274
45,000	45,000	-	1	2	7	5	2	-	2	3	-	1	1	24	70,441	526,354
46,000	46,000	3	1	-	1	2	2	2	3	3	1	-	1	19	70,460	527,228
47,000	47,000	1	4	2	6	6	5	1	3	-	1	-	2	31	70,491	528,685
48,000	48,000	-	-	3	6	1	1	3	2	2	1	-	1	20	70,511	529,645
49,000	49,000	1	1	5	6	1	1	3	-	1	1	1	-	22	70,533	530,723
50,000	50,000	1	3	1	2	3	2	-	4	3	1	-	-	20	70,553	531,723
51,000	51,000	1	3	1	-	6	-	3	1	2	-	-	-	17	70,570	532,590
52,000	52,000	2	1	-	3	5	1	1	2	-	-	-	1	18	70,588	533,526
53,000	53,000	2	-	2	-	1	-	5	-	-	-	-	-	10	70,598	534,056
54,000	54,000	1	1	2	3	2	-	1	-	-	-	-	-	10	70,608	534,596
55,000	55,000	-	-	2	5	2	-	-	-	-	-	-	1	10	70,618	535,146
56,000	56,000	-	1	2	3	1	1	-	-	1	-	-	-	9	70,627	535,650
57,000	57,000	-	2	2	-	2	1	-	-	2	-	-	-	9	70,636	536,163
58,000	58,000	-	1	1	2	2	2	1	3	2	-	-	-	14	70,650	536,975
59,000	59,000	-	1	-	1	1	-	2	1	-	-	-	-	6	70,656	537,329
60,000	60,000	-	1	-	1	-	-	1	1	-	1	-	-	5	70,661	537,629
61,000	61,000	-	-	-	4	2	2	1	1	-	-	-	-	11	70,672	538,300
62,000	62,000	-	1	2	-	3	-	-	-	-	-	-	-	6	70,678	538,672
63,000	63,000	-	-	1	3	4	-	2	1	1	-	-	-	12	70,690	539,428
64,000	64,000	2	1	-	-	2	-	1	-	1	-	-	-	7	70,697	539,876
65,000	65,000	-	-	2	-	3	-	1	-	-	-	-	-	7	70,704	540,331
66,000	66,000	1	-	1	2	3	-	1	-	-	-	1	-	9	70,713	540,925
67,000	67,000	-	-	-	2	1	-	-	-	-	-	-	-	3	70,716	541,126
68,000	68,000	1	-	-	1	2	-	-	-	-	-	-	1	6	70,722	541,534
69,000	69,000	-	-	-	1	-	2	-	1	-	-	-	-	6	70,728	541,948
70,000	70,000	-	-	1	3	-	-	-	-	1	-	-	-	5	70,733	542,298
71,000	71,000	-	-	1	-	-	-	-	-	-	-	-	-	1	70,734	542,369
72,000	72,000	-	-	-	1	-	-	-	-	-	-	-	-	1	70,735	542,441
73,000	73,000	-	-	-	3	-	-	-	-	-	-	-	-	5	70,740	542,806
74,000	74,000	-	-	-	2	3	-	-	-	-	1	-	-	6	70,746	543,250
75,000	75,000	-	-	-	-	1	-	-	-	-	-	-	-	2	70,748	543,400
76,000	76,000	-	-	-	1	-	-	1	-	-	-	-	-	2	70,750	543,552
77,000	77,000	1	-	1	-	-	1	-	-	-	-	-	-	3	70,753	543,783

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 5/8 Inch Residential

Exhibit
 Schedule H-5
 Page 1
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	-	-	-	1	-	-	-	-	1	70,754	543,861
79,000	79,000	-	-	-	1	-	-	1	2	-	-	1	-	5	70,759	544,256
80,000	80,000	-	1	-	-	1	-	-	-	-	-	-	-	2	70,761	544,416
81,000	81,000	-	-	-	-	1	-	-	-	-	-	-	-	1	70,762	544,497
82,000	82,000	-	1	-	1	-	1	-	1	-	-	-	1	5	70,767	544,907
83,000	83,000	-	3	-	-	1	-	-	-	-	-	-	-	4	70,771	545,239
84,000	84,000	-	-	-	-	-	1	-	-	-	-	-	-	1	70,772	545,323
85,000	85,000	-	-	-	-	1	-	-	-	1	-	-	-	2	70,774	545,493
86,000	86,000	-	-	2	-	1	1	-	-	1	-	-	-	5	70,779	545,923
87,000	87,000	1	-	-	-	-	-	-	-	-	-	-	-	1	70,780	546,010
88,000	88,000	-	-	-	1	1	-	1	1	-	-	-	1	5	70,785	546,450
89,000	89,000	-	-	-	-	-	-	-	-	-	-	1	-	1	70,786	546,539
90,000	90,000	-	2	-	-	-	-	-	-	-	-	1	1	4	70,790	546,899
91,000	91,000	-	1	-	1	1	-	-	-	1	-	-	-	4	70,794	547,263
92,000	92,000	-	-	-	-	1	-	-	-	-	-	-	-	3	70,797	547,539
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	70,797	547,539
94,000	94,000	-	-	-	1	-	-	-	-	-	-	-	-	2	70,799	547,727
95,000	95,000	-	1	-	-	-	-	-	-	-	-	-	-	1	70,800	547,822
96,000	96,000	-	-	-	-	-	-	1	-	-	-	-	-	1	70,801	547,918
97,000	97,000	-	-	-	1	-	-	-	-	-	-	-	-	1	70,802	548,015
98,000	98,000	-	1	-	-	-	-	-	-	-	-	-	-	1	70,803	548,113
99,000	99,000	-	-	-	-	1	-	-	-	-	-	-	-	1	70,804	548,212
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	70,804	548,212
104,000	104,000	1	-	-	-	-	-	-	-	-	-	-	-	1	70,805	548,316
236,000	236,000	1	-	-	-	-	-	-	-	-	-	-	-	1	70,806	548,552
135,000	135,000	1	-	-	-	-	-	-	-	-	-	-	-	1	70,807	548,687
245,000	245,000	1	-	-	-	-	-	-	-	-	-	-	-	1	70,808	548,932
203,000	203,000	-	1	-	-	-	-	-	-	-	-	-	-	1	70,809	549,135
140,000	140,000	-	-	1	-	-	-	-	-	-	-	-	-	1	70,810	549,275
138,000	138,000	-	-	-	1	-	-	-	-	-	-	-	-	1	70,811	549,413
128,000	128,000	-	-	-	1	-	-	-	-	-	-	-	-	1	70,812	549,541
127,000	127,000	-	-	-	1	-	-	-	-	-	-	-	-	2	70,814	549,795
139,000	139,000	-	-	-	1	-	-	-	-	-	-	-	-	1	70,815	549,934
292,000	292,000	-	-	-	1	-	-	-	-	-	-	-	-	1	70,816	550,226
106,000	106,000	-	-	-	1	-	-	-	-	-	-	-	-	1	70,817	550,332
112,000	112,000	-	-	-	-	1	-	-	-	-	-	-	-	1	70,818	550,444
149,000	149,000	-	-	-	-	1	-	-	-	-	-	-	-	1	70,819	550,593
101,000	101,000	-	-	-	-	1	-	-	-	-	-	-	-	1	70,820	550,694
123,000	123,000	-	-	-	-	1	-	-	-	-	-	-	-	1	70,821	550,817

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 5/8 Inch Residential (Low Income)

Exhibit
 Schedule H-5
 Page 2
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons
															(in 1,000's)	
1,000	1,000	-	-	-	-	1	4	1	1	1	-	3	6	17	17	-
2,000	2,000	-	1	2	-	1	3	4	3	2	6	5	5	32	49	32
3,000	3,000	-	1	-	4	3	6	2	4	5	6	7	4	42	91	116
4,000	4,000	-	2	3	4	1	8	1	10	5	11	11	20	76	167	344
5,000	5,000	-	11	9	3	5	9	10	12	14	20	10	15	118	285	816
6,000	6,000	-	7	11	7	6	11	8	13	17	21	24	15	140	425	1,516
7,000	7,000	-	5	6	6	5	13	21	19	12	22	16	19	144	569	2,380
8,000	8,000	-	9	8	7	11	12	13	12	14	8	10	11	115	684	3,185
9,000	9,000	-	3	7	7	3	11	11	11	13	10	10	8	94	778	3,937
10,000	10,000	-	2	5	7	3	11	7	6	9	12	10	14	86	864	4,711
11,000	11,000	-	2	5	12	3	9	8	4	11	4	5	5	68	932	5,391
12,000	12,000	-	2	2	4	2	3	5	7	7	3	8	5	48	980	5,919
13,000	13,000	-	2	2	2	1	5	4	3	3	2	5	4	33	1,013	6,315
14,000	14,000	-	1	-	4	4	1	1	1	1	3	2	2	24	1,037	6,627
15,000	15,000	-	2	1	1	2	3	5	1	-	2	3	2	22	1,059	6,935
16,000	16,000	-	-	-	-	2	6	3	1	1	1	2	-	16	1,075	7,175
17,000	17,000	-	2	-	1	1	2	3	1	2	-	-	1	13	1,088	7,383
18,000	18,000	-	1	-	2	2	1	1	-	2	-	1	-	10	1,098	7,553
19,000	19,000	-	-	-	2	1	1	-	-	1	-	1	-	6	1,104	7,661
20,000	20,000	-	-	-	1	1	1	-	1	1	-	-	1	4	1,108	7,737
21,000	21,000	-	-	-	-	-	-	-	-	-	-	-	1	5	1,113	7,837
22,000	22,000	-	-	-	-	1	-	-	-	2	-	-	-	3	1,116	7,900
23,000	23,000	-	-	-	1	-	-	-	-	-	1	-	-	5	1,121	8,010
24,000	24,000	-	1	-	-	-	-	-	-	-	-	-	-	2	1,123	8,056
25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	1	1,124	8,080
26,000	26,000	-	-	-	1	-	1	1	-	1	-	-	-	4	1,128	8,180
27,000	27,000	-	-	1	-	-	-	-	-	-	-	-	-	4	1,132	8,284
28,000	28,000	-	-	-	1	-	-	-	-	-	-	1	-	2	1,134	8,338
29,000	29,000	-	-	-	-	1	-	-	-	-	-	-	1	3	1,137	8,422
30,000	30,000	-	-	-	-	1	-	-	-	-	-	-	-	1	1,138	8,451
31,000	31,000	-	-	-	-	-	1	-	-	-	-	-	-	2	1,140	8,511
32,000	32,000	-	-	-	-	-	-	-	-	1	-	-	-	1	1,141	8,542
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,141	8,542
34,000	34,000	-	-	-	-	-	1	-	-	-	-	-	-	1	1,142	8,575
35,000	35,000	-	-	-	-	-	-	1	-	-	-	-	-	1	1,143	8,609
36,000	36,000	-	-	-	1	-	-	-	-	-	-	-	-	2	1,145	8,679
37,000	37,000	-	-	-	-	-	-	-	-	1	-	-	-	1	1,146	8,715
38,000	38,000	-	-	-	-	-	-	-	1	-	-	-	-	1	1,147	8,752
		-	-	-	-	-	-	-	-	-	-	-	-	-	1,147	8,752

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 5/8 Inch Residential (Low Income)

Exhibit
 Schedule H-5
 Page 2
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	39,000	-	-	-	-	1	-	-	-	-	-	-	-	1	1,148	8,791
40,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
41,000	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
42,000	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
43,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
44,000	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
45,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
47,000	47,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
48,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
49,000	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
54,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
59,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
62,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
65,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 5/8 Inch Residential (Low Income)

Exhibit
 Schedule H-5
 Page 2
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,148	8,791
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals		-	54	65	79	62	127	112	117	126	132	135	139	1,148	1,148	8,791

Average Usage 7,658
 Median Usage 7,000
 Average # Customers 96
 Change in Number of Customers 139

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 1 Inch Residential

Exhibit
 Schedule H-5
 Page 4
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1,000	1,000	23	1	2	1	3	4	3	3	3	3	3	3	52	52	22
2,000	1,000	6	-	-	3	2	2	1	1	1	2	1	2	22	74	22
3,000	2,000	3	2	3	2	1	1	2	2	1	1	1	1	20	94	62
4,000	3,000	-	4	3	2	2	-	2	2	3	4	4	5	31	125	155
5,000	4,000	1	5	4	2	3	4	4	2	4	3	6	2	40	165	315
6,000	5,000	-	5	4	4	1	3	3	5	-	2	2	6	35	200	490
7,000	6,000	-	1	3	4	3	-	3	-	3	4	-	1	22	222	622
8,000	7,000	-	1	1	-	1	2	-	2	3	2	2	1	15	237	727
9,000	8,000	-	3	1	-	1	2	-	1	-	-	2	1	11	248	815
10,000	9,000	-	1	-	2	1	1	3	-	2	-	2	1	13	261	932
11,000	10,000	-	-	-	-	-	-	1	2	-	2	1	1	7	268	1,002
12,000	11,000	1	1	1	1	-	3	1	3	3	1	1	-	15	283	1,167
13,000	12,000	1	1	-	-	2	2	-	-	-	1	2	3	10	293	1,287
14,000	13,000	-	1	2	-	1	2	1	1	1	-	1	3	13	306	1,456
15,000	14,000	-	2	1	1	1	-	1	1	-	3	-	3	12	318	1,624
16,000	15,000	-	-	2	1	-	-	-	1	2	1	-	-	7	325	1,729
17,000	16,000	-	-	-	1	1	1	-	2	1	-	2	-	8	333	1,857
18,000	17,000	-	-	1	1	1	-	-	1	-	-	-	-	5	338	1,942
19,000	18,000	-	1	-	-	-	1	2	-	1	1	-	1	7	345	2,068
20,000	19,000	1	-	-	-	1	-	1	1	-	-	1	-	5	350	2,163
21,000	20,000	-	1	-	-	-	1	-	1	1	1	-	-	6	356	2,283
22,000	21,000	-	-	1	2	4	-	2	1	-	1	-	-	11	367	2,514
23,000	22,000	-	-	-	2	1	1	-	-	-	-	-	-	4	371	2,602
24,000	23,000	1	-	-	1	-	-	-	-	-	-	-	-	2	373	2,648
25,000	24,000	-	2	-	1	-	-	-	-	-	-	-	-	3	376	2,720
26,000	25,000	-	1	-	2	-	-	-	-	-	1	-	-	4	380	2,820
27,000	26,000	-	1	1	1	-	-	-	-	-	-	-	-	2	382	2,872
28,000	27,000	-	-	1	-	1	1	-	1	-	-	-	-	5	387	3,007
29,000	28,000	-	-	-	1	-	-	1	-	-	-	-	-	2	389	3,063
30,000	29,000	-	-	1	-	-	2	-	-	-	-	-	-	3	392	3,150
31,000	30,000	-	-	1	-	1	-	1	1	-	1	-	-	5	397	3,300
32,000	31,000	-	-	1	-	1	-	-	-	-	-	-	-	2	399	3,362
33,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	399	3,362	3,362
34,000	33,000	-	-	-	1	-	-	1	-	-	-	1	-	402	3,461	3,461
35,000	34,000	-	-	-	-	1	-	-	-	-	-	-	-	1	403	3,495
36,000	35,000	-	-	1	-	-	-	-	-	-	-	-	-	1	404	3,530
37,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	2	406	3,530
38,000	37,000	-	-	-	-	-	-	1	-	1	-	-	-	1	407	3,642
39,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	407	3,642	3,642
40,000	39,000	-	-	-	-	-	-	-	-	-	-	-	-	408	3,682	3,682

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 1 Inch Residential

Exhibit
 Schedule H-5
 Page 4
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,000	41,000														408	3,682
42,000	42,000			1			1							2	410	3,766
43,000	43,000														410	3,766
44,000	44,000														413	3,901
45,000	45,000							1		1				3	413	3,901
46,000	46,000														413	3,901
47,000	47,000														413	3,901
48,000	48,000					1								1	414	3,949
49,000	49,000	1												1	415	3,998
50,000	50,000													1	416	4,048
51,000	51,000			1						1				1	417	4,099
52,000	52,000														417	4,099
53,000	53,000														417	4,099
54,000	54,000									1				1	418	4,153
55,000	55,000														418	4,153
56,000	56,000														418	4,153
57,000	57,000														418	4,153
58,000	58,000														418	4,153
59,000	59,000														418	4,153
60,000	60,000								1					2	420	4,269
61,000	61,000			1										1	421	4,328
62,000	62,000													1	422	4,388
63,000	63,000													1	422	4,388
64,000	64,000													1	423	4,449
65,000	65,000														423	4,449
66,000	66,000														423	4,449
67,000	67,000														423	4,449
68,000	68,000														423	4,449
69,000	69,000														423	4,449
70,000	70,000														423	4,449
71,000	71,000														423	4,449
72,000	72,000														423	4,449
73,000	73,000														423	4,449
74,000	74,000														423	4,449
75,000	75,000														423	4,449
76,000	76,000														423	4,449
77,000	77,000														423	4,449
78,000	78,000														423	4,449
79,000	79,000														423	4,449
80,000	80,000														423	4,449
81,000	81,000														423	4,449

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 1 1/2 Inch Residential

Exhibit
 Schedule H-5
 Page 6
 Witness: Bourassa

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1,000	1,000															2
2,000	2,000												1	1	1	5
3,000	3,000											1		2	2	5
4,000	4,000													2	2	5
5,000	5,000													2	2	5
6,000	6,000													1	3	12
7,000	7,000	1												2	3	12
8,000	8,000													2	5	30
9,000	9,000						1							1	6	40
10,000	10,000			1										4	10	84
11,000	11,000		1								2			2	12	108
12,000	12,000							1						3	15	150
13,000	13,000													1	16	166
14,000	14,000			1										1	16	166
15,000	15,000					1								1	16	166
16,000	16,000	1												1	16	166
17,000	17,000													1	16	166
18,000	18,000													1	16	166
19,000	19,000													3	19	223
20,000	20,000					1								2	21	263
21,000	21,000				1									1	22	284
22,000	22,000		1											1	22	284
23,000	23,000													3	25	353
24,000	24,000					1								3	25	353
25,000	25,000													25	25	353
26,000	26,000													25	25	353
27,000	27,000													25	25	353
28,000	28,000													25	25	353
29,000	29,000													25	25	353
30,000	30,000													25	25	353
31,000	31,000													25	25	353
32,000	32,000					1								26	26	385
33,000	33,000													26	26	385
34,000	34,000													26	26	385
35,000	35,000													26	26	385
36,000	36,000							1						27	27	421
37,000	37,000													27	27	421
38,000	38,000									1				28	28	459

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 1 1/2 Inch Residential

Exhibit
 Schedule H-5
 Page 6
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	992
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	992
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	992
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	992
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	992
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	992
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	992
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	992
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	992
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	992
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	992
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	992
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	992
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	992
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	992
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	1	1	39	1,085
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	1,085
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	1,085
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	1,085
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	1,085
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	1,085
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	1,085
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	39	1,085
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Totals	3	3	3	3	3	3	3	3	3	3	3	4	4	39	27,821	20,000	3	1
Average Usage															27,821			
Median Usage															20,000			
Average # Customers																3		
Change in Number of Customers																	3	1

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 2 Inch Residential

Exhibit
 Schedule H-5
 Page 7
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)							
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	38	734							
Totals																							
														5	3	3	3	3	3	3	3	3	38
														Average Usage		19,316							
														Median Usage		14,000							
														Average # Customers		3							
														Change in Number of Customers		(2)							

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 5/8 Inch Commercial

Exhibit
 Schedule H-5
 Page 8
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons
		19	16	15	20	7	28	20	20	21	20	19	22	227	227	-
1,000	1,000	12	14	17	9	8	16	13	12	15	12	19	13	160	387	160
2,000	2,000	5	7	7	5	4	17	9	11	7	9	4	7	92	479	344
3,000	3,000	5	7	8	5	-	3	3	1	4	6	8	7	57	536	515
4,000	4,000	9	5	4	3	2	5	4	4	4	3	5	4	52	588	723
5,000	5,000	1	2	2	6	4	4	2	5	4	2	1	3	36	624	903
6,000	6,000	3	2	2	2	-	1	2	1	2	1	2	3	21	645	1,029
7,000	7,000	-	2	-	1	1	2	1	-	2	5	2	3	19	664	1,162
8,000	8,000	1	2	3	4	2	2	2	1	4	3	-	-	24	688	1,354
9,000	9,000	2	-	1	2	2	2	3	2	-	2	2	-	18	706	1,516
10,000	10,000	3	3	3	3	2	-	2	2	-	2	4	2	26	732	1,776
11,000	11,000	2	2	1	-	1	2	-	1	1	3	2	-	15	747	1,941
12,000	12,000	3	1	1	2	2	3	-	1	1	-	1	4	22	769	2,205
13,000	13,000	2	3	-	-	-	1	1	3	-	-	2	2	14	783	2,387
14,000	14,000	-	2	1	-	-	-	-	1	1	2	-	1	8	791	2,499
15,000	15,000	-	-	2	2	1	1	-	2	-	-	1	1	10	801	2,649
16,000	16,000	-	1	2	2	-	2	2	2	-	2	-	-	15	816	2,889
17,000	17,000	-	-	1	2	1	-	-	1	1	-	-	1	6	822	2,991
18,000	18,000	2	1	3	1	2	2	1	-	2	-	-	-	14	836	3,243
19,000	19,000	-	1	-	-	1	2	-	-	1	-	-	-	5	841	3,338
20,000	20,000	1	1	1	1	-	1	-	1	-	-	1	-	7	848	3,478
21,000	21,000	1	-	-	1	-	1	1	-	-	-	-	1	6	854	3,604
22,000	22,000	-	-	1	-	1	2	-	-	1	-	2	-	7	861	3,758
23,000	23,000	-	-	-	-	-	2	1	-	-	-	-	-	3	864	3,827
24,000	24,000	1	-	-	-	-	-	-	-	2	-	-	5	869	3,947	
25,000	25,000	-	-	-	-	-	1	-	1	-	-	1	4	873	4,047	
26,000	26,000	-	1	-	-	2	-	-	-	-	-	-	-	4	877	4,151
27,000	27,000	-	-	-	1	-	-	2	-	-	-	-	5	882	4,286	
28,000	28,000	1	-	-	-	-	-	1	2	-	-	-	3	885	4,370	
29,000	29,000	1	-	-	3	-	-	-	1	-	-	1	6	891	4,544	
30,000	30,000	-	-	-	-	-	-	-	-	3	-	-	3	894	4,634	
31,000	31,000	1	1	-	-	-	-	-	-	-	-	-	2	896	4,696	
32,000	32,000	1	-	-	-	-	1	-	-	-	2	-	5	901	4,856	
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	1	902	4,889	
34,000	34,000	-	-	1	-	-	-	-	-	-	-	2	4	906	5,025	
35,000	35,000	-	-	-	-	-	2	-	-	-	-	-	4	910	5,165	
36,000	36,000	-	1	-	-	-	-	1	-	-	-	-	2	912	5,237	
37,000	37,000	-	-	-	2	-	-	-	-	-	-	-	3	915	5,348	
38,000	38,000	1	-	1	-	-	-	-	-	-	1	-	3	918	5,462	

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 1 Inch Commercial

Exhibit
 Schedule H-5
 Page 9
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	7	3	3	4	6	9	7	8	8	7	5	7	74	74	-
1,000	1,000	-	4	2	3	2	5	5	6	5	6	8	5	51	125	51
2,000	2,000	4	3	3	2	2	5	6	4	3	3	3	2	40	165	131
3,000	3,000	4	3	2	3	3	3	3	1	4	9	4	2	41	206	254
4,000	4,000	1	3	2	2	1	2	2	2	3	3	2	7	29	235	370
5,000	5,000	3	2	2	1	1	2	2	2	2	-	4	1	21	256	475
6,000	6,000	4	1	2	1	-	3	1	1	1	-	2	2	18	274	583
7,000	7,000	2	2	3	1	2	2	2	2	1	-	1	1	19	293	716
8,000	8,000	3	2	2	1	4	2	3	2	1	2	-	-	22	315	892
9,000	9,000	2	2	2	1	1	-	2	1	3	2	3	1	20	335	1,072
10,000	10,000	3	-	2	1	1	-	1	2	1	2	1	2	16	351	1,232
11,000	11,000	2	-	1	1	1	2	-	-	1	-	1	1	10	361	1,342
12,000	12,000	1	1	-	2	1	1	-	1	-	-	-	-	7	368	1,426
13,000	13,000	-	1	2	-	1	-	1	2	2	2	2	2	15	383	1,621
14,000	14,000	1	2	1	-	1	-	2	1	-	3	1	1	13	396	1,803
15,000	15,000	1	2	2	1	-	2	1	1	2	-	-	1	13	409	1,998
16,000	16,000	2	2	2	2	1	-	1	-	-	-	1	1	10	419	2,158
17,000	17,000	-	1	2	2	-	1	-	2	-	1	1	1	11	430	2,345
18,000	18,000	-	2	1	-	-	1	1	-	2	-	1	1	9	439	2,507
19,000	19,000	-	1	-	1	3	1	1	-	-	-	-	1	8	447	2,659
20,000	20,000	-	-	1	2	-	-	1	1	-	1	2	1	10	457	2,859
21,000	21,000	-	2	1	-	-	1	-	-	-	1	-	1	6	463	2,985
22,000	22,000	-	-	-	1	-	-	-	-	-	-	-	-	1	464	3,007
23,000	23,000	1	-	2	1	1	1	-	-	-	-	-	-	6	470	3,145
24,000	24,000	1	-	-	1	-	2	-	-	-	-	-	-	3	473	3,217
25,000	25,000	-	-	1	-	-	-	-	2	-	-	-	1	5	478	3,342
26,000	26,000	-	1	-	-	-	-	-	-	-	-	-	-	1	479	3,368
27,000	27,000	-	1	-	1	-	-	-	-	-	-	-	-	2	481	3,422
28,000	28,000	-	-	-	-	-	-	-	1	-	-	-	-	1	482	3,450
29,000	29,000	-	-	-	1	1	-	-	1	-	-	-	1	4	486	3,566
30,000	30,000	1	1	-	-	-	-	-	-	-	1	-	1	4	490	3,686
31,000	31,000	-	-	1	-	-	-	-	-	1	1	-	1	4	494	3,810
32,000	32,000	1	-	-	-	-	1	-	-	-	-	-	-	3	497	3,906
33,000	33,000	1	-	1	-	-	-	-	-	-	-	1	-	3	500	4,005
34,000	34,000	-	-	-	-	2	-	-	-	-	-	-	1	4	504	4,141
35,000	35,000	-	-	-	1	-	1	-	-	-	-	-	-	3	507	4,246
36,000	36,000	-	-	-	-	-	-	-	-	-	2	-	1	6	513	4,462
37,000	37,000	-	-	-	1	-	-	1	-	-	-	-	-	2	515	4,536

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012

Exhibit
 Schedule H-5
 Page 9
 Witness: Bourassa

Meter Size:
 1 Inch Commercial

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
38,000	38,000	-	-	-	-	-	-	1	2	-	-	-	-	4	519	4,688
39,000	39,000	-	1	-	-	-	1	-	-	-	-	-	-	2	521	4,766
40,000	40,000	-	-	-	1	-	-	-	1	1	-	-	-	4	525	4,926
41,000	41,000	1	-	-	-	-	-	-	-	2	-	1	-	4	529	5,090
42,000	42,000	-	-	-	-	-	-	-	1	2	-	-	-	3	532	5,216
43,000	43,000	-	-	1	-	-	-	-	-	1	-	-	-	2	534	5,302
44,000	44,000	-	-	-	-	1	-	-	-	-	-	-	-	1	535	5,346
45,000	45,000	-	-	-	1	1	-	-	-	-	-	-	-	2	537	5,436
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	1	1	538	5,482
47,000	47,000	-	-	-	-	-	1	-	1	-	-	-	-	2	540	5,576
48,000	48,000	-	-	-	-	-	1	-	-	-	-	-	-	1	541	5,624
49,000	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	541	5,624
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	541	5,624
51,000	51,000	-	-	-	1	1	-	-	1	-	-	1	-	1	542	5,674
52,000	52,000	-	1	-	-	-	-	1	-	-	1	-	-	6	548	5,980
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	3	551	6,136
54,000	54,000	-	1	-	1	-	-	-	-	-	-	-	-	-	551	6,136
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	2	553	6,244
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	553	6,244
57,000	57,000	-	-	1	-	-	-	1	-	-	-	-	-	2	555	6,356
58,000	58,000	-	1	-	-	-	-	-	-	-	-	-	-	1	556	6,413
59,000	59,000	1	-	1	-	-	-	-	-	1	-	-	-	2	558	6,529
60,000	60,000	1	-	-	-	-	-	-	-	-	-	1	-	2	560	6,647
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	2	562	6,767
62,000	62,000	-	-	-	-	1	-	-	-	-	-	-	-	-	562	6,767
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	1	563	6,829
64,000	64,000	1	-	1	-	-	-	-	-	-	-	-	1	1	564	6,892
65,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	2	566	7,020
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	566	7,020
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	566	7,020
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	566	7,020
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	566	7,020
70,000	70,000	-	-	-	1	-	-	-	-	-	-	-	-	1	567	7,090
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	567	7,090
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	567	7,090
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	567	7,090
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	567	7,090
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	567	7,090

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012

Exhibit
 Schedule H-5
 Page 9
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
														15,566		
														7,000		
														49		
														(1)		

Average Usage
 Median Usage
 Average # Customers
 Change in Number of Customers

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 1 1/2 Inch Commercial

Exhibit
 Schedule H-5
 Page 10
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	1	1	1	2	2	2	1	2	2	1	2	1	18	18	-
1,000	1,000	1	1	1	1	1	-	1	-	1	1	-	-	8	26	8
2,000	2,000	2	2	1	-	-	1	1	3	-	-	2	2	14	40	36
3,000	3,000	-	-	1	-	-	-	2	-	1	2	-	-	6	46	54
4,000	4,000	-	-	-	-	-	1	-	-	-	-	-	1	2	48	62
5,000	5,000	-	-	-	-	-	-	-	1	2	-	-	-	3	51	77
6,000	6,000	-	-	-	-	-	-	1	-	1	1	-	-	3	54	95
7,000	7,000	-	-	-	-	-	-	-	-	-	-	1	-	1	55	102
8,000	8,000	-	-	-	-	-	-	-	-	-	1	1	1	3	58	126
9,000	9,000	-	-	-	-	-	-	-	1	1	-	1	-	3	61	153
10,000	10,000	-	1	-	-	-	-	-	-	-	1	-	-	2	63	173
11,000	11,000	-	-	1	1	1	1	-	-	-	-	-	1	4	67	217
12,000	12,000	-	-	-	1	-	-	-	-	1	1	-	-	4	71	265
13,000	13,000	1	-	-	-	-	-	-	-	-	-	-	-	1	72	278
14,000	14,000	1	-	-	-	-	-	-	1	-	-	-	1	3	75	320
15,000	15,000	1	-	-	-	-	-	1	-	-	-	-	-	2	77	350
16,000	16,000	-	-	-	-	-	-	-	-	-	-	-	-	77	350	350
17,000	17,000	-	2	-	-	1	1	-	-	-	1	-	-	5	82	435
18,000	18,000	-	-	-	-	-	-	-	-	-	-	-	-	82	82	435
19,000	19,000	-	-	2	-	-	-	-	-	-	-	-	-	84	84	473
20,000	20,000	-	-	-	-	1	-	1	-	-	-	1	-	2	86	513
21,000	21,000	-	-	-	-	-	-	-	-	-	-	-	-	87	87	534
22,000	22,000	-	-	-	-	-	-	-	-	-	-	-	-	87	87	534
23,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	87	87	534
24,000	24,000	-	-	-	-	-	-	-	-	-	-	-	-	87	87	534
25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	87	87	534
26,000	26,000	-	-	1	-	-	-	-	-	-	-	-	-	88	88	560
27,000	27,000	-	-	-	-	1	-	-	-	-	-	1	-	2	90	614
28,000	28,000	1	-	-	-	-	-	-	-	-	-	-	1	2	92	670
29,000	29,000	-	-	-	-	-	-	1	1	-	-	-	-	1	93	699
30,000	30,000	-	-	-	-	-	-	-	-	-	-	-	-	93	93	699
31,000	31,000	-	1	-	1	-	-	-	-	-	-	-	-	2	95	761
32,000	32,000	1	-	-	-	-	-	-	-	-	-	-	-	1	96	793
33,000	33,000	-	-	-	1	-	-	-	-	-	-	-	-	1	97	826
34,000	34,000	-	-	-	-	-	-	-	-	-	-	-	-	97	97	826
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	97	97	826
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	97	97	826
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	97	97	826
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	97	97	826

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 1 1/2 Inch Commercial

Exhibit
 Schedule H-5
 Page 10
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	39,000	-	-	-	-	-	1	-	-	-	-	-	-	1	98	865
40,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	865
41,000	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	865
42,000	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	865
43,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	865
44,000	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	865
45,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	865
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	865
47,000	47,000	-	-	-	2	-	1	-	-	-	-	-	-	3	101	1,006
48,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	101	1,006
49,000	49,000	-	-	-	-	-	1	-	-	-	-	-	-	1	102	1,055
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	102	1,055
51,000	51,000	-	-	1	-	-	-	-	-	-	-	-	-	-	102	1,055
52,000	52,000	-	-	-	-	-	-	-	-	-	-	-	-	1	103	1,107
53,000	53,000	-	-	-	-	1	-	-	-	-	-	-	-	1	104	1,160
54,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	1,160
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	1,160
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	1,160
57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	1,160
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	1,160
59,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	1,160
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	1,160
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	104	1,160
62,000	62,000	-	-	-	-	-	-	-	-	-	-	-	1	1	105	1,222
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	1,222
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	1,222
65,000	65,000	-	1	-	-	-	-	-	-	-	-	-	-	1	106	1,287
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	106	1,287
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	106	1,287
68,000	68,000	-	-	-	-	-	1	-	-	-	-	-	-	1	107	1,355
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	107	1,355
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	107	1,355
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	107	1,355
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	107	1,355
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	107	1,355
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	107	1,355
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	107	1,355
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	107	1,355
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	107	1,355

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012

Exhibit
 Schedule H-5
 Page 10
 Witness: Bourassa

Meter Size:
 1 1/2 Inch Commercial

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
														-		

Change in Number of Customers

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 11
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	3	2	3	3	2	2	2	2	2	2	3	2	28	28	-
1,000	1,000	1	1	-	-	2	2	3	4	3	1	1	1	19	47	19
2,000	2,000	-	1	1	1	-	2	2	4	1	3	1	1	17	64	53
3,000	3,000	1	2	3	2	1	1	3	-	1	2	1	2	19	83	110
4,000	4,000	3	1	1	-	1	4	-	2	2	1	2	2	19	102	186
5,000	5,000	2	2	1	1	2	1	1	-	3	3	3	1	20	122	286
6,000	6,000	-	1	2	1	-	1	2	1	1	-	1	2	12	134	358
7,000	7,000	-	1	-	1	-	2	-	-	1	1	1	-	7	141	407
8,000	8,000	1	-	1	1	1	-	1	1	1	-	-	1	8	149	471
9,000	9,000	1	1	1	1	3	1	-	2	1	1	-	1	15	164	606
10,000	10,000	2	1	-	-	3	1	1	1	-	1	-	-	10	174	706
11,000	11,000	3	2	1	1	-	-	2	-	1	-	1	2	13	187	849
12,000	12,000	-	-	1	-	1	-	-	1	-	3	-	-	6	193	921
13,000	13,000	1	1	-	-	-	-	2	3	-	1	3	1	12	205	1,077
14,000	14,000	1	-	1	-	1	-	-	-	2	3	2	-	10	215	1,217
15,000	15,000	2	-	-	1	-	2	2	-	1	5	1	3	17	232	1,472
16,000	16,000	-	-	1	-	2	1	1	-	-	-	-	-	6	238	1,568
17,000	17,000	-	-	2	1	-	-	-	-	1	-	1	-	5	243	1,653
18,000	18,000	-	-	1	1	-	-	-	-	-	-	-	1	4	247	1,725
19,000	19,000	1	1	-	-	-	1	2	-	-	1	-	-	6	253	1,839
20,000	20,000	-	-	1	-	1	-	-	1	-	-	-	-	7	260	1,979
21,000	21,000	1	1	-	-	-	2	-	1	2	-	-	2	6	266	2,105
22,000	22,000	-	2	-	2	-	-	-	-	-	-	2	-	8	274	2,281
23,000	23,000	-	-	-	1	1	-	1	-	-	-	-	1	5	279	2,396
24,000	24,000	-	-	2	-	-	-	-	-	-	1	-	1	4	283	2,492
25,000	25,000	1	-	-	-	-	-	1	-	-	-	1	-	3	286	2,567
26,000	26,000	-	-	-	-	-	-	-	-	1	1	-	-	3	289	2,645
27,000	27,000	-	-	-	-	3	-	-	2	-	-	-	-	5	294	2,780
28,000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	1	295	2,808
29,000	29,000	-	-	-	-	-	-	-	-	-	1	-	-	4	299	2,924
30,000	30,000	-	1	-	-	-	-	-	-	-	-	4	-	5	304	3,074
31,000	31,000	-	-	-	2	1	-	-	-	-	1	-	1	5	309	3,229
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	3	309	3,229
33,000	33,000	1	-	1	-	-	1	-	-	-	-	-	-	3	312	3,328
34,000	34,000	2	1	-	-	1	-	-	-	4	-	-	1	9	321	3,634
35,000	35,000	-	-	-	-	6	-	-	-	-	-	-	1	7	328	3,879
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	6	334	4,095
37,000	37,000	-	-	-	4	-	-	-	-	-	-	-	-	4	338	4,243
38,000	38,000	-	4	-	-	-	-	-	-	-	-	-	-	4	342	4,395

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 11
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	39,000	-	-	-	-	-	-	-	-	-	-	-	-	1	343	4,434
40,000	40,000	-	2	1	2	-	4	-	-	-	-	-	-	9	352	4,794
41,000	41,000	-	-	-	-	-	-	-	-	-	-	-	1	3	355	4,917
42,000	42,000	-	-	-	-	-	2	-	-	2	-	-	2	6	361	5,169
43,000	43,000	-	-	-	2	-	-	-	-	-	-	-	-	4	365	5,341
44,000	44,000	-	1	1	-	-	-	-	-	-	1	-	-	3	368	5,473
45,000	45,000	7	-	-	1	-	-	-	2	-	-	2	-	13	381	6,058
46,000	46,000	-	-	-	-	-	-	1	-	-	-	-	-	1	382	6,104
47,000	47,000	1	-	1	-	1	-	1	-	-	-	-	-	4	386	6,292
48,000	48,000	-	-	2	-	1	1	-	-	-	-	-	-	4	390	6,484
49,000	49,000	-	-	2	-	-	-	-	-	-	-	-	-	2	392	6,582
50,000	50,000	-	-	-	4	-	-	-	-	-	-	-	-	4	396	6,782
51,000	51,000	-	-	4	-	-	-	-	-	-	-	-	-	4	400	6,986
52,000	52,000	2	-	-	-	-	-	-	-	1	-	-	-	4	404	7,194
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	404	7,194
54,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	1	405	7,248
55,000	55,000	-	-	-	-	-	-	-	-	-	-	1	-	1	406	7,303
56,000	56,000	1	-	3	1	-	-	-	-	-	3	1	-	9	415	7,807
57,000	57,000	-	-	-	-	-	-	-	4	-	-	-	-	7	422	8,206
58,000	58,000	-	-	1	-	-	-	-	-	-	-	-	-	1	423	8,264
59,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	423	8,264
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	423	8,264
61,000	61,000	-	-	-	-	-	-	-	1	-	-	-	-	1	424	8,325
62,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	-	424	8,325
63,000	63,000	-	-	-	-	1	-	-	-	-	-	-	-	1	425	8,388
64,000	64,000	-	-	1	-	-	-	-	-	-	-	-	-	-	425	8,388
65,000	65,000	-	-	-	1	-	-	-	-	-	-	-	-	1	426	8,453
66,000	66,000	-	-	1	-	-	-	-	-	-	-	-	-	1	427	8,519
67,000	67,000	-	-	7	1	-	-	-	-	-	-	3	-	11	438	9,256
68,000	68,000	-	-	-	-	-	1	-	-	-	-	-	-	4	442	9,528
69,000	69,000	-	-	-	-	1	-	-	-	3	-	-	-	1	443	9,597
70,000	70,000	-	-	-	1	-	-	-	-	-	-	-	-	1	444	9,667
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	444	9,667
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	444	9,667
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	444	9,667
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	444	9,667
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	444	9,667
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	444	9,667
77,000	77,000	-	-	1	-	-	4	-	-	-	-	-	-	5	449	10,052

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 11
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	1												1	450	10,130
79,000	79,000														450	10,130
80,000	80,000				1									2	452	10,290
81,000	81,000		3											3	455	10,533
82,000	82,000														455	10,533
83,000	83,000														455	10,533
84,000	84,000									1				1	456	10,617
85,000	85,000			1										1	457	10,702
86,000	86,000														457	10,702
87,000	87,000					1								1	458	10,789
88,000	88,000														458	10,789
89,000	89,000														458	10,789
90,000	90,000			1										1	459	10,879
91,000	91,000														459	10,879
92,000	92,000					1								1	460	10,971
93,000	93,000													2	462	11,157
94,000	94,000								1					2	464	11,345
95,000	95,000														464	11,345
96,000	96,000														464	11,345
97,000	97,000										1			1	465	11,442
98,000	98,000													3	468	11,736
99,000	99,000														468	11,736
100,000	100,000					1								1	469	11,836
312,000	312,000	1												1	470	12,148
132,000	132,000	1												1	471	12,280
289,000	289,000	1												1	472	12,569
279,000	279,000		1											1	473	12,848
250,000	250,000			1										1	474	13,098
120,000	120,000													1	475	13,218
154,000	154,000													1	476	13,372
113,000	113,000													1	477	13,485
307,000	307,000			1										1	478	13,792
128,000	128,000				1									1	479	13,920
130,000	130,000								1					2	481	14,180
230,000	230,000													1	482	14,410
171,000	171,000													2	484	14,752
123,000	123,000					1								2	486	14,998
155,000	155,000											1		4	490	15,618
125,000	125,000													1	491	15,743

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 3 Inch Commercial

Exhibit
 Schedule H-5
 Page 12
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1,000	1,000	4	2	1	1	1	1	2	1	2	2	2	1	23	23	3
2,000	2,000	-	-	-	1	1	1	-	1	-	-	1	-	3	26	3
3,000	3,000	2	-	1	-	-	-	-	2	1	-	-	1	7	33	17
4,000	4,000	-	-	-	1	-	-	-	-	-	-	-	-	3	36	26
5,000	5,000	-	1	-	-	2	-	-	-	-	1	-	-	7	43	54
6,000	6,000	-	-	1	-	-	-	-	-	-	-	-	-	1	44	59
7,000	7,000	-	-	-	-	1	-	1	-	-	-	-	-	3	47	77
8,000	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	47	77
9,000	9,000	-	1	1	-	-	-	-	-	1	-	-	-	3	50	101
10,000	10,000	-	-	1	-	-	-	-	-	-	1	-	-	2	52	119
11,000	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	119
12,000	12,000	1	-	-	-	-	1	-	-	-	1	-	-	3	55	152
13,000	13,000	-	-	-	-	-	-	-	-	2	-	-	1	4	59	200
14,000	14,000	-	1	1	-	-	-	-	-	-	-	1	-	2	61	226
15,000	15,000	1	-	-	-	-	-	-	-	-	-	-	-	1	62	240
16,000	16,000	-	-	-	-	-	-	-	-	-	-	-	-	1	63	255
17,000	17,000	1	-	-	-	-	-	-	-	-	-	-	-	1	63	255
18,000	18,000	-	-	-	-	-	-	-	-	-	1	-	-	2	65	289
19,000	19,000	1	-	-	-	-	-	-	-	1	-	-	-	1	66	307
20,000	20,000	-	-	-	-	-	-	-	-	-	1	-	-	2	68	345
21,000	21,000	-	-	-	-	-	-	-	-	-	-	-	1	1	69	365
22,000	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	69	365
23,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	69	365
24,000	24,000	-	-	-	-	1	-	-	-	-	-	-	2	3	72	434
25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	1	73	458
26,000	26,000	-	-	-	-	-	-	-	-	-	-	-	-	-	73	458
27,000	27,000	-	-	-	-	-	-	-	-	1	-	-	-	3	76	539
28,000	28,000	-	-	-	-	-	1	1	-	-	-	1	-	3	79	623
29,000	29,000	-	-	-	-	-	-	-	-	-	-	1	-	1	80	652
30,000	30,000	-	-	-	-	1	-	-	-	1	-	-	-	2	82	712
31,000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	82	712
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	82	712
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	-	3	85	811
34,000	34,000	-	-	-	-	-	-	-	-	1	-	-	-	1	86	845
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	845
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	845
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	86	845
38,000	38,000	1	-	-	-	-	-	-	1	-	-	-	-	2	88	921

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 3 Inch Commercial

Exhibit
 Schedule H-5
 Page 12
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	39,000	-	-	-	1	-	-	-	1	-	-	-	-	2	90	999
40,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	90	999
41,000	41,000	-	-	-	1	-	-	-	-	-	-	-	-	1	91	1,040
42,000	42,000	-	-	-	-	-	-	1	-	-	-	-	-	1	92	1,082
43,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	92	1,082
44,000	44,000	-	1	-	-	-	-	-	-	-	-	-	-	1	93	1,126
45,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	93	1,126
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	1	1	94	1,172
47,000	47,000	-	-	-	-	-	-	-	-	-	-	1	-	1	95	1,219
48,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	1,219
49,000	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	1,219
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	1,219
51,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	95	1,219
52,000	52,000	-	-	1	-	-	1	-	-	-	-	-	-	2	97	1,323
53,000	53,000	-	-	-	-	-	-	-	-	1	-	-	-	1	98	1,376
54,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,376
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	98	1,376
56,000	56,000	-	1	-	-	-	-	-	-	-	-	-	-	3	101	1,544
57,000	57,000	-	-	-	1	-	-	2	-	-	-	-	-	2	103	1,658
58,000	58,000	-	-	-	-	-	-	-	-	1	-	-	-	1	104	1,716
59,000	59,000	-	-	-	-	-	1	-	-	-	-	-	-	1	105	1,775
60,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	1,775
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	105	1,775
62,000	62,000	-	-	-	-	-	-	1	-	-	-	-	-	1	106	1,837
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	106	1,837
64,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	106	1,837
65,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	106	1,837
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	106	1,837
67,000	67,000	1	-	-	-	-	-	-	-	-	-	-	-	1	107	1,904
68,000	68,000	-	-	1	-	-	-	-	-	-	-	-	-	1	108	1,972
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	1,972
70,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	108	1,972
71,000	71,000	-	-	-	-	-	-	-	1	-	-	-	-	1	109	2,043
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	109	2,043
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	109	2,043
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	109	2,043
75,000	75,000	-	-	1	-	-	-	-	-	-	-	-	-	1	110	2,118
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	110	2,118
77,000	77,000	-	-	-	-	1	-	-	-	-	-	-	-	1	111	2,195

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 3 Inch Commercial

Exhibit
 Schedule H-5
 Page 12
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	111	2,195
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	111	2,195
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	111	2,195
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	111	2,195
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	111	2,195
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	111	2,195
84,000	84,000	-	-	-	1	-	-	-	-	-	-	1	-	2	113	2,363
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	113	2,363
86,000	86,000	-	-	-	-	-	-	-	-	-	-	1	-	1	114	2,449
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	2,449
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	2,449
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	2,449
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	2,449
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	2,449
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	114	2,449
93,000	93,000	-	-	-	-	1	-	-	-	-	-	-	-	1	115	2,542
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	115	2,542
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	115	2,542
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	115	2,542
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	116	2,639
98,000	98,000	-	-	-	-	1	-	-	-	-	1	-	-	1	117	2,737
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	117	2,737
100,000	100,000	-	-	1	-	-	-	-	-	-	-	-	-	-	118	2,837
107,000	107,000	-	-	-	-	-	-	-	-	1	-	-	-	-	119	2,944
119,000	119,000	-	-	1	-	-	-	-	-	-	-	-	-	-	120	3,063
140,000	140,000	-	-	-	-	-	-	-	-	-	-	-	1	-	121	3,203
142,000	142,000	-	-	-	-	-	-	-	-	-	-	-	-	-	122	3,345
156,000	156,000	-	-	-	1	-	-	-	-	-	-	1	-	-	123	3,501
199,000	199,000	-	-	-	-	-	-	-	1	-	-	-	-	-	124	3,700
214,000	214,000	-	-	-	-	-	-	-	-	-	-	-	-	-	125	3,914
266,000	266,000	-	-	-	-	1	-	-	-	-	-	-	-	-	126	4,180
279,000	279,000	-	-	-	-	-	-	-	-	-	-	-	-	-	127	4,459
293,000	293,000	-	-	1	-	-	-	-	-	-	-	-	-	-	128	4,752
343,000	343,000	-	1	-	1	-	-	-	-	-	-	-	-	2	130	5,438
396,000	396,000	-	-	-	-	1	-	-	-	-	-	-	-	1	131	5,834
405,000	405,000	-	-	-	1	-	-	-	-	-	-	-	-	1	132	6,239
505,000	505,000	1	-	-	-	-	-	-	-	-	-	-	-	1	133	6,744
680,000	680,000	-	-	-	-	-	-	-	-	-	1	-	-	1	134	7,424
942,000	942,000	-	-	-	-	-	-	-	-	-	-	-	1	1	135	8,366

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 3 Inch Commercial

Exhibit
 Schedule H-5
 Page 12
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1,058,000	1,058,000	-	-	-	-	-	-	-	-	1	-	-	-	1	136	9,424
1,133,000	1,133,000	-	-	-	-	-	-	-	-	-	-	1	-	1	137	10,557
1,196,000	1,196,000	1	-	-	-	-	-	-	-	-	-	-	-	1	138	11,753
1,299,000	1,299,000	-	-	-	-	-	1	-	-	-	-	-	-	1	139	13,052
1,391,000	1,391,000	-	-	-	-	-	1	-	-	-	-	-	-	1	140	14,443
1,919,000	1,919,000	-	-	-	-	-	-	-	1	-	-	-	-	1	141	16,362
1,932,000	1,932,000	-	1	-	-	-	-	-	-	-	-	-	-	1	142	18,294
2,114,000	2,114,000	-	-	-	-	1	-	-	-	-	-	-	-	1	143	20,408
2,182,000	2,182,000	-	-	-	1	-	-	-	-	-	-	-	-	1	144	22,590
2,515,000	2,515,000	-	-	1	-	-	-	-	-	-	-	-	-	1	145	25,105
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	145	25,105
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	145	25,105
Totals															145	173,138
															145	24,000

Average Usage
 Median Usage
 Average # Customers
 Change in Number of Customers

173,138
 24,000
 12
 (3)

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 4 Inch Commercial

Exhibit
 Schedule H-5
 Page 13
 Witness: Bourassa

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4,000	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5,000	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6,000	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7,000	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8,000	7,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9,000	8,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10,000	9,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11,000	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12,000	11,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13,000	12,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14,000	13,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15,000	14,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16,000	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17,000	16,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18,000	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19,000	18,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20,000	19,000	-	-	-	1	-	-	-	-	-	-	-	-	1	1	20
21,000	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	20
22,000	21,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	20
23,000	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	20
24,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1	20
25,000	24,000	-	-	-	-	-	1	-	-	-	-	-	-	-	2	45
26,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3	71
27,000	26,000	1	-	-	-	-	-	-	-	-	-	-	-	-	3	71
28,000	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4	99
29,000	28,000	-	-	-	-	1	-	-	-	-	-	-	-	-	4	99
30,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5	129
31,000	30,000	-	1	-	-	-	-	-	-	-	-	-	-	-	5	129
32,000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	-	6	161
33,000	32,000	-	-	-	-	-	-	1	-	-	-	-	-	-	9	260
34,000	33,000	-	-	1	-	-	-	-	-	-	-	-	-	-	9	260
35,000	34,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	295
36,000	35,000	-	-	-	-	-	1	-	-	-	-	-	-	-	10	295
37,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10	295
38,000	37,000	-	-	-	-	-	-	-	-	-	1	-	-	-	11	333
39,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	372
40,000	39,000	-	-	-	-	1	-	-	-	-	-	-	-	-	13	412
	40,000	-	-	-	-	-	-	-	-	-	-	1	-	-	13	412

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 4 Inch Commercial

Exhibit
 Schedule H-5
 Page 13
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
41,000	41,000													-	13	412
42,000	42,000													-	13	412
43,000	43,000													1	14	455
44,000	44,000							1						1	15	499
45,000	45,000													-	15	499
46,000	46,000													-	15	499
47,000	47,000													-	15	499
48,000	48,000													-	15	499
49,000	49,000													-	15	499
50,000	50,000													-	15	499
51,000	51,000							1						1	16	550
52,000	52,000													-	16	550
53,000	53,000													-	16	550
54,000	54,000													-	16	550
55,000	55,000			1					1					2	18	660
56,000	56,000													1	19	716
57,000	57,000													-	19	716
58,000	58,000					1								1	20	774
59,000	59,000													-	20	774
60,000	60,000													-	20	774
61,000	61,000													-	20	774
62,000	62,000													-	20	774
63,000	63,000													-	20	774
64,000	64,000													-	20	774
65,000	65,000													-	20	774
66,000	66,000													-	20	774
67,000	67,000													1	21	840
68,000	68,000													-	21	840
69,000	69,000							1						1	22	908
70,000	70,000													-	22	908
71,000	71,000													-	22	908
72,000	72,000													-	22	908
73,000	73,000													-	22	908
74,000	74,000													-	22	908
75,000	75,000												1	1	23	983
76,000	76,000													-	23	983
77,000	77,000													-	23	983
78,000	78,000													-	23	983
79,000	79,000													-	23	983
80,000	80,000										1			1	24	1,063
81,000	81,000													-	24	1,063

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 4 Inch Commercial

Exhibit
 Schedule H-5
 Page 13
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
82,000	82,000													24	24	1,063
83,000	83,000													24	24	1,063
84,000	84,000													24	24	1,063
85,000	85,000													24	24	1,063
86,000	86,000													24	24	1,063
87,000	87,000													24	24	1,063
88,000	88,000													24	24	1,063
89,000	89,000													24	24	1,063
90,000	90,000													24	24	1,063
91,000	91,000													24	24	1,063
92,000	92,000													24	24	1,063
93,000	93,000													24	24	1,063
94,000	94,000													24	24	1,063
95,000	95,000													24	24	1,063
96,000	96,000													24	24	1,063
97,000	97,000													24	24	1,063
98,000	98,000													24	24	1,063
99,000	99,000													24	24	1,063
100,000	100,000													24	24	1,063
126,000	126,000							1						25	25	1,189
133,000	133,000								1					26	26	1,322
139,000	139,000													27	27	1,461
140,000	140,000													28	28	1,601
142,000	142,000												1	29	29	1,743
148,000	148,000									1				30	30	1,891
153,000	153,000	1												31	31	2,044
171,000	171,000									1				32	32	2,215
172,000	172,000												1	33	33	2,387
189,000	189,000			1										35	35	2,765
191,000	191,000													36	36	2,956
193,000	193,000													37	37	3,149
197,000	197,000							1						38	38	3,346
199,000	199,000													39	39	3,545
249,000	249,000				1									40	40	3,794
253,000	253,000	1												41	41	4,047
258,000	258,000													42	42	4,305
262,000	262,000													43	43	4,567
285,000	285,000						1							44	44	4,852
291,000	291,000													45	45	5,143
316,000	316,000										1			46	46	5,459
330,000	330,000													47	47	5,789

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 4 Inch Commercial

Exhibit
 Schedule H-5
 Page 13
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)													
349,000	349,000	-	-	1	-	-	-	-	-	-	-	-	-	1	48	6,138													
367,000	367,000	-	-	-	-	-	-	-	-	-	1	-	-	1	49	6,505													
383,000	383,000	1	-	-	-	-	-	-	-	-	-	-	-	1	50	6,888													
404,000	404,000	-	-	-	-	-	-	-	-	-	-	1	-	1	51	7,292													
410,000	410,000	-	-	-	-	-	-	-	-	-	-	-	1	1	52														
436,000	436,000	-	-	-	-	1	-	-	-	-	-	1	-	1	53														
443,000	443,000	-	-	-	-	-	-	-	-	-	-	-	-	1	54														
463,000	463,000	-	-	-	-	-	-	-	-	1	-	-	-	1	55														
467,000	467,000	-	-	1	-	-	-	-	-	-	-	-	-	1	56														
469,000	469,000	-	-	-	-	-	-	-	-	-	-	-	1	1	57														
478,000	478,000	1	-	-	-	-	-	-	-	-	-	-	-	1	58														
482,000	482,000	-	-	-	-	-	1	-	-	-	-	-	-	1	59														
485,000	485,000	-	-	-	-	-	-	-	1	-	-	-	-	1	60														
493,000	493,000	-	-	-	-	-	-	1	-	-	-	-	-	1	61														
507,000	507,000	-	-	-	-	-	-	-	-	-	-	-	-	1	62														
509,000	509,000	-	-	-	-	1	-	-	-	-	-	-	-	1	63														
523,000	523,000	-	-	-	-	-	-	-	1	-	-	-	-	2	65														
528,000	528,000	-	-	-	-	-	-	1	-	-	-	-	-	1	66														
533,000	533,000	-	-	-	-	-	1	-	-	-	-	-	-	1	67														
593,000	593,000	-	-	-	-	-	-	-	-	-	-	-	-	1	68														
598,000	598,000	-	-	1	-	-	-	-	-	-	-	-	-	1	69														
657,000	657,000	-	-	-	-	-	-	1	-	-	-	-	-	1	70														
667,000	667,000	-	-	-	-	-	-	-	-	-	-	-	-	1	71														
691,000	691,000	-	-	-	-	1	-	-	-	-	-	-	-	1	72														
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72														
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72														
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72														
Totals														6	6	6	6	6	6	6	6	6	6	6	6	6	72	253,431	192,000
														Average Usage			Median Usage			Average # Customers			Change in Number of Customers						

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 5/8 Inch Multi-Family

Exhibit
 Schedule H-5
 Page 15
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
1,000	1,000	-	1	-	-	-	-	1	1	1	-	-	-	10	10	-
2,000	2,000	-	-	-	-	-	-	-	-	-	-	1	-	11	11	1
3,000	3,000	-	-	-	-	-	-	-	-	-	-	-	-	11	11	1
4,000	4,000	1	-	-	-	-	-	-	-	1	-	-	-	14	14	10
5,000	5,000	-	1	-	-	-	-	1	-	-	-	1	-	17	17	22
6,000	6,000	-	-	2	3	1	-	-	1	1	-	-	1	23	23	52
7,000	7,000	1	-	3	-	-	2	1	-	-	1	-	1	36	36	130
8,000	8,000	-	1	-	-	-	-	-	1	-	-	1	-	39	39	151
9,000	9,000	-	-	2	1	-	1	-	2	-	-	1	-	48	48	223
10,000	10,000	-	-	-	1	1	1	-	-	-	1	-	-	54	54	277
11,000	11,000	-	-	-	-	1	-	1	1	-	-	-	1	60	60	337
12,000	12,000	2	1	-	-	-	-	-	-	-	-	-	-	63	63	370
13,000	13,000	1	-	-	-	-	-	1	-	-	-	-	-	66	66	442
14,000	14,000	-	-	-	-	-	-	-	-	1	-	-	1	69	69	481
15,000	15,000	-	-	1	-	-	1	-	-	-	-	-	-	72	72	481
16,000	16,000	-	-	-	-	-	-	-	-	-	-	-	-	73	73	495
17,000	17,000	-	1	-	-	1	-	-	1	-	-	-	-	76	76	540
18,000	18,000	-	-	1	-	-	-	-	-	-	-	-	-	79	79	588
19,000	19,000	-	-	-	-	-	-	-	-	-	-	1	-	82	82	639
20,000	20,000	-	-	-	-	1	-	-	-	-	-	-	-	83	83	657
21,000	21,000	-	-	-	1	-	-	-	-	-	-	-	-	84	84	676
22,000	22,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697
23,000	23,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697
24,000	24,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697
25,000	25,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697
26,000	26,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697
27,000	27,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697
28,000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697
29,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697
30,000	30,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697
31,000	31,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697
34,000	34,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	85	85	697

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 1 1/2 Inch Multi-Family

Exhibit
 Schedule H-5
 Page 16
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)													
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141													
Totals																													
														1	1	1	1	1	1	1	1	1	1	1	1	1	1	12	Median Billing
														Average Usage		11,750													
														Median Usage		11,000													
														Average # Customers		1													
														Change in Number of Customers		-													

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 5/8 Inch Industrial

Exhibit
 Schedule H-5
 Page 17
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)												
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	203	822												
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	203	822												
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	203	822												
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	203	822												
80,000	80,000	1	-	-	-	-	-	-	-	-	-	-	-	1	204	902												
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	204	902												
Totals														17	17	17	17	17	17	17	17	17	17	17	17	17	204	4,422

Average Usage
 Median Usage
 Average # Customers
 Change in Number of Customers

Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
2 Inch Industrial

Exhibit
 Schedule H-5
 Page 18
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	51	870
97,000	97,000	-	-	-	-	-	-	-	-	1	-	-	-	1	52	967
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	967
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	967
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	52	967
112,000	112,000	-	-	-	-	1	-	-	-	-	-	-	-	-	53	1,079
136,000	136,000	-	-	-	-	-	-	-	-	1	-	-	-	-	54	1,215
150,000	150,000	-	-	-	-	-	-	1	-	-	-	-	-	-	55	1,365
355,500	355,500	-	-	2	-	-	-	-	-	-	-	-	-	2	57	2,076
493,000	493,000	1	-	-	-	-	-	-	-	-	-	-	-	1	58	2,569
531,000	531,000	-	-	-	-	-	-	-	-	-	1	-	-	1	59	3,100
568,000	568,000	-	-	-	-	-	-	-	-	-	-	1	-	1	60	3,668
573,000	573,000	-	-	-	-	-	-	-	-	-	-	-	1	61	4,241	
683,000	683,000	-	-	-	-	-	-	-	-	-	-	-	1	62	4,924	
728,000	728,000	-	-	-	-	-	-	1	-	-	-	-	-	63	5,652	
752,000	752,000	-	-	1	-	-	-	-	-	-	-	-	-	64	6,404	
753,000	753,000	-	-	-	-	-	-	-	-	-	-	-	-	65	7,157	
769,000	769,000	-	-	1	-	-	-	-	-	1	-	-	-	66	7,926	
835,000	835,000	-	-	-	-	-	-	-	1	-	-	-	-	67	8,761	
892,000	892,000	-	-	-	-	-	1	-	-	-	-	-	-	68	9,653	
968,000	968,000	-	-	-	-	-	-	-	-	-	-	-	-	69	10,621	

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 2 Inch Industrial

Exhibit
 Schedule H-5
 Page 18
 Witness: Bourassa

Meter Size:

Usage From: #####	Usage To: 1,092,000	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
		-	-	-	1	-	-	-	-	-	-	-	-	1	70	11,713
		-	-	-	-	-	-	-	-	-	-	-	-	-	70	11,713
		-	-	-	-	-	-	-	-	-	-	-	-	-	70	11,713
		-	-	-	-	-	-	-	-	-	-	-	-	-	70	11,713

Totals	7	7	7	7	7	7	8	8	7	5	4	4	4	4	70
Average Usage															167,329
Median Usage															18,000
Average # Customers															6
Change in Number of Customers															(3)

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 6 Inch Bulk

Exhibit
 Schedule H-5
 Page 19
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)		
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
808,000	808,000	-	-	-	-	-	-	-	-	-	-	-	1	-	1	808		
#####	#####	-	-	-	-	-	-	-	-	-	-	1	-	1	2	1,890		
#####	#####	-	-	-	-	-	-	-	-	-	1	-	-	1	3	4,368		
#####	#####	-	-	-	-	-	-	-	-	1	-	-	-	1	4	7,634		
#####	#####	-	-	-	-	-	-	-	-	-	-	-	-	1	4	7,634		
Totals																		
														1	1	1	4	1,908,591
																		945,000
																		0
																		1

Average Usage
 Median Usage
 Average # Customers
 Change in Number of Customers

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Fire Lines Up to 8 Inch

Exhibit
 Schedule H-5
 Page 20
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
		17	17	18	18	18	18	19	19	20	20	20	20	226	226	226
1,000	1,000													-	226	-
2,000	2,000													-	226	-
3,000	3,000													-	226	-
4,000	4,000													-	226	-
5,000	5,000													-	226	-
6,000	6,000													-	226	-
7,000	7,000													-	226	-
8,000	8,000													-	226	-
9,000	9,000													-	226	-
10,000	10,000													-	226	-
11,000	11,000													-	226	-
12,000	12,000													-	226	-
13,000	13,000													-	226	-
14,000	14,000													-	226	-
15,000	15,000													-	226	-
16,000	16,000													-	226	-
17,000	17,000													-	226	-
18,000	18,000													-	226	-
19,000	19,000													-	226	-
20,000	20,000													-	226	-
21,000	21,000													-	226	-
22,000	22,000													-	226	-
23,000	23,000													-	226	-
24,000	24,000													-	226	-
25,000	25,000													-	226	-
26,000	26,000													-	226	-
27,000	27,000													-	226	-
28,000	28,000													-	226	-
29,000	29,000													-	226	-
30,000	30,000													-	226	-
31,000	31,000													-	226	-
32,000	32,000													-	226	-
33,000	33,000													-	226	-
34,000	34,000													-	226	-
35,000	35,000													-	226	-
36,000	36,000													-	226	-
37,000	37,000													-	226	-
38,000	38,000													-	226	-

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Fire Lines Up to 8 Inch

Exhibit
 Schedule H-5
 Page 20
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	39,000													-	226	-
40,000	40,000													-	226	-
41,000	41,000													-	226	-
42,000	42,000													-	226	-
43,000	43,000													-	226	-
44,000	44,000													-	226	-
45,000	45,000													-	226	-
46,000	46,000													-	226	-
47,000	47,000													-	226	-
48,000	48,000													-	226	-
49,000	49,000													-	226	-
50,000	50,000													-	226	-
51,000	51,000													-	226	-
52,000	52,000													-	226	-
53,000	53,000													-	226	-
54,000	54,000													-	226	-
55,000	55,000													-	226	-
56,000	56,000													-	226	-
57,000	57,000													-	226	-
58,000	58,000													-	226	-
59,000	59,000													-	226	-
60,000	60,000													-	226	-
61,000	61,000													-	226	-
62,000	62,000													-	226	-
63,000	63,000													-	226	-
64,000	64,000													-	226	-
65,000	65,000													-	226	-
66,000	66,000													-	226	-
67,000	67,000													-	226	-
68,000	68,000													-	226	-
69,000	69,000													-	226	-
70,000	70,000													-	226	-
71,000	71,000													-	226	-
72,000	72,000													-	226	-
73,000	73,000													-	226	-
74,000	74,000													-	226	-
75,000	75,000													-	226	-
76,000	76,000													-	226	-
77,000	77,000													-	226	-

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Fire Lines Up to 8 Inch

Exhibit
 Schedule H-5
 Page 20
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Mar-11	Month of Apr-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)									
78,000	78,000													-	226	-									
79,000	79,000													-	226	-									
80,000	80,000													-	226	-									
81,000	81,000													-	226	-									
82,000	82,000													-	226	-									
83,000	83,000													-	226	-									
84,000	84,000													-	226	-									
85,000	85,000													-	226	-									
86,000	86,000													-	226	-									
87,000	87,000													-	226	-									
88,000	88,000													-	226	-									
89,000	89,000													-	226	-									
90,000	90,000													-	226	-									
91,000	91,000													-	226	-									
92,000	92,000													-	226	-									
93,000	93,000													-	226	-									
94,000	94,000													-	226	-									
95,000	95,000													-	226	-									
96,000	96,000													-	226	-									
97,000	97,000													-	226	-									
98,000	98,000													-	226	-									
99,000	99,000													-	226	-									
100,000	100,000													-	226	-									
Totals														17	18	18	19	19	20	20	20	20	24	230	-

Average Usage
 Median Usage
 Average # Customers
 Change in Number of Customers

19
 7

Rio Rico Utilities, Inc.
2012 Rate Application

Tom Bourassa Direct Testimony

**Rate Base / Income
Statement / Rate Design
Schedules A, B, C, E, F, H
Wastewater**

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Computation of Increase in Gross Revenue
 Requirements As Adjusted

Exhibit
 Schedule A-1
 Page 1
 Witness: Bourassa

Line No.		\$	
1	Fair Value Rate Base		4,600,012
2			
3	Adjusted Operating Income		213,826
4			
5	Current Rate of Return		4.65%
6			
7	Required Operating Income	\$	446,201
8			
9	Required Rate of Return on Fair Value Rate Base		9.70%
10			
11	Operating Income Deficiency	\$	232,375
12			
13	Gross Revenue Conversion Factor		1.6939
14			
15	Increase in Gross Revenue Requirement	\$	393,612
16			
17	Adjusted Test Year Revenues	\$	1,360,583
18	Increase in Gross Revenue Revenue Requirement	\$	393,612
19	Proposed Revenue Requirement	\$	1,754,195
20	% Increase		28.93%
21			
22			

Customer Classification	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
25 5/8X3/4 Inch Residential	\$ 1,001,239	\$ 1,309,621	\$ 308,382	30.80%
26 5/8X3/4 Inch Residential (Low Income)	26,948	35,247	8,300	30.80%
27 3/4 Inch Residential	5,182	6,778	1,596	30.80%
28 1 Inch Residential	7,304	9,554	2,250	30.80%
29 1 Inch Residential (Low Income)	494	647	152	30.80%
30 1 1/2 Inch Residential	-	-	-	0.00%
31 2 Inch Residential	132	173	41	30.80%
32 5/8X3/4 Inch Commercial	45,467	57,327	11,860	26.09%
33 1 Inch Commercial	54,994	68,549	13,556	24.65%
34 1 1/2 Inch Commercial	17,712	21,781	4,069	22.97%
35 2 Inch Commercial	93,658	115,224	21,566	23.03%
36 3 Inch Commercial	4,304	5,410	1,106	25.70%
37 4 Inch Commercial	89,951	107,139	17,188	19.11%
38 6 Inch Commercial	12,213	14,618	2,405	19.69%
39 5/8X3/4 Inch Multi-tenant	4,780	6,054	1,273	26.64%
40 1 1/2 Inch Multi-tenant	1,411	1,808	397	28.10%
41			-	0.00%
42 Revenue Annualization	(5,207)	(5,445)	(238)	4.58%
43				
44 Subtotal	\$ 1,360,584	\$ 1,754,486	\$ 393,902	28.95%
45				
46 Other Water Revenues	-	-	-	0.00%
47 Reconciling Amount	-	(291)	(291)	0.00%
48 Rounding		1	1	0.00%
49 Total of Water Revenues	\$ 1,360,584	\$ 1,754,196	\$ 393,612	28.93%
50				

52 SUPPORTING SCHEDULES:

- 53 B-1
- 54 C-1
- 55 C-3
- 56 H-1

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Summary of Results of Operations

Exhibit
 Schedule A-2
 Page 1
 Witness: Bourassa

Line No.	Description	Prior Years Ended		Test Year		Projected Year	
		2/28/2010	2/28/2011	Actual 2/29/2012	Adjusted 2/29/2012	Present Rates 2/28/2013	Proposed Rates 2/28/2013
1	Gross Revenues	\$ 1,725,560	\$ 1,704,291	\$ 1,323,901	\$ 1,360,583	\$ 1,360,583	\$ 1,754,195
2							
3	Revenue Deductions and	672,326	844,002	2,001,490	1,146,757	1,146,757	1,307,994
4	Operating Expenses						
5							
6	Operating income	\$ 1,053,234	\$ 860,289	\$ (677,589)	\$ 213,826	\$ 213,826	\$ 446,201
7							
8	Other Income and	-	-	24,886	-	-	-
9	Deductions						
10							
11	Interest Expense	-	-	-	(52,440)	(52,440)	(52,440)
12							
13	Net Income	\$ 1,053,234	\$ 860,289	\$ (652,703)	\$ 161,386	\$ 161,386	\$ 393,761
14							
15	Common Shares	1,000	1,000	1,000	1,000	1,000	1,000
16							
17	Earned Per Average						
18	Common Share	1,053.23	860.29	(652.70)	161.39	161.39	393.76
19							
20	Dividends Paid	-	-	-	-	-	-
21							
22	Dividends Per						
23	Common Share	-	-	-	-	-	-
24							
25	Payout Ratio	-	-	-	-	-	-
26							
27	Return on Average						
28	Invested Capital	14.01%	9.86%	-6.76%	1.63%	1.64%	4.00%
29							
30	Return on Year End						
31	Capital	13.47%	8.94%	-6.73%	1.63%	1.65%	4.03%
32							
33	Return on Average						
34	Common Equity	24.88%	19.35%	-14.54%	3.51%	3.55%	8.44%
35							
36	Return on Year End						
37	Common Equity	24.05%	19.07%	-14.61%	3.45%	3.49%	8.10%
38							
39	Times Bond Interest Earned						
40	Before Income Taxes	-	-	-	5.86	5.86	13.23
41							
42	Times Total Interest and						
43	Preferred Dividends Earned						
44	After Income Taxes	-	-	-	(12.45)	(12.45)	8.51
45							
46							
47							
48							
49							
50	<u>SUPPORTING SCHEDULES</u>						
51	C-1						
52	E-2						
53	F-1						
54							

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Summary of Capital Structure

Exhibit
 Schedule A-3
 Page 1
 Witness: Bourassa

Line No.	Description:	Prior Years Ended		Test Year	Projected Year
		<u>2/28/2010</u>	<u>2/28/2011</u>	<u>2/29/2012</u>	<u>2/28/2013</u>
1					
2					
3	Short-Term Debt	-	-	-	-
4	Long-Term Debt	-	-	-	-
5					
6	Total Debt	\$ -	\$ -	\$ -	\$ -
7					
8					
9	Preferred Stock	-	-	-	-
10					
11	Common Equity	4,379,825	4,511,896	4,468,301	4,629,686
12					
13					
14	Total Capital & Debt	\$ 4,379,825	\$ 4,511,896	\$ 4,468,301	\$ 4,629,686
15					
16					
17	Capitalization Ratios:				
18					
19	Long-Term Debt	0.00%	0.00%	0.00%	0.00%
20					
21	Total Debt	0.00%	0.00%	0.00%	0.00%
22					
23					
24	Preferred Stock	-	-	-	-
25					
26	Common Equity	100.00%	100.00%	100.00%	100.00%
27					
28					
29	Total Capital	100.00%	100.00%	100.00%	100.00%
30					
31					
32	Weighted Cost of				
33	Senior Capital	0.00%	0.00%	0.00%	0.00%
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45	<u>SUPPORTING SCHEDULES:</u>				
46	E-1				
47	D-1				
48					
49					
50					

Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Construction Expenditures
and Gross Utility Plant in Service

Exhibit
Schedule A-4
Page 1
Witness: Bourassa

<u>Line No.</u>		<u>Construction Expenditures</u>	<u>Net Plant Placed in Service</u>	<u>Gross Utility Plant in Service</u>
1				
2				
3				
4	Prior Year Ended 2/28/2010	221,858	221,858	11,977,848
5				
6	Prior Year Ended 2/28/2011	2,014,943	161,475	12,139,323
7				
8	Test Year Ended 2/29/2012	1,941,119	1,948,953	14,088,276
9				
10	Projected Year Ended 02/28/2013	216,000	216,000	14,304,276
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34	<u>SUPPORTING SCHEDULES:</u>			
35	B-2			
36	E-5			
37	F-3			
38				
39				
40				

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Summary Statements of Cash Flows

Exhibit
 Schedule A-5
 Page 1
 Witness: Bourassa

Line No.	Prior Year Ended 2/28/2010	Prior Year Ended 2/28/2011	Test Year Ended 2/29/2012	Projected Year Present Rates 2/28/2013	Projected Year Proposed Rates 2/28/2013
5	Cash Flows from Operating Activities				
6	\$ 1,053,234	\$ 860,289	\$ (652,703)	\$ 161,386	\$ 393,761
7	Adjustments to reconcile net income to net cash provided by operating activities:				
9	(41,595)	108,482	1,256,386	359,629	359,629
10	(10,665)	(23,629)	356,795		
11	Changes in Certain Assets and Liabilities:				
12	(6,481)	(15,387)	6,793		
13	-	-	-		
14	-	-	-		
15	(4,316)	6,484	1,518		
16	-	-	-		
17	32,357	-	-		
18	(150,038)	1,831,670	34,793		
19	-	-	384,853		
20	-	22,963	-		
21	2,229	(2,790)	1,106		
22	25,825	(40,528)	8,464		
	Rounding 1	(1)	(1)		
23	<u>\$ 900,550</u>	<u>\$ 2,747,554</u>	<u>\$ 1,398,005</u>	<u>\$ 521,015</u>	<u>\$ 753,390</u>
24	Cash Flow From Investing Activities:				
25	(221,858)	(2,014,943)	(1,941,119)	(216,000)	(216,000)
26	-	-	-		
27	-	-	-		
28	<u>\$ (221,858)</u>	<u>\$ (2,014,943)</u>	<u>\$ (1,941,119)</u>	<u>\$ (216,000)</u>	<u>\$ (216,000)</u>
29	Cash Flow From Financing Activities				
30	-	-	-		
31	-	-	-		
32	17,933	(12,933)	-		
33	140,933	7,121	(92,209)	(92,209)	(92,209)
34	-	-	-		
35	-	-	-		
36	-	-	-		
37	(760,372)	(728,218)	609,108		
38	<u>\$ (601,506)</u>	<u>\$ (734,030)</u>	<u>\$ 516,899</u>	<u>\$ (92,209)</u>	<u>\$ (92,209)</u>
39	77,186	(1,419)	(26,215)	212,806	445,181
40	(39,203)	37,983	36,565	10,349	10,349
41	<u>\$ 37,983</u>	<u>\$ 36,565</u>	<u>\$ 10,349</u>	<u>\$ 223,156</u>	<u>\$ 455,530</u>

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SUPPORTING SCHEDULES:
 E-3
 F-2

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Summary of Rate Base

Exhibit
 Schedule B-1
 Page 1
 Witness: Bourassa

Line No.		<u>Original Cost</u> <u>Rate base</u>	<u>Fair Value</u> <u>Rate Base</u>
1			
2	Gross Utility Plant in Service	\$ 14,241,191	\$ 14,241,191
3	Less: Accumulated Depreciation	<u>6,437,304</u>	<u>6,437,304</u>
4			
5	Net Utility Plant in Service	\$ 7,803,886	\$ 7,803,886
6			
7	<u>Less:</u>		
8	Advances in Aid of Construction	293,794	293,794
9			
10	Contributions in Aid of Construction	5,152,673	5,152,673
11			
12	Accumulated Amortization of CIAC	(2,509,975)	(2,509,975)
13			
14	Customer Meter Deposits	22,963	22,963
15	Deferred Income Taxes & Credits	244,419	244,419
16			
17			
18			
19	<u>Plus:</u>		
20	Unamortized Finance		
21	Charges	-	-
22	Deferred Tax Assets	-	-
23	Allowance for Working Capital	-	-
24			
25			
26	Total Rate Base	<u>\$ 4,600,012</u>	<u>\$ 4,600,012</u>
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41	<u>SUPPORTING SCHEDULES:</u>		
42	B-2		
43	B-3		
44	B-5		
45	E-1		
46			
47			
48			
49			
50			

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Schedule B-2
 Page 1
 Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Adjustment	Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 14,088,276	152,915	\$ 14,241,191
3				
4	Less:			
5	Accumulated			
6	Depreciation	6,581,964	(144,659)	6,437,304
7				
8				
9	Net Utility Plant			
10	in Service	\$ 7,506,312		\$ 7,803,886
11				
12	Less:			
13	Advances in Aid of			
14	Construction	150,012	143,783	293,794
15				
16	Contributions in Aid of			
17	Construction - Gross	5,381,456	(228,783)	5,152,673
18				
19	Accumulated Amortization of CIAC	(2,680,019)	170,045	(2,509,975)
20				
21	Customer Meter Deposits	22,963		22,963
22	Accumulated Deferred Income Tax	-	244,419	244,419
23				-
24				-
25				
26	Plus:			
27	Unamortized Finance			
28	Charges	-		-
29	Prepayments	-		-
30	Materials and Supplies	-		-
31	Working capital	-	-	-
32				-
33				
34	Total	<u>\$ 4,631,901</u>		<u>\$ 4,600,012</u>

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

RECAP SCHEDULES:
 B-1

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 49
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Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Original Cost Rate Base Proforma Adjustments

Exhibit
 Schedule B-2
 Page 2
 Witness: Bourassa

Line No.	Description	1 Actual at End of Test Year	2 Plant-in-Service	3 Accumulated Depreciation	Proforma Adjustments		5 Intentionally Left Blank	Adjusted at end of Test Year
					4 CIAC	4 AIAC		
1	Gross Utility Plant in Service	\$ 14,088,276	152,915					\$ 14,241,191
2								
3								
4	Less:							
5	Accumulated Depreciation	6,581,964		(144,659)				6,437,304
6								
7								
8								
9	Net Utility Plant in Service	\$ 7,506,312	\$ 152,915	\$ 144,659	\$ -	\$ -	\$ -	\$ 7,803,886
10								
11								
12	Less:							
13	Advances in Aid of Construction	150,012				143,783		293,794
14								
15								
16	Contributions in Aid of Construction (CIAC)	5,381,456			(228,783)			5,152,673
17								
18								
19	Accumulated Amort of CIAC	(2,680,019)			170,045			(2,509,975)
20								
21	Customer Meter Deposits	22,963						22,963
22	Accumulated Deferred Income Taxes	-					244,419	244,419
23								
24								
25	Plus:							
26	Unamortized Finance Charges	-						-
27								
28	Prepayments	-						-
29	Materials and Supplies	-						-
30	Allowance for Cash Working Capital	-						-
31								
32	Total	\$ 4,631,901	\$ 152,915	\$ 144,659	\$ 58,738	\$ (143,783)	\$ (244,419)	\$ 4,600,012
33								
34								
35								

RECAP SCHEDULES:
 B-1

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

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1

Exhibit
 Schedule B-2
 Page 3
 Witness: Bourassa

Line No.	Acct.	Description	Plant-in-Service					Adjusted Original Cost
			Actual Original Cost	Adjustments to Reconcile to Plant Detail	Intentionally Left Blank	Adjustments Intentionally Left Blank	Intentionally Left Blank	
1								
2								
3								
4								
5	351	Organization	5,785	0			5,785	
6	352	Franchise	417	-			417	
7	353	Land	7,545	-			7,545	
8	354	Structures & Improvements	28,855	121,438			150,294	
9	355	Power Generation	-	-			-	
10	360	Collection Sewer Forced	636,023	-			636,023	
11	361	Collection Sewers Gravity	6,415,503	(423,849)			5,991,654	
12	362	Special Collecting Structures	-	-			-	
13	363	Customer Services	1,204,145	(32)			1,204,113	
14	364	Flow Measuring Devices	56,523	9,816			66,339	
15	366	Reuse Services	-	-			-	
16	367	Reuse Meters And Installation	-	-			-	
17	370	Receiving Wells	867,120	-			867,120	
18	371	Pumping Equipment	1,693,538	19,403			1,712,940	
19	374	Reuse Distribution Reservoirs	-	-			-	
20	375	Reuse Trans. and Dist. System	-	-			-	
21	380	Treatment & Disposal Equipment	2,957,075	(1,828,400)			1,128,675	
22	381	Plant Sewers	13,690	(0)			13,690	
23	382	Outfall Sewer Lines	-	-			-	
24	389	Other Sewer Plant & Equipment	76,386	(11,458)			64,928	
25	390	Office Furniture & Equipment	110,454	6,483			116,937	
26	390.1	Computers and Software	-	4,025			4,025	
27	391	Transportation Equipment	117	0			117	
28	392	Stores Equipment	-	-			-	
29	393	Tools, Shop And Garage Equip	5,138	0			5,139	
30	394	Laboratory Equip	-	-			-	
31	396	Communication Equip	9,961	(4,025)			5,936	
32	398	Other Tangible Plant	-	3,913			3,913	
33	380	Nogales WWTP	-	2,255,600			2,255,600	
34								
35								
36								
37								
38								
39								
40		Plant Held for Future Use						
41		TOTALS	\$ 14,088,276	\$ 152,915	\$ -	\$ -	\$ 14,241,191	
42		Plant-in-Service per Books					\$ 14,088,276	
43		Increase (decrease) in Plant-in-Service					\$ 152,915	
44		Adjustment to Plant-in-Service					\$ 152,915	
45								
46								
47								
48		SUPPORTING SCHEDULES						
49		B-2, pages 3.1						
50								

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 1 -A

Exhibit
 Schedule B-2
 Page 3.1
 Witness: Bourassa

Line No.	Acct.	Description	Recorded Original Cost	Plant Per Reconstruction	Difference
1					
2					
3					
4					
5					
6	351	Organization	5,785	5,785	0
7	352	Franchise	417	417	-
8	353	Land	7,545	7,545	-
9	354	Structures & Improvements	28,855	150,294	121,438
10	355	Power Generation	-	-	-
11	360	Collection Sewer Forced	636,023	636,023	-
12	361	Collection Sewers Gravity	6,415,503	5,991,654	(423,849)
13	362	Special Collecting Structures	-	-	-
14	363	Customer Services	1,204,145	1,204,113	(32)
15	364	Flow Measuring Devices	56,523	66,339	9,816
16	366	Reuse Services	-	-	-
17	367	Reuse Meters And Installation	-	-	-
18	370	Receiving Wells	867,120	867,120	-
19	371	Pumping Equipment	1,693,538	1,712,940	19,403
20	374	Reuse Distribution Reservoirs	-	-	-
21	375	Reuse Trans. and Dist. System	-	-	-
22	380	Treatment & Disposal Equipment	2,957,075	1,128,675	(1,828,400)
23	381	Plant Sewers	13,690	13,690	(0)
24	382	Outfall Sewer Lines	-	-	-
25	389	Other Sewer Plant & Equipment	76,386	64,928	(11,458)
26	390	Office Furniture & Equipment	110,454	116,937	6,483
27	390.1	Computers and Software	-	4,025	4,025
28	391	Transportation Equipment	117	117	0
29	392	Stores Equipment	-	-	-
30	393	Tools, Shop And Garage Equip	5,138	5,139	0
31	394	Laboratory Equip	-	-	-
32	396	Communication Equip	9,961	5,936	(4,025)
33	398	Other Tangible Plant	-	3,913	3,913
34	380	Nogales WWTP	-	2,255,600	2,255,600
35					
36					
37					
38					
39					
40		TOTALS	\$ 14,088,276	\$ 14,241,191	\$ 152,915

41
 42
 43 SUPPORTING SCHEDULE
 44 B-2, pages 3.2 - 3.5
 45

Rio Rico Utilities - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.2
Witness: Bourassa

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	Per Decision		2009							
				Plant at 12/31/2008	Accum. Deprec. At 12/31/2008	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance
1	351	Organization	0.00%	5,785	-	-	-	-	-	-	-	5,785	-
2	352	Franchise	0.00%	417	-	-	-	-	-	-	-	417	-
3	353	Land	0.00%	7,545	-	-	-	-	-	-	-	7,545	-
4	354	Structures & Improvements	3.33%	28,548	27,203	294	-	294	-	-	-	28,842	28,159
5	355	Power Generation	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewer Forced	2.00%	636,023	(38,371)	-	-	-	-	-	-	636,023	(25,651)
7	361	Collection Sewers Gravity	2.00%	5,945,962	2,213,553	130,091	-	130,091	-	-	-	6,076,053	2,333,773
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-
9	363	Customer Services	2.00%	1,145,530	595,856	7,994	-	7,994	-	245	-	1,153,279	618,599
10	364	Flow Measuring Devices	10.00%	55,988	31,043	8,964	-	8,964	-	-	-	64,952	37,090
11	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-
12	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	-	-	-	-	-
13	370	Receiving Wells	3.33%	867,120	238,710	-	-	-	-	-	-	867,120	267,585
14	371	Pumping Equipment	12.50%	1,504,181	1,232,681	112	-	112	-	-	-	1,504,292	1,420,711
15	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-
16	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	-	-	-	-	-
17	380	Treatment & Disposal Equipment	5.00%	1,006,848	685,783	14,462	-	14,462	-	-	-	1,021,310	716,486
18	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	-	-	-
19	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-
20	389	Other Sewer Plant & Equipment	6.67%	68,869	65,244	-	-	-	-	-	-	68,869	68,869
21	390	Office Furniture & Equipment	6.67%	110,454	8,021	-	-	-	-	-	-	110,454	15,388
22	390.1	Computers and Software	20.00%	4,025	4,025	-	-	-	-	-	-	4,025	4,025
23	391	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-	-
24	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-
25	393	Tools, Shop And Garage Equip	5.00%	4,897	4,156	-	-	-	-	-	-	4,897	4,401
26	394	Laboratory Equip	10.00%	-	-	-	-	-	-	-	-	-	-
27	396	Communication Equip	10.00%	5,936	5,936	-	-	-	-	-	-	5,936	5,936
28	398	Other Tangible Plant	10.00%	3,913	2,815	-	-	-	-	-	-	3,913	3,206
29		Nogales WWTP	4.00%	427,000	53,375	-	-	-	-	-	-	427,000	70,455
30				-	-	-	-	-	-	-	-	-	-
31				-	-	-	-	-	-	-	-	-	-
32				-	-	-	-	-	-	-	-	-	-
33				-	-	-	-	-	-	-	-	-	-
34				-	-	-	-	-	-	-	-	-	-
35				-	-	-	-	-	-	-	-	-	-
36		TOTALS		11,829,042	5,110,028	161,917	-	161,917	-	245	245	11,990,714	5,569,032

Rio Rico Utilities - Sewer Division
Plant Additions and Retirements

Exhibit
Schedule B-2
Page 3.4
Witness: Bourassa

NARUC		2011											
Line No.	Account No.	Description	Allowed Deprec. Rate	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements (Per Books)	Retirement Adjustments	Adjusted Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.
1	351	Organization	0.00%	-	-	-	-	-	-	-	-	5,785	-
2	352	Franchise	0.00%	-	-	-	-	-	-	-	-	417	-
3	353	Land	0.00%	-	-	-	-	-	-	-	-	7,545	-
4	354	Structures & Improvements	3.33%	-	-	-	-	-	-	-	-	28,842	28,842
5	355	Power Generation	5.00%	-	-	-	-	-	-	-	-	-	-
6	360	Collection Sewer Forced	2.00%	-	-	-	-	-	-	-	12,720	638,023	(210)
7	361	Collection Sewers Gravity	2.00%	652	-	652	-	-	-	-	121,530	6,076,813	2,576,825
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-
9	363	Customer Services	2.00%	7,319	-	7,319	-	-	-	-	23,869	1,197,120	685,899
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	-	6,495	64,952	50,080
11	366	Reuse Services	2.00%	-	-	-	-	-	-	-	-	-	-
12	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	-	-	-	-	-
13	370	Receiving Wells	3.33%	-	-	-	-	-	-	-	-	-	-
14	371	Pumping Equipment	12.50%	94,151	-	94,151	-	-	-	-	28,875	867,120	325,335
15	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	-	94,151	1,682,507	1,682,507
16	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	-	-	-	-	-
17	380	Treatment & Disposal Equipment	5.00%	99,979	-	99,979	3,400	-	3,400	-	53,510	1,118,499	817,678
18	381	Plant Sewers	5.00%	-	-	-	-	-	-	-	-	-	-
19	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	-	-	-	-
20	389	Other Sewer Plant & Equipment	6.67%	-	-	-	-	-	-	-	-	68,869	68,869
21	390	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	-	7,367	110,454	30,122
22	390.1	Computers and Software	20.00%	-	-	-	-	-	-	-	-	4,025	4,025
23	391	Transportation Equipment	20.00%	67	-	67	-	-	-	-	7	67	7
24	392	Stores Equipment	4.00%	-	-	-	-	-	-	-	-	-	-
25	393	Tools, Shop And Garage Equip	5.00%	139	-	139	-	-	-	-	248	5,036	4,894
26	394	Laboratory Equip	10.00%	-	-	-	-	-	-	-	-	-	-
27	396	Communication Equip	10.00%	-	-	-	-	-	-	-	-	5,936	5,936
28	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	3,913	3,597
29		Nogales WWTP	4.00%	-	-	-	-	-	-	-	17,080	427,000	104,615
30				-	-	-	-	-	-	-	-	-	-
31				-	-	-	-	-	-	-	-	-	-
32				-	-	-	-	-	-	-	-	-	-
33				-	-	-	-	-	-	-	-	-	-
34		Plant Held for Future Use		-	-	-	-	-	-	-	-	-	-
35				-	-	-	-	-	-	-	-	-	-
36		TOTALS		202,307	-	202,307	3,400	-	3,400	-	365,854	12,310,924	6,369,023

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment Number 2 -A

Exhibit
 Schedule B-2
 Page 4.1
 Witness: Bourassa

Line No.	Acct. No.	Description	Recorded Accumulated Depreciation	Accumulated Depreciation Per Plant Reconstruction	Difference
1					
2					
3					
4					
5					
6	351	Organization	-	-	-
7	352	Franchise	-	-	-
8	353	Land	-	-	-
9	354	Structures & Improvements	28,571	29,339	768
10	355	Power Generation	-	-	-
11	360	Collection Sewer Forced	24,201	1,910	(22,291)
12	361	Collection Sewers Gravity	3,022,789	2,596,939	(425,850)
13	362	Special Collecting Structures	-	-	-
14	363	Customer Services	669,599	669,901	302
15	364	Flow Measuring Devices	42,812	51,174	8,362
16	366	Reuse Services	-	-	-
17	367	Reuse Meters And Installation	-	-	-
18	370	Receiving Wells	330,326	330,148	(178)
19	371	Pumping Equipment	1,525,563	1,687,580	162,017
20	374	Reuse Distribution Reservoirs	-	-	-
21	375	Reuse Trans. and Dist. System	-	-	-
22	380	Treatment & Disposal Equipment	817,543	827,041	9,498
23	381	Plant Sewers	-	57	57
24	382	Outfall Sewer Lines	-	-	-
25	389	Other Sewer Plant & Equipment	74,713	68,869	(5,844)
26	390	Office Furniture & Equipment	30,975	31,386	412
27	390.1	Computers and Software	-	4,025	4,025
28	391	Transportation Equipment	9	10	1
29	392	Stores Equipment	-	-	-
30	393	Tools, Shop And Garage Equip	4,902	4,937	35
31	394	Laboratory Equip	-	-	-
32	396	Communication Equip	9,961	5,936	(4,025)
33	398	Other Tangible Plant	-	3,662	3,662
34	380	Nogales WWTP	-	124,390	124,390
35					
36					
37					
38					
39					
40		TOTALS	\$ 6,581,964	\$ 6,437,304	\$ (144,659)

43 SUPPORTING SCHEDULE
 44 B-2, pages 3.2 - 3.5
 45

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment 3

Exhibit
 Schedule B-2
 Page 5
 Witness: Bourassa

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

Line No.		Gross CIAC	Accumulated Amortization
1			
2			
3			
4			
5	Computed balance at 02/29/2012	\$ 5,152,673	\$ 2,509,975
6			
7	Book balance at 02/29/2012	<u>\$ 5,381,456</u>	<u>\$ 2,680,019</u>
8			
9	Increase (decrease)	\$ (228,783)	\$ (170,045)
10			
11			
12	Adjustment to CIAC/AA CIAC	<u>\$ (228,783)</u>	<u>\$ 170,045</u>
13	Label	3a	3b
14			
15			
16			
17			
18			
19	<u>SUPPORTING SCHEDULES</u>		
20	E-1		
21	B-2, page 5.1		
22			
23			
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Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Original Cost Rate Base Proforma Adjustments
Adjustment 4
Advances-in-Aid of Construction (AIAC)

Exhibit
Schedule B-2
Page 6.0
Witness: Bourassa

Line

No.

1		
2		
3		
4	Computed balance at 12/29/2012	\$ 293,794
5		
6	Book balance at 02/29/2012	<u>\$ 150,012</u>
7		
8	Increase (decrease)	\$ 143,783
9		
10		
11		
12		
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18		
19	<u>SUPPORTING SCHEDULES</u>	
20	E-1	
21	B-2, page 6.1	
22		
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Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment 5

Line No.	Deferred Income Tax, as of February 29, 2012		Water & Sewer Tax Value	Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset		Future Tax Liability	
	Water & Sewer Adjusted Book Value	Water & Sewer Tax Value					Current	Non Current	Current	Non Current
1	Plant-in-Service	\$ 50,387,410 ¹								
2	Accum. Deprec	(22,221,685) ¹								
3	CIAC	(14,692,881) ³								
4	Fed. Fixed Assets	\$ 13,472,844	\$ 8,955,829 ²	100.0%	\$ (4,517,015)	31.60%	-	-	-	(1,427,377)
5	State Fixed Assets	\$ 13,472,844	\$ 23,646,536 ²	100.0%	\$ 10,173,692	6.97%	708,903	-	-	-
6	Fed & State AIAC		\$ 593,411 ⁴	30.0%	\$ 178,023 ⁴	38.57%	\$ 68,660	\$ -	\$ -	\$ -
7	Net Asset (Liability)						\$ (649,814)	\$ -	\$ -	\$ (1,427,377)
8	Allocation Factor - Water-Division (based on rate base before ADIT)						0.3761	\$ (244,419)	\$ -	\$ -
9	Net Asset (Liability) Water Division						\$ (244,419)	\$ -	\$ -	\$ -
10	DIT Asset (Liability) per Books						\$ -	\$ -	\$ -	\$ -
11	Adjustment to DIT						\$ 244,419	\$ -	\$ -	\$ -
12							\$ -	\$ 777,563	\$ -	\$ (1,427,377)

Footnotes - See page 7.1

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Original Cost Rate Base Proforma Adjustments
 Adjustment 3

Exhibit
 Schedule B-2
 Page 7.1
 Witness: Bourassa

Line No.

1 Adjusted per B-2, page 2
 2 Computation of Net Tax Value February 29, 2012
 Based on 2011 Tax Depreciation report (December 31, 2011)
 Unadjusted Cost per 2011 Tax Depr. Report
 Reconciling items not on tax report:
 5 KPMG CIAC related adjustments (see page 7.2)
 6 Plant added after 12/31/2011 (see B-2 page 3.4)
 7 Land costs not on tax, on books (see B-2, page 3.4)
 8 Reconciling Difference Book vs. Tax (timing) (see page 7.2)
 9
 10 Net Unadjusted Cost tax Basis \$ 27,357,544
 11
 12
 13 Reductions
 14 Basis Reduction 2011 and Prior Years (from 2011 Tax Depr. Report)
 15 KPMG CIAC related adjustments (see workpapers) \$ (3,066,507)
 16 Accumulated Depreciation 2010 and prior (2011 Tax Depr Report) 1,166,545
 17 2011 Tax Depreciation (2011 Tax Depr Report) (14,334,173)
 18 2012 Bonus Depreciation Estimate (50% - 2 months)(estimate) (1,751,690)
 19 2012 Tax Depreciation Estimate (2 months)(estimate) (253,314)
 20 (162,575)
 21 Net Reductions through February 2012 (18,401,715)
 22 Net tax value of plant-in-service at February 29, 2012 \$ 8,955,829
 23

3 CIAC (including impact of change to probability of realization)
 Gross CIAC per B-2 (Water & Sewer) \$ 25,331,792
 CIAC reductions/additions
 A. A. per B-2 (Water and Sewer)
 A. A. reductions/additions (11,307,236)
 Net CIAC before unrealized AIAC \$ 14,024,556
 Unrealized AIAC Component (Water and Sewer)
 Adjusted Net AIAC (see footnote 5 below) \$ 954,749
 Unrealized AIAC Component % (1-Realized AIAC Component) 70.0%
 Total realizable CIAC \$ 668,325
 \$ 14,692,881
 4 AIAC (including impact of change in probability of realization)
 AIAC per B-2 (Water and Sewer)
 AIAC reductions/additions \$ 954,749
 Net AIAC before unrealized portion \$ (668,325)
 Less: Unrealized AIAC (from Note 4, above) \$ 286,425
 Net realizable AIAC \$ 306,987
 Meter and Service Line Installation Charges \$ 593,411
 Total AIAC

	FEDERAL	STATE
\$	28,328,799	\$ 28,328,799
	(3,942,541)	-
	3,039,772	3,039,772
	51,739	51,739
	(120,225)	(120,225)
		\$ 31,300,085
\$	(3,066,507)	\$
	1,166,545	-
	(14,334,173)	(6,381,079)
	(1,751,690)	(1,109,895)
	(253,314)	-
	(162,575)	(162,575)
		-
	(18,401,715)	(7,653,549)
\$	8,955,829	\$ 23,646,536

\$	25,331,792	
	(11,307,236)	\$ 14,024,556
\$	954,749	
	70.0%	\$ 668,325
		\$ 14,692,881
\$	954,749	
		\$ 954,749
		\$ (668,325)
		\$ 286,425
		\$ 306,987
		\$ 593,411

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Computation of Working Capital

Exhibit
 Schedule B-5
 Page 1
 Witness: Bourassa

Line
 No.

1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	\$	69,730
3	Pumping Power (1/24 of Pumping Power)		2,554
4	Purchased Water (1/24 of Purchased Water)		-
5	Prepaid Expenses		
6			
7			
8			
9	Total Working Capital Allowance	\$	<u>72,283</u>
10			
11			
12	Working Capital Requested	\$	<u>-</u>
13			
14			
15			
16			
17		<u>Adjusted Test Year</u>	
18	Total Operating Expense	\$	1,146,757
19	Less:		
20	Income Tax	\$	93,481
21	Property Tax		74,520
22	Depreciation		359,629
23	Purchased Water		-
24	Pumping Power		61,290
25	Allowable Expenses	\$	<u>557,836</u>
26	1/8 of allowable expenses	\$	<u>69,730</u>
27			
28			
29	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>	
30	E-1	B-1	
31			
32			
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40			

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Income Statement

Exhibit
 Schedule C-1
 Page 1
 Witness: Bourassa

Line No.		Test Year Book Results	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	Revenues					
2	Metered Water Revenues	\$ 1,323,901	\$ 36,682	\$ 1,360,583	\$ 393,612	\$ 1,754,195
3	Unmetered Water Revenues	-	-	-		-
4	Other Water Revenues	-	-	-		-
5		<u>\$ 1,323,901</u>	<u>\$ 36,682</u>	<u>\$ 1,360,583</u>	<u>\$ 393,612</u>	<u>\$ 1,754,195</u>
6	Operating Expenses					
7	Salaries and Wages	\$ 120,880	10,667	\$ 131,547		\$ 131,547
8	Purchased Wastewater Treatment	-	-	-		-
9	Sludge Removal Expense	-	-	-		-
10	Purchased Power	61,290	-	61,290		61,290
11	Fuel for Power Production	-	-	-		-
12	Chemicals	4,907	-	4,907		4,907
13	Materials and Supplies	4,473	-	4,473		4,473
14	Management Services - US Liberty Water	87,067	(4,029)	83,038		83,038
15	Management Services - Corporate	191,738	(132,446)	59,292		59,292
16	Management Services - Other	172,270	-	172,270		172,270
17	Contracted Services - Engineering	-	-	-		-
18	Contractual Services- Testing	330	-	330		330
19	Contractual Services - Other	638	-	638		638
20	Contractual Services - Legal	585	-	585		585
21	Equipment Rental	400	-	400		400
22	Rents - Building	5,758	(5,758)	-		-
23	Transportation Expenses	18,066	-	18,066		18,066
24	Insurance - General Liability	11,302	-	11,302		11,302
25	Insurance - Vehicle	2,516	-	2,516		2,516
26	Regulatory Commission Expense	-	-	-		-
27	Reg.Comm. Exp. - Rate Case	(35,308)	64,475	29,167		29,167
28	Miscellaneous Expense	16,111	-	16,111		16,111
29	Bad Debt Expense	23,194	-	23,194		23,194
30	Depreciation Expense	1,256,386	(896,757)	359,629		359,629
31	Taxes Other Than Income	-	-	-		-
32	Property Taxes	58,887	15,633	74,520	7,186	81,707
33	Income Tax	-	93,481	93,481	154,051	247,532
34		-	-	-		-
35	Total Operating Expenses	<u>\$ 2,001,490</u>	<u>\$ (854,733)</u>	<u>\$ 1,146,757</u>	<u>\$ 161,237</u>	<u>\$ 1,307,994</u>
36	Operating Income	<u>\$ (677,589)</u>	<u>\$ 891,415</u>	<u>\$ 213,826</u>	<u>\$ 232,375</u>	<u>\$ 446,201</u>
37	Other Income (Expense)					
38	Interest Income	24,886	(24,886)	-		-
39	Other income	-	-	-		-
40	Interest Expense	-	(52,440)	(52,440)		(52,440)
41	Other Expense	-	-	-		-
42		-	-	-		-
43	Total Other Income (Expense)	<u>\$ 24,886</u>	<u>\$ (77,326)</u>	<u>\$ (52,440)</u>	<u>\$ -</u>	<u>\$ (52,440)</u>
44	Net Profit (Loss)	<u>\$ (652,703)</u>	<u>\$ 814,089</u>	<u>\$ 161,386</u>	<u>\$ 232,375</u>	<u>\$ 393,761</u>

46 SUPPORTING SCHEDULES:

47 C-1, page 2

48 E-2

49

RECAP SCHEDULES:

A-1

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Income Statement

Exhibit
 Schedule C-1
 Page 2.1
 Witness: Bourassa

Line No.	1	2	3	4	5	6	7	8
	Test Year Results	Property Taxes	Rate Case Expense	Revenue Annualization	Revenue Accrual Fix	Rents	Intentionally left Blank	Salaries and Wages
1	Revenues							
2	Metered Water Revenues			(5,207)	\$ 41,889			
3	Unmetered Water Revenues							
4	Other Water Revenues							
5		\$ 1,323,901						
6	Operating Expenses							
7	Salaries and Wages			(5,207)	\$ 41,889			10,667
8	Purchased Wastewater Treatment							
9	Sludge Removal Expense							
10	Purchased Power							
11	Fuel for Power Production							
12	Chemicals							
13	Materials and Supplies							
14	Management Services - US Liberty Water							
15	Management Services - Corporate							
16	Management Services - Other							
17	Contracted Services - Engineering							
18	Contractual Services- Testing							
19	Contractual Services - Other							
20	Contractual Services - Legal							
21	Equipment Rental							
22	Rents - Building							
23	Transportation Expenses							
24	Insurance - General Liability							
25	Insurance - Vehicle							
26	Regulatory Commission Expense							
27	Reg. Comm. Exp. - Rate Case		64,475					
28	Miscellaneous Expense							
29	Bad Debt Expense							
30	Depreciation Expense	(896,757)						
31	Taxes Other Than Income							
32	Property Taxes		15,633					
33	Income Tax							
34								
35	Total Operating Expenses	\$ (896,757)	\$ 15,633	\$ 64,475	\$ -	\$ (5,758)	\$ -	\$ 10,667
36	Operating Income	\$ (677,589)	\$ (15,633)	\$ (64,475)	\$ (5,207)	\$ 41,889	\$ -	\$ (10,667)
37	Other Income (Expense)							
38	Interest Income							
39	Other Income							
40	Interest Expense							
41	Other Expense							
42								
43	Total Other Income (Expense)	\$ 24,886	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
44	Net Profit (Loss)	\$ (652,703)	\$ (15,633)	\$ (64,475)	\$ (5,207)	\$ 41,889	\$ -	\$ (10,667)
45								
46	SUPPORTING SCHEDULES:							
47	C-2							
48	E-2							

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Adjustments to Revenues and Expenses

Exhibit
 Schedule C-2
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Line No.	<u>Adjustments to Revenues and Expenses</u>						<u>Subtotal</u>	
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>		
1								
2	<u>Depreciation</u>	<u>Property</u>	<u>Rate Case</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Rents</u>		
3	<u>Expense</u>	<u>Taxes</u>	<u>Expense</u>	<u>Annualization</u>	<u>Accrual Fix</u>			
4	Revenues			(5,207)	41,889		36,682	
5								
6	Expenses	(896,757)	15,633	64,475		(5,758)	(822,406)	
7								
8	Operating							
9	Income	896,757	(15,633)	(64,475)	(5,207)	41,889	5,758	859,089
10								
11	Interest							
12	Expense							
13	Other							
14	Income /							
15	Expense							
16								
17	Net Income	896,757	(15,633)	(64,475)	(5,207)	41,889	5,758	859,089
18								
19								
20		<u>Adjustments to Revenues and Expenses</u>						
21		<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>Subtotal</u>
22		<u>Intentionally</u>	<u>Salaries</u>	<u>Liberty</u>	<u>Liberty</u>	<u>Corporate</u>	<u>Corporate</u>	
23		<u>left</u>	<u>and</u>	<u>Water</u>	<u>Water</u>	<u>Non-Recoverable</u>	<u>Revised CAM</u>	
24		<u>Blank</u>	<u>Wages</u>	<u>Non-recoverable</u>	<u>Labor</u>			
25	Revenues							36,682
26								
27	Expenses		10,667	(12,831)	8,802	(14,820)	(117,626)	(948,214)
28								
29	Operating							
30	Income	-	(10,667)	12,831	(8,802)	14,820	117,626	984,897
31								
32	Interest							
33	Expense	-						-
34	Other							
35	Income /							
36	Expense							
37								
38	Net Income	-	(10,667)	12,831	(8,802)	14,820	117,626	984,897
39								
40								
41		<u>Adjustments to Revenues and Expenses</u>						
42		<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>	<u>17</u>	<u>18</u>	<u>Total</u>
43		<u>Remove</u>	<u>Interest</u>	<u>Income</u>				
44		<u>Other Income/</u>	<u>Synchronization</u>	<u>Taxes</u>				
45		<u>Expense</u>						
46	Revenues							36,682
47								
48	Expenses			93,481				(854,733)
49								
50	Operating							
51	Income	-	-	(93,481)	-	-	-	891,415
52								
53	Interest							
54	Expense	(24,886)	(52,440)					(77,326)
55	Other							
56	Income /							
57	Expense							
58								
59	Net Income	(24,886)	(52,440)	(93,481)	-	-	-	814,089

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Adjustments to Revenues and Expenses
 Adjustment Number 1

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Depreciation Expense

Line No.	Acct.	Description	Adjusted Original Cost	Proposed Rates	Depreciation Expense
1					
2					
3					
4					
5	351	Organization	5,785	0.00%	-
6	352	Franchise	417	0.00%	-
7	353	Land	7,545	0.00%	-
8	354	Structures & Improvements	150,294	3.33%	5,005
9	355	Power Generation	-	5.00%	-
10	360	Collection Sewer Forced	636,023	2.00%	12,720
11	361	Collection Sewers Gravity	5,991,654	2.00%	119,833
12	362	Special Collecting Structures	-	2.00%	-
13	363	Customer Services	1,204,113	2.00%	24,082
14	364	Flow Measuring Devices	66,339	10.00%	6,634
15	366	Reuse Services	-	2.00%	-
16	367	Reuse Meters And Installation	-	8.33%	-
17	370	Receiving Wells	867,120	3.33%	28,875
18	371	Pumping Equipment	1,712,940	12.50%	214,118
19	374	Reuse Distribution Reservoirs	-	2.50%	-
20	375	Reuse Trans. and Dist. System	-	2.50%	-
21	380	Treatment & Disposal Equipment	1,128,675	5.00%	56,434
22	381	Plant Sewers	13,690	5.00%	685
23	382	Outfall Sewer Lines	-	3.33%	-
24	389	Other Sewer Plant & Equipment	64,928	6.67%	-
25	390	Office Furniture & Equipment	116,937	6.67%	7,800
26	390.1	Computers and Software	4,025	20.00%	-
27	391	Transportation Equipment	117	20.00%	23
28	392	Stores Equipment	-	4.00%	-
29	393	Tools, Shop And Garage Equip	5,139	5.00%	257
30	394	Laboratory Equip	-	10.00%	-
31	396	Communication Equip	5,936	10.00%	-
32	398	Other Tangible Plant	3,913	10.00%	391
33		Nogales WWTP	2,255,600	4.00%	90,224
34					-
35					-
36					-
37					-
38		TOTALS	\$ 14,241,191		\$ 567,081
39					
40			Gross CIAC	Amort. Rate	
41		Less: Amortization of Contributions	\$ 5,152,673	4.0261%	\$ (207,451)
42		Total Depreciation Expense			\$ 359,629
43					
44		Adjusted Test Year Depreciation Expense			1,256,386
45					
46		Increase (decrease) in Depreciation Expense			(896,757)
47					
48		Adjustment to Revenues and/or Expenses			\$ (896,757)
49					
50		<u>SUPPORTING SCHEDULE</u>			
51		B-2, page 3			

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Adjustment to Revenues and Expenses
 Adjustment Number 2

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 Witness: Bourassa

Property Taxes

Line No.	<u>DESCRIPTION</u>	Test Year <u>as adjusted</u>	Company <u>Recommended</u>
1	Company Adjusted Test Year Revenues	\$ 1,360,583	\$ 1,360,583
2	Weight Factor	<u>2</u>	<u>2</u>
3	Subtotal (Line 1 * Line 2)	2,721,167	2,721,167
4	Company Recommended Revenue	1,360,583	1,754,195
5	Subtotal (Line 4 + Line 5)	4,081,750	4,475,362
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	1,360,583	1,491,787
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	2,721,167	2,983,574
10	Plus: 10% of CWIP (intentionally excluded)	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	2,721,167	2,983,574
13	Assessment Ratio	20.0%	20.0%
14	Assessment Value (Line 12 * Line 13)	544,233	596,715
15	Composite Property Tax Rate - Obtained from ADOR	13.6927%	13.6927%
16	Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 74,520	\$ 81,707
17	Tax on Parcels	-	-
18	Total Property Taxes (Line 16 + Line 17)	<u>\$ 74,520</u>	
19	Test Year Property Taxes	<u>\$ 58,887</u>	
20	Adjustment to Test Year Property Taxes (Line 18 - Line 19)	<u>\$ 15,633</u>	
21			
22	Property Tax on Company Recommended Revenue (Line 16 + Line 17)		<u>\$ 81,707</u>
23	Company Test Year Adjusted Property Tax Expense (Line 18)		<u>\$ 74,520</u>
24	Increase in Property Tax Due to Increase in Revenue Requirement		<u>\$ 7,186</u>
25			
26	Increase in Property Tax Due to Increase in Revenue Requirement (Line 24)		\$ 7,186
27	Increase in Revenue Requirement		\$ 393,612
28	Increase in Property Tax Per Dollar Increase in Revenue (Line 26 / Line 27)		1.82570%
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			

Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 3

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Witness: Bourassa

Rate Case Expense

Line
No.

1		
2		
3	Estimated Rate Case Expense	\$ 87,500
4		
5	Estimated Amortization Period in Years	3
6		
7	Annual Rate Case Expense	<u>\$ 29,167</u>
8		
9	Test Year Rate Case Expense	\$ (35,308)
10		
11	Increase(decrease) Rate Case Expense	<u>\$ 64,475</u>
12		
13	Adjustment to Revenue and/or Expense	<u>\$ 64,475</u>
14		
15		
16	<u>Reference</u>	
17	Testimony	
18		
19		
20		

Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 4

Exhibit
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Revenue Annualization

Line		
<u>No.</u>		
1		
2		
3		
4	Revenue Annualization	\$ (5,207)
5		
6		
7		
8	Total Revenue from Annualization	<u>\$ (5,207)</u>
9		
10		
11	Adjustment to Revenue and/or Expense	<u>\$ (5,207)</u>
12		
13	<u>SUPPORTING SCHEDULES</u>	
14	C-2 pages 5.1 to 5.16	
15	H-1	
16		
17		
18		
19		
20		

Rio Rico Utilities, Inc. - Wastewater Division
 5/8 Inch Residential
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Schedule C-2
 Page 5.1
 Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	1,805	1,805	1,805	1,805	1,805	1,805	1,805
2	Actual Customers	1,876	1,837	1,831	1,823	1,378	2,236	1,810
3	Increase in Number of Customers/Bills	(71)	(32)	(26)	(18)	427	(431)	(5)
4	Average Revenue / Present Rates	\$ 45.88	\$ 45.88	\$ 45.88	\$ 45.88	\$ 45.88	\$ 45.88	\$ 45.88
5	Revenue Annualization / Present Rates	\$ (3,257)	\$ (1,468)	\$ (1,193)	\$ (826)	\$ 19,591	\$ (19,774)	\$ (229)
6								
7	Increase in Number of Customers	(71)	(32)	(26)	(18)	427	(431)	(5)
8	Average Revenue / Proposed Rates	\$ 60.01	\$ 60.01	\$ 60.01	\$ 60.01	\$ 60.01	\$ 60.01	\$ 60.01
9	Revenue Annualization / Proposed Rates	\$ (4,261)	\$ (1,920)	\$ (1,560)	\$ (1,080)	\$ 25,625	\$ (25,865)	\$ (300)
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								
15	Year End Number of Customers	1,805	1,805	1,805	1,805	1,805	1,805	1,805
16	Actual Customers	1,816	1,797	1,805	1,809	1,805	1,805	1,805
17	Increase in Number of Customers/Bills	(11)	8	-	(4)	-	-	(163)
18	Average Revenue / Present Rates	\$ 45.88	\$ 45.88	\$ 45.88	\$ 45.88	\$ 45.88	\$ 45.88	\$ 45.88
19	Revenue Annualization / Present Rates	\$ (505)	\$ 367	\$ -	\$ (184)	\$ -	\$ -	\$ (7,478)
20								
21	Increase in Number of Customers	(11)	8	-	(4)	-	-	-
22	Average Revenue / Proposed Rates	\$ 60.01	\$ 60.01	\$ 60.01	\$ 60.01	\$ 60.01	\$ 60.01	\$ 60.01
23	Revenue Annualization / Proposed Rates	\$ (505)	\$ 367	\$ -	\$ (184)	\$ -	\$ -	\$ (9,782)
24	Additional Gallons to be Produced	-	-	-	-	-	-	-

Rio Rico Utilities, Inc. - Wastewater Division
 1 Inch Residential (Low Income)
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Schedule C-2
 Page 5.5
 Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	1	1	1	1	1	1	1
2	Actual Customers	-	-	-	1	1	1	1
3	Increase in Number of Customers/Bills	1	1	1	-	-	-	-
4	Average Revenue / Present Rates	\$ 54.94	\$ 54.94	\$ 54.94	\$ 54.94	\$ 54.94	\$ 54.94	\$ 54.94
5	Revenue Annualization / Present Rates	\$ 55	\$ 55	\$ 55	\$ -	\$ -	\$ -	\$ -
6								
7	Increase in Number of Customers	1	1	1	-	-	-	-
8	Average Revenue / Proposed Rates	\$ 71.87	\$ 71.87	\$ 71.87	\$ 71.87	\$ 71.87	\$ 71.87	\$ 71.87
9	Revenue Annualization / Proposed Rates	\$ 72	\$ 72	\$ 72	\$ -	\$ -	\$ -	\$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								
15	Year End Number of Customers	1	1	1	1	1	1	1
16	Actual Customers	1	1	1	1	1	1	1
17	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
18	Average Revenue / Present Rates	\$ 54.94	\$ 54.94	\$ 54.94	\$ 54.94	\$ 54.94	\$ 54.94	\$ 54.94
19	Revenue Annualization / Present Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20								
21	Increase in Number of Customers	-	-	-	-	-	-	-
22	Average Revenue / Proposed Rates	\$ 71.87	\$ 71.87	\$ 71.87	\$ 71.87	\$ 71.87	\$ 71.87	\$ 71.87
23	Revenue Annualization / Proposed Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-	-

Month of	Month of	Month of	Month of	Month of	Total Year
Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	
1	1	1	1	1	
1	1	1	1	1	3
\$ 54.94	\$ 54.94	\$ 54.94	\$ 54.94	\$ 54.94	\$ 165
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216

Rio Rico Utilities, Inc. - Wastewater Division
 1 1/2 Inch Residential
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Schedule C-2
 Page 5.6
 Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	-	-	-	-	-	-	-
2	Actual Customers	-	-	-	-	-	-	-
3	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
4	Average Revenue / Present Rates	\$ 95.44	\$ 95.44	\$ 95.44	\$ 95.44	\$ 95.44	\$ 95.44	\$ 95.44
5	Revenue Annualization / Present Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6								
7	Increase in Number of Customers	-	-	-	-	-	-	-
8	Average Revenue / Proposed Rates	\$ 124.84	\$ 124.84	\$ 124.84	\$ 124.84	\$ 124.84	\$ 124.84	\$ 124.84
9	Revenue Annualization / Proposed Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	Additional Gallons to be Produced	-	-	-	-	-	-	-
11								
12								
13								
14								
15	Year End Number of Customers	-	-	-	-	-	-	-
16	Actual Customers	-	-	-	-	-	-	-
17	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
18	Average Revenue / Present Rates	\$ 95.44	\$ 95.44	\$ 95.44	\$ 95.44	\$ 95.44	\$ 95.44	\$ 95.44
19	Revenue Annualization / Present Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20								
21	Increase in Number of Customers	-	-	-	-	-	-	-
22	Average Revenue / Proposed Rates	\$ 124.84	\$ 124.84	\$ 124.84	\$ 124.84	\$ 124.84	\$ 124.84	\$ 124.84
23	Revenue Annualization / Proposed Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24	Additional Gallons to be Produced	-	-	-	-	-	-	-

Rio Rico Utilities, Inc. - Wastewater Division
 5/8 Inch Commercial
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Schedule C-2
 Page 5.8
 Witness: Bourassa

Line No.		Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Year End Number of Customers	59	59	59	59	59	59	59
2	Actual Customers	54	53	54	54	26	82	55
3	Increase in Number of Customers/Bills	5	6	5	5	33	(23)	4
4	Average Revenue / Present Rates	\$ 52.14	\$ 50.18	\$ 46.56	\$ 58.94	\$ 66.54	\$ 59.02	\$ 55.21
5	Revenue Annualization / Present Rates	\$ 275	\$ 313	\$ 255	\$ 295	\$ 2,196	\$ (1,379)	\$ 211
6								
7	Increase in Number of Customers	5	6	5	5	33	(23)	4
8	Average Revenue / Proposed Rates	\$ 67.30	\$ 65.02	\$ 60.81	\$ 75.22	\$ 84.08	\$ 75.32	\$ 70.88
9	Revenue Annualization / Proposed Rates	\$ 355	\$ 405	\$ 333	\$ 376	\$ 2,774	\$ (1,760)	\$ 271
10	Additional Gallons to be Produced	43,953	49,349	39,089	48,981	376,962	(229,351)	34,461
11								
12								
13								
14								
15	Year End Number of Customers	59	59	59	59	59	59	59
16	Actual Customers	56	56	56	60	59	59	59
17	Increase in Number of Customers/Bills	3	3	3	(1)	-	-	44
18	Average Revenue / Present Rates	\$ 59.14	\$ 46.83	\$ 47.11	\$ 45.88	\$ 49.13	-	-
19	Revenue Annualization / Present Rates	\$ 177	\$ 144	\$ 140	\$ (33)	\$ -	-	\$ 2,592
20								
21	Increase in Number of Customers	3	3	3	(1)	-	-	-
22	Average Revenue / Proposed Rates	\$ 75.46	\$ 61.12	\$ 61.45	\$ 60.01	\$ 63.79	-	-
23	Revenue Annualization / Proposed Rates	\$ 177	\$ 144	\$ 140	\$ (33)	\$ -	-	\$ 3,307
24	Additional Gallons to be Produced	29,518	22,117	21,574	(5,084)	-	-	431,569

Rio Rico Utilities, Inc. - Wastewater Division
 1 Inch Commercial
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Schedule C-2
 Page 5.9
 Witness: Bourassa

Line No.	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Total
	Feb-11	Mar-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Year
1	42	42	42	42	42	42	42	
2	41	38	39	39	38	44	41	
3	1	4	3	3	4	(2)	1	
4	\$ 100.75	\$ 116.13	\$ 105.77	\$ 171.33	\$ 127.96	\$ 88.63	\$ 85.60	
5	\$ 68	\$ 426	\$ 328	\$ 457	\$ 521	\$ (207)	\$ 57	
6								
7	1	4	3	3	4	(2)	1	
8	\$ 126.61	\$ 144.54	\$ 132.47	\$ 208.84	\$ 158.31	\$ 112.49	\$ 108.97	
9	\$ 85	\$ 530	\$ 411	\$ 558	\$ 644	\$ (262)	\$ 73	
10	9,870	66,157	49,003	79,689	83,673	(28,278)	7,697	
11								
12								
13								
14								
15	42	42	42	42	42	42	42	
16	41	41	41	41	41	42	42	
17	1	1	1	1	1	-	15	
18	\$ 88.10	\$ 91.75	\$ 89.58	\$ 90.15	\$ 89.29			
19	\$ 59	\$ 61	\$ 60	\$ 60	\$ 60		\$ 1,892	
20								
21	1	1	1	1	1			
22	\$ 111.88	\$ 116.13	\$ 113.61	\$ 114.27	\$ 113.27			
23	\$ 59	\$ 61	\$ 60	\$ 60	\$ 60		\$ 2,344	
24	8,056	8,579	8,269	8,350	-		301,066	

Rio Rico Utilities, Inc. - Wastewater Division
 2 Inch Commercial
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Schedule C-2
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 Witness: Bourassa

Line No.	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	27	27	27	27	27	27	27
2	26	27	27	27	26	28	27
3	1	-	-	-	1	(1)	-
4	\$ 330.59	\$ 302.58	\$ 308.28	\$ 313.30	\$ 279.13	\$ 281.49	\$ 287.87
5	\$ 364	\$ -	\$ -	\$ -	\$ 279	\$ (281)	\$ -
6							
7	1	-	-	-	1	(1)	-
8	\$ 404.07	\$ 371.43	\$ 378.08	\$ 383.92	\$ 344.11	\$ 346.86	\$ 354.30
9	\$ 444	\$ -	\$ -	\$ -	\$ 344	\$ (347)	\$ -
10	54,388	-	-	-	38,423	(38,929)	-
11							
12	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	
13	27	27	27	27	27		
14	27	27	27	27	27		
15	\$ 267.46	\$ 258.64	\$ 242.73	\$ 262.97	\$ 293.41		
16	\$ -	\$ -	\$ -	\$ -	\$ -		
17							
18	\$ 330.53	\$ 320.25	\$ 301.71	\$ 325.29	\$ 360.75		
19	\$ -	\$ -	\$ -	\$ -	\$ -		
20							
21	-	-	-	-	-		
22	\$ 330.53	\$ 320.25	\$ 301.71	\$ 325.29	\$ 360.75		
23	\$ -	\$ -	\$ -	\$ -	\$ -		
24							

Rio Rico Utilities, Inc. - Wastewater Division
 3 Inch Commercial
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Schedule C-2
 Page 5.12
 Witness: Bourassa

Line No.	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	1	1	1	1	1	1	1
2	1	1	1	1	1	1	1
3	-	-	-	-	-	-	-
4	\$ 230.62	\$ 235.29	\$ 239.96	\$ 310.01	\$ 338.03	\$ 305.34	\$ 464.12
5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	-	-	-	-	-	-	-
7	-	-	-	-	-	-	-
8	\$ 301.65	\$ 307.09	\$ 312.53	\$ 394.14	\$ 426.78	\$ 388.70	\$ 573.68
9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-
15	1	1	1	1	1	1	1
16	1	1	1	1	1	1	1
17	-	-	-	-	-	-	-
18	\$ 529.50	\$ 697.62	\$ 324.02	\$ 324.02	\$ 305.34	\$ -	\$ -
19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-
22	\$ 649.85	\$ 845.71	\$ 410.46	\$ 410.46	\$ 388.70	\$ -	\$ -
23	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24	-	-	-	-	-	-	-

Rio Rico Utilities, Inc. - Wastewater Division
 6 Inch Commercial
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Final Schedule C-2
 Page 5.14
 Witness: Bourassa

Line No.	Year End Number of Customers	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	Actual Customers	1	1	1	1	0	-	-
2	Increase in Number of Customers/Bills	(1)	(1)	(1)	(1)	(0)	-	-
3	Average Revenue / Proposed Rates	\$ 2,601.64	\$ 2,013.22	\$ 649.58	\$ 6,818.65	\$ 649.58	\$ 649.58	\$ 649.58
4	Revenue Annualization / Present Rates	\$ (2,602)	\$ (2,013)	\$ (650)	\$ (6,819)	\$ (130)	\$ -	\$ -
5								
6								
7	Increase in Number of Customers	(1)	(1)	(1)	(1)	(0)	-	-
8	Average Revenue / Proposed Rates	\$ 3,123.80	\$ 2,438.29	\$ 849.65	\$ 8,036.62	\$ 849.65	\$ 849.65	\$ 849.65
9	Revenue Annualization / Proposed Rates	\$ (3,124)	\$ (2,438)	\$ (850)	\$ (8,037)	\$ (170)	\$ -	\$ -
10	Additional Gallons to be Produced	\$ (425,000)	\$ (299,000)	\$ -	\$ (1,328,000)	\$ -	\$ -	\$ -
11								
12								
13								
14								
15	Year End Number of Customers	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Month of	Total Year
16	Actual Customers	-	-	-	-	-	-	(4)
17	Increase in Number of Customers/Bills	-	-	-	-	-	-	-
18	Average Revenue / Present Rates	\$ 649.58	\$ 649.58	\$ 649.58	\$ 649.58	\$ 649.58	\$ 649.58	\$ (12,213)
19	Revenue Annualization / Present Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20								
21	Increase in Number of Customers	-	-	-	-	-	-	-
22	Average Revenue / Proposed Rates	\$ 849.65	\$ 849.65	\$ 849.65	\$ 849.65	\$ 849.65	\$ 849.65	\$ (14,618)
23	Revenue Annualization / Proposed Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,052,000)
24	Additional Gallons to be Produced	-	-	-	-	-	-	-

Rio Rico Utilities, Inc. - Wastewater Division
 5/8 Inch Multi-Tenant
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Schedule C-2
 Page 5.15
 Witness: Bourassa

Line No.	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	6	6	6	6	6	6	6
2	5	7	7	7	4	8	6
3	1	(1)	(1)	(1)	2	(2)	-
4	\$ 56.94	\$ 56.61	\$ 55.22	\$ 51.88	\$ 77.40	\$ 51.72	\$ 56.00
5	\$ 44	\$ (32)	\$ (55)	\$ (52)	\$ 155	\$ (103)	\$ -
6							
7	1	(1)	(1)	(1)	2	(2)	-
8	\$ 72.90	\$ 72.51	\$ 70.89	\$ 67.01	\$ 96.73	\$ 66.81	\$ 71.80
9	\$ 56	\$ (41)	\$ (71)	\$ (67)	\$ 193	\$ (134)	\$ -
10	\$ 7,214	\$ (5,299)	\$ (9,000)	\$ (8,286)	\$ 27,500	\$ (16,500)	\$ -
11							
12							
13							
14							
15	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12		Total Year
16	6	6	6	6	6		
17	6	6	6	6	6		
18	\$ -	\$ (0)	\$ -	\$ -	\$ -		(2)
19	\$ 49.77	\$ 45.88	\$ 45.88	\$ 55.22	\$ 105.03		\$ -
20	\$ -	\$ (3)	\$ -	\$ -	\$ -		\$ (47)
21							
22	\$ -	\$ (0)	\$ -	\$ -	\$ -		\$ -
23	\$ 64.54	\$ 60.01	\$ 60.01	\$ 70.89	\$ 128.92		\$ (67)
24	\$ -	\$ (3)	\$ -	\$ -	\$ -		\$ (4,787)
	\$ -	\$ (416)	\$ -	\$ -	\$ -		\$ -

Rio Rico Utilities, Inc. - Wastewater Division
 1 1/2 Inch Multi-Tenant
 Customers to Year End Levels
 Test Year Ended February 29, 2012

Exhibit
 Schedule C-2
 Page 5.16
 Witness: Bourassa

Line No.	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11
1	1	1	1	1	1	1	1
2	1	1	1	1	1	1	1
3	-	-	-	-	-	-	-
4	\$ 100.11	\$ 100.11	\$ 100.11	\$ 100.11	\$ 137.47	\$ 151.48	\$ 132.80
5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	-	-	-	-	-	-	-
7	-	-	-	-	-	-	-
8	\$ 130.28	\$ 130.28	\$ 130.28	\$ 130.28	\$ 173.80	\$ 190.12	\$ 168.36
9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-
15	1	1	1	1	1	1	1
16	1	1	1	1	1	1	1
17	-	-	-	-	-	-	-
18	\$ 118.79	\$ 132.80	\$ 114.12	\$ 114.12	\$ 109.45		
19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-
22	\$ 152.04	\$ 168.36	\$ 146.60	\$ 146.60	\$ 141.16		
23	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24	-	-	-	-	-	-	-

Year End Number of Customers
 Actual Customers
 Increase in Number of Customers/Bills
 Average Revenue / Present Rates
 Revenue Annualization / Present Rates

Increase in Number of Customers
 Average Revenue / Proposed Rates
 Revenue Annualization / Proposed Rates
 Additional Gallons to be Produced

Year End Number of Customers
 Actual Customers
 Increase in Number of Customers/Bills
 Average Revenue / Present Rates
 Revenue Annualization / Present Rates

Increase in Number of Customers
 Average Revenue / Proposed Rates
 Revenue Annualization / Proposed Rates
 Additional Gallons to be Produced

Total
 Year

Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 5

Exhibit
Schedule C-2
Page 6
Witness: Bourassa

Revenue Accrual

Line

No.

1		
2	Correct Revenue Accrual Adjustment	\$ 41,889
3		
4		
5		
6	Adjustment to Revenues	<u>\$ 41,889</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>41,889</u>
10		
11	<u>Reference</u>	
12	Testimony	
13	Work papers	
14		
15		
16		
17		
18		
19		
20		

Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 6

Exhibit
Schedule C-2
Page 7
Witness: Bourassa

Office Rent

Line

No.

1

2 Remove Office Rent

\$ (5,758)

3

4

5

6 Adjustment to Rents - Building

\$ (5,758)

7

8

9 Adjustment to Revenue and/or Expense

(5,758)

10

11 Reference

12 Testimony

13 Work papers

14

15

16

17

18

19

20

21

22

23

Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 7

Exhibit
Schedule C-2
Page 8
Witness: Bourassa

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Line
No.
1
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Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 8

Exhibit
Schedule C-2
Page 9
Witness: Bourassa

Salaries and Wages Annualization

Line
No.

1

2 Annualize Salaries and Wages

\$ 10,667

3

4

5

6 Adjustment to Salaries and Wages

\$ 10,667

7

8

9 Adjustment to Revenue and/or Expense

10,667

10

11 Reference

12 Testimony

13 Work papers

14

15

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Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 9

Exhibit
Schedule C-2
Page 10
Witness: Bourassa

Management Services - U.S. Liberty Water

Line
No.

1		
2	Remove Non-recoverable expenses	\$ (12,831)
3		
4		
5		
6	Adjustment to Management Services - U.S. Liberty Water	<u>\$ (12,831)</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>(12,831)</u>
10		
11	<u>Reference</u>	
12	Testimony	
13	Work papers	
14		
15		
16		
17		
18		
19		
20		

Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 10

Exhibit
Schedule C-2
Page 11
Witness: Bourassa

Management Services - U.S. Liberty Water

Line

No.

1		
2	Annualize Labor	\$ 8,802
3		
4		
5		
6	Adjustment to Management Services - U.S. Liberty Water	<u>\$ 8,802</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>8,802</u>
10		
11	<u>Reference</u>	
12	Testimony	
13	Work papers	
14		
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19		
20		

Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 11

Exhibit
Schedule C-2
Page 12
Witness: Bourassa

Management Services - Corporate

Line		
<u>No.</u>		
1		
2	Remove Non-recoverable expenses	\$ (14,820)
3		
4		
5		
6	Adjustment to Management Services - Corporate	<u>\$ (14,820)</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>(14,820)</u>
10		
11	<u>Reference</u>	
12	Testimony	
13	Work papers	
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Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 12

Exhibit
Schedule C-2
Page 13
Witness: Bourassa

Management Services - Corporate

Line		
<u>No.</u>		
1		
2	Reduced Cost from Revised Cost Allocation Methodolgy	\$ (117,626)
3		
4		
5		
6	Adjustment to Management Services - Corporate	<u>\$ (117,626)</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>(117,626)</u>
10		
11	<u>Reference</u>	
12	Testimony	
13	Work papers	
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Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and Expenses
Adjustment Number 13

Exhibit
Schedule C-2
Page 14
Witness: Bourassa

Remove Other Revenue and Expense

Line No.		
1		
2	Interest Income	\$ (24,886)
3		
4		
5		
6	Adjustment to Interest Income	<u>\$ (24,886)</u>
7		
8		
9	Adjustment to Revenue and/or Expense	<u>(24,886)</u>
10		
11	<u>Reference</u>	
12	Testimony	
13	Work papers	
14		
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Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Adjustment to Revenues and Expenses
 Adjustment Number 14

Exhibit
 Schedule C-2
 Page 15
 Witness: Bourassa

Interest Synchronization

Line
No.

1				
2				
3				
4	Fair Value Rate Base	\$	4,600,012	
5	Weighted Cost of Debt		1.14%	
6	Interest Expense	\$		52,440
7				
8	Test Year Interest Expense	\$		<u>-</u>
9				
10	Increase (decrease) in Interest Expense			52,440
11				
12				
13				
14	Adjustment to Revenue and/or Expense	\$		<u>(52,440)</u>
15				
16				

Weighted Cost of Debt Computation

Pro forma Capital Structure

	<u>Percent</u>	<u>Cost</u>	<u>Weighted Cost</u>
20 Debt	20.00%	5.70%	1.14%
21 Equity	80.00%	10.70%	8.56%
22 Total	100.00%		9.70%

23
 24
 25
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Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Adjustment to Revenues and/or Expenses
Adjustment Number 15

Exhibit
Schedule C-2
Page 16
Witness: Bourassa

Line
No.

1 Income Taxes

2

3

4 Computed Income Tax

5 Test Year Income tax Expense

6 Adjustment to Income Tax Expense

7

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13 SUPPORTING SCHEDULE

14 C-3, page 2

15

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	<u>Test Year</u> <u>at Present Rates</u>	<u>Test Year</u> <u>at Proposed Rates</u>
	\$ 93,481	\$ 247,532
	-	93,481
	<u>\$ 93,481</u>	<u>\$ 154,051</u>

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Computation of Gross Revenue Conversion Factor

Exhibit
 Schedule C-3
 Page 1
 Witness: Bourassa

Line No.	<u>Description</u>	Percentage of Incremental Gross <u>Revenues</u>
1	Combined Federal and State Effective Income Tax Rate	39.865%
2		
3	Property Taxes	1.098%
4		
5		
6	Total Tax Percentage	40.963%
7		
8	Operating Income % = 100% - Tax Percentage	59.037%
9		
10		
11		
12		
13	<u>1</u> = Gross Revenue Conversion Factor	
14	Operating Income %	1.6939
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
26	C-3, page 2	A-1
27		
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GROSS REVENUE CONVERSION FACTOR

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Gross Revenue Conversion Factor:</u>							
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	40.9633%					
5	Subtotal (L3 - L4)	59.0367%					
6	Revenue Conversion Factor (L1 / L5)	1.693863					
<u>Calculation of Uncollectible Factor:</u>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (L17)	39.8655%					
9	One Minus Combined Income Tax Rate (L7 - L8)	60.1345%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)		0.0000%				
<u>Calculation of Effective Tax Rate:</u>							
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.9680%					
14	Federal Taxable Income (L12 - L13)	93.0320%					
15	Applicable Federal Income Tax Rate (L55, Col E)	35.3615%					
16	Effective Federal Income Tax Rate (L14 x L15)	32.8975%					
17	Combined Federal and State Income Tax Rate (L13 + L16)		39.8655%				
<u>Calculation of Effective Property Tax Factor:</u>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	39.8655%					
20	One Minus Combined Income Tax Rate (L18-L19)	60.1345%					
21	Property Tax Factor	1.8257%					
22	Effective Property Tax Factor (L20*L21)		1.0979%				
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			40.9633%			
24	Required Operating Income	\$ 446,201					
25	Adjusted Test Year Operating Income (Loss)	\$ 213,826					
26	Required Increase in Operating Income (L24 - L25)		\$ 232,375				
27	Income Taxes on Recommended Revenue (Col. (E), L52)	\$ 247,532					
28	Income Taxes on Test Year Revenue (Col. (B), L54)	\$ 93,481					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 154,051				
30	Recommended Revenue Requirement	\$ 1,754,195					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp.		\$ -				
35	Property Tax with Recommended Revenue	\$ 81,707					
36	Property Tax on Test Year Revenue	\$ 74,520					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		\$ 7,186				
38	Total Required Increase in Revenue (L26 + L29 + L37)		\$ 393,612				

	(A) Test Year			(B) Sewer			(C) Water			(D) Company Recommended			(E) Sewer			(F) Water		
	Total	(A)	(B)	Total	(A)	(B)	Total	(A)	(B)	Total	(A)	(B)	Total	(A)	(B)	Total	(A)	(B)
39	Revenue	\$ 4,215,422	\$ 1,360,583	\$ 2,854,838	\$ 5,213,112	\$ 1,754,195	\$ 3,458,917											
40	Operating Expenses Excluding Income Taxes	\$ 3,350,534	\$ 1,053,276	\$ 2,297,258	\$ 3,368,749	\$ 1,060,462	\$ 2,308,287											
41	Synchronized Interest (L47)	\$ 139,418	\$ 52,440	\$ 86,978	\$ 139,418	\$ 52,440	\$ 86,978											
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 725,470	\$ 254,867	\$ 470,602	\$ 1,704,946	\$ 641,294	\$ 1,063,652											
43	Arizona State Effective Income Tax Rate (see work papers)		6.9680%	6.9680%		6.9680%	6.9680%											
44	Arizona Income Tax (L42 x L43)	\$ 50,551	\$ 17,759	\$ 32,792	\$ 118,801	\$ 44,685	\$ 74,115											
45	Federal Taxable Income (L42- L44)	\$ 674,919	\$ 237,108	\$ 437,811	\$ 1,586,145	\$ 596,608	\$ 989,537											
46																		
47	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 15,000	\$ 7,500	\$ 7,500	\$ 7,500	\$ 3,750	\$ 3,750											
48	Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%	\$ 12,500	\$ 6,250	\$ 6,250	\$ 6,250	\$ 3,125	\$ 3,125											
49	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ 17,000	\$ 8,500	\$ 8,500	\$ 8,500	\$ 4,250	\$ 4,250											
50	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ 145,122	\$ 53,472	\$ 91,650	\$ 91,650	\$ 36,660	\$ 54,990											
51	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ 34,956	\$ -	\$ 34,956	\$ 425,389	\$ -	\$ 425,389											
52																		
53	Total Federal Income Tax	\$ 224,578	\$ 75,722	\$ 148,856	\$ 539,289	\$ 202,847	\$ 336,443											
54	Combined Federal and State Income Tax (L35 + L42)	\$ 275,129	\$ 93,481	\$ 181,647	\$ 658,090	\$ 247,532	\$ 410,558											

55 COMBINED Applicable Federal Income Tax Rate [Col. (D), L53 - Col. (A), L53 / [Col. (D), L45 - Col. (A), L45] 34.5371%

56 WASTEWATER Applicable Federal Income Tax Rate [Col. (E), L53 - Col. (B), L53] / [Col. (E), L45 - Col. (B), L45] 35.3615%

57 WATER Applicable Federal Income Tax Rate [Col. (F), L53 - Col. (C), L53] / [Col. (F), L45 - Col. (C), L45] 34.0000%

<u>Calculation of Interest Synchronization:</u>		Sewer	Water
58	Rate Base	\$ 4,600,012	\$ 7,629,607
59	Weighted Average Cost of Debt	1.1400%	1.1400%
60	Synchronized Interest (L45 X L46)	\$ 52,440	\$ 86,978

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Comparative Balance Sheets

Exhibit
 Schedule E-1
 Page 1
 Witness: Bourassa

Line No.	Test Year Ended <u>2/29/2012</u>	Year Ended <u>2/28/2011</u>	Year Ended <u>2/28/2010</u>
1	ASSETS		
2	\$ 14,088,276	\$ 12,139,323	\$ 11,977,848
3	-	-	-
4	1,931,576	1,939,410	85,942
5	(6,581,964)	(5,138,979)	(4,878,470)
6	<u>\$ 9,437,888</u>	<u>\$ 8,939,754</u>	<u>\$ 7,185,319</u>
7			
8	\$ -	\$ -	\$ -
9			
10	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
11			
12	CURRENT ASSETS		
13	\$ 10,348	\$ 36,565	\$ 37,984
14	-	-	-
15	118,167	124,960	109,573
16	(397,681)	(12,828)	(80,940)
17	-	-	-
18	-	-	-
19	325	1,843	8,327
20	563	563	405,852
21	<u>\$ (268,278)</u>	<u>\$ 151,103</u>	<u>\$ 480,796</u>
22			
23			\$ -
24	\$ 76,556	\$ 61,395	\$ (25,568)
25	<u>\$ 76,556</u>	<u>\$ 61,395</u>	<u>\$ (25,568)</u>
26			
27	\$ 447,324	\$ 470,949	\$ 180,207
28			
29	<u>\$ 9,693,489</u>	<u>\$ 9,623,200</u>	<u>\$ 7,820,754</u>
30			
31			
32	LIABILITIES AND STOCKHOLDERS' EQUITY		
33			
34	\$ 4,468,301	\$ 4,511,896	\$ 4,379,825
35			
36	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
37			
38	CURRENT LIABILITIES		
39	\$ 2,347,970	\$ 2,313,177	\$ 481,507
40	-	-	-
41	-	-	-
42	-	-	-
43	-	-	-
44	2,808	1,702	4,492
45	-	-	-
46	-	-	-
47	<u>\$ 2,350,778</u>	<u>\$ 2,314,879</u>	<u>\$ 485,999</u>
48	DEFERRED CREDITS		
49	\$ 22,963	\$ 22,963	\$ -
50	150,012	242,221	235,100
51	-	-	-
52	5,381,456	5,381,456	5,394,389
53	(2,680,019)	(2,850,215)	(2,674,559)
54	<u>\$ 2,874,411</u>	<u>\$ 2,796,425</u>	<u>\$ 2,954,931</u>
55			
56	<u>\$ 9,693,490</u>	<u>\$ 9,623,200</u>	<u>\$ 7,820,755</u>
57			
58			
59			
60	SUPPORTING SCHEDULES:		RECAP SCHEDULES:
61			A-3
62			

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Comparative Income Statements

Exhibit
 Schedule E-2
 Page 1
 Witness: Bourassa

Line No.		Test Year Ended <u>2/29/2012</u>	Prior Year Ended <u>2/28/2011</u>	Prior Year Ended <u>2/28/2010</u>
1	Revenues			
2	Flat Rate Revenue	\$ 1,323,901	\$ 1,704,291	\$ 1,725,560
3	Reclaimed Water Revenues	-	-	-
4	Other Water Revenues	-	-	-
5	Total Revenues	<u>\$ 1,323,901</u>	<u>\$ 1,704,291</u>	<u>\$ 1,725,560</u>
6	Operating Expenses			
7	Salaries and Wages	\$ 120,880	\$ 110,456	\$ 79,334
8	Purchased Wastewater Treatment	-	-	-
9	Sludge Removal Expense	-	-	-
10	Purchased Power	61,290	59,922	46,632
11	Fuel for Power Production	-	-	-
12	Chemicals	4,907	2,864	12,751
13	Materials and Supplies	4,473	9,116	6,893
14	Management Services - US Liberty Water	87,067	84,661	81,940
15	Management Services - Corporate	191,738	149,230	122,932
16	Management Services - Other	172,270	170,174	167,399
17	Contracted Services - Engineering	-	-	24,740
18	Contractual Services- Testing	330	340	-
19	Contractual Services - Other	638	40	7,856
20	Contractual Services - Legal	585	5,488	1,348
21	Equipment Rental	400	3,492	5,719
22	Rents - Building	5,758	5,932	6,415
23	Transportation Expenses	18,066	15,323	18,977
24	Insurance - General Liability	11,302	12,415	9,227
25	Insurance - Vehicle	2,516	559	684
26	Regulatory Commission Expense	-	-	-
27	Reg.Comm. Exp. - Rate Case	(35,308)	9,740	14,610
28	Miscellaneous Expense	16,111	15,184	18,637
29	Bad Debt Expense	23,194	21,200	30,618
30	Depreciation Expense	1,256,386	108,482	(41,595)
31	Taxes Other Than Income	-	-	-
32	Property Taxes	58,887	59,384	57,209
33	Income Tax	-	-	-
34		-	-	-
35	Total Operating Expenses	<u>\$ 2,001,490</u>	<u>\$ 844,002</u>	<u>\$ 672,326</u>
36	Operating Income	<u>\$ (677,589)</u>	<u>\$ 860,289</u>	<u>\$ 1,053,234</u>
37	Other Income (Expense)			
38	Interest Income	24,886	-	-
39	Other Income	-	-	-
40	Interest Expense	-	-	-
41	Other Expense	-	-	-
42	Gain (loss) on Disposal of Equip	-	-	-
43	Total Other Income (Expense)	<u>\$ 24,886</u>	<u>\$ -</u>	<u>\$ -</u>
44	Net Profit (Loss)	<u>\$ (652,703)</u>	<u>\$ 860,289</u>	<u>\$ 1,053,234</u>

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

A-2

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Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Comparative Statements of Cash Flows

Exhibit
 Schedule E-3
 Page 1
 Witness: Bourassa

Line No.	Test Year Ended <u>2/29/2012</u>	Prior Year Ended <u>2/28/2011</u>	Prior Year Ended <u>2/28/2010</u>
1			
2			
3	Cash Flows from Operating Activities		
4	\$ (652,703)	\$ 860,289	\$ 1,053,234
5	Adjustments to reconcile net income to net cash		
6	provided by operating activities:		
7	1,256,386	108,482	(41,595)
8	356,795	(23,629)	(10,665)
9	Changes in Certain Assets and Liabilities:		
10	6,793	(15,387)	(6,481)
11	-	-	-
12	-	-	-
13	1,518	6,484	(4,316)
14	-	-	-
15	-	-	32,357
16	34,793	1,831,670	(150,038)
17	384,853	-	-
18	-	22,963	-
19	1,106	(2,790)	2,229
20	8,464	(40,528)	25,825
21	(1)	(1)	1
22	<u>\$ 1,398,004</u>	<u>\$ 2,747,553</u>	<u>\$ 900,551</u>
23	Cash Flow From Investing Activities:		
24	(1,941,119)	(2,014,943)	(221,858)
25	-	-	-
26	-	-	-
27	<u>\$ (1,941,119)</u>	<u>\$ (2,014,943)</u>	<u>\$ (221,858)</u>
28	Cash Flow From Financing Activities		
29	-	-	-
30	-	-	-
31	-	(12,933)	17,933
32	(92,209)	7,121	140,933
33	-	-	-
34	-	-	-
35	-	-	-
36	609,108	(728,218)	(760,372)
37	<u>\$ 516,899</u>	<u>\$ (734,030)</u>	<u>\$ (601,506)</u>
38	(26,216)	(1,420)	77,187
39	36,565	37,984	(39,203)
40	<u>\$ 10,348</u>	<u>\$ 36,565</u>	<u>\$ 37,984</u>

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SUPPORTING SCHEDULES:
 Workpapers/cashflow water.xls

RECAP SCHEDULES:
 A-5

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Statement of Changes in Stockholder's Equity

Exhibit
 Schedule E-4
 Page 1
 Witness: Bourassa

Line

No.

	<u>Stockholder's</u> <u>Equity</u>	<u>Retained</u> <u>Earnings</u>	<u>Total</u>
1			
2			
3			
4	\$ 3,998,314	\$ 88,649	\$ 4,086,963
5	(760,372)		(760,372)
6		-	-
7		-	-
8		1,053,234	1,053,234
9			
10	\$ 3,237,942	\$ 1,141,883	\$ 4,379,825
11	(728,218)		(728,218)
12		-	-
13	(1)		(1)
14		860,289	860,289
15			
16	\$ 2,509,723	\$ 2,002,173	\$ 4,511,896
17	609,108		609,108
18		-	-
19		-	-
20		(652,703)	(652,703)
21			
22	<u>\$ 3,118,831</u>	<u>\$ 1,349,469</u>	<u>\$ 4,468,300</u>

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SUPPORTING SCHEDULES:

RECAP SCHEDULES:

E-1

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Detail of Plant in Service

Exhibit
 Schedule E-5
 Page 1
 Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 2/28/2011	Plant Additions, Reclassifications or Retirements	Plant Balance at 2/29/2012
1					
2	351	Organization		\$ 5,785	\$ 5,785
3	352	Franchise		417	417
4	353	Land		7,545	7,545
5	354	Structures & Improvements	294	150,000	150,294
6	355	Power Generation		-	-
7	360	Collection Sewer Forced	2,962	633,061	636,023
8	361	Collection Sewers Gravity	11,466,467	(5,474,813)	5,991,654
9	362	Special Collecting Structures		-	-
10	363	Customer Services	74,014	1,130,099	1,204,113
11	364	Flow Measuring Devices	19,079	47,261	66,339
12	366	Reuse Services		-	-
13	367	Reuse Meters And Installation		-	-
14	370	Receiving Wells		867,120	867,120
15	371.0	Pumping Equipment	90,739	1,622,201	1,712,940
16	374.0	Reuse Distribution Reservoirs		-	-
17	375	Reuse Trans. and Dist. System		-	-
18	380.0	Treatment & Disposal Equipment	386,362	742,313	1,128,675
19	381.0	Plant Sewers		13,690	13,690
20	382	Outfall Sewer Lines		-	-
21	389	Other Sewer Plant & Equipment	950	63,978	64,928
22	390	Office Furniture & Equipment	98,457	18,480	116,937
23	390.1	Computers and Software		4,025	4,025
24	391	Transportation Equipment		117	117
25	392	Stores Equipment		-	-
26	393	Tools, Shop And Garage Equip		5,139	5,139
27	394	Laboratory Equip		-	-
28	396	Communication Equip		5,936	5,936
29	398	Other Tangible Plant		3,913	3,913
30		Nogales WWTP		2,255,600	2,255,600
31					
32					
33					
34					
35		Plant Held for Future Use	-	-	-
36		Rounding	-	-	-
37		TOTAL WATER PLANT	\$ 12,139,323	\$ 2,101,868	\$ 14,241,191
38					
39		SUPPORTING SCHEDULES		RECAP SCHEDULES:	
40		Workpapers/Trial Balance Mapping Water and Sewer tjb.xls		A-4	
41				E-1	
42					

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Operating Statistics

Exhibit
 Schedule E-7
 Page 1
 Witness: Bouras

Line No.		Test Year Ended <u>2/29/2012</u>	Prior Year Ended <u>2/28/2011</u>	Prior Year Ended <u>2/28/2010</u>
1	<u>WASTEWATER STATISTICS:</u>			
2				
3				
4				
5	Total Gallons Treated (in Thousands)	140,753	142,943	136,098
6				
7				
8				
9	Wastewater Revenues from Customers:	\$ 1,323,901	\$ 1,704,291	\$ 1,725,560
10				
11				
12				
13				
14	Year End Number of Customers	2,208	2,207	2,193
15				
16				
17	Annual Gallons (in Thousands)			
18	Treated Per Year End Customer	64	65	62
19				
20				
21				
22	Annual Revenue per Year End Customer	\$ 599.59	\$ 772.22	\$ 786.85
23				
24	Pumping Cost Per 1,000 Gallons	\$ 0.4354	\$ 0.4192	\$ 0.3426
25	Purchased Water Cost per 1,000 Gallons	\$ -	\$ -	\$ -

Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Taxes Charged to Operations

Exhibit
Schedule E-8
Page 1
Witness: Bourassa

Line No.	Description	Test Year Ended <u>2/29/2012</u>	Prior Year Ended <u>2/28/2011</u>	Prior Year Ended <u>2/28/2010</u>
1				
2				
3	State Income Taxes	\$ -	\$ -	\$ -
4	Federal Income Taxes	-	-	-
5	Payroll Taxes	-	-	-
6	Property Taxes	58,887	59,384	57,209
7				
8	Totals	<u>\$ 58,887</u>	<u>\$ 59,384</u>	<u>\$ 57,209</u>
9				
10				
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Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Notes To Financial Statements

Exhibit
Schedule E-9
Page 1
Witness: Bourassa

Line

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The Company does not conduct independent audits

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Projected Income Statements - Present & Proposed Rates

Exhibit
 Schedule F-1
 Page 1
 Witness: Bourassa

Line No.	Test Year Actual Results	At Present Rates Year Ended 2/28/2013	At Proposed Rates Year Ended 2/28/2013
1	Revenues		
2	\$ 1,323,901	\$ 1,360,583	\$ 1,754,195
3	-	-	-
4	-	-	-
5	<u>\$ 1,323,901</u>	<u>\$ 1,360,583</u>	<u>\$ 1,754,195</u>
6	Operating Expenses		
7	\$ 120,880	\$ 131,547	\$ 131,547
8	-	-	-
9	-	-	-
10	61,290	61,290	61,290
11	-	-	-
12	4,907	4,907	4,907
13	4,473	4,473	4,473
14	87,067	83,038	83,038
15	330	330	330
16	638	638	638
17	585	585	585
18	400	400	400
19	5,758	-	-
20	18,066	18,066	18,066
21	11,302	11,302	11,302
22	2,516	2,516	2,516
23	-	-	-
24	(35,308)	29,167	29,167
25	16,111	16,111	16,111
26	23,194	23,194	23,194
27	1,256,386	359,629	359,629
28	-	-	-
29	58,887	74,520	81,707
30	-	93,481	247,532
31			
32	<u>\$ 1,637,482</u>	<u>\$ 915,195</u>	<u>\$ 1,076,432</u>
33	<u>\$ (313,581)</u>	<u>\$ 445,388</u>	<u>\$ 677,763</u>
34	Other Income (Expense)		
35	24,886	-	-
36	-	-	-
37	-	(52,440)	(52,440)
38	-	-	-
39	-	-	-
40	<u>\$ 24,886</u>	<u>\$ (52,440)</u>	<u>\$ (52,440)</u>
41	<u>\$ (288,695)</u>	<u>\$ 392,948</u>	<u>\$ 625,323</u>
42			
43			
44	<u>SUPPORTING SCHEDULES:</u>		
45	C-1		
46			
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48			

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Projected Statements of Changes in Financial Position
 Present and Proposed Rates

Exhibit
 Schedule F-2
 Page 1
 Witness: Bourassa

Line <u>No.</u>		Test Year Ended <u>2/29/2012</u>	At Present Rates Year Ended <u>2/28/2013</u>	At Proposed Rates Year Ended <u>2/28/2013</u>
5	Cash Flows from Operating A ctivities			
6	Net Income	\$ (652,703)	\$ 161,386	\$ 393,761
7	Adjustments to reconcile net income to net cash			
8	provided by operating activities:			
9	Depreciation and A mortization	1,256,386	359,629	359,629
10	Depreciation Adjustments	356,795		
11	Changes in Certain Assets and Liabilities:			
12	Accounts Receivable	6,793		
13	Unbilled Revenues	-		
14	Materials and Supplies Inventory	-		
15	Prepaid Expenses	1,518		
16	Deferred Charges	-		
17	Notes Receivable	-		
18	Accounts Payable	34,793		
19	Intercompany payable	384,853		
20	Customer Meter Deposits	-		
21	Taxes Payable	1,106		
22	Other assets and liabilities	8,464		
	Rounding	(1)		
23	Net Cash Flow provided by Operating Activities	<u>\$ 1,398,005</u>	<u>\$ 521,015</u>	<u>\$ 753,390</u>
24	Cash Flow From Investing Activities:			
25	Capital Expenditures	(1,941,119)	(216,000)	(216,000)
26	Plant Held for Future Use	-		
27	Changes in debt reserve fund	-		
28	Net Cash Flows from Investing Activities	<u>\$ (1,941,119)</u>	<u>\$ (216,000)</u>	<u>\$ (216,000)</u>
29	Cash Flow From Financing Activities			
30	Change in Restricted Cash	-		
31	Change in net amounts due to parent and affiliates	-		
32	Net Receipt contributions in aid of construction	-	-	-
33	Net receipts of advances in aid of construction	(92,209)	(92,209)	(92,209)
34	Repayments of Long- Term Debt	-		
35	Dividends Paid	-	-	-
36	Deferred Financing Costs	-	-	-
37	Paid in Capital	609,108	-	-
38	Net Cash Flows Provided by Financing Activities	<u>\$ 516,899</u>	<u>\$ (92,209)</u>	<u>\$ (92,209)</u>
39	Increase(decrease) in Cash and Cash Equivalents	(26,215)	212,806	445,181
40	Cash and Cash Equivalents at Beginning of Year	36,565	10,349	10,349
41	Cash and Cash Equivalents at End of Year	<u>\$ 10,349</u>	<u>\$ 223,156</u>	<u>\$ 455,530</u>

SUPPORTING SCHEDULES:

E-3

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Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Projected Construction Requirements

Exhibit
 Schedule F-3
 Page 1
 Witness: Bourassa

Line No.	Account Number	Plant Asset:	Test Year	2013	2014	2015
1						
2						
3						
4	351	Organization	\$ 5,785			
5	352	Franchise	417			
6	353	Land	7,545			
7	354	Structures & Improvements	150,000	20,000	20,000	20,000
8	355	Power Generation	-			
9	360	Collection Sewer Forced	633,061			
10	361	Collection Sewers Gravity	(5,474,813)	16,000	5,000	90,000
11	362	Special Collecting Structures	-			
12	363	Customer Services	1,130,099			
13	364	Flow Measuring Devices	47,261			
14	366	Reuse Services	-			
15	367	Reuse Meters And Installation	-			
16	370	Receiving Wells	867,120			
17	371.0	Pumping Equipment	1,622,201	140,000	140,000	140,000
18	374.0	Reuse Distribution Reservoirs	-			
19	375	Reuse Trans. and Dist. System	-			
20	380.0	Treatment & Disposal Equipment	742,313		200,000	
21	381.0	Plant Sewers	13,690	32,000	32,000	32,000
22	382	Outfall Sewer Lines	-			
23	389	Other Sewer Plant & Equipment	63,978			
24	390	Office Furniture & Equipment	18,480	6,000	6,000	6,000
25	390.1	Computers and Software	4,025			
26	391	Transportation Equipment	117			
27	392	Stores Equipment	-			
28	393	Tools, Shop And Garage Equip	5,139	2,000	2,000	2,000
29	394	Laboratory Equip	-			
30	396	Communication Equip	5,936			
31	398	Other Tangible Plant	3,913			
32						
33						
34						
35						
36						
37	Total		\$ (153,732)	\$ 216,000	\$ 405,000	\$ 290,000
38						
39						
40						

Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Assumptions Used in Rate Filing

Exhibit
Schedule F-4
Page 1
Witness: Bourassa

Line

No.

- 1 Property Taxes were computed using the method used by the Arizona Department
- 2 of Revenue modified for ratemaking.
- 3
- 4 Projected construction expenditures are shown on Schedule A-4.
- 5
- 6 Expense adjustments are shown on Schedule C2, and are explained in the testimony.
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Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012

Exhibit
 Schedule H-1
 Page 3
 Witness: Bourassa

Revenue Summary
 With Annualized Revenues to Year End Number of Customers

Line No.	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present WW Revenues	Percent of Proposed WW Revenues
1	\$ 1,365,790	\$ 1,759,931	\$ 394,141	28.86%	100.00%	100.00%
2	(5,207)	(5,445)	(238.37)	4.58%	-0.38%	-0.31%
3	\$ 1,360,584	\$ 1,754,486	\$ 393,902	28.95%		
4						
5	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
6	-	(291)	(291)	0.00%	0.00%	-0.02%
7	\$ 1,360,584	\$ 1,754,195	\$ 393,611	28.93%	0.00%	0.00%
8						
9						
10	<u>Revenue Reconciliation</u>					
11						
12	Revenue per bill count before revenue annualization	\$ 1,365,790				
13	Revenue per GL (metered water revenue)	\$ 1,323,901				
14	Adjustments Rev. Accrual Correction	37,387				
15	Adjusted Revenue per GL (metered water revenues)	1,361,288				
16	Difference	\$ 4,502				
17	Difference %	0.33%				
18	Tolerance %	0.50%				
19	Tolerance Amount + or -	\$ 6,806				
20	Acceptable?					YES
21						
22						
23						
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Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Customer Summary

Exhibit
 Schedule H-2
 Page 1
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 2/29/2012	Average Bill		Average Consumption	Proposed Increase	
			Present Rates	Proposed Rates		Dollar Amount	Percent Amount
1	5/8X3/4 Inch Residential	1,819	\$ 45.88	\$ 60.01	-	14.13	30.80%
2	5/8X3/4 Inch Residential (Low Income)	58	39.00	51.01	-	12.01	30.80%
3	3/4 Inch Residential	8	52.88	69.17	-	16.29	30.80%
4	1 Inch Residential	9	64.64	84.55	-	19.91	30.80%
5	1 Inch Residential (Low Income)	1	54.94	71.87	-	16.92	30.80%
6	1 1/2 Inch Residential	-	95.44	124.84	-	29.40	30.80%
7	2 Inch Residential	0	132.38	173.15	-	40.77	30.80%
8	Subtotal	1,895					
9							
10	5/8X3/4 Inch Commercial	55	52.63	67.88	8,446	15.25	28.97%
11	1 Inch Commercial	40	103.11	129.36	15,237	26.26	25.47%
12	1 1/2 Inch Commercial	7	203.02	250.16	30,036	47.15	23.22%
13	2 Inch Commercial	27	285.56	351.61	39,801	66.05	23.13%
14	3 Inch Commercial	1	355.93	447.64	33,833	91.71	25.77%
15	4 Inch Commercial	4	1,873.98	2,232.07	335,083	358.09	19.11%
16	6 Inch Commercial	0	2,898.52	3,469.66	488,571	571.15	19.70%
17	Subtotal	135					
18							
19	5/8X3/4 Inch Multi-tenant	6	58.09	74.23	9,614	16.15	27.79%
20	1 1/2 Inch Multi-tenant	1	117.62	150.68	11,750	33.06	28.10%
21	Subtotal	7					
22							
23							
24							
25							
26	Total	2,037					
27							

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Customer Summary

Exhibit
 Schedule H-2
 Page 2
 Witness: Bourassa

Line No.	Meter Size, Class	(a) Average Number of Customers at 2/29/2012	Median Bill		Proposed Rates	Proposed Rates	Proposed Increase	
			Present Rates	Proposed Rates			Dollar Amount	Percent Amount
1	5/8X3/4 Inch Residential	1,819	\$ 45.88	\$ 60.01	14.13	30.80%	14.13	30.80%
2	5/8X3/4 Inch Residential (Low Income)	58	39.00	51.01	12.01	30.80%	12.01	30.80%
3	3/4 Inch Residential	8	52.88	69.17	16.29	30.80%	16.29	30.80%
4	1 Inch Residential	9	64.64	84.55	19.91	30.80%	19.91	30.80%
5	1 Inch Residential (Low Income)	1	54.94	71.87	16.92	30.80%	16.92	30.80%
6	1 1/2 Inch Residential	-	95.44	124.84	29.40	30.80%	29.40	30.80%
7	2 Inch Residential	0	132.38	173.15	40.77	30.80%	40.77	30.80%
8	Subtotal	1,895						
9								
10	5/8X3/4 Inch Commercial	55	\$ 45.88	\$ 60.01	14.13	30.80%	14.13	30.80%
11	1 Inch Commercial	40	69.31	89.99	20.68	29.84%	20.68	29.84%
12	1 1/2 Inch Commercial	7	95.44	124.84	29.40	30.80%	29.40	30.80%
13	2 Inch Commercial	27	193.09	243.88	50.79	26.30%	50.79	26.30%
14	3 Inch Commercial	1	321.69	407.74	86.06	26.75%	86.06	26.75%
15	4 Inch Commercial	4	2,060.39	2,449.24	388.85	18.87%	388.85	18.87%
16	6 Inch Commercial	0	1,548.56	1,896.96	348.40	22.50%	348.40	22.50%
17	Subtotal	135						
18								
19	5/8X3/4 Inch Multi-tenant	6	\$ 55.22	\$ 70.89	15.67	28.38%	15.67	28.38%
20	1 1/2 Inch Multi-tenant	1	114.12	146.60	32.48	28.46%	32.48	28.46%
21	Subtotal	7						
22								
23								
24								
25								
26	Total	2,037						
27								

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Present and Proposed Rates

Exhibit
 Schedule H-3
 Page 1
 Witness: Bourassa

Line No.	Monthly Minimum Charge for: Meter Size (All Classes):	Present Rates	Proposed Rates	Change	Percent Change
1	5/8 Inch	\$ 45.88	\$ 60.01	\$ 14.13	30.80%
2	3/4 Inch	52.88	69.17	16.29	30.80%
3	1 Inch	64.64	84.55	19.91	30.80%
4	1 1/2 Inch	95.44	124.84	29.40	30.80%
5	2 Inch	132.38	173.15	40.77	30.80%
6	3 Inch	230.62	301.65	71.03	30.80%
7	4 Inch	341.83	447.11	105.28	30.80%
8	6 Inch	649.58	849.65	200.07	30.80%
9	8 Inch	944.45	1,235.34	290.89	30.80%
10	10 Inch	1,415.24	1,851.13	435.89	30.80%
11	12 Inch	2,012.57	2,632.44	619.87	30.80%

Commodity Rates (Commercial and Multi-tenant Only)	Block	Present Rate	Proposed Rate
All Meter Sizes	0 gallons to 7,000 gallons over 7,000 gallons	\$ -	\$ 5.44

Low Income Tariff - A 15% discount is available to qualified residential customers meeting the low income qualifications. Participation is limited to a maximum 725 customers.

NT = No Tariff

Line No. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38

Rio Rico Utilities, Inc. - Wastewater Division
 Changes in Representative Rate Schedules
 Test Year Ended February 29, 2012

Exhibit
 Schedule H-3
 Page 2
 Witness: Bourassa

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	\$ 15.00	\$ 15.00
2	Establishment (After Hours)	\$ 25.00	\$ 25.00
3	Reconnection (Delinquent)	\$ 15.00	\$ 15.00
4	Reconnection (Delinquent) - After Hours	\$ 25.00	\$ 25.00
5	Deposit	*	*
6	Deposit Interest	**	**
7	Reestablishment (within 12 months)	***	***
8	NSF Check	\$ 15.00	\$ 15.00
9	Late Payment Penalty	1.5% per month	1.5% per month
10	Deferred Payment	1.5% per month	1.5% per month
11	Service Calls - Per Hour/After Hours(a)	\$ 40.00	\$ 40.00

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* Per Commission Rule A.A.C. R-14-2-603(B)
 ** Per Commission Rule A.A.C. R-14-2-603(B)
 *** Per Commission Rule A.A.C. R14-2-603(D) - Months off the system times the monthly minimum.

(a) No charge for service calls during normal working hours.

IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE 14-2-608D(5).

Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
Meter and Service Line Charges

Exhibit
Schedule H-3
Page 3
Witness: Bourassa

Line
No.

1
2 **Service Line Installation Charges**

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7		Present	Proposed
8	<u>Service Line Size</u>	<u>Charge</u>	<u>Charge</u>
9	4 Inch	At Cost	At Cost
10	6 Inch	At Cost	At Cost
11	8 Inch	At Cost	At Cost
12	10 Inch	At Cost	At Cost
13	12 Inch	At Cost	At Cost

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32 N/T = No Tariff

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Rio Rico Utilities, Inc. - Wastewater Division
 Bill Comparison Present and Proposed Rates

Meter Size: 5/8 Inch Residential

Exhibit
 Schedule H-4
 Page 1
 Witness: Bourassa

Present Bill	Proposed Bill	Dollar Increase	Percent Increase
\$ 45.88	\$ 60.01	\$ 14.13	30.80%

Present Rates:
 Monthly Minimum: \$ 45.88

Proposed Rates:
 Monthly Minimum: \$ 60.01

Average Usage	\$ -	\$ 60.01	\$ 14.13	30.80%
Median Usage	\$ -	\$ 60.01	\$ 14.13	30.80%

Rio Rico Utilities, Inc. - Wastewater Division
 Bill Comparison Present and Proposed Rates
 5/8 Inch Residential (Low Income)

Exhibit
 Schedule H-4
 Page 2
 Witness: Bourassa

Meter Size:

Present Bill	Proposed Bill	Dollar Increase	Percent Increase
\$ 39.00	\$ 51.01	\$ 12.01	30.80%

Present Rates:
 Monthly Minimum: \$ 39.00

Proposed Rates:
 Monthly Minimum: \$ 51.01

Average Usage	\$	39.00	\$	51.01	\$	12.01	30.80%
Median Usage	\$	39.00	\$	51.01	\$	12.01	30.80%

Rio Rico Utilities, Inc. - Wastewater Division
 Bill Comparison Present and Proposed Rates
 3/4 Inch Residential

Exhibit
 Schedule H-4
 Page 3
 Witness: Bourassa

Meter Size:

Present Bill	Proposed Bill	Dollar Increase	Percent Increase
\$ 52.88	\$ 69.17	\$ 16.29	30.80%

Present Rates:
 Monthly Minimum: \$ 52.88

Proposed Rates:
 Monthly Minimum: \$ 69.17

Average Usage	\$ -	\$ 69.17	\$ 16.29	30.80%
Median Usage	\$ -	\$ 69.17	\$ 16.29	30.80%

Rio Rico Utilities, Inc. - Wastewater Division
 Bill Comparison Present and Proposed Rates
 1 Inch Residential

Exhibit
 Schedule H-4
 Page 4
 Witness: Bourassa

Meter Size:

Present Bill	Proposed Bill	Dollar Increase	Percent Increase
\$ 64.64	\$ 84.55	\$ 19.91	30.80%

Present Rates:
 Monthly Minimum: \$ 64.64

Proposed Rates:
 Monthly Minimum: \$ 84.55

Average Usage	\$ -	\$ 84.55	\$ 19.91	30.80%
Median Usage	\$ -	\$ 84.55	\$ 19.91	30.80%

Rio Rico Utilities, Inc. - Wastewater Division
 Bill Comparison Present and Proposed Rates
 1 Inch Residential (Low Income)

Exhibit
 Schedule H-4
 Page 5
 Witness: Bourassa

Meter Size:

Present Bill	Proposed Bill	Dollar Increase	Percent Increase
\$ 54.94	\$ 71.87	\$ 16.92	30.80%

Present Rates:
 Monthly Minimum: \$ 54.94

Proposed Rates:
 Monthly Minimum: \$ 71.87

Average Usage	\$ -	\$ 71.87	\$ 16.92	30.80%
Median Usage	\$ -	\$ 71.87	\$ 16.92	30.80%

Rio Rico Utilities, Inc. - Wastewater Division
 Bill Comparison Present and Proposed Rates

Meter Size: 1 1/2 Inch Residential

Exhibit
 Schedule H-4
 Page 6
 Witness: Bourassa

Present Bill	Proposed Bill	Dollar Increase	Percent Increase
\$ 95.44	\$ 124.84	\$ 29.40	30.80%

Present Rates:
 Monthly Minimum: \$ 95.44

Proposed Rates:
 Monthly Minimum: \$ 124.84

Average Usage	\$ -	\$ 124.84	\$ 29.40	30.80%
Median Usage	\$ -	\$ 124.84	\$ 29.40	30.80%

Rio Rico Utilities, Inc. - Wastewater Division
 Bill Comparison Present and Proposed Rates
 2 Inch Residential

Exhibit
 Schedule H-4
 Page 7
 Witness: Bourassa

Meter Size:

Present Bill	Proposed Bill	Dollar Increase	Percent Increase
\$ 132.38	\$ 173.15	\$ 40.77	30.80%

Present Rates:
 Monthly Minimum: \$ 132.38

Proposed Rates:
 Monthly Minimum: \$ 173.15

Average Usage	\$ -	\$ 173.15	\$ 40.77	30.80%
Median Usage	\$ -	\$ 173.15	\$ 40.77	30.80%

Rio Rico Utilities, Inc. - Wastewater Division

Bill Comparison Present and Proposed Rates

Meter Size: 5/8 Inch Commercial

Exhibit
Schedule H-4
Page 8
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$	60.01	\$ 14.13	30.80%
1,000	45.88	60.01	14.13	30.80%
2,000	45.88	60.01	14.13	30.80%
3,000	45.88	60.01	14.13	30.80%
4,000	45.88	60.01	14.13	30.80%
5,000	45.88	60.01	14.13	30.80%
6,000	45.88	60.01	14.13	30.80%
7,000	45.88	60.01	14.13	30.80%
8,000	50.55	65.45	14.90	29.48%
9,000	55.22	70.89	15.67	28.38%
10,000	59.89	76.33	16.44	27.45%
12,000	69.23	87.21	17.98	25.98%
14,000	78.57	98.09	19.52	24.85%
16,000	87.91	108.98	21.07	23.96%
18,000	97.25	119.86	22.61	23.25%
20,000	106.59	130.74	24.15	22.66%
25,000	129.94	157.94	28.00	21.55%
30,000	153.29	185.14	31.85	20.78%
35,000	176.64	212.35	35.71	20.21%
40,000	199.99	239.55	39.56	19.78%
45,000	223.34	266.75	43.41	19.44%
50,000	246.69	293.95	47.26	19.16%
60,000	293.39	348.36	54.97	18.74%
70,000	340.09	402.77	62.68	18.43%
80,000	386.79	457.17	70.38	18.20%
90,000	433.49	511.58	78.09	18.01%
100,000	480.19	565.98	85.79	17.87%

Present Rates:
 Monthly Minimum: \$ 45.88
 Gallons in Minimum: -
 Charge Per 1,000 Gallons: 7,000 \$ -
 Up to: 7,000 \$ 4.67
 Over:

Proposed Rates:
 Monthly Minimum: \$ 60.01
 Gallons in Minimum: -
 Charge Per 1,000 Gallons: 7,000 \$ -
 Up to: 7,000 \$ 5.44
 Over:

Average Usage	8,446	\$ 52.63	\$ 67.88	\$ 15.25	28.97%
Median Usage	4,000	\$ 45.88	\$ 60.01	\$ 14.13	30.80%

Rio Rico Utilities, Inc. - Wastewater Division
Bill Comparison Present and Proposed Rates

Exhibit
 Schedule H-4
 Page 9
 Witness: Bourassa

Meter Size: 1 Inch Commercial

Usage	Present		Proposed		Dollar Increase	Percent Increase	Present Rates:
	Bill	\$	Bill	\$			
-	64.64	\$	84.55	\$	19.91	30.80%	Monthly Minimum: \$ 64.64
1,000	64.64		84.55		19.91	30.80%	Gallons in Minimum Charge Per 1,000 Gallons: -
2,000	64.64		84.55		19.91	30.80%	Up to 7,000 \$ -
3,000	64.64		84.55		19.91	30.80%	Over 7,000 \$ 4.67
4,000	64.64		84.55		19.91	30.80%	
5,000	64.64		84.55		19.91	30.80%	
6,000	64.64		84.55		19.91	30.80%	
7,000	64.64		84.55		19.91	30.80%	
8,000	69.31		89.99		20.68	29.84%	
9,000	73.98		95.43		21.45	28.99%	
10,000	78.65		100.87		22.22	28.25%	
12,000	87.99		111.75		23.76	27.01%	
14,000	97.33		122.63		25.30	26.00%	Proposed Rates: Monthly Minimum: \$ 84.55
16,000	106.67		133.51		26.84	25.17%	Gallons in Minimum Charge Per 1,000 Gallons: -
18,000	116.01		144.40		28.39	24.47%	Up to 7,000 \$ -
20,000	125.35		155.28		29.93	23.87%	Over 7,000 \$ 5.44
25,000	148.70		182.48		33.78	22.72%	
30,000	172.05		209.68		37.63	21.87%	
35,000	195.40		236.88		41.48	21.23%	
40,000	218.75		264.09		45.34	20.73%	
45,000	242.10		291.29		49.19	20.32%	
50,000	265.45		318.49		53.04	19.98%	
60,000	312.15		372.90		60.75	19.46%	
70,000	358.85		427.30		68.45	19.08%	
80,000	405.55		481.71		76.16	18.78%	
90,000	452.25		536.11		83.86	18.54%	
100,000	498.95		590.52		91.57	18.35%	
Average Usage	15,237	\$	129.36	\$	26.26	25.47%	
Median Usage	8,000	\$	89.99	\$	20.68	29.84%	

Rio Rico Utilities, Inc. - Wastewater Division

Bill Comparison Present and Proposed Rates

Meter Size: 1 1/2 Inch Commercial

Exhibit Schedule H-4
Page 10
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 95.44	\$ 124.84	\$ 29.40	30.80%
1,000	95.44	124.84	29.40	30.80%
2,000	95.44	124.84	29.40	30.80%
3,000	95.44	124.84	29.40	30.80%
4,000	95.44	124.84	29.40	30.80%
5,000	95.44	124.84	29.40	30.80%
6,000	95.44	124.84	29.40	30.80%
7,000	95.44	124.84	29.40	30.80%
8,000	100.11	130.28	30.17	30.13%
9,000	104.78	135.72	30.94	29.53%
10,000	109.45	141.16	31.71	28.97%
12,000	118.79	152.04	33.25	27.99%
14,000	128.13	162.92	34.79	27.15%
16,000	137.47	173.80	36.33	26.43%
18,000	146.81	184.68	37.87	25.80%
20,000	156.15	195.56	39.41	25.24%
25,000	179.50	222.77	43.27	24.10%
30,000	202.85	249.97	47.12	23.23%
35,000	226.20	277.17	50.97	22.53%
40,000	249.55	304.37	54.82	21.97%
45,000	272.90	331.58	58.68	21.50%
50,000	296.25	358.78	62.53	21.11%
60,000	342.95	413.18	70.23	20.48%
70,000	389.65	467.59	77.94	20.00%
80,000	436.35	522.00	85.65	19.63%
90,000	483.05	576.40	93.35	19.33%
100,000	529.75	630.81	101.06	19.08%
Average Usage	30,036	250.16	47.15	23.22%
Median Usage	5,000	124.84	29.40	30.80%

Present Rates:
Monthly Minimum: \$ 95.44
Gallons in Minimum -
Charge Per 1,000 Gallons
Up to 7,000 \$ -
Over 7,000 \$ 4.67

Proposed Rates:
Monthly Minimum: \$ 124.84
Gallons in Minimum -
Charge Per 1,000 Gallons
Up to 7,000 \$ -
Over 7,000 \$ 5.44

Rio Rico Utilities, Inc. - Wastewater Division
 Bill Comparison Present and Proposed Rates
 2 Inch Commercial

Exhibit
 Schedule H-4
 Page 11
 Witness: Bourassa

Meter Size:

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 132.38	\$ 173.15	\$ 40.77	30.80%
1,000	132.38	173.15	40.77	30.80%
2,000	132.38	173.15	40.77	30.80%
3,000	132.38	173.15	40.77	30.80%
4,000	132.38	173.15	40.77	30.80%
5,000	132.38	173.15	40.77	30.80%
6,000	132.38	173.15	40.77	30.80%
7,000	132.38	173.15	40.77	30.80%
8,000	137.05	178.59	41.54	30.31%
9,000	141.72	184.03	42.31	29.86%
10,000	146.39	189.47	43.08	29.43%
12,000	155.73	200.36	44.63	28.66%
14,000	165.07	211.24	46.17	27.97%
16,000	174.41	222.12	47.71	27.35%
18,000	183.75	233.00	49.25	26.80%
20,000	193.09	243.88	50.79	26.30%
25,000	216.44	271.08	54.64	25.25%
30,000	239.79	298.29	58.50	24.39%
35,000	263.14	325.49	62.35	23.69%
40,000	286.49	352.69	66.20	23.11%
45,000	309.84	379.89	70.05	22.61%
50,000	333.19	407.10	73.91	22.18%
60,000	379.89	461.50	81.61	21.48%
70,000	426.59	515.91	89.32	20.94%
80,000	473.29	570.31	97.02	20.50%
90,000	519.99	624.72	104.73	20.14%
100,000	566.69	679.12	112.43	19.84%
Average Usage 39,801	\$ 285.56	\$ 351.61	\$ 66.05	23.13%
Median Usage 20,000	\$ 193.09	\$ 243.88	\$ 50.79	26.30%

Present Rates:
 Monthly Minimum: \$ 132.38
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 7,000 \$ -
 Over 7,000 \$ 4.67

Proposed Rates:
 Monthly Minimum: \$ 173.15
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 7,000 \$ -
 Over 7,000 \$ 5.44

Rio Rico Utilities, Inc. - Wastewater Division
 Bill Comparison Present and Proposed Rates
 3 Inch Commercial

Exhibit
 Schedule H-4
 Page 12
 Witness: Bourassa

Meter Size:

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 230.62	\$ 301.65	\$ 71.03	30.80%
1,000	230.62	301.65	71.03	30.80%
2,000	230.62	301.65	71.03	30.80%
3,000	230.62	301.65	71.03	30.80%
4,000	230.62	301.65	71.03	30.80%
5,000	230.62	301.65	71.03	30.80%
6,000	230.62	301.65	71.03	30.80%
7,000	230.62	301.65	71.03	30.80%
8,000	235.29	307.09	71.80	30.52%
9,000	239.96	312.53	72.57	30.24%
10,000	244.63	317.97	73.34	29.98%
12,000	253.97	328.85	74.88	29.49%
14,000	263.31	339.73	76.42	29.02%
16,000	272.65	350.62	77.97	28.60%
18,000	281.99	361.50	79.51	28.19%
20,000	291.33	372.38	81.05	27.82%
25,000	314.68	399.58	84.90	26.98%
30,000	338.03	426.78	88.75	26.26%
35,000	361.38	453.99	92.61	25.63%
40,000	384.73	481.19	96.46	25.07%
45,000	408.08	508.39	100.31	24.58%
50,000	431.43	535.59	104.16	24.14%
60,000	478.13	590.00	111.87	23.40%
70,000	524.83	644.41	119.58	22.78%
80,000	571.53	698.81	127.28	22.27%
90,000	618.23	753.22	134.99	21.83%
100,000	664.93	807.62	142.69	21.46%

Present Rates:
 Monthly Minimum: \$ 230.62
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 7,000 \$ -
 Over 7,000 \$ 4.67

Proposed Rates:
 Monthly Minimum: \$ 301.65
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 7,000 \$ -
 Over 7,000 \$ 5.44

Average Usage	33,833	\$ 355.93	\$ 447.64	\$ 91.71	25.77%
Median Usage	26,500	\$ 321.69	\$ 407.74	\$ 86.06	26.75%

Rio Rico Utilities, Inc. - Wastewater Division
Bill Comparison Present and Proposed Rates
 4 Inch Commercial

Exhibit
 Schedule H-4
 Page 13
 Witness: Bourassa

Meter Size:

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 341.83	\$ 447.11	\$ 105.28	30.80%
1,000	341.83	447.11	105.28	30.80%
2,000	341.83	447.11	105.28	30.80%
3,000	341.83	447.11	105.28	30.80%
4,000	341.83	447.11	105.28	30.80%
5,000	341.83	447.11	105.28	30.80%
6,000	341.83	447.11	105.28	30.80%
7,000	341.83	447.11	105.28	30.80%
8,000	346.50	452.55	106.05	30.61%
9,000	351.17	457.99	106.82	30.42%
10,000	355.84	463.44	107.60	30.24%
12,000	365.18	474.32	109.14	29.89%
14,000	374.52	485.20	110.68	29.55%
16,000	383.86	496.08	112.22	29.23%
18,000	393.20	506.96	113.76	28.93%
20,000	402.54	517.84	115.30	28.64%
25,000	425.89	545.04	119.15	27.98%
30,000	449.24	572.25	123.01	27.38%
35,000	472.59	599.45	126.86	26.84%
40,000	495.94	626.65	130.71	26.36%
45,000	519.29	653.85	134.56	25.91%
50,000	542.64	681.06	138.42	25.51%
60,000	589.34	735.46	146.12	24.79%
70,000	636.04	789.87	153.83	24.19%
80,000	682.74	844.27	161.53	23.66%
90,000	729.44	898.68	169.24	23.20%
100,000	776.14	953.08	176.94	22.80%

Present Rates:
 Monthly Minimum: \$ 341.83
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 7,000 \$ -
 Over 7,000 \$ 4.67

Proposed Rates:
 Monthly Minimum: \$ 447.11
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 7,000 \$ -
 Over 7,000 \$ 5.44

Average Usage	335,083	\$ 1,873.98	\$ 2,232.07	\$ 358.09	19.11%
Median Usage	375,000	\$ 2,060.39	\$ 2,449.24	\$ 388.85	18.87%

Rio Rico Utilities, Inc. - Wastewater Division

Bill Comparison Present and Proposed Rates

Meter Size: 6 Inch Commercial

Exhibit Schedule H-4
 Page 14
 Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 649.58	\$ 849.65	\$ 200.07	30.80%
1,000	649.58	849.65	200.07	30.80%
2,000	649.58	849.65	200.07	30.80%
3,000	649.58	849.65	200.07	30.80%
4,000	649.58	849.65	200.07	30.80%
5,000	649.58	849.65	200.07	30.80%
6,000	649.58	849.65	200.07	30.80%
7,000	649.58	849.65	200.07	30.80%
8,000	654.25	855.09	200.84	30.70%
9,000	658.92	860.53	201.61	30.60%
10,000	663.59	865.97	202.38	30.50%
12,000	672.93	876.85	203.92	30.30%
14,000	682.27	887.73	205.46	30.11%
16,000	691.61	898.62	207.01	29.93%
18,000	700.95	909.50	208.55	29.75%
20,000	710.29	920.38	210.09	29.58%
25,000	733.64	947.58	213.94	29.16%
30,000	756.99	974.78	217.79	28.77%
35,000	780.34	1,001.99	221.65	28.40%
40,000	803.69	1,029.19	225.50	28.06%
45,000	827.04	1,056.39	229.35	27.73%
50,000	850.39	1,083.59	233.20	27.42%
60,000	897.09	1,138.00	240.91	26.85%
70,000	943.79	1,192.41	248.62	26.34%
80,000	990.49	1,246.81	256.32	25.88%
90,000	1,037.19	1,301.22	264.03	25.46%
100,000	1,083.89	1,355.62	271.73	25.07%

Present Rates:
 Monthly Minimum: \$ 649.58
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 7,000 \$ -
 Over 7,000 \$ 4.67

Proposed Rates:
 Monthly Minimum: \$ 849.65
 Gallons in Minimum -
 Charge Per 1,000 Gallons
 Up to 7,000 \$ -
 Over 7,000 \$ 5.44

Average Usage	488,571	\$ 2,898.52	\$ 3,469.66	\$ 571.15	19.70%
Median Usage	511,000	\$ 3,003.26	\$ 3,591.69	\$ 588.43	19.59%

Rio Rico Utilities, Inc. - Wastewater Division
 Bill Comparison Present and Proposed Rates
 5/8 Inch Multi-Tenant

Exhibit H-4
 Schedule Page 15
 Witness: Bourassa

Meter Size:

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase	Present Rates:
-	\$	60.01	\$ 14.13	30.80%	Monthly Minimum: \$ 45.88
1,000	45.88	60.01	14.13	30.80%	Gallons in Minimum: \$ 45.88
2,000	45.88	60.01	14.13	30.80%	Charge Per 1,000 Gallons: \$ -
3,000	45.88	60.01	14.13	30.80%	Up to 7,000 \$ -
4,000	45.88	60.01	14.13	30.80%	Up to 99,999,999 \$ 4.67
5,000	45.88	60.01	14.13	30.80%	Over 99,999,999 \$ -
6,000	45.88	60.01	14.13	30.80%	
7,000	45.88	60.01	14.13	30.80%	
8,000	50.55	65.45	14.90	29.48%	
9,000	55.22	70.89	15.67	28.38%	
10,000	59.89	76.33	16.44	27.45%	
12,000	69.23	87.21	17.98	25.98%	
14,000	78.57	98.09	19.52	24.85%	Proposed Rates: \$ 60.01
16,000	87.91	108.98	21.07	23.96%	Monthly Minimum: \$ -
18,000	97.25	119.86	22.61	23.25%	Gallons in Minimum: \$ -
20,000	106.59	130.74	24.15	22.66%	Charge Per 1,000 Gallons: \$ 5.44
25,000	129.94	157.94	28.00	21.55%	Up to 7,000 \$ -
30,000	153.29	185.14	31.85	20.78%	Up to 99,999,999 \$ 5.44
35,000	176.64	212.35	35.71	20.21%	Over 99,999,999 \$ -
40,000	199.99	239.55	39.56	19.78%	
45,000	223.34	266.75	43.41	19.44%	
50,000	246.69	293.95	47.26	19.16%	
60,000	293.39	348.36	54.97	18.74%	
70,000	340.09	402.77	62.68	18.43%	
80,000	386.79	457.17	70.38	18.20%	
90,000	433.49	511.58	78.09	18.01%	
100,000	480.19	565.98	85.79	17.87%	
Average Usage	9,614	\$ 74.23	\$ 16.15	27.79%	
Median Usage	9,000	\$ 70.89	\$ 15.67	28.38%	

Rio Rico Utilities, Inc. - Wastewater Division

Bill Comparison Present and Proposed Rates

Meter Size: 1 1/2 Inch Multi-Tenant

Exhibit
Schedule H-4
Page 16
Witness: Bourassa

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 95.44	\$ 124.84	\$ 29.40	30.80%
1,000	95.44	124.84	29.40	30.80%
2,000	95.44	124.84	29.40	30.80%
3,000	95.44	124.84	29.40	30.80%
4,000	95.44	124.84	29.40	30.80%
5,000	95.44	124.84	29.40	30.80%
6,000	95.44	124.84	29.40	30.80%
7,000	95.44	124.84	29.40	30.80%
8,000	100.11	130.28	30.17	30.13%
9,000	104.78	135.72	30.94	29.53%
10,000	109.45	141.16	31.71	28.97%
12,000	118.79	152.04	33.25	27.99%
14,000	128.13	162.92	34.79	27.15%
16,000	137.47	173.80	36.33	26.43%
18,000	146.81	184.68	37.87	25.80%
20,000	156.15	195.56	39.41	25.24%
25,000	179.50	222.77	43.27	24.10%
30,000	202.85	249.97	47.12	23.23%
35,000	226.20	277.17	50.97	22.53%
40,000	249.55	304.37	54.82	21.97%
45,000	272.90	331.58	58.68	21.50%
50,000	296.25	358.78	62.53	21.11%
60,000	342.95	413.18	70.23	20.48%
70,000	389.65	467.59	77.94	20.00%
80,000	436.35	522.00	85.65	19.63%
90,000	483.05	576.40	93.35	19.33%
100,000	529.75	630.81	101.06	19.08%
Average Usage	117.62	150.68	33.06	28.10%
Median Usage	114.12	146.60	32.48	28.46%

Present Rates:
Monthly Minimum: \$ 95.44
Gallons in Minimum -
Charge Per 1,000 Gallons -
Up to 7,000 \$ -
Over 7,000 \$ 4.67

Proposed Rates:
Monthly Minimum: \$ 124.84
Gallons in Minimum -
Charge Per 1,000 Gallons -
Up to 7,000 \$ -
Over 7,000 \$ 5.44

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 5/8 Inch Residential (Low Income)

Exhibit
 Schedule H-5
 Page 2
 Witness: Bourassa

Meter Size:

Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Month of	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)	
Feb-11	Mar-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12		
-	36	40	49	33	82	67	69	74	78	80	83	691	-
-	-	-	-	-	-	-	-	-	-	-	-	691	-
-	-	-	-	-	-	-	-	-	-	-	-	691	-
-	-	-	-	-	-	-	-	-	-	-	-	691	-
-	-	-	-	-	-	-	-	-	-	-	-	691	-
-	-	-	-	-	-	-	-	-	-	-	-	691	-
-	-	-	-	-	-	-	-	-	-	-	-	691	-
-	-	-	-	-	-	-	-	-	-	-	-	691	-
-	-	-	-	-	-	-	-	-	-	-	-	691	-
-	-	-	-	-	-	-	-	-	-	-	-	691	-
-	-	-	-	-	-	-	-	-	-	-	-	691	-
-	-	-	-	-	-	-	-	-	-	-	-	691	-
-	-	-	-	-	-	-	-	-	-	-	-	691	-

Totals	-	36	40	49	33	82	67	69	74	78	80	83	691	-
	Average Usage													
	Median Usage													
	Average # Customers													
	Change in Number of Customers													
	-											58	83	

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 5/8 Inch Commercial

Exhibit
 Schedule H-5
 Page 8
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	11	7	7	12	2	17	13	12	13	13	13	14	134	134	-
1,000	1,000	8	12	13	5	6	11	10	11	11	11	14	10	119	253	119
2,000	2,000	4	4	5	3	1	11	6	6	4	4	4	4	58	311	235
3,000	3,000	3	5	4	4	-	3	1	1	2	5	6	6	40	351	355
4,000	4,000	5	4	3	2	1	5	1	1	3	-	2	1	28	379	467
5,000	5,000	-	1	2	3	1	3	1	4	3	1	1	2	22	401	577
6,000	6,000	3	1	2	2	-	1	2	-	2	1	1	3	18	419	685
7,000	7,000	-	1	-	1	1	2	1	-	2	3	1	2	14	433	783
8,000	8,000	1	1	-	2	2	1	1	-	1	3	1	-	12	445	879
9,000	9,000	1	-	-	2	1	2	2	2	-	2	-	-	13	458	996
10,000	10,000	2	1	3	2	-	-	2	1	-	1	3	1	16	474	1,156
11,000	11,000	2	2	1	-	-	2	-	1	1	2	2	-	13	487	1,299
12,000	12,000	3	1	1	2	2	3	3	1	1	-	1	4	22	509	1,563
13,000	13,000	1	3	-	-	-	-	1	3	-	-	1	2	11	520	1,706
14,000	14,000	-	2	1	-	-	-	-	1	1	2	-	-	7	527	1,804
15,000	15,000	-	-	2	1	-	1	-	2	-	-	1	1	8	535	1,924
16,000	16,000	-	1	2	2	-	2	2	2	2	2	-	-	15	550	2,164
17,000	17,000	-	-	1	-	-	-	-	-	1	-	-	-	6	556	2,266
18,000	18,000	2	1	3	1	2	1	1	-	2	-	-	-	13	569	2,500
19,000	19,000	-	1	-	-	1	2	-	-	1	-	-	-	5	574	2,595
20,000	20,000	1	1	1	1	-	1	-	-	-	-	1	-	6	580	2,715
21,000	21,000	1	-	-	1	-	1	1	-	-	1	-	1	6	586	2,841
22,000	22,000	-	-	1	-	-	2	-	-	1	-	2	-	7	593	2,995
23,000	23,000	-	-	-	-	-	-	1	-	-	-	-	-	3	596	3,064
24,000	24,000	1	-	-	-	-	-	-	1	-	1	-	1	4	600	3,160
25,000	25,000	-	-	-	-	1	-	-	-	-	-	-	-	3	603	3,235
26,000	26,000	-	1	-	-	2	-	-	1	-	-	-	-	4	607	3,339
27,000	27,000	-	-	-	1	-	-	1	-	-	-	-	-	4	611	3,447
28,000	28,000	1	-	-	-	-	-	-	2	-	-	-	-	4	613	3,503
29,000	29,000	1	-	-	3	-	-	-	1	-	-	1	-	6	619	3,677
30,000	30,000	-	-	-	-	-	-	-	-	3	-	-	-	3	622	3,767
31,000	31,000	1	1	-	-	-	-	-	-	-	-	-	-	2	624	3,829
32,000	32,000	-	-	-	-	-	1	-	1	-	2	-	-	4	628	3,957
33,000	33,000	-	-	-	-	-	-	-	-	-	-	-	-	1	629	3,990
34,000	34,000	-	-	1	-	-	-	-	-	-	-	2	-	4	633	4,126
35,000	35,000	-	-	-	-	-	2	-	-	-	-	-	-	4	637	4,266
36,000	36,000	-	-	-	-	-	-	1	-	-	-	-	-	1	638	4,302
37,000	37,000	-	-	-	2	-	-	-	-	-	-	-	-	3	641	4,413
38,000	38,000	1	-	1	-	-	-	-	-	-	1	-	-	3	644	4,527

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 5/8 Inch Commercial

Exhibit
 Schedule H-5
 Page 8
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	39,000														644	4,527
40,000	40,000						1			1			2	4	648	4,687
41,000	41,000														648	4,687
42,000	42,000														648	4,687
43,000	43,000						1						1	2	650	4,773
44,000	44,000				1									1	651	4,817
45,000	45,000		1											1	652	4,862
46,000	46,000											1		1	653	4,908
47,000	47,000														653	4,908
48,000	48,000				1				1					2	655	5,004
49,000	49,000														655	5,004
50,000	50,000	1												1	656	5,054
51,000	51,000														656	5,054
52,000	52,000														656	5,054
53,000	53,000					1								1	657	5,107
54,000	54,000														657	5,107
55,000	55,000														659	5,217
56,000	56,000							1						2	659	5,217
57,000	57,000														660	5,274
58,000	58,000						1							1	661	5,332
59,000	59,000										1				661	5,332
60,000	60,000														661	5,332
61,000	61,000														661	5,332
62,000	62,000														661	5,332
63,000	63,000														661	5,332
64,000	64,000														661	5,332
65,000	65,000														661	5,332
66,000	66,000														661	5,332
67,000	67,000							1						1	662	5,399
68,000	68,000														662	5,399
69,000	69,000														662	5,399
70,000	70,000														662	5,399
71,000	71,000														662	5,399
72,000	72,000														662	5,399
73,000	73,000														662	5,399
74,000	74,000														662	5,399
75,000	75,000														662	5,399
76,000	76,000														662	5,399
77,000	77,000														662	5,399

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 1 Inch Commercial

Exhibit
 Schedule H-5
 Page 9
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	4	1	1	3	5	8	6	6	6	5	3	6	54	54	-
1,000	1,000	-	2	2	3	2	5	5	6	5	5	7	4	46	100	46
2,000	2,000	4	2	2	1	1	4	4	2	2	3	3	2	30	130	106
3,000	3,000	3	2	2	3	3	2	3	1	4	9	4	2	38	168	220
4,000	4,000	1	3	2	1	-	2	2	2	3	1	4	6	24	192	316
5,000	5,000	1	1	2	-	1	2	1	2	1	-	4	-	15	207	391
6,000	6,000	4	1	1	1	-	2	1	1	1	-	1	2	15	222	481
7,000	7,000	2	2	2	1	1	2	1	2	1	-	-	1	15	237	586
8,000	8,000	3	2	2	-	4	2	3	2	1	1	-	-	20	257	746
9,000	9,000	2	2	2	1	1	-	1	-	2	1	3	1	16	273	890
10,000	10,000	3	-	2	1	1	-	1	1	1	2	-	2	14	287	1,030
11,000	11,000	2	-	1	1	1	2	-	-	1	-	-	-	9	296	1,129
12,000	12,000	1	1	-	2	1	1	-	-	-	-	-	-	7	303	1,213
13,000	13,000	-	1	1	-	1	-	-	2	2	2	2	2	14	317	1,395
14,000	14,000	1	2	-	-	1	-	2	1	-	3	1	1	12	329	1,563
15,000	15,000	1	2	2	1	-	2	1	1	2	-	-	1	13	342	1,758
16,000	16,000	1	2	-	1	1	-	-	-	-	-	1	-	6	348	1,854
17,000	17,000	-	-	2	2	-	-	-	1	-	-	1	1	7	355	1,973
18,000	18,000	-	1	1	-	-	1	-	-	-	-	1	-	6	361	2,081
19,000	19,000	-	1	-	1	2	1	1	-	-	-	-	-	7	368	2,214
20,000	20,000	-	-	1	1	-	-	1	1	-	-	1	1	7	375	2,354
21,000	21,000	-	2	1	-	-	-	-	-	-	1	-	1	5	380	2,459
22,000	22,000	-	-	-	1	-	-	-	-	-	-	-	-	1	381	2,481
23,000	23,000	1	-	2	1	1	1	-	-	-	-	-	-	6	387	2,619
24,000	24,000	1	-	-	1	-	1	-	-	-	-	-	-	2	389	2,667
25,000	25,000	-	-	1	-	-	-	-	2	-	-	-	1	5	394	2,792
26,000	26,000	-	1	-	-	-	-	-	-	-	-	-	-	1	395	2,818
27,000	27,000	-	1	-	1	-	-	-	-	-	-	-	-	2	397	2,872
28,000	28,000	-	-	-	-	-	-	-	1	-	-	-	-	1	398	2,900
29,000	29,000	-	-	-	-	-	-	-	-	-	-	-	-	3	401	2,987
30,000	30,000	-	1	-	-	1	-	-	1	-	-	-	1	3	404	3,077
31,000	31,000	-	-	1	-	-	-	-	-	-	1	-	1	4	408	3,201
32,000	32,000	1	-	-	-	-	1	-	-	-	-	-	-	3	411	3,297
33,000	33,000	-	-	1	-	-	-	-	-	-	-	-	-	2	413	3,363
34,000	34,000	-	-	-	-	2	-	-	-	-	-	-	1	4	417	3,499
35,000	35,000	-	-	-	1	-	1	-	-	-	-	-	-	2	419	3,569
36,000	36,000	-	-	-	-	-	-	-	-	-	2	2	1	6	425	3,785
37,000	37,000	-	-	-	1	-	-	1	-	-	-	-	-	2	427	3,859

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012

Exhibit
 Schedule H-5
 Page 9
 Witness: Bourassa

Meter Size:
 1 Inch Commercial

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
38,000	38,000	-	-	-	-	-	-	1	2	-	-	-	-	4	431	4,011
39,000	39,000	-	1	-	-	-	1	-	-	-	-	-	-	2	433	4,089
40,000	40,000	-	-	-	1	1	-	-	1	1	-	-	-	4	437	4,249
41,000	41,000	1	-	-	-	-	-	-	-	-	-	1	-	3	440	4,372
42,000	42,000	-	-	-	-	-	-	-	1	2	-	-	-	3	443	4,498
43,000	43,000	-	-	1	-	-	-	-	-	-	-	-	-	1	444	4,541
44,000	44,000	-	-	-	-	1	-	-	-	-	-	-	-	1	445	4,585
45,000	45,000	-	-	-	1	1	-	-	-	-	-	-	-	2	447	4,675
46,000	46,000	-	-	-	-	-	-	-	-	-	-	-	1	1	448	4,721
47,000	47,000	-	-	-	-	-	1	-	1	-	-	-	-	2	450	4,815
48,000	48,000	-	-	-	-	-	-	-	-	-	-	-	-	-	450	4,815
49,000	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	450	4,815
50,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	1	451	4,865
51,000	51,000	-	-	-	1	1	-	-	-	-	1	1	-	4	455	5,069
52,000	52,000	-	1	-	-	-	-	1	-	-	-	-	-	3	458	5,225
53,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	458	5,225
54,000	54,000	-	1	-	-	-	-	-	-	-	-	-	-	2	460	5,333
55,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	460	5,333
56,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	2	462	5,445
57,000	57,000	-	-	1	-	1	-	1	-	-	-	-	-	1	463	5,502
58,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	2	465	5,618
59,000	59,000	1	-	1	-	-	-	-	-	1	-	-	-	2	467	5,736
60,000	60,000	1	-	-	-	-	-	-	-	-	-	1	-	2	469	5,856
61,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	469	5,856
62,000	62,000	-	-	-	-	1	-	-	-	-	-	-	-	1	470	5,918
63,000	63,000	-	-	-	-	-	-	-	-	-	-	-	1	1	471	5,981
64,000	64,000	1	-	1	-	-	-	-	-	-	-	-	-	2	473	6,109
65,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	-	473	6,109
66,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	473	6,109
67,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	473	6,109
68,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	473	6,109
69,000	69,000	-	-	-	-	-	-	-	-	-	-	-	-	-	473	6,109
70,000	70,000	-	-	-	1	-	-	-	-	-	-	-	-	1	474	6,179
71,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	474	6,179
72,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	474	6,179
73,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	474	6,179
74,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	474	6,179
75,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	474	6,179

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 1 Inch Commercial

Exhibit
 Schedule H-5
 Page 9
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
76,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	474	6,179
77,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	474	6,179
78,000	78,000	-	-	-	-	1	-	-	-	-	-	-	-	1	475	6,257
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	475	6,257
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	475	6,257
81,000	81,000	-	-	-	-	-	-	-	-	1	-	-	-	1	476	6,338
82,000	82,000	-	-	-	-	-	-	-	-	-	1	-	-	1	477	6,420
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	477	6,420
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	477	6,420
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	477	6,420
86,000	86,000	1	-	-	-	-	-	-	-	-	-	-	-	1	478	6,506
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	478	6,506
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	478	6,506
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	478	6,506
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	478	6,506
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	478	6,506
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	478	6,506
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	478	6,506
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	478	6,506
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	478	6,506
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	478	6,506
97,000	97,000	-	-	-	-	1	-	-	-	-	-	-	-	1	479	6,603
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	479	6,603
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	479	6,603
100,000	100,000	-	1	-	-	-	-	-	-	-	-	-	-	-	479	6,603
122,000	122,000	-	-	-	-	-	-	-	-	-	-	-	-	1	480	6,725
116,000	116,000	-	-	-	1	-	-	-	-	-	-	-	-	2	482	6,957
149,000	149,000	-	-	-	2	-	-	-	-	-	-	-	-	2	484	7,255
132,000	132,000	-	-	-	1	-	-	-	-	-	-	-	-	1	485	7,387
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	485	7,387
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	485	7,387

Totals	41	38	39	39	38	38	44	41	41	41	41	41	42	485		
														15,237		
														8,000		
														40		
														1		

Average Usage
 Median Usage
 Average # Customers
 Change in Number of Customers

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 1 1/2 Inch Commercial

Exhibit
 Schedule H-5
 Page 10
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	40,000	-	-	-	-	-	1	-	-	-	-	-	-	1	64	663
40,000	41,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	663
41,000	42,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	663
42,000	43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	663
43,000	44,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	663
44,000	45,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	663
45,000	46,000	-	-	-	-	-	-	-	-	-	-	-	-	-	64	663
46,000	47,000	-	-	-	-	-	1	-	-	-	-	-	-	3	67	804
47,000	48,000	-	-	-	2	-	-	-	-	-	-	-	-	-	67	804
48,000	49,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	804
49,000	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	804
50,000	51,000	-	-	-	-	-	-	-	-	-	-	-	-	-	67	804
51,000	52,000	-	-	1	-	-	-	-	-	-	-	-	-	-	67	804
52,000	53,000	-	-	-	-	1	-	-	-	-	-	-	-	1	68	856
53,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	1	69	909
54,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	69	909
55,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	69	909
56,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-	-	69	909
57,000	58,000	-	-	-	-	-	-	-	-	-	-	-	-	-	69	909
58,000	59,000	-	-	-	-	-	-	-	-	-	-	-	-	-	69	909
59,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	69	909
60,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	-	69	909
61,000	62,000	-	-	-	-	-	-	-	-	-	-	-	1	1	70	971
62,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	-	70	971
63,000	64,000	-	-	-	-	-	-	-	-	-	-	-	-	-	70	971
64,000	65,000	-	1	-	-	-	-	-	-	-	-	-	-	-	71	1,036
65,000	66,000	-	-	-	-	-	-	-	-	-	-	-	-	-	71	1,036
66,000	67,000	-	-	-	-	-	-	-	-	-	-	-	-	-	71	1,036
67,000	68,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	1,104
68,000	69,000	-	-	-	-	-	1	-	-	-	-	-	-	1	72	1,104
69,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	1,104
70,000	71,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	1,104
71,000	72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	1,104
72,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	1,104
73,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	1,104
74,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	1,104
75,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	1,104
76,000	77,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	1,104

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 Meter Size: 1 1/2 Inch Commercial

Exhibit
 Schedule H-5
 Page 10
 Witness: Bourassa

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	1,104
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	1,104
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	1,104
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	72	1,104
82,000	82,000	-	-	-	1	-	-	-	-	-	-	-	-	1	73	1,186
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	73	1,186
84,000	84,000	-	-	1	-	-	-	-	-	-	-	-	-	1	74	1,270
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	1,270
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	1,270
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	1,270
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	1,270
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	1,270
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	1,270
91,000	91,000	-	-	-	-	-	-	1	-	-	-	-	-	1	75	1,361
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75	1,361
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75	1,361
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75	1,361
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75	1,361
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75	1,361
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75	1,361
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75	1,361
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75	1,361
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75	1,361
101,000	101,000	1	-	-	-	-	-	-	-	-	-	-	-	-	76	1,502
102,000	102,000	-	1	-	-	-	-	-	-	-	-	-	-	-	77	1,603
103,000	103,000	-	-	-	-	-	-	-	-	-	-	-	-	-	78	1,714
104,000	104,000	-	-	1	-	-	-	-	-	-	-	-	-	-	79	1,873
105,000	105,000	-	-	-	-	1	-	-	-	-	-	-	-	-	80	2,018
106,000	106,000	-	-	-	-	-	1	-	-	-	-	-	-	-	81	2,139
107,000	107,000	-	-	-	-	-	-	-	-	1	-	-	-	-	82	2,279
108,000	108,000	-	-	-	-	-	-	-	-	-	1	-	-	-	83	2,389
109,000	109,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
110,000	110,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
111,000	111,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
112,000	112,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
113,000	113,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
114,000	114,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
115,000	115,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
116,000	116,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
117,000	117,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
118,000	118,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
119,000	119,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
120,000	120,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
121,000	121,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
122,000	122,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
123,000	123,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
124,000	124,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
125,000	125,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
126,000	126,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
127,000	127,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
128,000	128,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
129,000	129,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
130,000	130,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
131,000	131,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
132,000	132,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
133,000	133,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
134,000	134,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
135,000	135,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
136,000	136,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
137,000	137,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
138,000	138,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
139,000	139,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
140,000	140,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
141,000	141,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
142,000	142,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
143,000	143,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
144,000	144,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
145,000	145,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
146,000	146,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
147,000	147,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
148,000	148,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
149,000	149,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
150,000	150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
151,000	151,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
152,000	152,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
153,000	153,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
154,000	154,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
155,000	155,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
156,000	156,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
157,000	157,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
158,000	158,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
159,000	159,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
160,000	160,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
161,000	161,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
162,000	162,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
163,000	163,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
164,000	164,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
165,000	165,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
166,000	166,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
167,000	167,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
168,000	168,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
169,000	169,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
170,000	170,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
171,000	171,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
172,000	172,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
173,000	173,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
174,000	174,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
175,000	175,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
176,000	176,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
177,000	177,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
178,000	178,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
179,000	179,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
180,000	180,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
181,000	181,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
182,000	182,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
183,000	183,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
184,000	184,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
185,000	185,000	-	-	-	-	-	-	-	-	-	-	-	-	-	84	2,523
186,000	186,000	-	-</													

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012

Exhibit
 Schedule H-5
 Page 10
 Witness: Bourassa

Meter Size: 1 1/2 Inch Commercial

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
														-		

Change in Number of Customers

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 11
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
-	-	-	1	1	2	1	2	1	1	1	1	1	1	13	13	-
1,000	1,000	-	-	-	-	1	1	3	-	1	-	1	-	7	20	7
2,000	2,000	-	1	1	-	-	1	2	3	1	2	-	-	11	31	29
3,000	3,000	1	2	2	1	-	1	2	-	1	2	-	1	14	45	71
4,000	4,000	2	1	1	-	-	3	-	2	1	1	1	1	13	58	123
5,000	5,000	1	1	1	-	1	-	1	-	2	1	2	-	10	68	173
6,000	6,000	-	-	1	1	-	1	-	1	1	-	1	2	8	76	221
7,000	7,000	-	1	-	-	-	-	-	-	-	-	1	-	2	78	235
8,000	8,000	1	-	-	1	1	-	1	-	-	-	-	1	5	83	275
9,000	9,000	1	1	1	1	2	-	-	1	1	1	1	-	11	94	374
10,000	10,000	-	-	-	-	3	1	1	1	-	1	-	-	7	101	444
11,000	11,000	3	-	-	1	-	-	-	-	1	-	1	2	8	109	532
12,000	12,000	-	-	-	-	1	-	-	1	-	1	-	-	3	112	568
13,000	13,000	1	3	2	2	-	-	1	2	2	1	1	-	15	127	763
14,000	14,000	-	-	1	-	-	-	-	-	1	2	2	-	6	133	847
15,000	15,000	2	-	-	1	-	1	3	-	-	-	1	1	9	142	982
16,000	16,000	-	-	-	-	-	1	-	1	-	-	-	-	4	146	1,046
17,000	17,000	-	-	1	1	-	-	-	-	1	-	-	-	3	149	1,097
18,000	18,000	-	-	1	1	-	-	-	-	-	-	-	1	4	153	1,169
19,000	19,000	1	1	-	-	-	1	2	-	-	-	-	-	5	158	1,264
20,000	20,000	-	-	-	-	-	1	-	-	2	-	-	-	3	161	1,324
21,000	21,000	1	1	-	-	1	1	-	1	-	-	-	-	6	167	1,450
22,000	22,000	-	1	-	2	-	1	-	-	-	-	2	-	6	173	1,582
23,000	23,000	-	-	-	-	1	-	-	1	-	-	-	1	3	176	1,651
24,000	24,000	-	-	1	-	-	-	-	-	-	1	-	1	3	179	1,723
25,000	25,000	-	-	-	-	-	1	1	-	-	-	1	-	2	181	1,773
26,000	26,000	-	-	-	-	-	-	-	-	1	-	-	-	3	184	1,851
27,000	27,000	-	-	-	-	3	-	-	2	-	-	-	-	5	189	1,986
28,000	28,000	-	-	-	-	-	-	-	-	-	-	-	-	1	190	2,014
29,000	29,000	-	-	-	-	-	-	-	-	1	-	2	-	3	193	2,101
30,000	30,000	-	1	-	-	-	-	-	-	-	-	-	-	1	194	2,131
31,000	31,000	-	-	-	-	1	-	-	-	-	1	-	-	2	196	2,193
32,000	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	196	2,193
33,000	33,000	1	-	1	-	-	1	-	-	-	-	-	-	3	199	2,292
34,000	34,000	-	-	-	-	3	-	-	-	-	-	-	-	3	202	2,394
35,000	35,000	-	-	-	-	2	-	-	-	-	-	-	1	3	205	2,499
36,000	36,000	-	-	-	-	-	-	-	-	-	-	-	-	-	205	2,499
37,000	37,000	-	-	-	-	-	-	-	-	-	-	-	-	-	205	2,499
38,000	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	205	2,499

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 11
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
39,000	40,000	-	2	-	-	-	-	-	-	-	-	-	1	1	206	2,538
40,000	41,000	2	1	2	-	-	-	-	-	-	-	-	-	5	211	2,738
41,000	42,000	-	-	-	-	-	2	-	-	2	-	-	1	3	214	2,861
42,000	43,000	-	-	-	2	-	-	2	-	-	-	-	2	6	220	3,113
43,000	44,000	-	-	1	-	-	-	-	-	-	-	-	-	4	224	3,285
44,000	45,000	3	-	-	1	-	-	-	-	-	-	2	-	1	225	3,329
45,000	46,000	-	-	-	-	-	-	1	2	-	-	-	-	8	233	3,689
46,000	47,000	-	1	-	-	-	-	-	-	-	-	-	-	1	234	3,735
47,000	48,000	-	-	1	-	1	-	-	-	-	-	-	-	3	237	3,876
48,000	49,000	-	-	-	-	-	-	-	-	-	-	-	-	2	237	3,876
49,000	50,000	-	2	-	-	-	-	-	-	-	-	-	-	2	239	3,974
50,000	51,000	-	-	-	4	-	-	-	-	-	-	-	-	4	243	4,174
51,000	52,000	-	4	-	-	-	-	-	-	-	-	-	2	6	249	4,480
52,000	53,000	2	-	-	-	-	-	-	-	1	-	-	-	3	252	4,636
53,000	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	252	4,636
54,000	55,000	-	-	-	-	-	-	-	-	-	-	-	-	-	252	4,636
55,000	56,000	-	-	-	-	-	-	-	-	-	-	-	-	-	252	4,636
56,000	57,000	-	1	-	-	-	2	-	-	-	-	-	-	7	259	5,028
57,000	58,000	-	-	-	-	-	-	-	3	-	3	1	-	6	265	5,370
58,000	59,000	-	-	-	-	-	-	-	-	-	-	3	-	6	265	5,370
59,000	60,000	-	-	-	-	-	-	-	-	-	-	-	-	6	265	5,370
60,000	61,000	-	-	-	-	-	-	-	-	-	-	-	-	6	265	5,370
61,000	62,000	-	-	-	-	-	-	-	-	-	-	-	-	6	265	5,370
62,000	63,000	-	-	-	-	-	-	-	-	-	-	-	-	6	265	5,370
63,000	64,000	-	-	-	-	1	-	-	-	-	-	-	-	1	266	5,433
64,000	65,000	-	1	-	-	-	-	-	-	-	-	-	-	1	266	5,433
65,000	66,000	-	-	1	-	-	-	-	-	-	-	-	-	1	267	5,498
66,000	67,000	-	-	3	1	-	-	-	-	-	-	-	-	1	267	5,498
67,000	68,000	-	-	-	-	-	-	-	-	-	-	-	3	1	268	5,564
68,000	69,000	-	-	-	-	-	1	-	-	-	-	-	-	7	275	6,033
69,000	70,000	-	-	-	-	1	-	-	-	3	-	-	-	4	279	6,305
70,000	71,000	-	-	-	1	-	-	-	-	-	-	-	-	1	280	6,374
71,000	72,000	-	-	-	-	-	-	-	2	-	-	-	-	1	281	6,444
72,000	73,000	-	-	-	-	-	-	-	-	-	-	-	-	2	283	6,586
73,000	74,000	-	-	-	-	-	-	-	-	-	-	-	-	-	283	6,586
74,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	283	6,586
75,000	76,000	-	-	-	-	-	-	-	-	-	-	-	-	-	283	6,586
76,000	77,000	-	-	1	-	-	-	-	-	-	-	-	-	1	283	6,586
77,000		-	-	-	-	-	-	-	-	-	-	-	-	1	284	6,663

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 2 Inch Commercial

Exhibit
 Schedule H-5
 Page 11
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	1	-	-	-	-	-	-	-	1	285	6,741
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	285	6,741
80,000	80,000	-	-	-	-	-	-	-	-	1	-	-	-	1	286	6,821
81,000	81,000	-	-	-	-	-	3	-	-	-	-	-	-	3	289	7,064
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	289	7,064
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	289	7,064
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	289	7,064
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	289	7,064
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	289	7,064
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	289	7,064
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	289	7,064
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	289	7,064
90,000	90,000	-	-	1	-	-	-	-	-	-	-	-	-	1	290	7,154
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	290	7,154
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	290	7,154
93,000	93,000	-	-	-	-	-	-	-	1	-	-	-	-	1	291	7,247
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	291	7,247
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	291	7,247
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	291	7,247
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	292	7,344
98,000	98,000	-	-	-	-	-	-	3	-	-	-	-	-	3	295	7,638
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	295	7,638
100,000	100,000	-	-	-	1	-	-	-	-	-	-	-	-	1	296	7,738
312,000	312,000	1	-	-	-	-	-	-	-	-	-	-	-	1	297	8,050
132,000	132,000	1	-	-	-	-	-	-	-	-	-	-	-	1	298	8,182
289,000	289,000	1	-	-	-	-	-	-	-	-	-	-	-	1	299	8,471
279,000	279,000	-	1	-	-	-	-	-	-	-	-	-	-	1	300	8,750
154,000	154,000	-	1	-	-	-	-	-	-	-	-	-	-	1	301	8,904
113,000	113,000	-	1	-	-	-	-	-	-	-	-	-	-	1	302	9,017
307,000	307,000	-	-	1	-	-	-	-	-	-	-	-	-	1	303	9,324
130,000	130,000	-	-	1	-	-	-	-	-	-	-	-	-	1	304	9,454
230,000	230,000	-	-	-	1	-	-	-	-	-	-	-	-	1	305	9,684
155,000	155,000	-	-	-	1	-	-	-	-	-	-	1	-	3	308	10,149
125,000	125,000	-	-	-	1	-	-	-	-	-	-	1	-	1	309	10,274
238,000	238,000	-	-	-	1	-	-	-	-	-	-	1	-	2	311	10,750
123,000	123,000	-	-	-	-	1	-	-	-	-	-	-	-	1	312	10,873
166,000	166,000	-	-	-	-	-	1	-	-	-	-	-	-	1	313	11,039
211,000	211,000	-	-	-	-	-	1	-	-	-	-	-	-	1	314	11,250
200,000	200,000	-	-	-	-	-	-	1	-	-	-	-	-	1	315	11,450

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 3 Inch Commercial

Exhibit
 Schedule H-5
 Page 12
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	11	299
107,000	107,000	-	-	-	-	-	-	-	-	1	-	-	-	1	12	406
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12	406
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12	406
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12	406
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12	406

Totals	1	1	1	1	1	1	1	1	1	1	1	1	1	12	33,833	26,500
Average Usage																
Median Usage																
Average # Customers																
Change in Number of Customers																

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 4 Inch Commercial

Exhibit
 Schedule H-5
 Page 13
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13	610
140,000	140,000	-	-	-	-	-	-	-	-	-	-	-	-	-	14	750
153,000	153,000	1	-	-	-	-	-	-	-	-	-	-	-	-	15	903
171,000	171,000	-	-	-	-	-	-	-	-	-	-	-	-	-	16	1,074
172,000	172,000	-	-	-	-	-	-	-	-	-	-	-	-	-	16	1,074
189,000	189,000	-	-	-	-	-	-	-	-	-	-	-	-	-	17	1,263
197,000	197,000	-	-	-	-	-	-	-	-	-	-	-	-	-	18	1,460
199,000	199,000	-	-	1	-	-	-	-	-	-	-	-	-	-	19	1,659
253,000	253,000	-	1	-	-	-	-	-	-	-	-	-	-	-	20	1,912
262,000	262,000	-	-	-	1	-	-	-	-	-	-	-	-	-	21	2,174
316,000	316,000	-	-	-	-	-	-	-	-	-	-	-	-	-	22	2,490
349,000	349,000	-	-	-	-	-	-	-	-	-	-	-	-	-	23	2,839
367,000	367,000	-	-	-	1	-	-	-	-	-	-	-	-	-	24	3,206
383,000	383,000	-	-	-	-	-	-	-	-	-	-	-	-	-	25	3,589
404,000	404,000	1	-	-	-	-	-	-	-	-	-	-	-	-	26	3,993
410,000	410,000	-	-	-	-	-	-	-	-	-	-	-	-	-	26	3,993
436,000	436,000	-	-	-	-	-	-	-	-	-	-	-	-	-	27	4,429

Rio Rico Utilities, Inc. - Wastewater Division
Test Year Ended February 29, 2012
4 Inch Commercial

Exhibit
 Schedule H-5
 Page 13
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)						
443,000	443,000					1								1	28	4,872						
463,000	463,000									1				1	29	5,335						
467,000	467,000		1											1	30	5,802						
469,000	469,000														30	5,802						
478,000	478,000	1												1	31	6,280						
482,000	482,000						1							1	32	6,762						
485,000	485,000								1					1	33	7,247						
493,000	493,000				1									1	34	7,740						
507,000	507,000							1						1	35	8,247						
509,000	509,000				1									1	36	8,756						
523,000	523,000								1					2	38							
528,000	528,000							1						1	39							
533,000	533,000						1							1	40							
593,000	593,000			1										1	41							
598,000	598,000													1	42							
657,000	657,000						1						1	2	44							
667,000	667,000							1					1	2	46							
691,000	691,000				1								1	2	48							
															48							
															48							
Totals																						
													4	4	4	2	6	4	4	4	4	48
															Average Usage		335,083					
															Median Usage		375,000					
															Average # Customers		4					
															Change in Number of Customers		-					

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012

Exhibit
 Schedule H-5
 Page 14

Witness: Bourassa

Meter Size:
 6 Inch Commercial

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
																(1)

Change in Number of Customers

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 5/8 Inch Multi-Tenant

Exhibit
 Schedule H-5
 Page 15
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	73	628
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	73	628
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	73	628
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	73	628
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	1	-	74	710
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	74	710
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Totals	5	7	7	7	4	8	6	6	6	6	6	6	6	74	9,614	9,000
														Average Usage	9,614	
														Median Usage	9,000	

Rio Rico Utilities, Inc. - Wastewater Division
 Test Year Ended February 29, 2012
 1 1/2 Inch Multi-Tenant

Exhibit
 Schedule H-5
 Page 16
 Witness: Bourassa

Meter Size:

Usage From:	Usage To:	Month of Feb-11	Month of Mar-11	Month of May-11	Month of Jun-11	Month of Jul-11	Month of Aug-11	Month of Sep-11	Month of Oct-11	Month of Nov-11	Month of Dec-11	Month of Jan-12	Month of Feb-12	Total Year	Cumulative Billing	Cumulative Gallons (in 1,000's)
78,000	78,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
79,000	79,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
80,000	80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
81,000	81,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
82,000	82,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
83,000	83,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
84,000	84,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
85,000	85,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
86,000	86,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
87,000	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
88,000	88,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
89,000	89,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
90,000	90,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
91,000	91,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
92,000	92,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
93,000	93,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
94,000	94,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
96,000	96,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
97,000	97,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
98,000	98,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
99,000	99,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	12	141
Totals																
														11,750	12	
														11,000	12	
														1	12	
														-	12	

Average Usage
 Median Usage
 Average # Customers
 Change in Number of Customers

5

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Suite 2600
3 Phoenix, Arizona 85012
Attorney for Rio Rico Utilities, Inc.
4

5 **BEFORE THE ARIZONA CORPORATION COMMISSION**
6

7
8 IN THE MATTER OF THE
APPLICATION OF RIO RICO
9 UTILITIES, INC., AN ARIZONA
CORPORATION, FOR A
10 DETERMINATION OF THE FAIR
VALUE OF ITS UTILITY PLANTS AND
11 PROPERTY AND FOR INCREASES IN
ITS WATER AND WASTEWATER
12 RATES AND CHARGES FOR UTILITY
SERVICE BASED THEREON.
13

DOCKET NO: WS-02676A-12-_____

14
15 **DIRECT TESTIMONY OF**
16

17 **THOMAS J. BOURASSA**
18 **(COST OF CAPITAL)**

19 **May 31, 2012**
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1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

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

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

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

8 A. Yes, and all of my background information and testimony regarding my
9 qualifications are contained in that portion of my direct testimony.

10 **II. SUMMARY OF TESTIMONY AND THE PROPOSED COST OF CAPITAL**
11 **FOR THE COMPANY**

12 **Q. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR DIRECT**
13 **TESTIMONY?**

14 A. This portion of my direct testimony focuses on cost of capital issues. I will testify
15 in support of Rio Rico Utilities, Inc.'s ("RRUI" or "the Company") proposed rate
16 of return on its fair value rate base ("FVRB"). I am sponsoring the Company's D
17 Schedules, which are attached to this testimony. There are 20 schedules that
18 support my testimony and one attachment. As noted above, I am also sponsoring
19 direct testimony that addresses the Company's rate base, income statement
20 (revenue and operating expenses), required increase in revenue, and its rate design
21 and proposed rates and charges for service. For convenience, that testimony and
22 my related schedules are contained in separate volumes.

23 **Q. PLEASE SUMMARIZE YOUR COST OF CAPITAL TESTIMONY.**

24 A. I have determined that the cost of equity for the publicly traded water utilities falls
25 in the range of 8.9 percent to 12.5 percent with the midpoint of the range at 10.7
26

1 percent. I am recommending a return on equity (“ROE”) of 10.7 percent for the
2 Company.

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

13 **Q. WHAT IS THE RECOMMENDED CAPITAL STRUCTURE FOR RRUI?**

14 A. The actual capital structure at the end of the test year (February 29, 2012) consists
15 of 100 percent equity. However, the Company is recommending a pro forma
16 consolidated capital structure of 20 percent debt and 80 percent equity as this
17 reflects the parent company’s commitment made in the last rate case to include 20
18 percent debt from the parent in the capital structure of RRUI. This is also the
19 capital structure approved in RRUI’s prior rate case.¹

20 **Q. WHAT IS THE RECOMMENDED COST OF DEBT FOR RRUI?**

21 A. The actual effective cost of debt is 5.7 percent inclusive of issuance costs – the
22 same as the cost of debt approved in the prior rate case.

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¹ See *RRUI*, Decision 72059 (January 6, 2011).

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

2 A. The weighted cost of capital based upon a pro forma capital structure consisting of
3 20 percent debt and 80 percent equity, a debt cost of 5.7 percent, and a cost of
4 equity of 10.7 percent is 9.70 percent as shown on Schedule D-1.

5 **Q. PLEASE SUMMARIZE THE APPROACH YOU USED TO ESTIMATE**
6 **THE COST OF EQUITY FOR THE COMPANY.**

7 A. The cost of equity for RRUI cannot be estimated directly because the Company's
8 equity is not in the form of a publicly traded security and thus there is no market
9 data for RRUI. Consequently, I employed the DCF and CAPM models using data
10 from a sample of water utilities selected from the Value Line Investment Survey as
11 a starting point in my analysis. There are six water utilities in my sample:
12 American States Water, Aqua America, California Water, Connecticut Water,
13 Middlesex Water, and SJW Corp. As explained later in my testimony, these
14 companies aren't really comparable to RRUI, but they are water utilities for which
15 market data are available and because the Utilities Division Staff has relied on data
16 for these water utilities in a number of recent water and sewer utility rate cases.

17 To serve as a check on the reasonableness of my cost of equity estimate and
18 recommendation, I prepared cost of equity estimates using two risk premium
19 methods (build-up methods) that do not require a beta estimate. Again, RRUI is
20 not publicly traded, so there is no beta to estimate the cost of equity for RRUI
21 directly. Further, there are no publicly traded utilities of comparable size to RRUI
22 from which a proxy beta for RRUI can be obtained. Build-up methods are
23 commonly used for non-publicly traded companies.

24 My DCF analyses indicate ROEs in the range of 9.7 percent to 11.3 percent
25 with a midpoint of 10.5 percent. The CAPM analysis, again using the same sample
26 group, indicates ROEs in the range of 8.1 percent to 13.6 percent are appropriate

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with a midpoint of 10.9 percent. Both the DCF and CAPM ranges are before consideration of financial risk and company-specific risks such as size.

Given RRUI's proposed capital structure and relatively small size compared to the larger publicly-traded utilities used in my sample, the regulatory methods and policies used in this jurisdiction, and other company-specific factors, it is my opinion that at the present time a cost of equity of at least 10.7 percent is warranted. My cost of equity estimate using the build-up methods indicates a cost of equity for RRUI in the range of 10.8 percent to 14.9 percent with a mid-point of 12.9 percent. Thus, the 10.7 percent cost of equity estimate produced by the DCF and CAPM is conservative.

My recommendation of a 10.7 percent ROE balances my judgment about the degree of financial and business risk associated with an investment in RRUI as well as consideration of the current economic environment. A summary of my cost of equity analysis result is shown on Schedule D-4.1.

III. OVERVIEW OF THE RELATIONSHIP BETWEEN RISK AND THE EXPECTED RETURN ON AN INVESTMENT

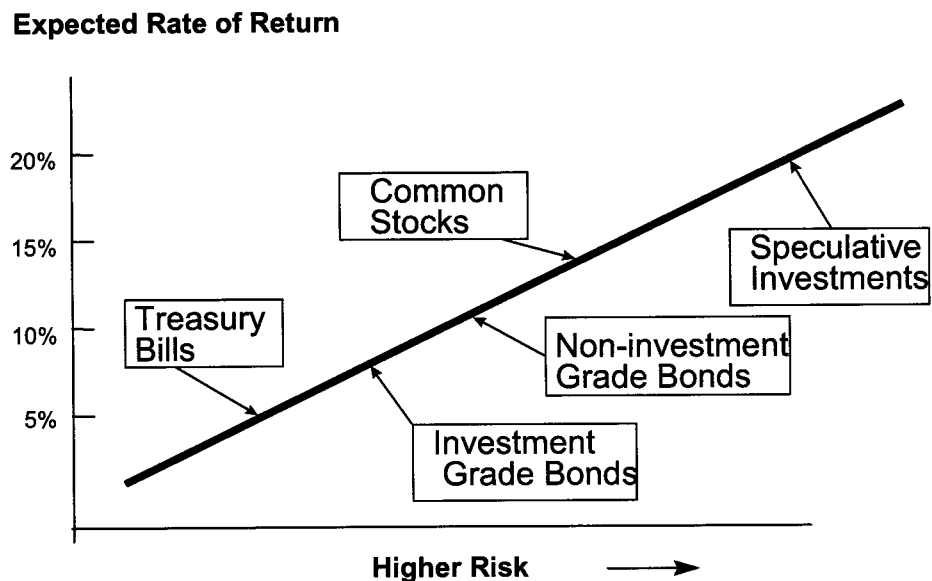
Q. HOW IS THE COST OF EQUITY TYPICALLY ANALYZED?

A. The cost of equity is the rate of return that equity investors expect to receive on their investment. Investors can choose to invest in many types of assets, not simply publicly traded stock. Each investment will have varying degrees of risk, ranging from relatively low risk assets such as Treasury securities to somewhat higher risk corporate bonds to even higher risk common stocks. As the level of risk increases, investors require higher returns on their investment. Finance models that are used to estimate the cost of equity often rely on this basic concept.

1 Q. CAN YOU ILLUSTRATE THE CAPITAL MARKET RISK-RETURN
2 CONCEPT?

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

7 The Capital Market Line (CML)



22 The CML can be viewed as a continuum of the available investment opportunities
23 for investors. Investment risk increases move upward and to the right along the
24 CML. Again, the return required by investors increases with the risk.
25

26

1 **Q. HOW DOES THE RISK-RETURN TRADE OFF CONCEPT WORK IN**
2 **THE CAPITAL MARKET?**

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

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

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

1 about the relative risk of the company in question and the expected rate of return
2 characteristics of other alternative investments.

3 **Q. HOW IS THE COST OF EQUITY FOR A PARTICULAR UTILITY**
4 **DETERMINED?**

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

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

18 **Q. PLEASE DISCUSS THESE FACTORS IN GREATER DETAIL.**

19 A. The pure rate of interest essentially reflects both the time preference for and the
20 productivity of capital. From the standpoint of the individual, it is the rate of
21 interest required to induce the individual to forgo present consumption and offer
22 the funds thus saved to others for a specified length of time. Moreover, the pure
23 rate of interest concept is based on the assumption that no uncertainty affects the
24 investment undertaken by the individual, i.e., there is no doubt that the periodic
25 interest payments will be made and the principal returned at the end of the time

26

1 period. In reality, investments without any risk do not exist. Every commitment of
2 funds involves some degree of uncertainty.

3 Turning to the second factor affecting the cost of capital, it is generally
4 accepted that the higher the degree of uncertainty, the higher the cost of capital.
5 Investors are regarded as risk adverse and require that the rate of return increase as
6 the risk(s) (uncertainty) associated with an investment increase(s).

7 **Q. CAN YOU PROVIDE SOME PERSPECTIVE ON YOUR PREVIOUS**
8 **DISCUSSION WITH RESPECT TO RETURNS ON COMMON STOCKS?**

9 A. Yes. Conceptually,

10 [1] Required Return for Common Stocks = Return on a risk-free asset + Risk Premium
11

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

17 **Q. WHAT HAS BEEN THE RECENT EXPERIENCE IN THE U.S. CAPITAL**
18 **MARKETS?**

19 A. In the past 10 years, inflation and capital market costs have generally declined.
20 Interest rates have been lower than in previous decades. Past inflation, as
21 measured by the Consumer Price Index, has been at relatively low levels in the past
22 10 years.

23 The roughly 6 year span of economic expansion after the 2001 recession
24 began to wane in 2007. Year-over-year Gross Domestic Product (“GDP”) growth²
25 for 2004, 2005, and 2006 was 3.6 percent, 2.9 percent, and 2.8 percent,

26 ² GDP percentage change based on current dollars (1930-2010).

1 respectively. GDP growth was, in part, spurred on by low interest rates during this
2 period. The Federal Reserve (“the Fed”), having lowered the target Federal Funds
3 rate to 1.0 percent by the end of 2003, began raising interest rates in 2004 to help
4 keep the economy from overheating and to help keep inflation in check. By mid-
5 2006, the target Federal Funds rate had been raised to 5.25 percent.

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

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

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

25 The recession, which some argue began in late 2007, continued through
26 2008 and for most of 2009. The year-over-year GDP growth for 2008 was -0.3

1 percent. The year-over-year GDP growth for 2009 was -3.5 percent. However,
2 during the last quarter of 2009, the economy grew 3.8 percent. Many economists
3 believe the recession ended in the third quarter of 2009; however, the recovery has
4 been slow and tepid.

5 GDP growth for 2010 was a modest 3.0 percent. However, the economy
6 began to wane in the third and fourth quarters of 2010. In the first and second
7 quarter of 2011, the business expansion stumbled. GDP growth for the first and
8 second quarter of 2011 was 0.4 percent and 1.3 percent, respectively. Economists
9 noted that unusually severe weather and the earthquake in Japan that disrupted
10 supply chains contributed to the falloff in business expansion in the first half of
11 2011. The 2011 budget and debt ceiling battles and the downgrade in U.S. debt
12 have contributed heavily to low consumer sentiment and consumer spending
13 throughout 2011. GDP growth for 2011 was an anemic 1.7 percent. GDP growth
14 for the first quarter of 2012 was just 2.2 percent. Economists see the economy
15 plodding along at a listless pace and foresee modest GDP growth of 2.3 to 2.7
16 percent over the next year.

17 **Q. WHAT ABOUT INTEREST RATES AND THE STATUS OF THE STOCK**
18 **MARKET?**

19 A. With respect to interest rates, the Fed lowered the Federal Funds target rate to near
20 zero during the depths of the 2007 to 2009 recession, where it continues to stand at
21 zero to .25 percent. While the move to lower interest rates may have been
22 necessary at the time, the Fed is left with little latitude to affect new monetary
23 moves going forward. The Fed recently announced (August 9, 2011) that it
24 intended to keep interest rates low well into 2013 due, in part, to the expected
25 economic conditions going forward. This news was met with mixed reactions from
26 investors. On the one hand, investors and businesses received some level of

1 certainty regarding interest rates over the next few years. On the other hand, the
2 need to keep interest rates low reflects that the Fed does not expect economic
3 conditions to improve much over the same period. More recently (January 25,
4 2012), the Fed said it is likely to raise interest rates at the end of 2014, but not until
5 then, an announcement that means that the Fed does not expect the economy to
6 complete its recovery from the 2008 crisis over the next few years.

7 In short, the current capital markets continue to reflect the uncertainty and
8 low confidence of investors in the financial markets and in the future prospects of
9 economic growth over the next several years. Naturally, despite relatively low
10 U.S. Treasury yields over the past several years, the premiums required for
11 investors to hold and buy private securities remain high due to this ongoing
12 uncertainty.

13 **Q. IS THERE A RELATIONSHIP BETWEEN THE COST OF EQUITY AND**
14 **INTEREST RATES?**

15 A. Yes. All things being equal, the cost of equity moves in the same direction as
16 interest rates. Lower interest rates on U.S. Treasuries (“risk-free” rate) imply
17 lower equity returns and visa versa. However, as indicated by Equation [1] above,
18 the risk premium required to compensate investors also impacts the cost of equity.
19 Higher risk premiums required by investors imply higher equity costs and vice
20 versa. Risk premiums are impacted by uncertainty not only with respect to future
21 interest rates, but uncertainty with respect to business and economic conditions,
22 and inflation (or deflation). Risk premiums also reflect other risk factors such as
23 business and operation risk, regulatory risk, financial risk, construction risk, and
24 liquidity risk.

1 **Q. IS RRUI AFFECTED BY THESE SAME MARKET UNCERTAINTIES AND**
2 **CONCERNS?**

3 A. Yes, in general, all investors are impacted by economic uncertainty including the
4 Company's investors. Capital costs have risen significantly over the past few years
5 because of this uncertainty. Smaller utilities like RRUI generally feel the impact
6 worse because of their size, with a small customer base, limited service territory,
7 and a limited or inability to attract capital.

8 **Q. WHAT RECENT DEVELOPMENTS IN THE WATER UTILITY**
9 **INDUSTRY ARE AFFECTING INVESTMENTS?**

10 A. On the whole, the water and wastewater utility industry is expected to continue to
11 confront increasing need for infrastructure upgrades and replacement, as well as
12 possible additional demand. *Value Line Investment Survey* (April 20, 2012)
13 continues to stress that many utilities have facilities that are decades old and in
14 need of significant maintenance and, in some cases, massive renovation and
15 replacement. As infrastructure costs continue to climb, many smaller companies
16 are at a serious disadvantage. Without sufficient resources to fund improvements
17 to meet new and more stringent requirements, many smaller companies are being
18 forced to sell to larger utilities, which have greater operational flexibility and
19 resources, as well as access to capital. However, *Value Line* notes that most of the
20 companies in this sector are starved for cash and balance sheets are debt-laden.
21 This will require outside financing largely from more debt and higher associated
22 interest expense, which will thwart share-earnings and shareholder gains. Some
23 companies may have to rethink current payout ratios if the costs of doing business
24 cannot be curbed.

25

26

1 **Q. WHAT CAN THE COMMISSION DO TO INCENT UTILITIES LIKE RRUI**
2 **TO CONTINUE TO MAKE NECESSARY INVESTMENT IN**
3 **INFRASTRUCTURE?**

4 A. The Commission can and should recognize that investors have other options and
5 when it comes to regulated utilities, those options are almost always better than
6 investing in Arizona. By adhering almost uniformly to Staff's recommended
7 ROEs, the Commission is sending a message that it will reduce returns on equity to
8 placate ratepayers with lower rates. That might make ratepayers happy, but it is
9 shortsighted. The health of the state rests on its ability to attract investment,
10 including investment in new water and wastewater infrastructure, and we need a
11 PUC that incents, not discourages that investment with consistent ROEs that are
12 not nearly always at the low end of the spectrum.

13 **Q. PLEASE DISCUSS IN MORE DETAIL THE IMPACT OF RISK ON**
14 **CAPITAL COSTS.**

15 A. With reference to specific utilities, risk is often discussed as consisting of two
16 separate types of risk: business risk and financial risk.

17 Business risk, the basic risk associated with any business undertaking, is the
18 uncertainty associated with the enterprises' day-to-day operations. In essence, it is
19 a function of the normal day-to-day business environment, both locally and
20 nationally. Business risks include the condition of the economy and capital
21 markets, the state of labor markets, regional stability, government regulation,
22 technological obsolescence, and other similar factors that may impact demand for
23 the business product and its cost of production. For utilities, business risk also
24 includes the volatility of revenues due to abnormal weather conditions, degree of
25 operational leverage, regulation, and regulatory climate. Regulation, for example,
26 can compound the business risk if it is unpredictable in reacting to cost increases

1 both in terms of the time lag and magnitude for recovery of such increases.
2 Regulatory lag makes it difficult to earn a reasonable return, particularly in an
3 inflationary environment and/or when there is significant lag between the timing of
4 investment in capital projects and its recognition in rates. Put simply, the greater
5 the degree of uncertainty regarding the various factors affecting a company's
6 business, the greater the risk of an investment in that company, and the greater the
7 compensation required by the investor.

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

16 An important component of financial risk is construction risk. Construction
17 risk refers to the magnitude of a company's capital budget. If a company has a
18 large construction budget relative to internally generated cash flows, it will require
19 external financing. It is important that companies have access to capital funds on
20 reasonable terms and conditions. Utilities are more susceptible to construction risk
21 for two reasons. First, utilities generally have high capital requirements to build
22 plant to serve customers. Second, utilities have a mandated obligation to serve
23 leaving less flexibility both in the timing and discretion of scheduling capital
24 projects. This is compounded by the limited ability to wait for more favorable
25 market conditions to raise the capital necessary to fund the capital projects.
26

1 Although often discussed separately, the two types of risks (business and
2 financial) are interrelated. Specifically, a common equity investor may seek to
3 offset exposure to high financial risk by investing in a firm perceived to have a low
4 degree of business risk. In other words, the total risk to an investor would be high
5 if the enterprise were characterized as a high business risk with a large portion of
6 its permanent capital financed with senior debt. To attract capital under these
7 circumstances, the firm would have to offer higher rates of return to its common
8 equity investors.

9 **IV. THE MEANING OF "JUST AND REASONABLE" RATE OF RETURN**

10 **Q. HAVE THE COURTS SET FORTH ANY CRITERIA THAT GOVERN THE**
11 **RATE OF RETURN THAT A UTILITY'S RATES SHOULD PRODUCE?**

12 A. Yes. In 1923, the U.S. Supreme Court set forth the following criteria for
13 determining whether a rate of return is reasonable in *Bluefield Water Works and*
14 *Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679,
15 692-93 (1923):

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

1 In summary, under Bluefield Water Works:

- 2 (1) The rate of return should be similar to the return in businesses with
3 similar or comparable risks;
- 4 (2) The return should be sufficient to ensure the confidence in the
5 financial integrity of the utility; and
- 6 (3) The return should be sufficient to maintain and support the utility's
7 credit.
- 8

9 **Q. HAVE THESE CRITERIA BEEN APPLIED IN REGULATORY**
10 **PROCEEDINGS?**

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

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V. **THE ESTIMATED COST OF EQUITY FOR RRUI**

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

Q. **PLEASE DESCRIBE THE APPROACH YOU FOLLOWED IN YOUR COST OF CAPITAL ANALYSIS FOR RRUI.**

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

Since RRUI is not publicly traded, the information required to directly estimate its cost of equity is not available. Accordingly, as previously noted, I used a sample group of water utilities as a starting point to develop an appropriate cost of equity for RRUI. There are six water utilities included in the sample group: American States Water, Aqua America, California Water, Connecticut Water, Middlesex Water, and SJW Corp. All these companies are followed by the *Value Line Investment Survey*.

Q. **ARE THE WATER UTILITIES IN YOUR SAMPLE DIRECTLY COMPARABLE TO RRUI?**

A. No, but they are utilities for which market data is available. All of them are regulated, they primarily provide water service, although some provide both water and wastewater services, and their primary source of revenues is from regulated services. Therefore, they provide a useful starting point for developing a cost of equity for the Company. I emphasized "starting point" because RRUI is not

1 publicly traded. Additionally, there is no market data available for smaller utilities,
2 like RRUI, that can be used to more directly develop cost of equity estimates.

3 **Q. BRIEFLY, WHY IS A PROXY SAMPLE GROUP NECESSARY IN A COST**
4 **OF CAPITAL ANALYSIS AND HOW IS IT SELECTED?**

5 A. The comparable earnings standard set forth in the *Hope* and *Bluefield* decisions
6 require the rate of return afforded to utilities be similar to the return in businesses
7 with similar or comparable risks.³ A proxy group of companies with comparable
8 risk is therefore the starting point in a cost of capital analysis.

9 There are two broad approaches to choosing a proxy group.⁴ The first
10 approach consists of selecting pure-play companies that are directly comparable in
11 risk to the subject utility. The companies are chosen using strict criteria with an
12 attempt to identify companies with the same investment risk as the subject utility.
13 There are several qualitative measures that influence investors' assessment of risk
14 that can be used to screen companies. These include SIC classification, bond
15 ratings, beta risk, business risk scores, size, percentage of revenues from regulated
16 operations, common equity ratio, geographical location, etc.⁵

17 The second approach is to select as large a group of utilities as possible that
18 is representative of the utility industry average and make adjustments for any
19 differences between the subject utility and the industry average. Whether one
20 employs the direct approach or the indirect approach, the selection of companies
21 for a proxy group always raises the question of whether it is possible to select a
22 group that are of comparable risk. Further, there is always the question of
23 identifying any differences in investment risk. The electric, natural gas, and water
24 utility industries have witnessed numerous takeovers, restructuring, corporate

25 ³ See pages 15 – 16.

26 ⁴ Roger A. Morin, *New Regulatory Finance* (2006) at 400.

⁵ *Id.*

1 reorganizations, unbundling, and increased competition over the last decade or so,
2 all of which has made selections of proxy groups more difficult.⁶

3 The Company's approach utilizes an indirect method. The water companies
4 selected derive the vast majority of their revenues from regulated operations. As
5 shown in Schedule D-4.2, the six water utilities on average derive over 90 percent
6 of the revenues from regulated activities. These companies were also chosen
7 because they are publicly traded, are not in financial distress, and there is a
8 sufficiently long financial and market history from which to perform an analysis.

9 The bottom line is that the water utility companies in my proxy group are
10 considered representative of the average of the industry, and, as I have stated
11 throughout my testimony, must be adjusted for differences in investment risk.

12 **Q. DOES THE MARKET DATA PROVIDED BY THE WATER UTILITY**
13 **SAMPLE CAPTURE ALL OF THE MARKET RISKS THAT RRUI MIGHT**
14 **FACE IF IT WERE PUBLICLY TRADED?**

15 **A.** In my opinion, no. As I stated, there is no comparable market data for utility
16 companies the size of RRUI. The average revenue of the water utility sample
17 companies is over 82 times that of RRUI, and the average net plant of the water
18 utility sample companies is nearly 44 times that of RRUI. Even the smallest
19 company in the sample group, Connecticut Water, has nearly 13 times the net plant
20 of RRUI, and over 17 times the revenues.

21 Putting aside the size aspect, an investment in the Company is not a liquid
22 investment. If an investor invests in any of the publicly traded utilities and is not
23 happy with the returns, he/she may sell his/her stock within minutes while
24 liquidating an investment in RRUI could take years. This is liquidity risk.
25 Liquidity risk is a significant risk to an investment in non-publicly traded

26 ⁶ *Id.*

1 companies like RRUI. Some researchers believe that the size premium
2 phenomenon for smaller companies in the public markets is, in part, a reflection of
3 liquidity risk.

4 **Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF THE WATER**
5 **UTILITIES IN YOUR SAMPLE.**

6 A. Schedule D-4.2 lists the current operating revenues and net plant for the six water
7 utilities as reported by AUS Utility Reports (formerly C.A. Turner Utility Reports)
8 and RRUI, respectively. The six sample companies may be generally described as
9 follows:

10 (1) American States Water (AWR) primarily serves the California
11 market through Golden State Water Company, which provides water
12 services to nearly 256,000 customers within 75 communities in 10
13 counties in the State of California, primarily in Los Angeles, San
14 Bernardino, and Orange counties. AWR also owns an electric utility
15 service provider with over 23,000 customers, but approximately 72
16 percent of its revenues were derived from commercial and residential
17 water customers. Revenues for AWR were nearly \$420 million in
18 2011 and net plant was nearly \$890 million at the end of 2011.

19 (2) Aqua America (WTR) owns regulated utilities in Pennsylvania,
20 Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana,
21 Virginia, Missouri, New York, and Georgia, serving nearly 900,000
22 customers at the end of 2011. WTR's utility base is diversified
23 among residential water, commercial water, fire protection, industrial
24 water, other water, and wastewater customers. Total revenues for
25 WTR were nearly \$730 million in 2011 and net plant was over \$3.6
26 billion at the end of 2011.

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(3) California Water Service Group (CWT) owns subsidiaries in California, New Mexico, Washington, and Hawaii serving nearly 500,000 customers. Revenues for CWT were over \$501 million in 2011 and net plant nearly \$1.4 billion at the end of 2011.

(4) Connecticut Water Services (CTWS) owns subsidiaries in Connecticut, Maine, Massachusetts and Rhode Island serving over 90,000 customers. Revenues for CTWS were over \$69 million in 2011 and net plant over \$360 million at the end of 2011.

(5) Middlesex Water (MSEX) owns subsidiaries in New Jersey, Delaware and Pennsylvania serving over 110,000 customers and provides water service under contract to municipalities in central New Jersey serving a population of over 303,000. Revenues for MSEX were over \$102 million in 2011 and net plant was over \$422 million at the end of 2011.

(6) SJW Corp. (SJW) owns San Jose Water, which provides water service in a 138 square mile area in San Jose, California, and surrounding communities serving nearly 235,000 customers. Revenues for SJW were \$239 million in 2011 and net plant was nearly \$731 million at the end of 2011.

Q. HOW DOES RRUI COMPARE TO THE SAMPLE WATER UTILITIES?

A. It is much smaller. At the end of the test year, the Company had approximately 6,400 water customers and 2,100 wastewater customers. Its revenues totaled approximately \$4.2 million, and net plant-in-service was approximately \$28.1 million. RRUI is located in Santa Cruz County, Arizona, and has a very small service territory compared to the sample water companies.

1 Q. ARE THERE OTHER CHARACTERISTICS OF SMALLER UTILITIES,
2 LIKE RRUI, THAT INCREASE RISK?

3 A. Yes. RRUI has 2-3 times as much zero cost capital (advances-in-aid of
4 construction and contributions-in-aid of construction) in its capitalization as do the
5 sample water utilities. This is not surprising as smaller utilities, having less access
6 to debt and equity capital, fund more of their utility plant with developer funds.
7 All things being the equal, rates are lower as a result. While this is a benefit to
8 ratepayers, a high proportion of zero cost capital increases risk to RRUI and its
9 stockholders. RRUI has an obligation to refund advances, and like debt
10 obligations, refund payments take priority on cash flows over distributions to
11 shareholders or utilizing cash to cover operating expenses or internally fund capital
12 improvements. And while advanced plant receives depreciation recovery in rates
13 providing cash flows to make refunds, contributed plant does not and neither type
14 of zero cost capital plant contributes to earnings. Ultimately, however, both types
15 of zero cost capital have detrimental impacts on the long-term cash flows of the
16 Company. Advanced plant and contributed plant still has to be maintained and
17 eventually has to be replaced. This places additional stress on earnings and
18 increases risk to the Company as the eventual plant replacements will require the
19 Company to raise additional capital to fund the replacements.

20 Water and sewer utilities are also capital intensive and typically have
21 relatively large construction budgets. Since the last rate case, the Company has
22 added over \$4 million of new plant and has annual capital budgets for the next of
23 \$900,000 to \$1,000,000. As I have previously discussed in this testimony, firms
24 with large capital budgets face construction risk (a form of financial risk). The size
25 of a utility's capital budget relative to the size of the utility itself often increases
26 construction risk. Large utilities may be able to fund their capital budgets from

1 their earnings, cash flows, and short-term borrowings. For smaller utilities, like
2 RRUI, the ability to fund relatively large capital budgets from earnings, cash flows,
3 and short-term debt is difficult without the need for additional outside capital.
4 Fortunately for RRUI it is owned by Algonquin Power and Utilities Corp.
5 (“APUC”) which can provide additional capital as required.

6 **Q. WHAT OTHER RISK FACTORS DISTINGUISH RRUI FROM THE**
7 **LARGER SAMPLE WATER UTILITIES?**

8 A. There are a number of factors including the differences in regulatory environments,
9 differences in the type of test year used for rate making, and differences in the
10 available regulatory mechanisms for recovery of costs outside of a rate case. All of
11 these factors have an impact on the ability of a utility to actually earn its authorized
12 return.

13 **Q. SO RRUI REALLY ISN’T COMPARABLE TO THE SAMPLE WATER**
14 **UTILITIES.**

15 A. It really isn’t, for the reasons I have stated. The obvious difference in size, as well
16 as difference in regulatory environments, constraints on the rate making process in
17 Arizona, coupled with lower returns over the past decade than most states, make it
18 difficult to obtain approval of rates that allow Arizona water and wastewater
19 utilities to recover the costs of service they will actually incur during the period
20 when new rates are put in place, which can be a few years beyond the test year. In
21 the interim, actual operating costs continue to increase. Risks are thus higher for
22 RRUI and the required return on equity should be above the level required by water
23 and wastewater utilities that operate in states that do not have such limitations,
24 whether imposed by law or by agency policy, on the rate-setting system.
25 Unfortunately, as I have testified, the approaches commonly used to estimate a
26 utility’s cost of equity require market data, which is not available for smaller

1 companies and utilities operating exclusively in Arizona, like RRUI. As a result,
2 much larger, public companies must be used as proxies.

3 But the emphasis on proxy is very important. The criteria established by the
4 Supreme Court in decisions such as *Bluefield Water Works* require the use of
5 comparable companies, i.e., companies that would be viewed by investors as
6 having similar risks. A rational investor would not regard RRUI as having the
7 same level of risk as WTR or even CTWS—even with RRUI’s lower financial risk—
8 because of the previously mentioned small size characteristics and the regulatory
9 constraints in Arizona. Consequently, the results produced by the DCF and CAPM
10 methodologies, utilizing data for the sample utilities, often understate the
11 appropriate return on equity for a regulated water and wastewater utility provider
12 such as RRUI.

13 **Q. IS THERE A RELATIONSHIP BETWEEN A UTILITY’S CAPITAL**
14 **STRUCTURE AND ITS COST OF CAPITAL?**

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

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

5 **Q. HOW DO THE CAPITAL STRUCTURES OF THE SAMPLE WATER**
6 **UTILITIES COMPARE TO RRUI?**

7 A. Schedule D-4.3 shows that the pro forma capital structure of RRUI for this rate
8 case contains 80 percent equity and 20 percent debt, compared to the average of the
9 water utility sample of 50.0 percent debt and 50.0 percent equity.

10 Having less debt in its capital structure implies that RRUI has less financial
11 risk than the sample water utilities. However, smaller utilities cannot support the
12 same level of debt as larger utilities. Smaller utilities face higher business and
13 operational risk, as compared to larger utilities, which magnify the financial risk of
14 higher debt levels in their capital structures. The approximately 20 percent of debt
15 in the Company's proposed pro forma capital structure is reasonable given its size
16 and in my opinion the lower financial risk is more than offset by the size risk.

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

18 **Q. PLEASE EXPLAIN THE GENERAL APPROACHES TO ESTIMATING**
19 **THE COST OF CAPITAL.**

20 A. These two broad approaches:

- 21 1) identify comparable-risk sample companies and estimate the cost of
22 capital directly, or,
- 23 2) find the location of the CML and estimate the relative risk of the
24 company, which jointly determines the cost of capital.

25 The DCF model is an example of a method falling into the first general
26 approach. It is a direct method, but uses only a subset of the total capital market

1 evidence. The DCF model rests on the premise that the fundamental value of an
2 asset (stock) is its ability to generate future cash flows to the owner of that asset
3 (stock). I will explain the DCF model in detail in a moment, but for now, the DCF
4 is simply the sum of a stock's expected dividend yield and the expected long-term
5 growth rate. Dividend yields are readily available, but long-term growth estimates
6 are not.

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

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

20 Each of these three methods has its own way of measuring investor
21 expectations. In the final analysis, ROE estimates are subjective and should be
22 based on sound, informed judgment rationally articulated and supported by
23 competent evidence. I have applied several versions of the DCF, and two versions
24 of the CAPM to "bracket" the fair cost of equity capital for RRUI, but without
25 taking into account the additional risks that RRUI possesses. I also use the Build-
26

1 up Method which serves as a reasonableness check on the results of my DCF and
2 CAPM.

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

4 **Q. PLEASE EXPLAIN IN DETAIL THE DCF METHOD OF ESTIMATING**
5 **THE COST OF EQUITY.**

6 A. The DCF model is based on the concept that the current price of a share of stock is
7 equal to the present value of future cash flows from the purchase of the stock. In
8 other words, the DCF model is an attempt to replicate the market valuation process
9 that sets the price investors are willing to pay for a share of a company's stock. It
10 rests on the assumption that investors rely on the expected returns (i.e., cash flow
11 they expect to receive) to set the price of a security. The DCF model in its most
12 general form is:

13 [2]
$$P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \dots + CF_n/(1+k)^n$$

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

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

19 [3]
$$P_0 = CF_1/(1+k) + CF_2/(1+k)^2 + \dots + P_t/(1+k)^t$$

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

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

8 **Q. CAN YOU PROVIDE AN EXAMPLE TO ILLUSTRATE THE MARKET**
9 **PRICE VERSION OF THE DCF MODEL?**

10 A. Yes. Assume an investor buys a share of common stock for \$40. If the expected
11 dividend during the coming year is \$2.00, then the expected dividend yield is 5
12 percent ($\$2.00/\$40 = 5.0$ percent). If the stock price is also expected to increase to
13 \$43.00 after one year, this \$3.00 expected gain adds an additional 7.5 percent to the
14 expected total rate of return ($\$3.00/\$40 = 7.5$ percent). Thus, the investor buying
15 the stock at \$40 per share, expects a total return of 12.5 percent (5 percent dividend
16 yield plus 7.5 percent price appreciation). The total return of 12.5 percent is the
17 appropriate measure of the cost of capital because this is the rate of return that
18 caused the investor to commit \$40 of his capital by purchasing the stock.

19 **Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE DCF**
20 **MODEL.**

21 A. Under the assumption that future cash flows are expected to grow at a constant rate
22 (“g”), equation [2] can be solved for k and rearranged into the simple form:

23 [4] $k = CF_1/P_0 + g$

24 where CF_1/P_0 is the expected dividend yield and g is the expected long-term
25 dividend (price) growth rate (“g”). The expected dividend yield is computed as the
26 ratio of next period's expected dividend (“ CF_1 ”) divided by the current stock price

1 ("P₀"). This form of the DCF model is known as the constant growth DCF model
2 and recognizes that investors expect to receive a portion of their total return in the
3 form of current dividends and the remainder through future dividends and capital
4 (price) appreciation. A key assumption of this form of the model is that investors
5 expect that same rate of return (k) every year and that market price grows at the
6 same rate as dividends. This has not been historically true for the water utility
7 sample, as shown by the data in Schedule D-4.4 and Schedule D.4.5. As a result,
8 estimates of long-term growth rates (g) should take this into account.

9 **Q. ARE THERE ANY CONCERNS ABOUT APPLYING THE DCF MODEL**
10 **TO UTILITY STOCKS?**

11 A. There are a number of reasons why caution must be used when applying the DCF
12 model to utility stocks. First, the stock price and dividend yield components may
13 be unduly influenced by structural changes in the industry, such as mergers and
14 acquisitions, which influence investor expectations. Second, the DCF model is
15 based on a number of assumptions that may not be realistic given the current
16 capital market environment. The traditional DCF model assumes that the stock
17 price, book value, dividends, and earnings all grow at the same rate. This has not
18 been historically true for the sample water utility companies. Third, the application
19 of the DCF model produces estimates of the cost of equity that are consistent with
20 investor expectations only when the market price of a stock and the stock's book
21 value are approximately the same. The DCF model will understate the cost of
22 equity when the market-to-book ratio exceeds 1.0 and conversely will overstate the
23 cost of equity when the market-to-book ratio is less than 1.0. The reason for this is
24 that the market-derived return produced by the DCF is often applied to book value
25 rate base by regulators. Fourth, the assumption of a constant growth rate may be
26 unrealistic, and there may be difficulty in finding an adequate proxy for the growth

1 rate. Historical growth rates can be downward biased as a result of the impact of
2 anemic historical growth rates in earnings, mergers and acquisitions, restructuring,
3 unfavorable regulatory decisions, and even abnormal weather patterns. Further, by
4 placing too much emphasis on the past, the estimation of future growth becomes
5 circular.

6 **Q. LET'S TURN TO THE SPECIFIC INPUTS USED IN YOUR DCF MODELS.**
7 **WHAT DATA HAVE YOU USED TO COMPUTE THE EXPECTED**
8 **DIVIDEND YIELD (CF_1/P_0) IN YOUR MODELS?**

9 A. First, I computed a current dividend yield (CF_0/P_0). The expected dividend yield
10 (CF_1/P_0) is the current dividend yield (CF_0/P_0) times one plus the growth rate (g). I
11 used the spot price for each of the stocks of the water utilities in the sample group
12 as reported by the Value Line Investment Analyzer for April 6, 2012 for P_0 . The
13 current dividend (CF_0) is the dividend for the next year as reported by Value Line.
14 In my schedules, the current dividend yield is denoted as (D_0/P_0), where D_0 is the
15 current dividend and P_0 is the spot stock price. (D_1/P_0) is used to denote the
16 expected dividend yield in the schedules.

17 **Q. WHAT MEASURES OF GROWTH ("g") HAVE YOU USED?**

18 A. For my primary DCF growth estimate, I have used analyst growth forecasts, where
19 available, from four different, widely-followed sources: *Zack's Investment*
20 *Research*, *Morningstar*, *Yahoo Finance*,⁷ and *Value Line Investment Survey*.
21 Schedule D-4.6 reflects the analyst estimates of growth. The currently available
22 estimates from these four sources provide at least two estimates for each of the
23 sample water utility companies. When there is no estimate of forward-looking
24 growth for a utility in the water utilities sample, I have assumed investors expect
25

26 ⁷ Yahoo Finance analyst estimates provided by Thompson Financial.

1 the growth for that utility to equal the average of growth rates for the other water
2 utilities in the sample.

3 **Q. WHY DID YOU USE FORECASTED GROWTH RATES AS YOUR**
4 **PRIMARY ESTIMATE OF GROWTH?**

5 A. The DCF model requires estimates of growth that investors expect in the future and
6 not past estimates of growth that have already occurred. Accordingly, I use as a
7 primary estimate of growth analysts' forecasts of growth. Logically, in estimating
8 future growth, financial institutions and analysts have taken into account all
9 relevant historical information on a company as well as other more recent
10 information.⁸ To the extent that past results provide useful indications of future
11 growth prospects, analysts' forecasts would already incorporate that information.
12 In addition, a stock's current price reflects known historic information on that
13 company, including its past earnings history. Any further recognition of the past
14 will double count what has already occurred. Therefore, forward-looking growth
15 rates should be used.

16 **Q. WHAT OTHER ESTIMATES OF GROWTH DID YOU USE?**

17 A. I use the 5-year historical average growth rates in the stock price, book value per
18 share ("BVPS"), earnings per share ("EPS") and dividends per share ("DPS")
19 along with the average of analyst expectations. Using the historical average of
20 growth in price, BVPS, EPS, and DPS is reasonable because investors know that,
21 in equilibrium, common stock prices, BVPS, EPS and DPS will all grow at the
22 same rate and would take information about changes in stock prices and growth in

23 ⁸ David A. Gordon, Myron J. Gordon and Lawrence I Gould, "Choice Among Methods of
24 Estimating Share Yield," *Journal of Portfolio Management* (Spring 1989) 50-55. Gordon,
25 Gordon and Gould found that a consensus of analysts' forecasts of earnings per share growth for
26 the next five years provides a more accurate estimate of growth required in the DCF model than
three different historical measures of growth (historical EPS, historical DPS, and historical
retention growth). They explain that this result makes sense because analysts would take into
account such past growth as indicators of future growth as well as any new information.

1 BVPS into account when they price utilities' stocks. As I stated earlier, a basic
2 assumption of the DCF model is that the stock price, BVPS, EPS and DPS all grow
3 at the same rate. While I believe the use of historical growth rates gives added
4 recognition to the past that is already incorporated into analyst estimates of growth,
5 I have been criticized by Staff in the past for not giving direct consideration to past
6 growth rates in my estimate of growth. So, I have endeavored to remove any basis
7 for the criticism in this case. However, I do so reluctantly because the empirical
8 evidence indicates that analyst estimates of growth are the best measure of growth
9 for use in the DCF for utility stocks.

10 **Q. HAVE YOU USED ANALYST ESTIMATES OF DPS GROWTH?**

11 A. No. While I did not use analyst estimates of DPS growth, the average projected
12 DPS growth rate of 4.1 percent is higher than the historical DPS growth rate of
13 3.33 percent. Putting this aside, I did not use analyst estimates of dividend growth
14 primarily because there are analyst estimates for dividend growth for only three of
15 the six sample companies. Further, only one source (*Value Line*) provides DPS
16 growth estimates. The wide availability of earnings growth estimates compared to
17 dividend growth estimates indicates a greater reliance by investors on earnings
18 rather than dividends for their investment decisions.

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

20 **Q. PLEASE EXPLAIN THE CAPM METHODOLOGY FOR ESTIMATING**
21 **THE COST OF EQUITY.**

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

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

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

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

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

Q. WHAT IS THE RISK-FREE RATE?

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

Q. WHAT IS BETA AND WHAT DOES IT MEASURE?

A. Beta is a measure of the relative risk of a security in relation to the market. In other words, it is a measure of the sensitivity of a security to the market as a whole. This sensitivity is also known as systematic risk. It is estimated by regressing a security's excess returns against a market portfolio's excess returns. The slope of the regression line is the beta.

1 Beta for the market is 1.0. A security with a beta greater than 1.0 is
2 considered riskier than the market. A security with a beta less than 1.0 is
3 considered less risky than the market.

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

10 **Q. WHAT DID YOU USE AS THE PROXY OF THE BETA FOR RRUI?**

11 A. I used the average beta of the sample water utility companies. Betas were obtained
12 from *Value Line Investment Analyzer* (April 6, 2012). *Value Line* is the source for
13 estimated betas that I regularly employ, along with Staff, and it is widely-accepted
14 by financial analysts. The average beta as shown on Schedule D-4.9 is 0.72. I
15 should note that because RRUI is not publicly traded, RRUI has no beta. I believe
16 that RRUI, if it were publicly traded, would have a higher beta than the sample
17 water utility companies.

18 **Q. WHY WOULD RRUI HAVE A HIGHER BETA?**

19 A. As previously indicated, smaller companies are more risky than larger companies.
20 In Chapter 7 of Morningstar's *Ibbotson SBBI 2012 Valuation Yearbook*, for
21 example, Ibbotson reports that when betas (a measure of market risk) are properly
22 estimated, betas are larger for small companies than for larger companies. As I
23 will explain later, Ibbotson also finds that even after accounting for differences in
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26 ⁹ Eugene F. Fama and Kenneth R. French, "The Capital Asset Pricing Model: Theory and
Evidence," *Journal of Economic Perspectives* (Summer 2004) 25-46.

1 beta risk, small firms require an additional risk premium over and above the added
2 risk premium indicated by differences in beta risk.

3 **Q. PLEASE EXPLAIN THE MARKET RISK PREMIUM.**

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

8 Since expected returns are not directly observable, historical realized returns
9 are often used as a proxy for expected returns on the basis that the historical market
10 risk premium follows what is known in statistics as a "random walk." If the
11 historical risk premium does follow the random walk, then one should expect the
12 risk premium to remain at its historical mean. Based on this argument, the best
13 estimate of the future market risk premium is the historical mean. Morningstar's
14 *SBBI Valuation Edition 2012 Yearbook* provides historical market returns for
15 various asset classes from 1926 to 2011. This publication also provides market risk
16 premiums over U.S. Treasury bonds, which make it an excellent source for
17 historical market risk premiums.

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

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1 Q. HOW MANY MARKET RISK PREMIUM ESTIMATES DID YOU
2 PREPARE IN CONNECTION WITH YOUR ASSIGNMENT FOR RRUI?

3 A. I prepared two market risk premium estimates: An historical market risk premium
4 and a current market risk premium.

5 Q. HOW DID YOU ESTIMATE THE HISTORICAL MARKET RISK
6 PREMIUM?

7 A. I used the Morningstar's *Ibbotson S&P 500 2012 Valuation Yearbook* measure of the
8 average premium of the market over long-term treasury securities from 1926
9 through 2011. The average historical market risk premium over long-term treasury
10 securities is 6.6 percent.

11 Q. HOW DID YOU ESTIMATE THE CURRENT MARKET RISK PREMIUM?

12 A. I derived a market risk premium by, first, using the DCF model to compute an
13 expected market return for each of the past 12 months using *Value Line's*
14 projections of the average dividend yield and median 3-5 year price appreciation
15 (growth) on the *Value Line* 1700 Composite Index. I then subtracted the average
16 30-year Treasury yield for each month from the expected market returns to arrive
17 at the expected market risk premiums. Finally, I averaged the computed market
18 risk premiums to determine the current market risk premium. The data and
19 computations are shown on Schedule D-4.11. The average current market risk
20 premium is 9.75 percent. Estimates of the current market risk premium have
21 ranged from 7.82 percent to 20.69 percent over the past 12 months averaging 14.30
22 percent. The most recent 3-month average is 15.54 percent. My 12-month average
23 estimate at 14.30 percent is in the middle of the 12 month range and is more
24 conservative than the recent 3-month average.

25

26

1 Q. HAS STAFF EMPLOYED A CURRENT MARKET RISK PREMIUM IN
2 THE PAST?

3 A. Yes. However, their estimation of the current market risk premium was somewhat
4 different. Staff uses a DCF model to compute the current market risk premium as I
5 do. However, Staff also uses a single spot estimate using the median annualized
6 projected 3-5 year price appreciation on the *Value Line* 1700 stocks in conjunction
7 with the median dividend yield on the *Value Line* 1700 stocks.

8 Q. WHY DO YOU BELIEVE THAT YOUR APPROACH IS MORE
9 APPROPRIATE?

10 A. Staff typically computes a market risk premium based on a single point in time,
11 which makes estimates extremely volatile, so much so that the expected market
12 risk premium estimate can change by as much as 300 basis points (or more) each
13 time it is estimated. The accuracy of the expected risk premium is greatly
14 enhanced by increasing the number of periods used to estimate it.

15 Q. WHAT DO YOU ADOPT AS THE RETURN FOR THE RISK-FREE RATE?

16 A. I use long-term expected Treasury bond rates as the measure of the risk-free return
17 for use with both CAPM cost of equity estimates from two sources: the *Blue Chip*
18 *Financial Forecast* and *Value Line*. Morningstar's *Ibbotson SBBI 2012 Valuation*
19 *Yearbook* explains on page 55 that the appropriate choice for the risk-free rate is
20 the expected return for long-term Treasury securities. Thus, when determining an
21 estimate of the risk-free rate, it is appropriate to adopt a return that is no less than
22 the expected return on the long-term Treasury bond rate. Both of my CAPM
23 estimates are based on expected interest rates using a current spot estimate (April 6,
24 2012) and projected estimates of the long-term treasury rates for 2012 and 2013
25 (from *Blue Chip Financial Forecasts* and *Value Line Selection and Opinion*). The

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1 2012 to 2013 timeframe is the period when new rates will be in effect for the
2 Company.

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

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

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

14 [1] $k = R_f + RP_m + RP_s +/- RP_u$

15 where k = the expected return

16 R_f = risk-free rate

17 RP_m = equity risk premium for the market

18 RP_s = equity risk premium for size

19 RP_u = risk premium attributed to the specific company or to the industry
20 (often called the company specific risk premium)

21 Or alternatively as:

22 [2] $k = R_f + RP_{ms} +/- RP_u$

23 where k = the expected return

24 R_f = risk-free rate

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

26 ¹⁰ Morningstar Ibbotson *SBBI 2012 Valuation Yearbook*. Chapter 3.

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

3 The data for the equity risk premium for the market (RP_m), the equity risk
4 premium for size (RP_s), and the company specific or industry risk premium (RP_u)
5 can be readily obtained from *Morningstar* and/or other size premium studies such
6 as the *Duff & Phelps* study.¹¹ *Morningstar* quantifies the size premium separate
7 from the market risk premium by market capitalization as a measure of size
8 whereas the *Duff & Phelps* study quantifies the risk premium (RP_{m+s}) (market
9 premium (RP_m) plus the size premium (RP_s)) by book value of common equity, 5
10 year average net income, market value of invested capital, total assets (as reported
11 on balance sheet), 5-year average of earnings before interest, income taxes,
12 depreciation and amortization (EBITDA), sales, and number of employees in
13 addition to market capitalization – all of which have been shown to be highly
14 correlated with market returns. I should note that the authors of the *Duff & Phelps*
15 study conclude that, by whatever measures of size are used, the results are clear
16 that there is an inverse relationship between size and historical equity returns –
17 small companies have higher returns than larger companies.¹²

18 **Q. ARE THERE ADVANTAGES TO THE USE OF THE BUILD-UP RISK**
19 **PREMIUM METHODOLOGY OVER THE CAPM FOR ESTIMATING**
20 **THE COST OF EQUITY?**

21 A. Yes. First, as I mentioned earlier, the Build-up Method does not require a market
22 beta estimate, which is not available for non-public firms. I use the average beta of
23 the large publicly traded water utilities as a proxy for the beta of RRUI. However,
24 as I also discussed, there are computation problems surrounding beta, and

25 _____
26 ¹¹ Duff & Phelps LLC, *Risk Premium Report 2012*.
 ¹² Duff & Phelps at 26.

1 empirical financial data show that beta does not account for all of the risks
2 associated with smaller firms. Second, each of the risk premia used in the Build-up
3 Method can be quantified using data from the equity markets. Third, the various
4 measures of size including fundamental accounting measures have a practical
5 benefit of eliminating the need to make a “guesstimate” of size for comparative
6 purposes where market data for determining market value measures of size is not
7 available, particularly for non-public firms.

8 **F. Financial Risk Adjustment**

9 **Q. PLEASE EXPLAIN YOUR FINANCIAL RISK ADJUSTMENT TO**
10 **REFLECT THE COMPANY’S LOWER LEVEL OF DEBT IN ITS**
11 **CAPITAL STRUCTURE AS COMPARED TO THE SAMPLE WATER**
12 **UTILITIES.**

13 A. My financial risk estimation is based upon the methodology developed by
14 Professor Hamada of the University of Chicago, which incorporates the beta of a
15 levered firm to that of its unlevered counterpart. The equation is

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

16 where β_L and β_U are the levered and unlevered betas, respectively, T is the tax rate,
17 and ϕ the leverage, defined as the ratio of debt and equity of the firm. In simple
18 terms, I unlever the average beta of the six publicly-traded water utilities in my
19 sample using a ratio of the market value of debt and the market value of equity.
20 While I can compute the market value of equity of the sample water utilities based
21 on the current number of shares outstanding and the current stock price, estimating
22 the market value of debt is much more difficult. For purposes of my analysis, I
23 assume the market value of debt is the book value. This is a customary and
24 realistic assumption.¹³ Once the unlevered beta is determined, I relever the beta
25

26 ¹³ Roger A. Morin, *New Regulatory Finance* (2006) at 224.

1 using the capital structure of RRUI. For the market value of equity, I multiplied
2 RRUI's book value of equity times the average market-to-book ratio of the sample
3 water utilities. For RRUI's debt, I assume the market value of debt is equal to the
4 book value.

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

9 **Q. WHAT IS THE COMPUTED FINANCIAL RISK ADJUSTMENT?**

10 A. A downward adjustment of no more than 80 basis points. Again, however, in my
11 opinion, the beta for RRUI would be higher than that of the sample water utilities
12 that would have resulted in a lower downward financial risk adjustment. But I
13 have to make some assumptions to work with, an approach used by Staff and
14 approved by the Commission in past cases.

15 **G. Company Specific Risk Premium**

16 **Q. PLEASE DISCUSS YOUR COMPANY-SPECIFIC RISK PREMIUM.**

17 A. As I testified earlier, RRUI is not directly comparable to the sample water utilities
18 because of its small size and the regulatory environment in Arizona. The
19 characteristics associated with small size include the lack of diversification, limited
20 revenue cash flow, small customer base and liquidity. Furthermore, additional
21 risks common to smaller water and wastewater utilities, regardless of the regulatory
22 jurisdiction, include regulatory and construction risk. These characteristics and
23 magnitudes of risk are unique only in the sense that the large publicly-traded water
24 utilities (including the companies in the proxy group) do not possess these same
25 characteristics and magnitudes of risk. With respect to Arizona regulation, the use
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1 of an historical test year, with limited out-of-period adjustments, and the lack of
2 automatic adjuster mechanism(s) increase the risk of RRUI as an investment.

3 **Q. PLEASE DISCUSS SIZE RISK FOR SMALL UTILITY COMPANIES.**

4 A. Investment risk increases as the firm size decreases, all else remaining constant.
5 There is a great deal of empirical evidence that the firm size phenomenon exists.
6 Morningstar's *Ibbotson SBBI 2012 Valuation Yearbook* (Chapter 7) reports that
7 smaller companies have experienced higher returns that are not fully explainable
8 by their higher betas and that beta is inversely related to company size. In other
9 words, smaller companies not only have higher betas but higher returns than larger
10 ones. Even after accounting for differences in beta risk, small companies require
11 an additional risk premium over and above the added risk premium indicated by
12 differences in beta risk. Dr. Zepp also reported evidence that the stocks of small
13 water or wastewater utilities are more risky than the stocks of larger water utilities,
14 such as those in the water utilities sample.¹⁴ Even the California PUC conducted a
15 study that showed smaller water utilities are more risky than larger ones.¹⁵ Based
16 on the evidence, it is clear that investors require higher returns on small company
17 stocks than on large company stocks.

18 I have included in Schedule D-4.16 the results of a *Morningstar* study using
19 annual data reporting the size premium based upon firm size and return data (i)
20 provided in Morningstar's *Ibbotson SBBI 2012 Valuation Yearbook* and
21 information, and (ii) contained in Dr. Thomas M. Zepp's 2003 article in *The*
22 *Quarterly Review Economic and Finance*. I have estimated that a small company
23 risk premium in the range of 99 to 367 basis points is appropriate for RRUI.

24 _____
25 ¹⁴ Thomas M. Zepp, "Utility Stocks and the Size Effect – Revisited", *The Quarterly Review*
26 *Economics and Finance*, Vol. 43, Issue 3, Autumn 2003, 578-582.

¹⁵ Staff Report on Issues Related to Small Water Utilities, June 10, 1991 and CRRUI Decision
92-03-093.

1 Q. WHAT COMPANY SPECIFIC-RISK PREMIUM DO YOU RECOMMEND
2 FOR RRUI?

3 A. To be conservative, I recommend a size premium of at least 80 basis points which
4 is below the bottom end of the range of my size premium estimates.

5 H. Summary and Conclusions

6 Q. HAVE YOU PREPARED A SCHEDULE THAT SUMMARIZES YOUR
7 EQUITY COST ESTIMATES AND PRESENTS YOUR
8 RECOMMENDATIONS?

9 A. Yes. The equity cost estimates and my recommendations are summarized in
10 Schedule D-4.1.

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

16 In the second part of my analysis, I applied two versions of the CAPM – a
17 historical risk premium CAPM and a current market risk premium CAPM. The
18 CAPM analyses appear in Schedule D-4.12 and produce an indicated cost of equity
19 in the range of 8.1 percent to 13.6 percent, with a midpoint of 10.9 percent.

20 In the third part of my analysis, I compute a financial risk adjustment to
21 account for the lower level of debt in RRUI's pro forma capital structure compared
22 to the sample water utilities. My recommendation is that a downward financial risk
23 adjustment of no more than 80 basis points be applied to RRUI's cost of equity.
24 My financial risk adjustment analysis is shown in schedules D-4.13, D-4.14, and
25 D-4.15.

26

1 In the fourth part of my analysis, I reviewed the financial literature on the
2 small firm size effect and determined that an appropriate small company size
3 premium for small utilities like RRUI that should be applied to the DCF and
4 CAPM results is the range of 99 to 389 basis points. See Schedule D-4.16. I also
5 considered the risks for RRUI from Arizona regulation. My recommendation is
6 that an upward adjustment for company-specific risk of no less than 80 basis points
7 be applied to RRUI's cost of equity.

8 The range of results of both my DCF and CAPM analyses and other risk
9 adjustments is 8.9 percent to 12.5 percent, with a mid-point of 10.7 percent. See
10 Schedule D-4.1.

11 **Q. WHAT EQUITY RETURN DO YOU RECOMMEND?**

12 A. My recommended return on equity based on RRUI's capital structure is 10.7
13 percent.

14 **Q. HAVE YOU PREPARED AN ESTIMATE OF THE COST OF EQUITY**
15 **USING THE BUILD-UP METHOD FOR RRUI USING DATA FROM**
16 **MORNINGSTAR?**

17 A. Yes. This Build-up method using *Morningstar* data is one check on the
18 reasonableness of my recommendation for RRUI. I estimate the cost of equity for
19 RRUI to be at least 10.8 percent and up to 14.5 percent. These results are based
20 upon the data from *Morningstar* as contained Table C-1 (the risk-rate would be 2.9
21 percent,¹⁶ the equity risk premium would be 6.6 percent,¹⁷ the small company risk
22 premium of 6.1 percent¹⁸) and data contained in Table 3-5 – Industry Premia
23

24 _____
25 ¹⁶ Long-term (20 year) U.S. Treasury Bond Yield as of April 6, 2012.

26 ¹⁷ Long-horizon historical equity risk premium – Table A-1 1928-2011.

¹⁸ Decile 10 – smallest, market capitalization of \$1.028 million to \$206.795 million. See Appendix C.

1 Estimates (negative 4.8 for the water supply industry SIC code 494). The
2 calculation is shown as follows:

3 [1] $k = R_f + RP_m + RP_s +/- RP_u$

4 [2] $k = 2.9\% + 6.6\% + 6.1\% - 4.8\%$

5 [3] $k = 10.8\%$

6 The computed 10.8 percent is at the low end. Using more refined data provided by
7 *Morningstar* with respect to the 10th decile, the indicated cost of equity would be
8 14.5 percent for RRUI.¹⁹

9 **Q. HAVE YOU PREPARED A COST OF EQUITY ESTIMATE FOR RRUI**
10 **USING THE DUFF & PHELPS STUDY DATA?**

11 A. Yes. Please see **Exhibit TJB-COC-DT1**. I have also included cost of equity
12 estimates for the water sample companies. These estimates have been adjusted for
13 leverage (financial risk) differences between the companies in the size portfolios
14 contained in the study and the water sample companies and RRUI. Further, like
15 the Build-up Method cost of equity estimate using the *Morningstar* data, the cost of
16 equity estimates includes a downward water industry risk premium adjustment.²⁰
17 The results are as follows:²¹

18

19	<u>Stock</u>		<u>Cost of</u>
	<u>Symbol</u>	<u>Company</u>	<u>Equity</u>
20	AWR	American States Water Co.	10.69%
21	WTR	Aqua America	9.01%

22

23 ¹⁹ *Morningstar* splits the 10th decile portfolio into two groups; Decile 10a (up to \$206.795 million
24 in market capitalization) and Decile 10b (up to \$128.672 in market capitalization). If publicly
25 traded, RRUI would likely fall into the latter group (10b) which has an indicated size premium of
26 9.8 percent (see Appendix C). Substituting the 9.8 percent size premium for the 6.1 percent in the
build-up formula the result would be 14.5 percent (2.9%+6.6%+9.8%-4.8%).

²⁰ Note that the risk premium for the water utility industry is negative indicating that water
utilities are less risky than the market as a whole.

²¹ See **Exhibit TJB-COC-DT1**, Table 7.

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CWT	California Water Services Group	11.18%
CTWS	Connecticut Water Services	12.55%
MSEX	Middlesex Water Company	11.93%
SJW	SJW Corp.	11.90%
	Average	11.21%
	RRUI	14.55%

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

A. First, the results of my DCF and CAPM analyses for the publicly traded water companies compare favorably to the build-up method using the *Duff and Phelps* study data. The mid-point of my DCF and CAPM results is 10.7 percent which is approximately the midpoint of the ranges of estimates produced by the build-up method using the *Duff and Phelps* study data which range from 9.01 percent to 12.55 percent with a midpoint of 10.8 percent. Second, and more importantly, my recommended ROE of 10.7 for RRUI is well below the mid-point of the range of estimates for RRUI using both build-up methods (one using the *Morningstar* data and the other using the *Duff and Phelps* study data) which range from 10.8 percent to 14.55 percent with a mid-point of 12.7 percent. Accordingly, I find my recommendation of 10.7 percent appropriately conservative.

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

A. Yes.

Rio Rico Utilities, Inc.
2012 Rate Application

Tom Bourassa Direct Testimony

Exhibit TJB-COC-DT1

Rio Rico Utilities, Inc.
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on Duff and Phelps Risk Premium Study Data

TABLE 1

Company	Measures of size (Millions)						
	MV Equity ¹	Book Equity ¹	MVIC ¹	5 Yr Avg. Net Income	Total Assets ²	5 Yr Avg. EBITDA ³	
1. American States	\$ 676	\$ 377	\$ 976	\$ 32	\$ 1,192	\$ 120	
2. Aqua America	\$ 3,068	\$ 1,174	\$ 4,600	\$ 113	\$ 4,072	\$ 407	
3. California Water	\$ 748	\$ 436	\$ 1,227	\$ 37	\$ 1,692	\$ 128	
4. Connecticut Water	\$ 248	\$ 119	\$ 384	\$ 10	\$ 425	\$ 23	
5. Middlesex	\$ 289	\$ 174	\$ 422	\$ 12	\$ 489	\$ 38	
6. SJW Corp.	\$ 452	\$ 256	\$ 748	\$ 20	\$ 935	\$ 87	
Rio Rico Utilities, Inc.	NA	\$	11.0	NA	\$	0.1	\$ 29.7
							\$ 1.9

¹ From Zacks Investment Research data

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

³ Net Income. From Zacks Investment Research and Company ACC reports

Net Income Data

Company	2011	2010	2009	2008	2007	Average
American States	\$ 45.9	\$ 33.2	\$ 29.5	\$ 22.0	\$ 28.0	\$ 31.7
Aqua America	\$ 143.1	\$ 124.0	\$ 104.4	\$ 97.9	\$ 95.0	\$ 112.9
California Water	\$ 37.7	\$ 37.7	\$ 40.6	\$ 39.8	\$ 31.2	\$ 37.4
Connecticut Water	\$ 11.3	\$ 9.8	\$ 10.2	\$ 9.4	\$ 8.8	\$ 9.9
Middlesex	\$ 13.4	\$ 14.3	\$ 10.0	\$ 12.2	\$ 11.8	\$ 12.4
SJW Corp.	\$ 20.9	\$ 24.4	\$ 15.2	\$ 21.5	\$ 19.3	\$ 20.2
Rio Rico Utilities, Inc.	\$ (2.8)	\$ 0.8	\$ 0.8	\$ 0.6	\$ 1.0	\$ 0.1

Net Income data for publicly traded water utilities from Zacks Investment Research and/or Yahoo Finance

⁴ Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA). From Zacks Investment Research and Company ACC reports.

EBITDA Data

Company	2011	2010	2009	2008	2007	Average
American States	\$ 133.3	\$ 134.4	\$ 122.6	\$ 105.9	\$ 102.8	\$ 119.8
Aqua America	\$ 397.8	\$ 473.2	\$ 415.2	\$ 384.7	\$ 364.5	\$ 407.1
California Water	\$ 143.3	\$ 155.7	\$ 125.5	\$ 122.1	\$ 95.6	\$ 128.4
Connecticut Water	\$ 24.2	\$ 22.5	\$ 20.3	\$ 21.1	\$ 27.9	\$ 23.2
Middlesex	\$ 34.6	\$ 43.3	\$ 34.6	\$ 38.6	\$ 36.6	\$ 37.6
SJW Corp.	\$ 87.1	\$ 75.4	\$ 93.5	\$ 99.7	\$ 77.7	\$ 86.7
Rio Rico Utilities, Inc.	\$ 1.4	\$ 4.0	\$ 1.9	\$ 0.8	\$ 1.2	\$ 1.9

EBITDA data for publicly traded water utilities from Zacks Investment Research and/or Yahoo Finance

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

Rio Rico Utilities, Inc.
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on Duff and Phelps Risk Premium Study Data

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

Assumes 100% Equity and 0% debt
 Data Smoothing with Regression Analysis

Smoothed Premium (RP_{ms}) = Constant + X Coefficients * Log(Relevant Metric)

$$RP_{unlevered} = RP_{levered} - W_d W_e (\beta_u - \beta_d) \times RP_{market}$$

Where β_u = unlevered portfolio beta

W_d = debt beta, assumed to be 0.1

W_e = percentage of debt in capital structure

$RP_{levered}$ = levered realized risk premium

TABLE 2

	MV Equity (Table C-1)	Book Equity (Table C-2)	MVIC (Table C-4)	5 Yr Avg. Net Income (Table C-3)	Total Assets (Table C-5)	5 Yr Avg. EBITDA (Table C-6)
Constant	18.475%	15.380%	18.661%	13.224%	17.273%	14.736%
X Coefficient(s)	-3.239%	-2.561%	-3.201%	-2.616%	-2.812%	-2.723%

	MRP _{ms} (unlevered)						
	MV Equity	Book Equity	MVIC	5 Yr Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1. American States	9.31%	8.78%	9.09%	9.30%	8.62%	9.08%	9.03%
2. Aqua America	7.18%	7.52%	6.94%	7.85%	7.12%	7.63%	7.37%
3. California Water	9.17%	8.62%	8.77%	9.11%	8.19%	8.99%	8.81%
4. Connecticut Water	10.72%	10.07%	10.39%	10.62%	9.88%	11.02%	10.45%
5. Middlesex	10.51%	9.64%	10.26%	10.37%	9.71%	10.45%	10.16%
6. SJW Corp.	9.87%	9.21%	9.46%	9.81%	8.92%	9.46%	9.46%
Average (unlevered)	9.46%	8.97%	9.15%	9.51%	8.74%	9.44%	9.21%
Rio Rico Utilities, Inc.	NA	12.71%	NA	16.23%	13.13%	14.01%	14.02%

	Symbol	Company
1.	AWR	American States
2.	WTR	Aqua America
3.	CWT	California Water
4.	CTWS	Connecticut Water
5.	MSEX	Middlesex
6.	SJW	SJW Corp.

Rio Rico Utilities, Inc.
 COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on Duff and Phelps Risk Premium Study Data

Unlevered Portfolio Beta
 (from 2012 Duff & Phelps RP Study - Table C)

TABLE 3

1.	2.	3.	4.	5.	6.	Unlevered Portfolio Beta (β_u)						
						(Table C-1)	(Table C-2)	(Table C-4)	(Table C-3)	(Table C-5)	(Table C-6)	Average
American States	AWR	0.95	0.96	0.98	0.94	0.94	0.94	0.94	0.94	0.96	0.96	0.96
Aqua America	WTR	0.87	0.86	0.81	0.88	0.81	0.88	0.81	0.83	0.84	0.84	0.85
California Water	CWT	0.98	0.95	0.95	0.94	0.95	0.94	0.92	0.92	0.97	0.97	0.95
Connecticut Water	CTWS	0.96	1.00	0.97	0.97	0.97	0.97	0.99	0.99	1.03	0.99	0.99
Middlesex	MSEX	0.96	0.98	0.97	0.97	0.97	0.97	0.99	0.99	0.99	0.99	0.98
SJW Corp.	SJW	0.95	0.97	0.97	0.96	0.97	0.96	0.97	0.97	0.95	0.95	0.96
Average		0.95	0.95	0.94	0.94	0.94	0.94	0.94	0.94	0.96	0.96	0.95
Rio Rico Utilities, Inc.		0.95	0.98	1.00	1.01	1.00	1.01	1.05	1.05	1.03	1.03	1.00

Rio Rico Utilities, Inc.
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on Duff and Phelps Risk Premium Study Data

MRP Estimates Using Duff & Phelps Study (Relevered)

Relevered Realized Risk Premium

$$RP_{\text{relevered}} = RP_{\text{unlevered}} + W_d/W_e * (\beta_u - \beta_d) * RP_{\text{market}}$$

Where β_u = unlevered portfolio beta

β_d = debt beta, assumed to be 0.1

W_d = percentage of debt in capital structure

W_e = percentage of equity in capital structure

$RP_{\text{unlevered}}$ = unlevered realized risk premium from Table 2

RP_{market} = general equity risk premium for the market since 1963 (4.4%)

TABLE 4

	Symbol	Company	MV		Book		MRP _{mts} (Relevered)		5 Yr Avg.		Average
			W _d /W _e	Equity	Equity	MVIC	Net Income	Assets	EBITDA		
1.	American States		44.3%	10.93%	10.42%	10.77%	10.73%	10.73%	10.66%		
2.	Aqua America		49.9%	8.83%	9.15%	8.46%	9.53%	9.22%	8.98%		
3.	California Water		64.1%	11.59%	10.96%	11.11%	11.42%	11.39%	11.16%		
4.	Connecticut Water		54.5%	12.73%	12.17%	12.43%	12.66%	13.20%	12.53%		
5.	Middlesex		46.4%	12.22%	11.40%	11.99%	12.10%	12.22%	11.90%		
6.	SJW Corp.		65.4%	12.26%	11.66%	11.91%	12.22%	11.85%	11.88%		
	Average MRP (Relevered)		54.09%	11.43%	10.96%	11.11%	11.47%	11.44%	11.18%		
	Rio Rico Utilities, Inc.		12.88%	NA	13.20%	NA	16.73%	14.52%	14.53%		

Rio Rico Utilities, Inc.
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on Duff and Phelps Risk Premium Study Data

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

TABLE 5

[1] Estimate of Current Market Risk Premium (RP_{market})	5.50%
[2] Risk Premium Assumed in Duff & Phelps Study (1963-2011) ¹	4.30%
[3] Equity Risk Premium Adjustment ([1] - [2])	1.20%
[4] Average MRP (relevered) for publicly traded water companies (from Table 4)	11.18%
[5] MRP (relevered) for publicly traded water companies (RP_{mrs}) ([3] + [4])	12.38%
[6] Equity Risk Premium Adjustment ([3])	1.20%
[7] Average MRP (relevered) for subject utility company (from Table 4)	14.53%
[8] MRP (relevered) for subject utility company (RP_{mrs}) ([6] + [7])	15.73%
[9] Industry Risk Premium (From Ibbotson for SIC 494 Water Supply Industry Table 3-5)	-4.83%
[10] Adjustment Factor to Industry Risk Premium ([2] / 6.6%) ¹	0.8333
[11] Adjusted Industry Risk Premium (R_i) ([9] x [10])	-4.03%
[12] Risk Free Rate (R_f) ²	2.85%

¹ From Duff and Phelps Risk Premium Report 2012.

² Yield on 20 Yr U.S. Treasury April 6, 2012 (Federal Reserve)

Rio Rico Utilities, Inc.
COST OF EQUITY (COE) USING RISK PREMIUM BUILD-UP METHOD
 Based on Duff and Phelps Risk Premium Study Data

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

$$E(R_i) = R_f + RP_{m+s} + RP_i + RP_u$$

Where:

$E(R_i)$ = Expected (Indicated) rate of return

R_f = Risk-free rate of return. See Table 5.

RP_{m+s} = Market risk premium including size premium. See Table 4.

RP_i = Industry risk premium (adjusted) See Table 5.

RP_u = Company-specific risk premium

	Sample	Rio Rico Utilities, Inc.
	Publicly Traded	
	Water	
	Utilities	2.85%
$R_f =$	See Table 4	2.85%
$RP_{m+s} =$	See Table 4	See Table 4
$RP_i =$		-4.03%
$RP_u =$		0.00%

TABLE 6

	Symbol	Company	Indicated COE $E(R_i)$					
			MV Equity	Book Equity	5 Yr. Avg. Net Income	Total Assets	5 Yr Avg. EBITDA	Average
1.	AWR	American States	10.95%	10.45%	10.79%	10.25%	10.76%	10.69%
2.	WTR	Aqua America	8.86%	9.18%	8.49%	8.71%	9.24%	9.01%
3.	CWT	California Water	11.62%	10.99%	11.14%	10.48%	11.42%	11.18%
4.	CTWS	Connecticut Water	12.76%	12.20%	12.45%	11.99%	13.22%	12.55%
5.	MSEX	Middlesex	12.25%	11.42%	12.02%	11.51%	12.25%	11.93%
6.	SJW	SJW Corp.	12.29%	11.68%	11.93%	11.39%	11.87%	11.90%
		Average COE estimate	11.45%	10.99%	11.14%	10.72%	11.46%	11.21%
		Rio Rico Utilities, Inc.	NA	13.23%	NA	13.68%	14.55%	14.55%

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Rio Rico Utilities, Inc.
2012 Rate Application

Tom Bourassa Direct Testimony

**Cost of Capital D
Schedules**

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Summary of Cost of Capital

Exhibit
 Schedule D-1
 Page 1
 Witness: Bourassa

Consolidated Capital Structure of Water and Wastewater Division

Line No.	Item of Capital	Adjusted End of Test Year			Projected Capital Structure			Proforma Capital Structure					
		Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	Cost Rate	Weighted Cost
1	Long-Term Debt	-	0.00%	0.00%	0.00%	-	0.00%	0.00%	0.00%	-	0.00%	0.00%	0.00%
2	Stockholder's Equity	13,493,513	100.00%	10.70%	10.70%	14,024,754	100.00%	10.70%	10.70%	14,024,754	100.00%	10.70%	10.70%
3	Totals	13,493,513	100.00%	10.70%	10.70%	14,024,754	100.00%	10.70%	10.70%	14,024,754	100.00%	10.70%	10.70%
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SUPPORTING SCHEDULES:

RECAP SCHEDULES:
 A-3

D-1
 D-3
 D-4
 E-1 Water Division
 E-1 Wastewater Division
 Testimony

Rio Rico Utilities, Inc. - Water Division
 Test Year Ended February 29, 2012
 Cost of Long Term Debt

Exhibit
 Schedule D-2
 Page 1
 Witness: Bourassa

Line No.	Description of Debt	End of Test Year			End of Projected Year		
		Amount Outstanding	Annual Interest	Interest Rate	Amount Outstanding	Annual Interest	Interest Rate
1							
2		-	-	0.000%	-	-	0.000%
3		-	-	0.000%	-	-	0.000%
4		-	-	0.000%	-	-	0.000%
5		-	-	0.000%	-	-	0.000%
6		-	-	0.000%	-	-	0.000%
7		-	-	0.000%	-	-	0.000%
8		-	-	0.000%	-	-	0.000%
9		-	-	0.000%	-	-	0.000%
10		-	-	0.000%	-	-	0.000%
11							
12							
13	Totals	\$ -	-		\$ -	-	
14							0.000%
15							
16	Supporting Schedules:						
17	E-1						
18	E-2						
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
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Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Cost of Preferred Stock

Exhibit
Schedule D-3
Page 1
Witness: Bourassa

Line
No.

	<u>End of Test Year</u>			<u>End of Projected Year</u>			
	Description of Issue	Shares Outstanding	Dividend Amount	Requirement	Shares Outstanding	Dividend Amount	Requirement
1							
2							
3							
4							
5							
6							
7	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
8							
9							
10							
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12							
13							
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16							
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18							
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20							
21	<u>SUPPORTING SCHEDULES:</u>			<u>RECAP SCHEDULES:</u>			
22	E-1			D-1			
23							
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Rio Rico Utilities, Inc. - Water Division
Test Year Ended February 29, 2012
Cost of Common Equity

Exhibit
Schedule D-4
Page 1
Witness: Bourassa

Line

No.

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The Company is proposing a cost of common equity of 10.70% .

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SUPPORTING SCHEDULES:

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E-1

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D-4.1 to D-4.16

20

RECAP SCHEDULES:

D-1

**Rio Rico Utilities, Inc.
Summary of Results**

**Exhibit
Schedule D-4.1**

Line No.	<u>Method</u>	<u>Low</u>	<u>High</u>	<u>Midpoint</u>
1				
2				
3				
4				
5				
6	Range DCF Constant Growth Estimates ¹	9.7%	11.3%	10.5%
7				
8	Range of CAPM Estimates ²	8.1%	13.6%	10.9%
9				
10				
11				
12	Average of midpoint estimates	8.9%	12.5%	10.7%
13				
14				
15	Financial Risk Adjustment ³	-0.8%	-0.8%	-0.8%
16				
17	Small Company Risk Premium ⁴	0.8%	0.8%	0.8%
18				
19	Indicated Cost of Equity	8.9%	12.5%	10.7%
20				
21				
22				
23	Recommended Cost of Equity			10.7%
24				
25				
26				

¹ See Schedule D-4-8

² See Schedule D-4.12

³ See Schedule D-4.13, Testimony

⁴ See Schedule D-4.16, Testimony

Rio Rico Utilities, Inc.
Selected Characteristics of Sample Group of Water Utilities

Exhibit
Schedule D-4.2

Line No.	Company ¹	% Water Revenues	Operating Revenues (millions)	Net Plant (millions)	S&P Bond Rating	Moody's Bond Rating	Allowed ROE
1	1. American States	72%	\$ 419.3	\$ 889.8	A+	A2	9.99
2	2. Aqua America	96%	\$ 729.6	\$ 3,612.9	AA-	NR	10.33
3	3. California Water	97%	\$ 501.8	\$ 1,364.6	AA-	NR	9.99
4	4. Connecticut Water	98%	\$ 72.7	\$ 354.6	A	NR	9.75
5	5. Middlesex	90%	\$ 101.5	\$ 422.2	A	NR	10.15
6	6. SJW Corp.	96%	\$ 239.0	\$ 730.9	A	NR	9.99
10	Average	92%	\$ 344.0	\$ 1,229.2			10.03
13	Rio Rico Utilities, Inc.	68%	\$ 4.2	\$ 28.1	NR	NR	
14	(Adjusted as of February 29, 2012)						

¹AUS Utility Reports (April 2012).

**Rio Rico Utilities, Inc.
Capital Structures**

**Exhibit
Schedule D-4.3**

No.	Company	Book Value ¹		Market Value ¹	
		Long-Term <u>Debt</u>	Common <u>Equity</u>	Long-Term <u>Debt</u>	Common <u>Equity</u>
1	1. American States	44.3%	55.7%	30.7%	69.3%
2	2. Aqua America	56.6%	43.4%	33.3%	66.7%
3	3. California Water	52.4%	47.6%	39.0%	61.0%
4	4. Connecticut Water	53.2%	46.8%	35.3%	64.7%
5	5. Middlesex	43.5%	56.5%	31.7%	68.3%
6	6. SJW Corp.	53.6%	46.4%	39.5%	60.5%
10	Average	50.6%	49.4%	34.9%	65.1%
13	Rio Rico Utilities, Inc. ² (Proforma)	20.0%	80.0%	N/A	N/A

¹ Value Line Analyzer Data (April 6, 2012)

² Adjusted Per Schedule D-1

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**Exhibit
Schedule D-4.4**

**Rio Rico Utilities, Inc.
Comparisons of Past and Future Estimates of Growth**

Line No.	[1]	[2]	[3]	[4]	[5]	[6]	[7]
	Price ¹	Book Value ²	EPS ²	DPS ²	Average Col 1-4	Average Future Growth ³	Average of Future and Historical Growth Col 5-6
	<u>Five-year historical average annual changes</u>						
1	5.86%	5.00%	11.50%	2.50%	6.21%	8.07%	7.14%
2	0.38%	7.00%	4.50%	8.00%	4.97%	8.60%	6.79%
3	NMF	5.50%	6.50%	1.00%	4.33%	8.48%	6.41%
4	3.43%	3.00%	1.50%	1.50%	2.36%	7.90%	5.13%
5	7.10%	5.50%	4.50%	1.50%	4.65%	4.35%	4.50%
6	NMF	6.50%	NMF	5.50%	6.00%	10.00%	8.00%
7							
8							
9							
10							
11							
12							
13							
14							
15							
16	4.19%	5.42%	5.70%	3.33%	4.75%	7.90%	6.33%
17	4.64%	5.50%	4.50%	2.00%	4.81%	8.27%	6.60%
18							
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28							
29							
	GROUP AVERAGE						
	GROUP MEDIAN						

¹ Average of changes in annual stock prices ending on December 31 through 2011. Data from Yahoo Finance website.

² Value Line Analyzer Data, April 6, 2012

³ See Schedule D-4.6.

**Exhibit
Schedule D-4.5**

**Rio Rico Utilities, Inc.
Comparisons of Past and Future Estimates of Growth**

Line No.	[1]	[2]	[3]	[4]	[5]	[6]	[7]
	Ten-year historical average annual changes						
	<u>Company</u>	<u>Price</u> ¹	<u>Book Value</u> ²	<u>EPS</u> ²	<u>DPS</u> ²	<u>Average Col 1-4</u>	<u>Average Future Growth</u> ³
1	1. American States	6.51%	5.00%	4.50%	2.00%	4.50%	6.28%
2	2. Aqua America	7.63%	9.00%	6.50%	7.50%	7.66%	8.13%
3	3. California Water	3.95%	4.50%	3.00%	1.00%	3.11%	5.79%
4	4. Connecticut Water	5.00%	4.00%	1.00%	1.50%	2.87%	5.39%
5	5. Middlesex	5.84%	4.50%	2.50%	2.00%	3.71%	4.03%
6	6. SJW Corp.	2.69%	6.00%	2.00%	5.00%	3.92%	6.96%
7							
8							
9							
10							
11							
12							
13							
14							
15	GROUP AVERAGE	5.27%	5.50%	3.25%	3.17%	4.30%	6.10%
16	GROUP MEDIAN	5.42%	4.75%	2.75%	2.00%	3.82%	6.04%
17							
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¹ Average of changes in annual stock prices ending December 31, 2011. Data from Yahoo Finance website.

² Value Line Analyzer Data, April 6, 2012.

³ See Schedule D-4.6.

Rio Rico Utilities, Inc.
Analysts Forecasts of Earnings Per Share Growth **Exhibit**
Schedule D-4.6

Line No.	[1]	[3]	[4]	[5]
	ESTIMATES OF EARNINGS GROWTH			
	<u>Company</u>	<u>Zacks¹</u>	<u>Yahoo¹</u>	<u>Value Line¹</u>
		<u>Value</u>	<u>Average Growth (G)</u> <u>(Cols.1-4)²</u>	
1	1. American States	12.00%	5.70%	6.50%
2	2. Aqua America	8.30%	7.50%	10.00%
3	3. California Water	10.00%	9.93%	5.50%
4	4. Connecticut Water		4.55%	7.90%
5	5. Middlesex		2.70%	4.35%
6	6. SJW Corp.		14.00%	10.00%
7				
8				
9				
10				
11				
12				
13				
14				
15	GROUP AVERAGE	10.10%	7.40%	6.80%
16	GROUP MEDIAN			7.90%
17				8.27%
18				
19				
20				
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¹ Data as of April 6, 2012

² Where no data available or single estimate, average of other utilities assumed to estimate for utility.

Rio Rico Utilities, Inc.
Current Dividend Yields for Water Utility Sample Group

Exhibit
Schedule D-4.7

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

Company	Current Stock Price (P ₀) ¹	Current Dividend (D ₀) ¹	Current Dividend Yield (D ₀ /P ₀) ¹	Average Annual Dividend Yield (D ₀ /P ₀) ^{1,2}
1. American States	\$ 36.36	\$ 1.04	2.86%	2.98%
2. Aqua America	\$ 22.23	\$ 0.59	2.65%	3.11%
3. California Water	\$ 17.94	\$ 0.60	3.34%	3.24%
4. Connecticut Water	\$ 28.23	\$ 0.94	3.33%	3.62%
5. Middlesex	\$ 18.50	\$ 0.72	3.89%	4.23%
6. SJW Corp.	\$ 24.32	\$ 0.68	2.80%	2.78%
Average			3.15%	3.33%
Median			3.10%	3.18%

¹ Value Line Analyzer Data. Stock prices as of April 6, 2012.

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

Rio Rico Utilities, Inc.
Discounted Cash Flow Analysis
DCF Constant Growth

Exhibit
Schedule D-4.8

Line No.	[1] Average Spot Dividend Yield (D_0/P_0) ¹	[2] Expected Dividend Yield (D_1/P_0) ²	[3] Growth (g)	[4] Indicated Cost of Equity $k = \text{Div Yld} + g$ (Cols 2+3)
8	DCF - Past and Future Growth	3.15%	6.33% ³	9.7%
10	DCF - Future Growth	3.15%	7.90% ⁴	11.3%
13	Average	3.15%	7.11%	10.5%

¹ Spot Dividend Yield = D_0/P_0 . See Schedule D-4.7.

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

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

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

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

**Rio Rico Utilities, Inc.
Market Betas**

**Exhibit
Schedule D-4.9**

Line No.	Company	Beta (β) ¹
1	American States	0.70
2	Aqua America	0.65
3	California Water	0.65
4	Connecticut Water	0.75
5	Middlesex	0.70
6	SJW Corp.	0.85
7		
8		
9	Average	0.72
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		

¹ Value Line Investment Analyzer data (April 6, 2012)

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

Rio Rico Utilities, Inc.
Forecasts of Long-Term Interest Rates
2011-2012

Exhibit
Schedule D-4.10

Line No.	<u>Description</u>	<u>Actual Feb-12</u>	<u>2012</u>	<u>2013</u>	<u>Average</u>
1					
2					
3					
4					
5					
6	Blue Chip Consensus Forecasts ¹	2.85%	3.4%	3.8%	3.4%
7					
8	Value Line ²	2.85%	3.4%	3.7%	3.3%
9					
10	Average				3.4%
11					
12					
13					
14					

¹ April 2012 Blue Chip Financial Forecasts consensus forecast of 30 Year U.S. Treasury

² Value Line Quarterly forecast, dated February 24, 2012, Long-term Treasury

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**Exhibit
Schedule D-4.11**

**Rio Rico Utilities, Inc.
Computation of Current Market Risk Premium**

Line No.	Month	Dividend Yield (D _t /P ₀) ¹	Expected Dividend Yield (D _t /P ₀) ²	Growth (g) ³	Expected Market Return (k)	Monthly Average 30 Year Treasury Rate ⁴	Market Risk Premium (MRP)
1	Jan 2011	2.34%	2.60%	+ 11.10%	= 13.70%	= 4.52%	= 9.18%
2	Feb	2.41%	2.73%	+ 13.16%	= 15.89%	= 4.65%	= 11.24%
3	Mar	2.35%	2.64%	+ 12.33%	= 14.97%	= 4.51%	= 10.46%
4	April	1.83%	2.02%	+ 10.30%	= 12.32%	= 4.50%	= 7.82%
5	May	1.95%	2.18%	+ 11.76%	= 13.94%	= 4.29%	= 9.65%
6	June	1.97%	2.21%	+ 12.11%	= 14.32%	= 4.23%	= 10.09%
7	July	2.23%	2.58%	+ 15.51%	= 18.09%	= 4.27%	= 13.82%
8	Aug	2.73%	3.24%	+ 18.51%	= 21.75%	= 3.65%	= 18.10%
9	Sept	2.88%	3.47%	+ 20.40%	= 23.87%	= 3.18%	= 20.69%
10	Oct	2.60%	3.03%	+ 16.35%	= 19.38%	= 3.13%	= 16.25%
11	Nov	2.75%	3.24%	+ 17.89%	= 21.13%	= 3.02%	= 18.11%
12	Dec 2011	2.70%	3.17%	+ 17.41%	= 20.58%	= 2.98%	= 17.60%
13	Jan 2012	2.61%	2.98%	+ 14.18%	= 17.16%	= 3.03%	= 14.13%
14	Feb	2.60%	2.99%	+ 15.01%	= 18.00%	= 3.11%	= 14.89%
15	Recommended	2.64%	3.05%	+ 15.53%	= 18.58%	= 3.04%	= 14.30%
16	Short-term Trends						
17	Recent Twelve Months Avg	2.43%	2.81%	+ 15.15%	= 17.96%	= 3.66%	= 14.30%
18	Recent Nine Months Avg	2.56%	2.99%	+ 16.37%	= 19.36%	= 3.40%	= 15.96%
19	Recent Six Months Avg	2.69%	3.15%	+ 16.87%	= 20.02%	= 3.08%	= 16.94%
20	Recent Three Months Avg	2.64%	3.05%	+ 15.53%	= 18.58%	= 3.04%	= 15.54%

¹ Average Current Dividend Yield (D_t/P₀) of dividend paying stocks. Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

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

³ Average 3-5 year price appreciation (annualized). Data from Value Line Investment Analyzer Software Data - Value Line 1700 Stocks

⁴ Monthly average 30 year U.S. Treasury. Federal Reserve.

**Rio Rico Utilities, Inc.
Capital Asset Pricing Model (CAPM)**

**Exhibit
Schedule D-4.12**

Line No.		Rf ¹	+	beta ³	x	Rp	=	k
1								
2								
3	Historical Market Risk Premium CAPM	3.4%	+	0.72	x	6.6% ⁴	=	8.1%
4								
5	Current Market Risk Premium CAPM	3.4%	+	0.72	x	14.3% ⁵	=	13.6%
6								
7	Average							10.9%
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								

¹ Forecasts of long-term treasury yields. See Schedule D-4.10.

² Value Line Investment Analyzer data. See Schedule D-4.9.

³ Historical Market Risk Premium from (Rp) MorningStar SBB1 2012 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2011.

⁴ Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.11.

Rio Rico Utilities, Inc.
Financial Risk Computation

Exhibit
Schedule D-4.13

Line No.							
1	<u>CAPM</u>						
2		+			x		<u>k</u>
3	Historical Market Risk Premium	1	3.4%	0.72	2	3	= 8.1%
4	Current Market Risk Premium	1	3.4%	0.72	2	4	= 13.6%
5							
6	Average						10.9%
7							
8							
9	<u>CAPM Relevered Beta</u>						
10		+			x		<u>k</u>
11	Historical Market Risk Premium	1	3.4%	0.64	5	3	= 7.6%
12	Current Market Risk Premium	1	3.4%	0.64	5	4	= 12.5%
13							
14	Average						10.1%
15							
16	Financial Risk Adjustment						<u>-0.8%</u>
17							
18							
19							
20							
21							
22							
23							
24							
25							

¹ Forecast of long-term treasury yields. See Schedule D-4.10
² Value Line Investment Analyzer data. See Schedule D-4.9
³ Historical Market Risk Premium from (Rp) MorningStar SBB1 2012 Valuation Yearbook Table A-1 Long-Horizon ERP 1926-2011
⁴ Computed using DCF constant growth method to determine current market return on Value Line 1700 stocks and CAPM with beta of 1.0 to compute Current Market Risk Premium (Rp). See Schedule D-4.11
⁵ Relevered beta found on Schedule D-4.15

Rio Rico Utilities, Inc.
Financial Risk Computation
Unlevered Beta

Exhibit
Schedule D-4.14

Line No.	Company	VL Beta β_L^1	Raw Beta β_{UL}^2	Tax Rate t^3	MV Debt D^4	MV Equity E^4	Unlevered Raw Beta β_{UL}^5
1	American States	0.70	0.55	43.2%	30.7%	69.3%	0.44
2	Aqua America	0.65	0.48	39.2%	33.3%	66.7%	0.37
3	California Water	0.65	0.48	39.5%	39.0%	61.0%	0.35
4	Connecticut Water	0.75	0.63	41.3%	35.3%	64.7%	0.48
5	Middlesex	0.70	0.55	32.1%	31.7%	68.3%	0.42
6	SJW Corp.	0.85	0.78	38.8%	39.5%	60.5%	0.56
11							
12							
13	Sample Water Utilitie:	0.72	0.58	39.0%	34.9%	65.1%	0.44
14							
15							
16							
17							
18							
19							

¹ Value Line Investment Analyzer data. See Schedule D-4.13
Value Line uses the historical data of the stock, but assumes that a security's beta moves toward the market average over time. The formula is as follows:
Adjusted beta = $.33 + (.67) * \text{Raw beta}$
² Raw Beta = $(VL \text{ beta} - .33) / (.67)$
³ Effective tax rates for year ended December 31, 2011.
⁴ See Schedule D-4.3
⁵ Raw $B_u = \text{Raw } B_L / (1 + (1-t)D/E)$

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Exhibit
Schedule D-4.15

Rio Rico Utilities, Inc.
Financial Risk Computation
Relevered Beta

Line No.	Unlevered Raw Beta β_{UL}^1	MV Book Debt BD^2	MV Equity Capital EC^2	Tax Rate t^3	Relevered Raw Beta $\beta_{RL} = \beta_U (1 + (1-t)BD/EC)$	VL Adjusted Relevered Beta β_{RL}
1	0.44	11.4%	88.6%	38.60%	0.47	0.64
2						
3						
4						
5	Rio Rico Utilities, Inc.					
6						
7						
8						
9						
10						
11						
12						
13	¹ Unlevered Beta from Schedule D-4.14.					
14	² Proforma Capital Structure of Company.					
15						

	BV	MV	MV %
	(in Thousands)	(in Thousands)	
16	\$ 20	\$ 20	11.40%
17	\$ -	-	0.0%
18	\$ 80	155	88.6%
19	\$ 100	175	100.0%
20			
21			
22			
23			

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

³ Current Tax rate based on test year ending 12/31/2011. See Schedule D-1.

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Rio Rico Utilities, Inc.
Size Premium¹

Exhibit
Schedule D-4.16

Line No.	Beta(β)	Size Premium	Risk Premium for Small Water Utilities ⁷
6	1.12	1.14%	
7			
8	1.23	1.88%	
9			
10	1.36	3.89%	
11			
12	1.41	6.10%	3.67%
13			
14			
15			
16			
17			
18			
19			

Risk Premium for Small Water Utilities

Estimated Risk Premium for small water utilities⁶

0.99%

¹ Data from Table 7-8 of Morningstar, *Ibbotson S&P 500 2012 Valuation Yearbook*.

² Mid-Cap companies includes companies with market capitalization between \$1,621 million and \$6,896 million.

³ Low-Cap companies includes companies with market capitalization between \$423 million and \$1,620 million.

⁴ Micro-Cap companies includes companies with market capitalization less than \$422 million.

⁵ Decile 10 includes companies with market capitalization between \$1.0 million and \$206 million.

⁶ From Table 2, Thomas M. Zepp, "Utility Stocks and the Size Effect Revisited," *The Quarterly Review of Economics and Finance*, 43 (2003), 578-582.

⁷ Computed as the weighted differences between the Decile 10 risk premium and the indicated risk premiums for the sample water utilities as shown below. Excludes risk due to differences in beta.

	Market Cap. (Millions)	Class	Size Premium	Difference to Decile 10	Weight	Weighted Size Premium
1.	American States	\$ 676 Low-Cap	1.88%	4.22%	0.1666667	0.70%
2.	Aqua America	\$ 3,068 Mid-Cap	1.14%	4.96%	0.1666667	0.83%
3.	California Water	\$ 748 Low-Cap	1.88%	4.22%	0.1666667	0.70%
4.	Connecticut Water	\$ 248 Micro-Cap	3.89%	2.21%	0.1666667	0.37%
5.	Middlesex	\$ 289 Micro-Cap	3.89%	2.21%	0.1666667	0.37%
6.	SJW Corp.	\$ 452 Low-Cap	1.88%	4.22%	0.1666667	0.70%
	Weighted Size Premium for Small Companies					3.67%

7

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4
5 BEFORE THE ARIZONA CORPORATION COMMISSION

6
7
8 IN THE MATTER OF THE
APPLICATION OF RIO RICO
9 UTILITIES, INC., AN ARIZONA
CORPORATION, FOR A
10 DETERMINATION OF THE FAIR
VALUE OF ITS UTILITY PLANTS AND
11 PROPERTY AND FOR INCREASES IN
ITS WATER AND WASTEWATER
12 RATES AND CHARGES FOR UTILITY
SERVICE BASED THEREON.

DOCKET NO: WS-02676A-12-_____

13
14
15
16 DIRECT TESTIMONY OF
17 CHRISTOPHER D. KRYGIER

18
19 May 31, 2012
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I. INTRODUCTION AND PURPOSE OF TESTIMONY 1
II. SUSTAINABLE WATER LOSS IMPROVEMENT PROGRAM 2

1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

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

3 A. My name is Christopher D. Krygier and my business address is 12725 W. Indian
4 School Road, Suite D-101, Avondale, AZ 85392.

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

6 A. I am employed by Liberty Utilities which is the parent company for Rio Rico
7 Utilities, Inc. ("RRUI"). I am employed as the Manager, Rates and Regulation.

8 **Q. WHAT ARE YOUR PRINCIPAL RESPONSIBILITIES AS MANAGER,
9 RATES AND REGULATION?**

10 A. I am responsible for the water and wastewater rate cases and public utility
11 regulation in Arizona, Texas and Missouri.

12 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND.**

13 A. Before working for Liberty Utilities, I was employed by American Water Works,
14 Inc., for approximately six years in a variety of financial capacities. At American
15 Water, I worked in Financial Planning and Analysis, Rates, Compliance and
16 Capital Programs among other roles.

17 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

18 A. In 2006, I completed my Bachelor of Science in Economics from the W.P. Carey
19 School of Business at Arizona State University. In 2010, I completed my Master
20 of Business Administration with an emphasis in Finance from the W.P. Carey
21 School of Business at Arizona State University.

22 In addition to my formal education, I also attained three utility related
23 certifications:

- 24
 - Certified Rate of Return Analyst
 - ADEQ Level 1 Water Treatment Operator
 - ADEQ Level 1 Water Distribution Operator.

26 Finally, I attended the NARUC Utility Rate School in 2008.

1 Q. **HAVE YOU TESTIFIED BEFORE THIS OR ANY OTHER COMMISSION?**

2 A. I have not testified before the ACC; however, I have provided written testimony in
3 Docket 2010-0313 before the Hawaii Public Utilities Commission on behalf of my
4 previous employer.

5 Q. **WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A. To support RRUI's request for ACC approval of a Sustainable Water Loss
8 Improvement Program ("SWIP").

9 Q. **WHAT IS A SWIP?**

10 A. It is a useful and effective regulatory tool intended to support investment in
11 infrastructure that has the greatest likelihood of reducing non-revenue water. A
12 SWIP is a measured step toward addressing some of the regulatory lag issues
13 experienced by water utilities in Arizona.

14 **II. SUSTAINABLE WATER LOSS IMPROVEMENT PROGRAM**

15 Q. **WHERE DID RRUI GET THE IDEA FOR A SWIP?**

16 A. In the recent Arizona Water Company rate case, Docket W-01445A-11-0310,
17 Arizona Water proposed a Distribution System Improvement Charge ("DSIC")
18 mechanism to address aging infrastructure that needs replacement in their water
19 systems. In response, Staff witness Mr. Jeffrey M. Michlik proposed a SWIP as an
20 alternative to that which Arizona Water proposed. Mr. Michlik's alternative
21 appears to us to be a first step to help address Arizona Water's need to replace
22 significant amounts of aged infrastructure. Mr. Michlik's proposal laid out seven
23 standards for Arizona Water to meet SWIP eligibility. The text of the proposal is
24 attached to my testimony as Exhibit CDK-DT1.

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1 **Q. HOW DOES THE SWIP WORK?**

2 A. In general, a SWIP would work like the following. First, a company invests in
3 SWIP eligible infrastructure by replacing a section of pipe. In placing the section
4 of pipe in-service and retiring the removed section of pipe, the company books the
5 cost to the appropriate NARUC accounts. Upon recording the accounting costs,
6 the company also starts recording two separate regulatory assets. The first
7 regulatory asset captures the monthly depreciation expense related to the installed
8 section of pipe. The second regulatory asset records the monthly Allowance for
9 Funds Used During Construction (“AFUDC”) associated with the cost of capital
10 authorized for the company. At a later date, the company files a request with the
11 Commission to start recovering the regulatory asset deferrals. This request
12 contains all necessary backup for Commission Staff to render a decision on when
13 the company can start recovering the investment.

14 **Q. HOW IS A SWIP DIFFERENT THAN A DSIC?**

15 A. The focus of DSIC is to replace aged infrastructure through a measured, annual
16 adjustment. The system is replaced as needed, but in a manner that doesn’t result
17 in significant financing issues for the company or sudden rate increases for the
18 customers. The SWIP is more narrowly focused on addressing regulatory lag and
19 moving toward rate gradualism.

20 **Q. DID RRUI CONSIDER REQUESTING A DSIC IN THIS PROCEEDING?**

21 A. RRUI strongly considered submitting a proposal for a DSIC mechanism in this
22 proceeding. RRUI, and its parent Liberty Utilities, believe that the DSIC is a great
23 regulatory tool with proven results that benefit customers by improving water
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1 service, reducing lost water, and smoothing out rate increases.¹ In the end though,
2 we felt that in this instance a SWIP was a practical way to begin to achieve the
3 goals of the utility. Liberty Utilities will consider the DSIC mechanism in future
4 rate applications for Rio Rico and its other utilities.

5 **Q. DID THE ACC DECIDE THE DSIC/SWIP ISSUE IN THE ARIZONA**
6 **WATER RATE CASE?**

7 A. No, the case is currently in hearing and the issue has not yet been decided. We are
8 picking up the ball where it was left though because Liberty Utilities believes the
9 SWIP mechanism achieves two critical policy objectives of the Commission. First,
10 the SWIP takes the first step in addressing the regulatory lag issue that has become
11 a critical focus of the Commission. Second, the SWIP mechanism addresses the
12 important policy objective of “rate gradualism,” a key factor when thinking about
13 the impact and timing of rate increases on customers.

14 **Q. WHAT IS RATE GRADUALISM?**

15 A. Rate gradualism is the policy of trying to implement more frequent, smaller rate
16 increases versus less frequent, larger rate increases for customers.

17 **Q. CAN YOU PROVIDE AN EXAMPLE OF RATE GRADUALISM?**

18 A. Yes, a rate gradualist would advocate for back-to-back rate increases of ten percent
19 per year, versus a single rate increase at the end of the second year of twenty
20 percent.

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25 ¹ Direct Testimony of Jeffrey M. Michlik, filed March 13, 2012 in Docket W-01445A-11-0310, at 34
26 (“Despite the detrimental aspects presented by a DSIC, it also has benefits for the Company and its
ratepayer....A DSIC also benefits ratepayers by producing more gradual changes in rates, and it may
reduce the need for or frequency of future rate proceedings.”).

1 **Q. DOES LIBERTY SUPPORT RATE GRADUALISM?**

2 A. Rate gradualism is one of the many factors that must be considered when setting
3 rates for operating a water or wastewater utility. When placed in the proper
4 context, Liberty Utilities strongly supports rate gradualism and the regulatory tools
5 that promote such policy objectives. Liberty Utilities views the SWIP mechanism
6 as the first step in achieving gradual changes in the Arizona regulated
7 water/wastewater utility sector, changes that provide a mutual benefit to utility,
8 customer and regulator.

9 **Q. WHY SHOULD THE COMMISSION SUPPORT RATE GRADUALISM?**

10 A. The Commission should support rate gradualism and the corresponding regulatory
11 tools, like SWIP, to incentivize utilities to make more frequent, smaller rate case
12 increases rather than infrequent, large rate increases. In referring to a SWIP-like
13 surcharge mechanism, the Chairman of Pennsylvania's PUC testified that "[t]hese
14 surcharges ensure the least possible rate impact on customers by spreading out
15 over time the cost of replacing and enhancing Pennsylvania's utility
16 infrastructure"² (emphasis added).

17 **Q. CAN RRUI GIVE AN EXAMPLE OF HOW SWIP WILL FACILITATE**
18 **RATE GRADUALISM?**

19 A. Absolutely. Displayed below is a generic sample graph contemplating how a
20 mechanism like the requested SWIP can facilitate gradual rate increases over a
21 steady period of time.

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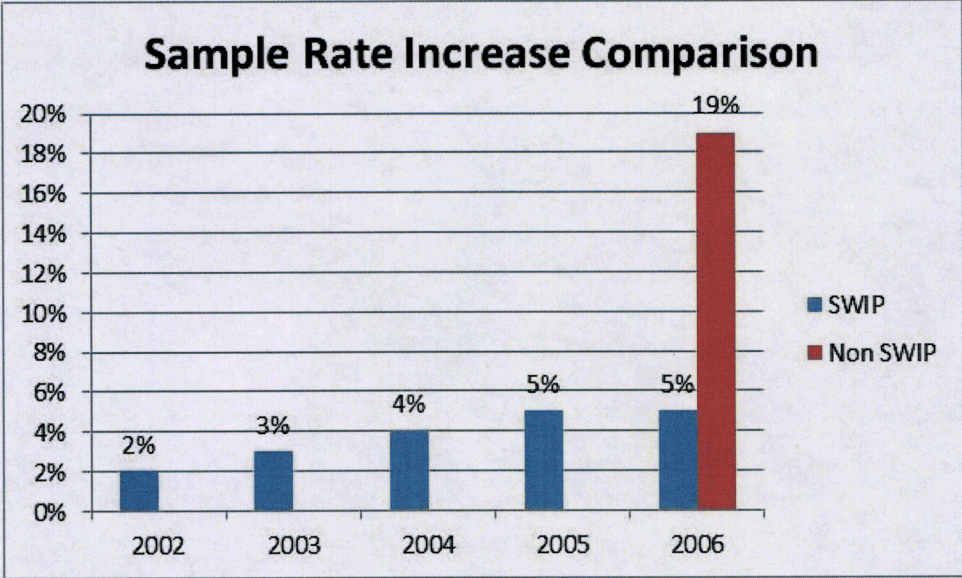
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² Pennsylvania Public Utility Chairman Robert F. Powelson testifying before the Pennsylvania House of Representatives Consumer Affairs Committee. 28 April 2011.

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The short columns represent a hypothetical rate increase with a SWIP mechanism in place. A SWIP surcharge lends itself to small annual increases ranging from 2% to 5% each year. The tall column indicates the current world of water utilities, coming in less frequently for larger rate hikes.

Q. WHY SHOULD THE COMMISSION APPROVE A SWIP MECHANISM IN THIS PROCEEDING?

A. RRUI is an excellent testing ground for a SWIP. RRUI has a small customer base of approximately 6,600 water customers, and it has aging infrastructure. Due to the community's size, continuing CapEx needs and socio-economic considerations, large rate increases are more challenging for the company and its customers. Therefore, a regulatory tool that facilitates smaller, more frequent rate cases is both prudent and practical.

Q. IF THE COMMISSION APPROVES A SWIP MECHANISM, HOW WILL CUSTOMERS BE PROTECTED?

A. RRUI recommends the Commission require certain customer protection mechanisms. First, a new SWIP surcharge will not be implemented until at least

1 12 months after new rates go into effect. As an example, if new rates are
2 implemented effective January 1, 2013, new SWIP rates will not be implemented
3 until January 1, 2014, at the earliest. This will minimize the piling on of future rate
4 increases.

5 Second, annual SWIP surcharge increases would be capped at an annual
6 percentage listed in the table below.

7

Year 1	3%
Year 2	3%
Year 3	4%
Year 4 or Later	5%

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11 Third, Commission Staff will review all SWIP proposals by RRUI and
12 could schedule the matter for hearings if there were concerns over the adjustments
13 proposed by RRUI.

14 Fourth, RRUI will hold annual SWIP education seminars with customers to
15 educate customers on what the SWIP program entails and how it will impact
16 customer bills. See Exhibit CDK-DT1, Standard 9, for more detail.

17 **Q. THANK YOU. HOW HAVE YOU INCORPORATED THE STANDARDS**
18 **PROPOSED BY STAFF IN THE ARIZONA WATER MATTER?**

19 A. I will walk through each of the seven standards and explain RRUI's proposed
20 changes. Additionally, the full version of RRUI's proposed language is included as
21 Exhibit CDK-DT1. The first standard is limited applicability, which is not an issue
22 in this case as the SWIP will only apply to RRUI's water system

23 **Q. DOES RRUI PROPOSE ANY CHANGES TO THE SECOND STANDARD**
24 **REGARDING TRANSMISSION AND DISTRIBUTION MAINS?**

1 A. Yes, RRUI proposes two changes. First, RRUI proposes using specific NARUC
 2 accounts for each asset class to make clear those assets that are SWIP eligible.
 3 Second, RRUI proposes adding additional accounts as SWIP eligible, in particular:
 4 Supply Mains (NARUC account 309), Services (NARUC account 333) and Meters
 5 (NARUC account 334). The rationale for each of these additional account
 6 inclusions is explained below.

Original Language	Proposed Language
Applicable to only transmission and distribution main replacements	Applicable to assets added in the following NARUC accounts: a) 309 – Supply Mains b) 331 – T&D Mains c) 333 – Services d) 334 – Meters

14 **Q. WHY DOES RRUI PROPOSE ADDING SUPPLY MAINS (309) TO THE**
 15 **LIST OF SWIP ELIGIBLE INFRASTRUCTURE?**

16 A. Supply Mains suffer many of the same challenges as transmission and distribution
 17 mains. A leaking supply main impacts the total non-revenue water the same as a
 18 leaks in transmission and distribution mains.

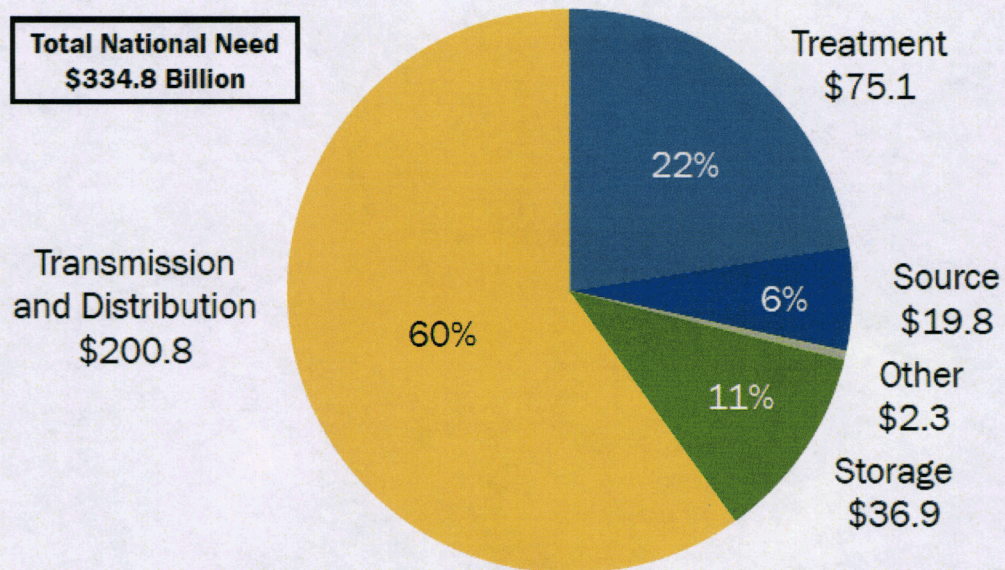
19 **Q. DO YOU HAVE ANY INDEPENDENT SUPPORT FOR YOUR**
 20 **EXPLANATION?**

21 A. Yes, a review of the U.S. EPA’s 2009 Drinking Water Needs Assessment confirms
 22 my testimony. The definition of “Transmission and Distribution” infrastructure is
 23 as follows: “a category of need that includes installation, replacement, or
 24 rehabilitation of transmission or distribution lines that carry drinking water from
 25 the source to the treatment plant or from the treatment plant to the consumer.”
 26 Effectively, the EPA categorizes Supply Mains and Transmission & Distribution

1 Mains into the same category, pipe and related infrastructure that transport water
2 from the source to the customer.

3 The EPA's Needs Assessment also confirms the need for this type of
4 investment and doesn't distinguish between the types of mains:

5 **Exhibit 1.4: Total 20-Year Need by Project Type**
6 **(in billions of January 2007 dollars)**



16 Note: Numbers may not total due to rounding.

17

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19 **Q. OKAY. WHY DOES RRUI PROPOSE ADDING SERVICES (333) TO THE**
20 **LIST OF SWIP ELIGIBLE INFRASTRUCTURE?**

21 A. For essentially the same reasons Supply Mains have been added. A leaking
22 customer service line also impacts non-revenue water.

23 **Q. WHAT ABOUT METERS (334)?**

24 A. RRUI proposes adding Meters to the list of eligible infrastructure because
25 inaccurate meter reads impact the quantity of water sold, a key component of non-
26 revenue water calculations.

1 **Q. DOES RRUI PROPOSE ANY CHANGES TO THE THIRD STANDARD**
2 **REGARDING DEFERRED DEPRECIATION?**

3 A. Yes, RRUI proposes adding additional wording to clarify the term “deferral”
4 regarding deferred depreciation. RRUI proposes adding language calling the
5 deferral a “regulatory asset” to give additional clarity to the company’s external
6 auditors.

7 Next, RRUI proposes changing the deferral period from 24 months to 48
8 months. Most utilities do not have rate cases every two years, therefore 24 months
9 does not allow for sufficient time between cases to capture the entire regulatory lag
10 in the current regulatory environment. It’s important to match the timeframe of a
11 tool meant to deal with regulatory lag with the expected timelines between rate
12 cases. As an example, if a utility replaces supply mains on January 20, 2013 but
13 does not file a rate application until January 31, 2016, that is three years since the
14 initial infrastructure was placed in service, leaving the utility short 12 months of
15 deferred depreciation and post in-service AFUDC.

16

Original Language	Proposed Language
Allows deferral of depreciation expense on qualified plant replacements for up to 24 months after the in-service date.	Allows deferral as a regulatory asset depreciation expense on qualified plant replacements for up to 48 months after the in-service date.

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21 **Q. DOES RRUI PROPOSE ANY CHANGES TO THE FOURTH STANDARD**
22 **REGARDING DEFERRED POST IN-SERVICE AFUDC?**

23 A. Yes, RRUI proposes adding additional wording to clarify the term “deferral”
24 regarding deferred post in-service AFUDC. RRUI proposes adding language
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calling the deferral a “regulatory asset” to give additional clarity to the company’s external auditors.

Next, RRUI proposes changing the monthly recovery period from 24 months to 48 months for the reasons explained above.

Original Language	Proposed Language
Allows recording and deferring a cost of money using its Allowance for Funds Used During Construction rate on qualified plant replacements for up to 24 months after the in-service date.	Allows recording and deferring as a regulatory asset a cost of money using its Allowance for Funds Used During Construction rate on qualified plant replacements for up to 48 months after the in-service date.

Q. DOES RRUI PROPOSE ANY CHANGES WITH THE FIFTH STANDARD REGARDING REGULATORY REVIEWS?

A. No.

Q. DOES RRUI PROPOSE ANY CHANGES WITH STANDARD 6A REGARDING MAINTENANCE OF SUPPORTING RECORDS?

A. No.

Q. DOES RRUI PROPOSE ANY CHANGES WITH THE STANDARD 6B REGARDING NON-REVENUE WATER?

A. Yes. First, RRUI thinks that the replacement of the aged infrastructure represents significant benefits to the customer and therefore additional standards are unnecessary. If additional standards are needed, RRUI proposes additional, more general language around this standard. On occasion, non-revenue water may increase in a water system even if a company is proactively replacing infrastructure. As an example, assume a company has ten pieces of pipe and one is replaced on a standard aging schedule of every fifty years. If the company

1 diligently follows that schedule, a pipe may still have a major leak simply because
 2 the useful life was only forty-eight years versus fifty. This pipe that started leaking
 3 after forty-eight years is not the fault of the company if the company was following
 4 a standard replacement schedule. Due to uncertainties like the sample above and
 5 others, Liberty Utilities proposes a more flexible program to demonstrate customer
 6 benefits.

Original Language	Proposed Language
Demonstration during its relevant rate case(s) that the plant replacements contributed to a reduction in water loss.	Demonstration during its relevant rate case(s) that the plant replacements created customer benefits. Demonstration by the company can include any of the following to meet this standard: Reduced non-revenue water Reduced operating expenses Reduced service interruptions

14 **Q. DOES RRUI PROPOSE ANY CHANGES WITH THE SEVENTH**
 15 **STANDARD REGARDING TEN YEAR RECOVERY PERIODS?**

16 A. Yes, recovering the deferral over ten years is entirely inconsistent with the
 17 objective of reducing the regulatory lag associated with asset investment,
 18 ultimately continuing the risk of rate shock. This is true because as deferred
 19 balances grow, the charge faced by customers at the later point in time becomes
 20 larger because the deferred asset balances continue growing. This means that when
 21 the balance moves into rates the customers will still see a large impact, the very
 22 impact Liberty Utilities is trying to minimize. Likewise, a recovery timeframe of
 23 ten years creates regulatory assets with lives that will span multiple rate cases and
 24 possibly result in intergenerational inequities as customers living at a connection
 25 change over time.

1 To the extent that SWIP is meant to increase rate gradualism, reduce
 2 regulatory lag, and make investment in Arizona water infrastructure more
 3 attractive, this element of SWIP is actually counterproductive. The most prudent
 4 measures to keep long-term costs lower for customers and companies alike, is to
 5 have more frequent recovery of small balances rather than infrequent recovery of
 6 larger balances as provided in RRUI's proposed SWIP.

Original Language	Proposed Language
<p>9 Amortization of the allowed (i.e., 10 net of any disallowances) combined 11 depreciation and cost of money 12 deferrals over 10 years. The 13 purpose of this provision is to 14 provide a continuous, 10-year 15 incentive for the Company to 16 reduce its water loss. Thus, the Company must continue to meet conditions "6a" and "6b" in each rate case over the 10-year amortization period to continue recovering the deferral amortizations.</p>	<p>Amortization of the allowed (i.e., net of any disallowances) combined depreciation and cost of money deferrals over one year. The purpose of this provision is to provide a continuous, annual incentive for the Company to reduce its non-revenue water. Thus, the Company must continue to meet conditions "6a" and "6b" in each rate case over the amortization period to continue recovering the deferral amortizations.</p>

17 **Q. DOES RRUI PROPOSE AN ADDITIONAL EIGHTH STANDARD?**

18 A. Yes, RRUI proposes an eighth standard addressing regulatory lag. Rather than
 19 having to wait until the next rate case to begin recovery, RRUI proposes that the
 20 company file an annual filing to recover the deferral of the depreciation and post
 21 in-service AFUDC deferrals. This interim recovery strengthens the reduction of
 22 regulatory lag and is less demanding on Staff resources. We assume this reasoning
 23 underlies the Commission's approval of a similar approach for APS in its past three
 24 rate cases – and the effect of that is that APS rate cases now generate very
 25 manageable increases for customers, while APS has been able to strengthen its
 26 investment profile because of the elimination of regulatory lag.

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Original Language	Proposed Language
N/A	On or before January 31 of each year, RRUI shall file in this docket with appropriate documentation, all of the costs recorded to the regulatory asset deferrals. RRUI shall calculate based on its based known customer count information the amount of the surcharge to be added to customer bills. If the documentation is approved by Commission Staff, the monthly surcharge can be implemented in accordance with the SWIP Tariff Annual increases will be capped as per the table below: Year 1 – 3% Year 2 – 3% Year 3 – 4% Year 4 or Later – 5%

Q. DOES RRUI PROPOSE A NINTH STANDARD?

A. Yes, as mentioned above, RRUI proposes an annual customer education program.

Original Language	Proposed Language
N/A	Within 60 days of Commission Staff approving RRUI's annual SWIP adjustment, RRUI will hold a customer meeting to educate customers on the SWIP mechanism.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

**Exhibit CDK-DT1
SWIP Comparison**

Standards	Original Language from Docket W-01445A-11-0310	Proposed Language for RRUI
1	Applicable only to Miami and Bisbee sub-systems.	Applicable only to RRUI water sub-system
2	Applicable only to transmission and distribution main replacements.	Applicable to assets added in the following NARUC accounts: a) 309 – Supply Mains b) 331 – T&D Mains c) 333 Services d) 334 - Meters
3	Allows deferral of depreciation expense on qualified plant replacements for up to 24 months after the in-service date.	Allows deferral as a regulatory asset depreciation expense on qualified plant replacements for up to 48 months after the in-service date
4	Allows recording and deferring a cost of money using its Allowance For Funds Used During Construction rate on qualified plant replacements for up to 24 months after the in-service date.	Allows recording and deferring as a regulatory asset a cost of money using its Allowance for Funds Used During Construction rate on qualified plant replacements for up to 48 months after the in-service date.
5	Depreciation and cost of money deferrals will be subject to full regulatory review for compliance with traditional ratemaking conditions (e.g., prudence, used and useful and excess capacity) in the Company's rate case subsequent to the in-service date of the associated plant.	No Change

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Standards	Original Language from Docket W-01445A-11-0310	Proposed Language for RRUI
6	Depreciation and cost of money deferrals will be subject to the following specific SWIP conditions.	No Change
6a	Maintenance of appropriate supporting records to correlate depreciation and cost of money deferrals with the associated plant.	No Change
6b	Demonstration during its relevant rate case(s) (see condition No. 7) that the plant replacements contributed to a reduction in water loss.	Demonstration during its relevant rate case(s) that the plant replacements created customer benefits. Demonstration by the company can include any of the following to meet this standard: Reduced non-revenue water Reduced operating expenses Reduced service interruptions
6c	Whole or partial disallowances for deficiencies in "a" or "b."	No Change
7	Amortization of the allowed (i.e., net of any disallowances) combined depreciation and cost of money deferrals over 10 years. The purpose of this provision is to provide a continuous, 10-year incentive for the Company to reduce its water loss. Thus, the Company must continue to meet conditions "6a" and "6b" in each rate case over the 10-year amortization period to continue recovering the deferral amortizations.	Amortization of the allowed (i.e., net of any disallowances) combined depreciation and cost of money deferrals over one year. The purpose of this provision is to provide a continuous, annual incentive for the Company to reduce its non-revenue water. Thus, the Company must continue to meet conditions "6a" and "6b" in each rate case over the amortization period to continue recovering the deferral amortizations

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Standards	Original Language from Docket W-01445A-11-0310	Proposed Language for RRUI
8		<p>On or before January 31 of each year, RRUI shall file in this docket with appropriate documentation, all of the costs recorded to the regulatory asset deferrals. RRUI shall calculate based on its based known customer count information the amount of the surcharge to be added to customer bills. If the documentation is approved by Commission Staff, the monthly surcharge can be implemented in accordance with the SWIP. Annual increases will be capped as per the table below.</p> <ul style="list-style-type: none"> a) Year 1 – 3% b) Year 2 – 3% c) Year 3 – 4% d) Year 4 or Later – 5%
9		<p>Within 60 days of Commission Staff approving RRUI's annual SWIP adjustment, RRUI will hold a customer meeting to educate customers on the SWIP mechanism.</p>

8

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3 Phoenix, Arizona 85012
Attorneys for Rio Rico Utilities, Inc.
4

5 **BEFORE THE ARIZONA CORPORATION COMMISSION**
6

7
8 IN THE MATTER OF THE
APPLICATION OF RIO RICO
9 UTILITIES, INC., AN ARIZONA
CORPORATION, FOR A
10 DETERMINATION OF THE FAIR
VALUE OF ITS UTILITY PLANTS AND
11 PROPERTY AND FOR INCREASES IN
ITS WATER AND WASTEWATER
12 RATES AND CHARGES FOR UTILITY
SERVICE BASED THEREON.
13

DOCKET NO: WS-02676A-12-_____

14
15 **DIRECT TESTIMONY OF**
16

17 **PETER EICHLER**
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19 **May 31, 2012**
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TABLE OF CONTENTS

I. INTRODUCTION AND PURPOSE OF TESTIMONY 1
II. THE APUC-LIBERTY UTILITIES ALLOCATION MODEL 3

1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

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

3 A. My name is Peter Eichler. My business address is 2865 Bristol Circle, Oakville,
4 Ontario L6H 6X5.

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

6 A. I am employed by Liberty Utilities (Canada) Corp. ("LUC"), which is the holding
7 company for Liberty Utilities Co. ("Liberty Utilities"), a Delaware corporation,
8 which was formerly known as Liberty Water and which is the sole shareholder of
9 the Applicant, Rio Rico Utilities, Inc. ("RRUI"). I am employed as the Director of
10 Regulatory Strategy.

11 **Q. WHAT ARE YOUR PRINCIPAL RESPONSIBILITIES AS DIRECTOR OF**
12 **REGULATORY STRATEGY?**

13 A. I have overall responsibility for regulatory strategy, including compliance filings,
14 and rate cases, for Liberty Utilities and its 22 operating subsidiaries providing
15 water, sewer, electric and gas utility services in 5 states. I am also responsible for
16 maintaining regulatory outreach programs in the jurisdictions in which the
17 companies owned by Liberty Utilities operate, including planned regular meetings
18 with key regulatory personnel.

19 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL AND EDUCATIONAL**
20 **BACKGROUND.**

21 A. I have been employed by LUC since September 2009. Prior to my employment at
22 Liberty Utilities, I was employed by Hydro One Networks Inc., Ontario's largest
23 distribution and transmission utility, and Powerstream Inc., a local distribution
24 company serving over 300,000 customers near Toronto. My roles at these utilities
25 included corporate finance, ratemaking and regulatory affairs. I am a designated
26 accountant, having received the Certified Management Accountant designation in

1 Canada. In addition, I hold a Master of Business Administration degree from the
2 University of Windsor in Ontario, Canada, as well as a Bachelor of Commerce
3 degree with a specialization in finance from Ryerson University in Toronto,
4 Canada. I also completed the National Association of Regulatory Utility
5 Commissioners' Utility School in November 2009.

6 **Q. HAVE YOU TESTIFIED BEFORE STATE PUBLIC UTILITY**
7 **REGULATORY COMMISSIONS?**

8 A. Yes. I testified before the Arizona Corporation Commission ("Commission") in
9 Dockets Nos. WS 02676A-09-0257 and W-02465A-09-0411 for RRUI and Bella
10 Vista Water Company ("Bella Vista"), and before the Illinois Commerce
11 Commission and the New Hampshire Public Utilities Commission and a Texas
12 judicial panel.

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS DOCKET?**

14 A: The purpose of my testimony is to describe the cost allocation procedures used by
15 RRUI's ultimate parent company, Algonquin Power & Utilities Corp. ("APUC") to
16 allocate shared costs between all of its subsidiary and affiliated companies,
17 including Liberty Utilities and its operating utility subsidiaries. My testimony
18 explains these procedures and identifies the benefits of these costs in the provision
19 of safe and reliable utility services, including those provided by RRUI.

20 **Q. WAS THIS THE SUBJECT OF YOUR PRIOR TESTIMONY BEFORE THE**
21 **COMMISSION?**

22 A. Yes and our cost allocation procedures were a source of disagreement between all
23 parties during both of those rate cases for RRUI and Bella Vista. We have worked
24 aggressively, at every level from APUC through Liberty Utilities to the operating
25 utilities like RRUI, to address the concerns raised in those rate case and those
26 efforts have improved our allocation procedures. As a result, and as shown in our

1 updated allocation manual, my testimony illustrates a more transparent process
2 pursuant to which both the necessity and reasonableness of these costs are now
3 plainly shown.

4 **Q. HAS THE COMPANY WORKED WITH STAFF IN DEVELOPING THE**
5 **NEW MANUAL?**

6 A. Yes. Since the last rate case, I have personally met with Staff several times to
7 discuss changes, solicit input, and provide updates on our cost allocation
8 methodologies and procedures. We have greatly appreciated Staff's input and
9 believe that it has resulted in a better understanding of APUC's business model as
10 well as a better overall allocation methodology.

11 **II. THE APUC-LIBERTY UTILITIES ALLOCATION MODEL**

12 **Q. CAN YOU PROVIDE AN OVERVIEW OF LIBERTY UTILITIES'**
13 **BUSINESS MODEL?**

14 A. Certainly. APUC has two major operating subsidiaries, Algonquin Power Co.
15 ("APCo") and Liberty Utilities. APCo is the unregulated entity that provides
16 renewable power generation from facilities owned throughout Canada and the
17 United States. Liberty Utilities is the entity that owns regulated water, wastewater,
18 gas and electric utilities, but only in the United States.

19 **Q. WHAT IS THE IMPORTANCE OF THESE ENTITIES IN RELATION TO**
20 **RRUI AND THE OTHER SUBSIDIARIES?**

21 A. APUC serves a significant and very important role in relation to RRUI and its sister
22 companies. First, APUC is the entity that is traded on the Toronto Stock
23 Exchange, and is responsible for ensuring that those entities owned by Liberty
24 Utilities have uninterrupted access to capital. This point, identified as a benefit to
25
26

1 ratepayers in the last RRUI rate case,¹ cannot be made enough – but for APUC’s
2 existence, RRUI would have a much greater difficulty attracting capital. On a
3 standalone basis, RRUI is a small utility with limited growth potential. Without
4 APUC, RRUI would likely have no investment capital available.

5 **Q. ARE THERE OTHER BENEFITS OF THIS OPERATING MODEL?**

6 A. Yes, in addition to critical access to capital, RRUI and its sister utilities enjoy the
7 following benefits:

- 8 1. Access to skilled, strategic management. This means RRUI enjoys access to
9 expertise and resources that are typically not available to small utilities with
10 8,000 customers.
- 11 2. Controls and Processes. Controls and processes are in place to ensure that
12 accounting methodologies are consistent with GAAP and generally accepted
13 principles, a requirement of publicly traded companies.
- 14 3. Economies of Scale. By sharing regional resources with other utilities,
15 RRUI enjoys the benefits of lower overall cost structures. Further, as
16 Liberty Utilities’ portfolio grows, the overall costs increase proportionally
17 less than it would on a standalone basis.

18 **Q. WHAT TYPES OF COSTS ARE INCURRED AND ALLOCATED?**

19 A. Costs from APUC include corporate management and executive labor which are
20 time sheeted to each operating subsidiary (i.e., Liberty Utilities and APCo). These
21 costs also include corporate treasury, audit services, tax services, third party
22 professional services, and services related to shareholder administration such as
23 Board of Directors and Dividend Escrow payments. Related administration
24 charges such as rent and depreciation are also charged from APUC.

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¹ “One of the great benefits to RRUI from being part of the APIF family is the access to capital that the
parent is able to provide.” *RRUI*, Decision 72059 (January 6, 2011) at 21:19-21.

1 Liberty Utilities itself provides strategic oversight, procedures, compliance,
2 and standards to the utilities it owns in the areas of Finance, Regulatory Affairs,
3 Human Resources, Customer Service, Information Technology, and related
4 administrative functions. As such, Liberty Utilities allocates labor costs and other
5 administrative charges incurred in order to provide these services to utilities.

6 **Q. HOW MUCH IS BEING ALLOCATED TO RRUI?**

7 A. As outlined in the Direct Testimony of Tom Bourassa, the amount being allocated
8 for APUC is \$92,162 for water and \$30,142 for sewer, including all adjustments
9 for non-recoverable costs.

10 **Q. DID LIBERTY UTILITIES ANALYZE THE TYPES OF CHARGES**
11 **COMPARED TO OTHER REGULATED UTILITIES?**

12 A. Yes, as shown in Exhibit PE-DT1, attached to my testimony, Liberty Utilities
13 compared its corporate structure and charges to several different utilities. First,
14 Liberty Utilities compared its corporate charges as if RRUI were a standalone
15 entity that is publicly traded. The analysis revealed that RRUI would incur the
16 exact same charges as if it were a standalone entity or part of the Liberty Utilities
17 family. Second, we compared the charges to those incurred by other similar
18 Arizona regulated utilities, APS, UNS Gas, TEP, Arizona-American Water
19 Company (now EPCOR) and Global Water, among others. Similar to the first
20 analysis, the aforementioned utilities incurred similar corporate costs. Finally,
21 Liberty Utilities was compared to companies used in cost of capital proxy groups
22 and the results were no different – all of these entities incur the types of costs
23 incurred by Liberty Utilities and its operating subsidiaries like RRUI. In other
24 words, we didn't invent this wheel; we have just worked to make ours work better,
25 with more transparency and efficiency.

26

1 **Q. YOU MENTIONED A MANUAL COVERING ALL THIS.**

2 A. Yes. The methodologies and processes are memorialized in the Cost Allocation
3 Manual ("CAM"), which is attached to my testimony as Exhibit PE-DT2. The
4 CAM generally describes the types of costs, the methodologies used to allocate
5 them, and the benefits of such costs. In general, the CAM is built around the
6 NARUC guidelines for cost allocations. The fundamental premise of those
7 guidelines is to direct charge as much as possible and use reasonable allocators
8 where allocation is necessary.

9 **Q. CAN YOU CITE SPECIFICALLY THE PRINCIPLES FROM THE NARUC**
10 **GUIDELINES YOU ARE REFERRING TO?**

11 A. Yes. The NARUC guidelines specifically state their principles as:

- 12 1. To the maximum extent practicable, in consideration of
13 administrative costs, costs should be collected and classified on a
14 direct basis for each asset, service or product provided.
- 15 2. The general method for charging indirect costs should be on a fully
16 allocated cost basis. Under appropriate circumstances, regulatory
17 authorities may consider incremental cost, prevailing market pricing
18 or other methods for allocating costs and pricing transactions among
19 affiliates.
- 20 3. To the extent possible, all direct and allocated costs between
21 regulated and non-regulated services and products should be
22 traceable on the books of the applicable regulated utility to the
23 applicable Uniform System of Accounts. Documentation should be
24 made available to the appropriate regulatory authority upon request
25 regarding transactions between the regulated utility and its affiliates.
- 26 4. The allocation methods should apply to the regulated entity's
affiliates in order to prevent subsidization from, and ensure equitable
cost sharing among the regulated entity and its affiliates, and vice
versa.
5. All costs should be classified to services or products which, by their
very nature, are either regulated, non-regulated, or common to both.

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- 6. The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost between regulated and non-regulated services or products.
- 7. The indirect costs of each business unit, including the allocated costs of shared services, should be spread to the services or products to which they relate using relevant cost allocators.

Q. YOU ALSO MENTIONED THAT THE CAM BEEN UPDATED.

A. Yes. Attached as Exhibit PE-DT2 is the new CAM that has been used in 2012 (for two months of the test year) and is also used for the purpose of estimating known and measurable changes. The changes to the allocation methodologies are attributable to the anticipated expansion of Liberty Utilities into gas and electric utilities and change only some of the allocation methodologies, not the types of costs being allocated to RRUI. In other words, since this CAM is used across our portfolio, the majority of changes have been incorporated for businesses unrelated to RRUI.

Q. HAS THE COMMISSION APPROVED THE CAM?

A. This Commission does not require approval of the CAM, and therefore no approval has been sought. However, Liberty Utilities would be willing to submit the CAM to the Commission for review and comment. This CAM has been submitted for approval in Illinois, and is the same CAM Liberty Utilities uses in Texas, Missouri, and California. It will also be the same CAM used in New Hampshire and Iowa once operations in those states commence.

Q. YOU MENTIONED HAVING DISCUSSIONS WITH STAFF ABOUT THE CAM. DID LIBERTY INCORPORATE RECOMMENDATIONS FROM COMMISSION STAFF?

A. Yes, and Staff's input was invaluable and much appreciated. We have met on several occasions with Staff to discuss our cost allocations and have attempted to

1 address the issues and objections to the cost allocations raised by Staff, as well as
2 RUCO, in RRUI's last rate case.

3 **Q. DID YOU ALSO MEET WITH RUCO?**

4 A. Yes. We met with RUCO after the previous rate case to let them know about
5 changes that were being considered to the CAM.

6 **Q. WHAT ARE SOME OF THE CHANGES YOU MADE IN RESPONSE TO**
7 **THESE MEETINGS WITH STAFF AND RUCO?**

8 A. There have been several changes made to the allocation manual. For example:

- 9 1. Allocators: APUC no longer uses the number of entities as its first level
10 allocator. Instead, a 4-factor methodology - number of employees,
11 EBITDA, and other allocation factors are used to apportion costs between
12 the regulated and unregulated entities.
- 13 2. Unshared costs: APUC now retains approximately 8% of costs incurred
14 such as corporate donations and certain corporate travel and such costs do
15 not get allocated between subsidiaries and are borne solely by APUC
16 shareholders. This alleviates a previous concern raised that all the costs
17 were allocated between the operating entities.
- 18 3. Labor: Previously, Executive Management was provided through an
19 affiliated third party that charged a fixed fee to APUC. Executive
20 Management has now been internalized, and the Chief Executive Officer,
21 Chief Financial Officer, General Counsel, and other APUC functions use
22 timesheets to apportion costs between Liberty Utilities and APCo. These
23 timesheets establish a direct link between management costs and the entities
24 served, again the underlying goal of the NARUC guidelines. This also
25 alleviates a previous concern of Staff and RUCO in that it directly correlates
26 services provided to the utilities served.

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4. Liberty Utilities level allocations: In previous cases, Liberty Water was the only operating entity for APUC's regulated utilities. With the recent and proposed acquisitions described above, Liberty Utilities is now organized by region and will soon operate under the Liberty Utilities brand, irrespective of the type of distribution utility. As a result, RRUI will operate as part of Liberty Utilities' South region. This regionalization and its shared cost implications are reflected in the CAM.

Q. HAS THE RECORDING OF APPROPRIATE COSTS CHANGED?

A. Yes. As stated above, approximately 8% of costs are no longer allocated between APUC's operating entities. This accounts for charitable contributions, some corporate travel, and other similar costs which are appropriately borne by APUC's shareholders.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Rio Rico Utilities, Inc.
2012 Rate Application

Peter Eichler Direct Testimony

Exhibit PE-DT1

Corporate Cost Allocation Analysis

Cost Type	APUC	Rio Rico Utilities, Inc. (stand alone entity)	APS, UNS Gas, TEP, Global, Arizona American	Cost of Capital Proxy Companies
Strategic Management				
a) Board of Directors	✓	✓	✓	✓
b) Legal Services	✓	✓	✓	✓
c) Professional Services	✓	✓	✓	✓
Access to Capital Markets				
a) Licenses & Permits	✓	✓	✓	✓
b) Escrow Fees	✓	✓	✓	✓
c) Shareholder Communications	✓	✓	✓	✓
Financial Controls				
a) Audit Fees	✓	✓	✓	✓
b) Tax Services	✓	✓	✓	✓
Administrative Support				
	✓	✓	✓	✓

Rio Rico Utilities, Inc.
2012 Rate Application

Peter Eichler Direct Testimony

Exhibit PE-DT2

ALGONQUIN POWER & UTILITIES CORP. DIRECT CHARGE AND COST ALLOCATIONS MANUAL



This document outlines the methods of direct charge and cost allocations: (i) between Algonquin Power & Utilities Corp. and its affiliates Algonquin Power Company and Liberty Utilities (Canada) Corp.; (ii) between Liberty Utilities (Canada) Corp. and its regulated utility subsidiaries; and (iii) between Liberty Utilities (Canada) Corp.'s service companies and its regulated utility subsidiaries.

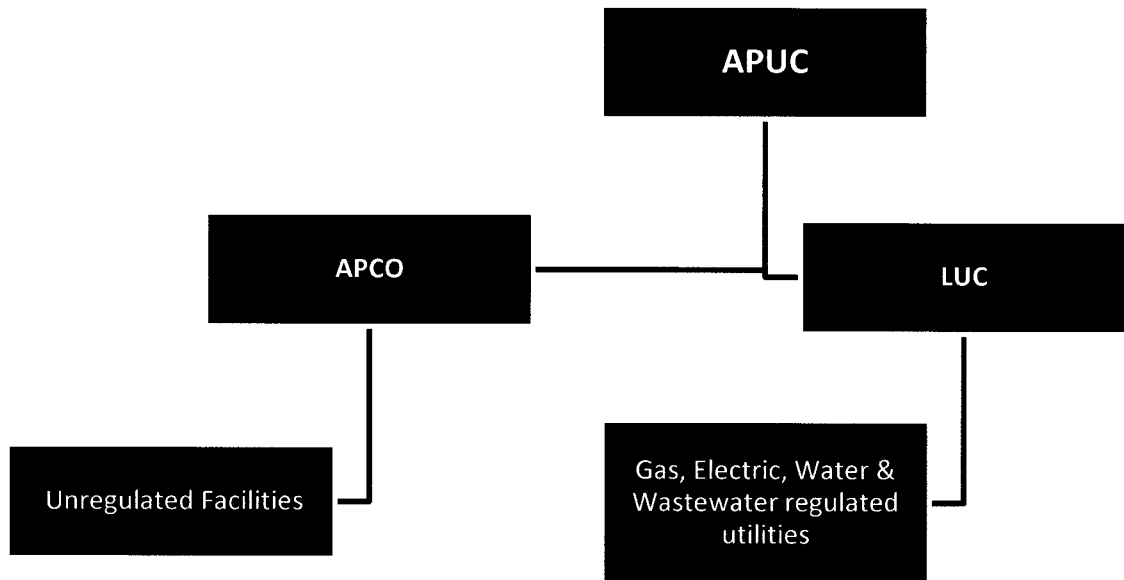
ALGONQUIN POWER & UTILITIES CORP.
COST ALLOCATION MANUAL

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I. INTRODUCTION

The purpose of this paper is to provide a detailed explanation of services provided by Algonquin Power & Utilities Corp (“APUC”), Liberty Utilities (Canada) Corp. (“LUC”), and LUC’s service companies (the “Service Companies”) to the regulated utility assets and to describe the Direct Charge and Cost Allocation Methodologies used by APUC, LUC and the Service Companies. The following organization chart describes the relationships between the separate entities:



The following Cost Allocation Manual (“CAM”) has been completed in accordance and conformance with the “NARUC Guidelines for Cost Allocations and Affiliate Transactions”. More specifically, the founding principles of this Cost Allocation Manual is to a) directly charge as much as possible to the entity that procures any specific service, and b) to ensure that inappropriate subsidization of unregulated activities by regulated activities and vice versa does not occur. For ease of reference, the NARUC Guidelines are attached as Appendix 1.

Costs charged and allocated pursuant to this CAM shall include direct labor, direct materials, direct purchased services associated with the related asset or services, and overhead amounts.

- i. Tariffed rates or other pricing mechanisms established by rate setting authorities shall be used to provide all regulated services.

- ii. Services not covered by (i) shall be charged by the providing party to the receiving party at fully distributed cost.
- iii. Facilities and administrative services rendered to a rate-regulated subsidiary shall be charged on the following basis:
 - (1) the prevailing price for which the service is provided for sale to the general public by the providing party (i.e., the price charged to non-affiliates if such transactions with non-affiliates constitute a substantial portion of the providing party's total revenues from such transactions) or, if no such prevailing price exists, (2) an amount not to exceed the fully distributed cost incurred by the providing party in providing such service to the receiving party.

II. THE APUC CORPORATE STRUCTURE

APUC's primary business is direct interest or equity ownership in renewable and thermal power generating facilities and regulated utilities. APUC owns a widely diversified portfolio of independent power production facilities and regulated utilities consisting of water distribution and wastewater treatment facilities and electric and gas utilities in Canada and the United States. APUC is publicly traded on the Toronto Stock Exchange. Its structure as a publicly traded holding company provides substantial benefits to its regulated utilities through access to capital markets and access to engineers, technicians, professional managers, and administrative staff, including trained plant operators and field supervisors.

APUC is the ultimate corporate parent and affiliate that provides financial, strategic management, corporate governance, administrative and support services to LUC and its subsidiaries as well as to the numerous unregulated utility assets held by APCo. The services provided by APUC are necessary for LUC and its subsidiaries to have access to capital markets for capital projects and operations, and are necessary in providing a high level of shared services at the lowest cost. These services are expensed at APUC and are performed for the benefit of APCo and LUC and their respective businesses.

APUC and its affiliates capitalize on APUC's expertise and access to the capital markets through the use of certain shared services, which maximizes economies of scale and minimizes redundancy. In short, it provides for maximum expertise at lower costs. Further, the use of shared expertise allows each of the entities to receive a benefit they may not be able to achieve on a standalone basis such as strategic management advice and access to capital at more competitive rates.

**III. SCOPE OF SERVICES PROVIDED BY APUC TO ITS SUBSIDIARIES
AND HOW THOSE COSTS ARE ALLOCATED**

***A. Non-Labor Services and Cost Allocation from APUC to LUC and
APCo***

APUC's non-labor services include Financing Services and Administrative Services. As used herein "Financing Services" means the selling of units to public investors in order to generate the funding and capital necessary for LUC and APCo as well as providing legal and treasury services in connection with the issuance of public debt. As used herein "Administrative Services" includes the following types of services: strategic management services, corporate governance, and administration and management services such as consultation on management and administration of all aspects of utility business, including economic and strategic analysis.

The capital and funds obtained from the sale of shares in APUC are used by LUC and APCo for current and future capital investments. The services provided by APUC are critical and necessary to LUC and APCo because without those services they would not have a readily available source of capital funding. Put another way, absent the services provided by APUC, each business, including each utility, would be forced to operate as stand-alone utilities, with resulting higher costs and operating expenses incurred by customers. In addition, the utilities would bare much greater risk due to a potential inability to obtain capital on a standalone basis.

The services provided by APUC specifically optimize performance of LUC, keeping rates low for customers while ensuring access to capital is available. If the utilities did not have access to the services provided by APUC, then they would be forced to incur associated costs for financing, capital investment, audits, taxes and other similar services on a stand-alone basis, which would substantially increase such costs. Simply put, without incurring these costs, APUC would not be able to invest capital in its subsidiaries, including the regulated utilities.

In connection with the provision of Financing and Administrative Services, APUC incurs the following types of costs: (i) strategic management costs (board of director, third-party legal services, accounting services, tax planning and filings, insurance, and required auditing); (ii) capital access costs (communications, trustee fees, escrow and transfer agent fees); (iii) financial control costs (audit and tax expenses); and (iv) administrative (rent, depreciation, general office costs. See Appendix 2 for a more detailed discussion of the costs incurred by APUC.

Non-labor costs, including corporate capital, are pooled and allocated to LUC and APCo using a Three Factor Methodology. The three factors in the Three Factors

Methodology are revenue, expenses, and plant-in-service. Each of the three factors are given equal weight, or 33.3%. Notwithstanding the above, if a charge is related either solely to the regulated utility business, *i.e.*, LUC, or to the power generation business, *i.e.*, APCo, then all of those costs will be allocated to the business segment for which they are incurred. Furthermore, costs directly attributable to a specific region ("Regional Costs") are identified as such and allocated by LUC to the utilities in that region using the Utility Four Factor Methodology, as defined in Section IV. Lastly, if a cost can be directly attributable to a specific entity, it will be directly charged to that entity. For an example of how an invoice would be allocated, please see Appendix 3.

Certain costs, which are incurred for the benefit of APUC's businesses, are not allocated to any subsidiary. These include costs such as donations, certain corporate travel, and certain overheads.

B. Labor Services And Cost Allocation From APUC To LUC and APCo

As described above, APUC provides benefits to the utilities it owns by use of certain shared services. Labor for services such as executive management, corporate accounting, treasury services, investor relations, and corporate finance are provided by APUC to LUC and APCo.

APUC charges labor rates at cost, which is the dollar hourly rate per employee as recorded in APUC's payroll systems, grossed up for burdens such as payroll taxes, health benefits, retirement plans, and other insurance provided to employees. APUC allocates these costs to LUC and APCo using the Three Factor Methodology. As discussed in Section IV, LUC then allocates these costs to its regulated utilities using the Utility Four Factor Methodology.

C. Labor Services And Cost Allocation From APCo To LUC

From time to time, APCo may provide Engineering and Technical Labor to Liberty Utilities. These charges plus an allocation for corporate overheads such as rent, materials/supplies, etc. are capitalized and directly charged to the relevant utility.

IV. SCOPE OF SERVICES PROVIDED BY LUC TO ITS SUBSIDIARIES AND APUC AND APCO AND HOW THOSE COSTS ARE ALLOCATED

LUC provides its regulated utilities with the following services: accounting, corporate finance, human resources, information technology, rates and regulatory

ALGONQUIN POWER & UTILITIES CORP.

COST ALLOCATION MANUAL

affairs, environment, health and safety, and security, customer service, procurement, and utility planning. The following are examples of those services: (i) budgeting, forecasting, and financial reporting services including preparation of reports and preservation of records, cash management (including electronic fund transfers, cash receipts processing, managing short-term borrowings and investments with third parties); (ii) development of customer service policies and procedures; (iii) development of human resource policies and procedures; (iv) selection of information systems and equipment for accounting, engineering, administration, customer service, emergency restoration and other functions and implementation thereof; (v) development, placement and administration of insurance coverages and employee benefit programs, including group insurance and retirement annuities, property inspections and valuations for insurance; (vi) purchasing services including preparation and analysis of product specifications, requests for proposals and similar solicitations; and vendor and vendor-product evaluations; (vii) energy procurement oversight and load forecasting; and (viii) development of regulatory strategy.

Unless a charge can be directly attributable to a specific utility, LUC allocates its direct labor and direct non-labor costs, including capital costs, to its regulated utilities using a Utility Four Factor Methodology. LUC uses the Utility Four Factor Methodology to allocate Regional Costs to the utilities in that region and to allocate costs incurred for the benefit of all of its regulated assets (“System-Wide Costs”) to all of its utilities.

The “Four Factor Utility Methodology” allocates costs by relative size of the utilities. The methodology used by LUC involves (1) Utility Plant, (2) Total Customers, (3) Non-Labor Expenses, and (4) Labor as allocating factors, with each factor assigned a specific weight. LUC uses the following weights under this Four Factor Utility Methodology:

Utility Plant	50%
Customer Count	40%
Non-Labor Expenses	5%
Labor	5%
Total	100%

LUC also uses the Utility Four Factor Methodology to allocate to its regulated utilities the System-Wide indirect labor and indirect non-labor costs allocated to LUC from APUC. As discussed in Section III(A), Regional Costs charged to LUC from APUC are allocated to the utilities in that region using the Utility Four Factor Methodology.

The following simplified hypothetical example demonstrates how the Utility Four Factor Methodology would be calculated based on ownership of only two hypothetical utilities:

FACTOR	Utility 1	Utility 2	TOTAL ALL UTILITIES	UTILITY 1 % OF TOTAL	FACTOR WEIGHT	UTILITY 1 ALLOCATION
UTILITY PLANT	727	371	1098	66%	50%	33%
CUSTOMER COUNT	6000	1000	7000	86%	40%	34%
LABOR COSTS	57	32	89	64%	5%	3%
EXPENSES	108	41	149	72%	5%	4%
TOTAL ALLOCATION						74%

As can be seen from these hypothetical numbers, Utility 1 would be allocated 74% of total Administrative/Overhead Costs incurred by LUC, based on its relative size and application of the Utility Four Factor Methodology in comparison to Utility 2. Utility 2 would be allocated the remaining 26%. LUC has developed and utilized this methodology to better allocate costs, recognizing that larger utilities require more time and management attention and incur greater costs than smaller ones.

In addition, LUC provides information technology and some human resource services to APCo and APUC. These costs are directly charged to APCo and APUC.

V. SERVICE COMPANY SERVICES AND COST ALLOCATION

Some of LUC's regulated utilities may receive services such as: billing and customer service; operations and engineering; environment, health and safety, and security; finance; information technology; regulatory; legal; and administrative services, *e.g.*, rent, insurance, and office services, from a Service Company.

Unless a charge can be directly attributable to a specific utility, billing and customer service costs are allocated on customer count. For an example of how this allocation works please see Appendix 4. Operations and engineering costs are directly charged based on timesheets to the relevant regulated utility. Unless a charge can be directly attributable to a specific utility, both labor and non-labor (including capital) environment, health and safety, and security, finance, information technology, regulatory, legal, and administrative costs are allocated using the Utility Four Factor Methodology.

VI. ALLOCATION OF GAS PROCUREMENT SERVICES PROVIDED BY LIBERTY ENERGY UTILITIES (NEW HAMPSHIRE) CORP TO THE NATURAL GAS UTILITY SUBSIDIARIES OF LUC AND HOW THOSE COSTS ARE ALLOCATED

LUC's natural gas utilities receive gas procurement services from a shared group that is housed out of New Hampshire. The group's non-labor costs are directly charged to specific assets. The gas procurement employees directly charge their time to specific assets as well. Any shared services that are provided, such as development of an overall hedging strategy, are allocated based on natural gas volumes.

I. Appendix

Appendix 1: NARUC Guidelines for Cost Allocations

Guidelines for Cost Allocations and Affiliate Transactions:

The following Guidelines for Cost Allocations and Affiliate Transactions (Guidelines) are intended to provide guidance to jurisdictional regulatory authorities and regulated utilities and their affiliates in the development of procedures and recording of transactions for services and products between a regulated entity and affiliates. The prevailing premise of these Guidelines is that allocation methods should not result in subsidization of non-regulated services or products by regulated entities unless authorized by the jurisdictional regulatory authority. These Guidelines are not intended to be rules or regulations prescribing how cost allocations and affiliate transactions are to be handled. They are intended to provide a framework for regulated entities and regulatory authorities in the development of their own policies and procedures for cost allocations and affiliated transactions. Variation in regulatory environment may justify different cost allocation methods than those embodied in the Guidelines.

The Guidelines acknowledge and reference the use of several different practices and methods. It is intended that there be latitude in the application of these guidelines, subject to regulatory oversight. The implementation and compliance with these cost allocations and affiliate transaction guidelines, by regulated utilities under the authority of jurisdictional regulatory commissions, is subject to Federal and state law. Each state or Federal regulatory commission may have unique situations and circumstances that govern affiliate transactions, cost allocations, and/or service or product pricing standards. For example, The Public Utility Holding Company Act of 1935 requires registered holding company systems to price "at cost" the sale of goods and services and the undertaking of construction contracts between affiliate companies.

The Guidelines were developed by the NARUC Staff Subcommittee on Accounts in compliance with the Resolution passed on March 3, 1998 entitled "Resolution Regarding Cost Allocation for the Energy Industry" which directed the Staff Subcommittee on Accounts together with the Staff Subcommittees on Strategic Issues and Gas to prepare for NARUC's consideration, "Guidelines for Energy Cost Allocations." In addition, input was requested from other industry parties. Various levels of input were obtained in the development of the Guidelines from the Edison Electric Institute, American Gas Association, Securities and Exchange Commission, the Federal Energy Regulatory Commission, Rural Utilities Service and the National

Rural Electric Cooperatives Association as well as staff of various state public utility commissions.

In some instances, non-structural safeguards as contained in these guidelines may not be sufficient to prevent market power problems in strategic markets such as the generation market. Problems arise when a firm has the ability to raise prices above market for a sustained period and/or impede output of a product or service. Such concerns have led some states to develop codes of conduct to govern relationships between the regulated utility and its non-regulated affiliates. Consideration should be given to any "unique" advantages an incumbent utility would have over competitors in an emerging market such as the retail energy market. A code of conduct should be used in conjunction with guidelines on cost allocations and affiliate transactions.

A. DEFINITIONS

1. Affiliates - companies that are related to each other due to common ownership or control.
2. Attestation Engagement - one in which a certified public accountant who is in the practice of public accounting is contracted to issue a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party.
3. Cost Allocation Manual (CAM) - an indexed compilation and documentation of a company's cost allocation policies and related procedures.
4. Cost Allocations - the methods or ratios used to apportion costs. A cost allocator can be based on the origin of costs, as in the case of cost drivers; cost-causative linkage of an indirect nature; or one or more overall factors (also known as general allocators).
5. Common Costs - costs associated with services or products that are of joint benefit between regulated and non-regulated business units.
6. Cost Driver - a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.
7. Direct Costs - costs which can be specifically identified with a particular service or product.
8. Fully Allocated costs - the sum of the direct costs plus an appropriate share of indirect costs.

9. Incremental pricing - pricing services or products on a basis of only the additional costs added by their operations while one or more pre-existing services or products support the fixed costs.
10. Indirect Costs - costs that cannot be identified with a particular service or product. This includes but not limited to overhead costs, administrative and general, and taxes.
11. Non-regulated - that which is not subject to regulation by regulatory authorities.
12. Prevailing Market Pricing - a generally accepted market value that can be substantiated by clearly comparable transactions, auction or appraisal.
13. Regulated - that which is subject to regulation by regulatory authorities.
14. Subsidization - the recovery of costs from one class of customers or business unit that are attributable to another.

B. COST ALLOCATION PRINCIPLES

The following allocation principles should be used whenever products or services are provided between a regulated utility and its non-regulated affiliate or division.

1. To the maximum extent practicable, in consideration of administrative costs, costs should be collected and classified on a direct basis for each asset, service or product provided.
2. The general method for charging indirect costs should be on a fully allocated cost basis. Under appropriate circumstances, regulatory authorities may consider incremental cost, prevailing market pricing or other methods for allocating costs and pricing transactions among affiliates.
3. To the extent possible, all direct and allocated costs between regulated and non-regulated services and products should be traceable on the books of the applicable regulated utility to the applicable Uniform System of Accounts. Documentation should be made available to the appropriate regulatory authority upon request regarding transactions between the regulated utility and its affiliates.
4. The allocation methods should apply to the regulated entity's affiliates in order to prevent
subsidization from, and ensure equitable cost sharing among the regulated entity and its affiliates, and vice versa.

5. All costs should be classified to services or products which, by their very nature, are either regulated, non-regulated, or common to both.
6. The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost between regulated and non-regulated services or products.
7. The indirect costs of each business unit, including the allocated costs of shared services, should be spread to the services or products to which they relate using relevant cost allocators.

C. COST ALLOCATION MANUAL (NOT TARIFFED)

Each entity that provides both regulated and non-regulated services or products should maintain a cost allocation manual (CAM) or its equivalent and notify the jurisdictional regulatory authorities of the CAM's existence. The determination of what, if any, information should be held confidential should be based on the statutes and rules of the regulatory agency that requires the information. Any entity required to provide notification of a CAM(s) should make arrangements as necessary and appropriate to ensure competitively sensitive information derived therefrom be kept confidential by the regulator. At a minimum, the CAM should contain the following:

1. An organization chart of the holding company, depicting all affiliates, and regulated entities.
2. A description of all assets, services and products provided to and from the regulated entity and each of its affiliates.
3. A description of all assets, services and products provided by the regulated entity to non-affiliates.
4. A description of the cost allocators and methods used by the regulated entity and the cost allocators and methods used by its affiliates related to the regulated services and products provided to the regulated entity.

D. AFFILIATE TRANSACTIONS (NOT TARIFFED)

The affiliate transactions pricing guidelines are based on two assumptions. First, affiliate transactions raise the concern of self-dealing where market forces do not necessarily drive prices. Second, utilities have a natural business incentive to shift costs from non-regulated competitive operations to regulated monopoly operations since recovery is more certain with captive ratepayers. Too much flexibility will lead

to subsidization. However, if the affiliate transaction pricing guidelines are too rigid, economic transactions may be discouraged.

The objective of the affiliate transactions' guidelines is to lessen the possibility of subsidization in order to protect monopoly ratepayers and to help establish and preserve competition in the electric generation and the electric and gas supply markets. It provides ample flexibility to accommodate exceptions where the outcome is in the best interest of the utility, its ratepayers and competition. As with any transactions, the burden of proof for any exception from

the general rule rests with the proponent of the exception.

1. Generally, the price for services, products and the use of assets provided by a regulated entity to its non-regulated affiliates should be at the higher of fully allocated costs or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.

2. Generally, the price for services, products and the use of assets provided by a non-regulated affiliate to a regulated affiliate should be at the lower of fully allocated cost or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.

3. Generally, transfer of a capital asset from the utility to its non-regulated affiliate should be at the greater of prevailing market price or net book value, except as otherwise required by law or regulation. Generally, transfer of assets from an affiliate to the utility should be at the lower of prevailing market price or net book value, except as otherwise required by law or regulation. To determine prevailing market value, an appraisal should be required at certain value thresholds as determined by regulators.

4. Entities should maintain all information underlying affiliate transactions with the affiliated utility for a minimum of three years, or as required by law or regulation.

E. AUDIT REQUIREMENTS

1. An audit trail should exist with respect to all transactions between the regulated entity and its affiliates that relate to regulated services and products. The regulator should have complete access to all affiliate records necessary to ensure that cost allocations and affiliate transactions are conducted in accordance with the guidelines. Regulators should have complete access to affiliate records, consistent with state statutes, to ensure that the regulator has access to all relevant information necessary to

evaluate whether subsidization exists. The auditors, not the audited utilities, should determine what information is relevant for a particular audit objective. Limitations on access would compromise the audit process and impair audit independence.

2. Each regulated entity's cost allocation documentation should be made available to the company's internal auditors for periodic review of the allocation policy and process and to any jurisdictional regulatory authority when appropriate and upon request.

3. Any jurisdictional regulatory authority may request an independent attestation engagement of the CAM. The cost of any independent attestation engagement associated with the CAM, should be shared between regulated and non-regulated operations consistent with the allocation of similar common costs.

4. Any audit of the CAM should not otherwise limit or restrict the authority of state regulatory authorities to have access to the books and records of and audit the operations of jurisdictional utilities.

5. Any entity required to provide access to its books and records should make arrangements as necessary and appropriate to ensure that competitively sensitive information derived therefrom be kept confidential by the regulator.

F. REPORTING REQUIREMENTS

1. The regulated entity should report annually the dollar amount of non-tariffed transactions

associated with the provision of each service or product and the use or sale of each asset for the following:

- a. Those provided to each non-regulated affiliate.
- b. Those received from each non-regulated affiliate.
- c. Those provided to non-affiliated entities.

2. Any additional information needed to assure compliance with these Guidelines, such as cost of service data necessary to evaluate subsidization issues, should be provided.

ALGONQUIN POWER & UTILITIES CORP.

COST ALLOCATION MANUAL

Source:

<http://www.naruc.org/Publications/Guidelines%20for%20Cost%20Allocations%20and%20Affiliate%20Transactions.pdf>

Appendix 2 - Detailed Explanation of APUC Costs

1. APUC STRATEGIC MANAGEMENT COSTS

Strategic management decisions are critical for any public utility. The need for strategic management is even more pronounced for APUC as a publicly traded company, which depends on access to capital funding through public sales of units. APUC seeks to hire talented strategic managers that aid in running each facility owned by the company as efficiently and effectively as possible. This ensures the long term health of each utility and ensures that rates are kept as low as possible without compromising the level of service. It also facilitates each regulated utility's access to necessary capital funding at reduced costs. The costs included in Strategic Management Costs fall into the following categories.

a. Board of Directors

The Board of Directors provides strategic oversight on all company affairs including high level approvals of strategy, operation and maintenance budgets, capital budgets, etc. In addition, the Board of Directors provides corporate governance and ensures that capital and costs are incurred prudently, which ultimately protects ratepayers.

b. General Legal Services

General legal services involve legal matters not specific to any single facility, including review of audited financial statements, annual information filings, Sedar filings, review of contracts with credit facilities, incorporation, tax issues of a legal nature, market compliance, and other similar legal costs. These legal services are required in order for APUC to provide capital funding to individual utilities, without which the utilities could not provide adequate service. Additionally, the services ensure that APUC's subsidiaries remain compliant in all aspects of operations and prevents those entities from being exposed to unnecessary risks.

c. Professional Services

Professional Services including strategic plan reviews, capital market advisory services, ERP System maintenance, benefits consulting, and other similar professional services. By providing these services at a parent level, the subsidiaries are able to benefit from economies of scale. Additionally, some of these services improve APUC's access to capital which benefits all of its subsidiaries.

2. ACCESS TO CAPITAL MARKETS

One of APUC's primary functions is to ensure its subsidiaries have access to quality capital. APUC is listed on the Toronto Stock Exchange, a leading financial market. In order to allow its subsidiaries to have continued access to those capital markets, APUC incurs the following costs. These services and costs are a prerequisite to the subsidiaries continued access to those capital markets.

a. License and Permit Fees

In connection with APUC's participation in the Toronto Stock Exchange, APUC incurs certain license and permit fees such as Sedar fees, annual filing fees, licensing fees, etc. These licensing and permit fees are required in order to sell units on the Toronto Stock Exchange, which in turn provides funding for utility operations.

b. Escrow Fees

In connection with the payment of dividends to unit holders, APUC incurs escrow fees. Escrow fees are incurred to ensure continued access to capital and ensure continuing and ongoing investments by shareholders. Without such escrow fees, APUC's subsidiaries would not have a readily available source of capital funding.

c. Unitholder Communications

Unit holder communication costs are incurred to comply with filing and regulatory requirements of the Toronto Stock Exchange and meet the expectations of shareholders. These costs include items such as news releases and unit holder conference calls. In the absence of shareholder communication costs, investors would not invest in the units of APUC, and in turn, APUC would not have capital to invest in its subsidiaries. With such communications services, the subsidiaries would not have a readily available source of capital funding.

3. APUC FINANCIAL CONTROLS

Financial control costs incurred by APUC include costs for audit services and tax services. These costs are necessary to ensure that the subsidiaries are operating in a manner that meets audit standards and regulatory requirements, which have strong financial and operational controls, and financial transactions are recorded accurately and prudently. Without these services, the regulated utilities would not have a readily available source of capital funding.

a. Audit Fees

Audits are done on a yearly basis and reviews are performed quarterly on all facilities owned by APUC on an aggregate level. These corporate parent level audits reduce the cost of the standalone audits significantly for utilities which must perform its own separate audits. Where standalone audits are not required, ratepayers receive benefits of additional financial rigor, as well as access to capital, and financial soundness checks by third parties. Finally, during rate cases, the existence of audits provides staff and intervenors additional reliance on the company records, thus reducing overall rate case costs. The aggregate audit is necessary for the regulated utilities to have continued access to capital markets and unit holders.

b. Tax Services

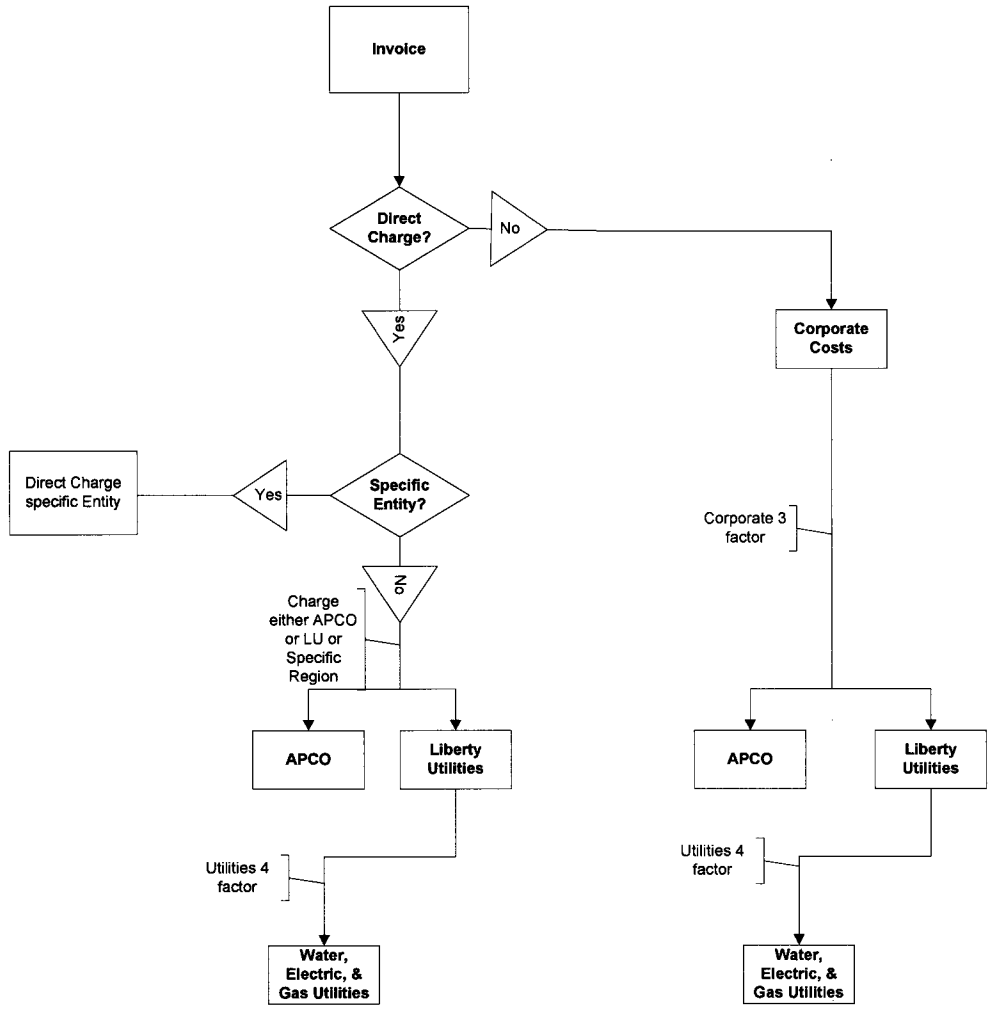
Taxes are paid on behalf of the regulated utilities at the parent level as part of a consolidated United States tax return. Tax services such as planning and filing are provided by third parties. Filing tax returns on a consolidated basis benefits each regulated utility by reducing the costs that otherwise would be incurred by such utility in filing its own separate tax return.

4. APUC ADMINISTRATIVE COSTS

Finally, administrative costs incurred by APUC such as rent, depreciation of office furniture, depreciation of computers, and general office costs are required to house all the services mentioned above. Without these administrative costs, the employees of APUC could not perform their work and provide the necessary services to the regulated utilities. These administrative costs also include training for corporate employees. The Three Factor Methodology is used to allocate these costs.

APPENDIX 3 - LIFE OF AN INVOICE

A hypothetical example is being provided of an invoice received by APUC for services to be allocated to its subsidiaries. The below diagram is intended to visually communicate APUC's allocation to APCo and Liberty Utilities.



APPENDIX 4 - LABOR ALLCOATION EXAMPLE

The following simplified example demonstrates how an APUC employee's labor costs would be allocated to the regulated utilities:

